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This draft has not yet been subject to the English editorial review, which will be performed in the version approved by EFRAG SR TEG when submitted to EFRAG SRB.

Log of draft explanations

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Cross-Cutting

ID 804 – Investment entities - scope of sustainability statements

Category

Cross-cutting

Question asked

Is an entity that qualifies as an Investment Entity as per IFRS 10 required to prepare a sustainability statement with the same consolidation scope as the financial statements?

ESRS Reference

ESRS 1 paragraphs 62 and 102

Key terms

IFRS 10 investment entities; asset managers; scope of consolidation

Background

ESRS 1 paragraph 62 states: 'The sustainability statements shall be for the same reporting undertaking as the financial statements. For example, if the reporting undertaking is a parent company required to prepare consolidated financial statements, the sustainability statement will be for the group. ...'

ESRS 1 paragraph 102 states: 'When the undertaking is reporting at a consolidated level, it shall perform its assessment of material impacts, risks and opportunities for the entire consolidated group regardless of its group legal structure. ...'

IFRS 10 *Consolidated Financial Statements* paragraph 4b states: 'A parent that is an investment entity shall not present consolidated financial statements if it is required, in accordance with paragraph 31 of this IFRS, to measure all of its subsidiaries at fair value through profit or loss.'

IFRS 10 paragraph 27 states: 'A parent shall determine whether it is an investment entity. An investment entity is an entity that:

- (a) obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;
- (b) commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- (c) measures and evaluates the performance of substantially all of its investments on a fair value basis.'

IFRS 10 paragraph 31 states: 'Except as described in paragraph 32, an investment entity shall not consolidate its subsidiaries or apply IFRS 3 when it obtains control of another entity. Instead, an investment entity shall measure an investment in a subsidiary at fair value through profit or loss in accordance with IFRS 9.'

Answer

Yes, an investment entity in accordance with IFRS 10 *Consolidated Financial Statements* is required to prepare a sustainability statement with the same consolidation scope as the financial statements.

The sustainability statement shall be for the same reporting undertaking as the financial statements (ESRS 1 paragraph 62). This also applies to investment entities as defined in IFRS 10 paragraph 27. As an investment entity shall not present consolidated financial statements in accordance with IFRS 10 paragraph 4b, it presents its investments in subsidiaries at fair value (see IFRS 10 paragraph 31). However, these investments represent business relationships that expose the undertaking to impacts, risks and opportunities.

For the consideration of the investments in subsidiaries of investment entities reference is made to IG 2 *Value Chain*: FAQ 2: *Are financial assets (loans, equity, and debt instruments) considered business relationships that trigger value chain information?*

More detailed guidance is expected in future sector standards.

To note:

As the subsidiaries of investment entities are not consolidated by the investment entity in its financial statement and accordingly are also not reflected in its sustainability statement the subsidiary exemption of the Directive 2013/34/EU (Accounting Directive) Article 19a (9) does not apply.

ID 906 – Structure of sustainability statement – annex / appendix possible?

Category

Cross-cutting

Question asked

Is there a possibility to implement an "Appendix" as another part of the sustainability statement (mainly for the content index, EU datapoint table etc.)?

ESRS references

ESRS 1 chapter 8.2; ESRS 2 paragraph 56

Key terms

Structure of sustainability statement; content index; EU-datapoint table; potential appendix

Background

ESRS 1 paragraph 115 states: 'The undertaking shall structure its sustainability statement in four parts, in the following order: general information, environmental information (including disclosures pursuant to Article 8 of Regulation (EU) 2020/852), social information and governance information. Respecting the provision in section 3.6 Material impacts or risks arising from actions to address sustainability matters of this Standard, when information provided in one part contains information to be reported in another part, the undertaking may refer in one part to information presented in another part, avoiding duplications. The undertaking may apply the detailed structure illustrated in Appendix F of this Standard.'