European Financial Reporting Advisory Group

[Draft] European Sustainability Reporting Guidelines 2 Quality of information conceptual guidelines for standard-setting

DISCLAIMER

This working paper is an Appendix to and must be read in conjunction with the related document '*PTF-ESRS Batch 1 working papers – Cover note and next steps*', which establishes the general context, the status of this working paper and the subsequent due process steps to be followed.

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[Draft] European Sustainability Reporting Guidelines 2

Characteristics of information quality

Introduction

1 These [draft] guidelines have to be considered in conjunction with the guidelines on double materiality. The qualitative characteristics of information on sustainability as defined by these [draft] guidelines should apply to any information assessed to be material.

2 References to other guidelines are indicated in italics.

Background

3 The proposal for the Corporate Sustainability Reporting Directive (CSRD) issued on 21 April 2021 requires that:

'The sustainability reporting standards …… shall require that the information to be reported is ***understandable, relevant, representative, verifiable, comparable, and is represented in a faithful manner****.'* (Article 19b(2) first paragraph)

'The information …… shall contain ***forward- looking and retrospective information****, and* ***qualitative and quantitative information****.'* (Article 19a(3) first paragraph)

4 Specific attention shall be paid to avoid any undue burdening of reporting undertakings in their preparation of a sustainability report.

Objective

5 These [draft] guidelines provide definitions, tools and processes related to the requested **characteristics relating to the quality of reported sustainability information,** in relation also to the nature of this information.

6 Their purpose is to:

(a) assist the [EFRAG Sustainability Standards Board (the 'Board')] in developing the European Sustainability Reporting Standards (ESRS). Accordingly, the [draft] guidelines address the required characteristics of the reported information that the Board should consider when developing standards and guidelines for quality sustainability reporting;

(b) provide a reference for [the Board] when it requires requiring undertakings to elaborate entity-specific disclosures in circumstances where no specific reporting standard exists; and

(c) provide a reference for understanding and applying ESRS.

Scope

7 These [draft] guidelines define the required characteristics of the quality of reported sustainability information, i.e. relevance, faithful representation, comparability, verifiability and understandability.

8 These qualitative characteristics are inspired by, and are fully compatible with, those required from financial reporting, and are designed to allow a consistent global corporate reporting (financial reporting and sustainability reporting).

Guidance for standard-setter

9 [The Board] shall consider each characteristic of quality when developing the content of standards and guidelines for sustainability reporting, keeping in mind how reported information can be decision-useful for stakeholders and how it will be applied by the undertaking during the reporting process.

10 For sustainability information to be useful, it must be relevant and faithfully represent what it purports to represent, characteristics which are known as fundamental characteristics of quality. Usefulness is enhanced when information is comparable, verifiable and understandable.

11 Designating information according to quality characteristics may imply a certain level of arbitration between these characteristics since they are interrelated, and the situation may require [the Board] to make decisions by putting the emphasis on certain characteristics at the expense of others. When several underlying objectives are potentially in conflict, [the Board] must seek to foster the best possible trade-off with reference to the most critical expectations of those who will use the information.

12 Characteristics of quality are related to materiality of information. For materiality please refer to [ESRG 1 *Guidelines on double materiality*] and to the cross referential standard [ESRS 4 *Sustainability material sustainability risks, opportunities and impacts*].

13 Timeliness of information is also related to quality, but it is not a characteristic to be considered by these guidelines, as timeliness is addressed by the provisions of the directive itself.

14 Connectivity, when it refers to sustainability information that can be put into context and can be related to financial information, is not considered as a characteristic of quality of information. This is because it applies equally to sustainability information and to financial reporting and is addressed through specific guidelines.

Fundamental qualities: relevance and faithful representation

Relevance

15 Sustainability information is relevant when it has substantive influence on the assessments and decisions of those who use reporting under a double materiality approach.

16 Sustainability information is capable of making a difference in stakeholder decisions if it has predictive value, confirmatory value or both.

17 Information has predictive value when it allows stakeholders to form a view on and assess future outcomes. Information has confirmatory value when it provides valuable feedback about the quality of previously reported information. The predictive value and confirmatory value of information are interrelated since one piece of information may have both.

18 A disclosure is relevant if the information is open, transparent and clear in the communication about material sustainability matters as a result of the double materiality assessment.

19 Information related to deliberate selection, contextualisation and weight of information should be considered.

20 The relevance level varies according to assessments in situations of uncertainty. Consequently, the nature and magnitude of uncertainties should be clearly communicated.

21 [The Board] should assess the extent to which a required disclosure is capable of providing insight that is useful for stakeholders' decision-making. This means users of sustainability reporting, whether from the perspective of material impacts on people and the environment, or from the perspective of the financial materiality, or both.

22 Materiality is an enabling factor of relevance. From the perspective of impacts on people and the environment, the assessment by [the Board] should reflect the fact that the materiality of sustainability matters derives from an assessment of the relative severity of those impacts (and scale and scope for positive impacts). Recognising that users of sustainability reporting represent diverse interests across the full range of sustainability matters, it is the focus on these most severe impacts that helps ensure the relevance of information to users' assessments and decisions, through the perspective of the impact materiality. From the perspective of financial materiality, the assessment by [the Board] should reflect that, beyond information already available in financial reporting, the materiality of sustainability matters derives from an assessment of the likely effects of those matters on future cash flows and therefore on value creation. The link between sustainability matters and effects on cash flows requires specific attention to the level of likelihood, the possible timeline and the nature of the effect.

Faithful representation

23 Sustainability information should convey a faithful representation of the reality it depicts.

24 When determining required disclosures at sector-agnostic and sector-specific levels and when specifying characteristics of quality in circumstances where undertakings are required to define entity-specific material disclosures, The Board needs to:

(a) Define the scope and objective of the disclosure, i.e. the reality it intends to cover so that the information to be reported corresponds to its stated purpose.

(b) Make sure that, within the defined scope, disclosures meet the three characteristics of: (i) completeness; (ii) neutrality; and, (iii) accuracy.

25 A complete depiction includes all material aspects related to the reportable content, including appropriate descriptions and explanations. Users shall be able to make informed decisions by having access to all necessary information, which shall not omit relevant aspects, factors or topics within the defined reporting boundary.

26 A neutral depiction is without bias in its selection and/or presentation of sustainability information. It should be balanced, so as to cover favourable/positive and unfavourable/negative aspects. [The Board] should in particular avoid focusing exclusively or primarily on negative externalities: from an impact materiality perspective, negative and positive material impacts should receive equal attention. From a financial materiality perspective, risks and opportunities should be considered on an equal footing. Overstatement or understatement of risks, opportunities and impacts are to be avoided.

27 Neutrality is supported by the exercise of prudence which implies the exercise of caution and clarity on assumptions when making judgements under conditions of uncertainty or in relation to forward looking information. When sustainability-related information results from management judgements (for instance targets and plans), specific information on the context of, and conditions for, these decisions is generally useful. When judgement is exercised in the context of high uncertainty which affects estimates or outcomes, particular attention should be paid to being prudent with appropriate reference, when relevant, to the provisions of the Accounting Directive (Directive 2013/34/EU) and the International Accounting Standards Regulation (EC) No 1606/2002.

28 Information shall a priori not be netted or compensated: information would not be neutral if it could mislead users. For example positive aspects have been eliminated or offset by negative aspects. When [the Board] proposes to net information, proper explanation has to be provided.

29 An accurate piece of information implies that the underlying processes and internal control to reduce errors or material mis-statements are operational. Estimates should be presented as such with a clear emphasis on possible limitations.

30 Information can be accurate even if not perfectly precise as long as the disclosure reflects properly the sustainability matter it purports to address.

31 Design of sustainable disclosures requirement should allow accurate information to be obtained and due consideration should be given in particular to the accuracy of factual information, how precise descriptions are, and the processes, checks, balances and any supporting information that reflects the judgement.

Enhancing characteristics of quality

32 Comparability, verifiability and understandability are quality characteristics that enhance the usefulness of information that is both relevant and provides a faithful representation of what it purports to represent. The enhancing qualitative characteristics may also help determine which of two possible means should be used to depict a phenomenon if both are considered to provide equally relevant information and an equally faithful representation of that phenomenon.

Comparability

33 Sustainability information should be presented on a basis that is consistent over time and, to the greatest extent possible, in a way that enables comparisons between undertakings (across sectors and within a specific sector).

34 Comparability in relation to quality is about the ability to relate information to a given point of reference or to the same information provided in previous reporting periods. A point of reference can be a target, a baseline, an industry benchmark, comparable information from other entities, from a planetary or social boundary foundation, etc.

35 Comparability over time requires consistent reporting. Consistency refers to the use of the same approaches or methods for the same sustainability matter, from period to period by an undertaking as well as by other undertakings. Accordingly, reporting options, metrics used and disclosures reported should remain stable; any change from one year to another should be explained and is expected to occur only when the new reporting policy enables the provision of more useful information. When a change in reporting policy (approach, method, option, metrics used to report and disclosures reported) occurs, the data related to the comparative period should be restated according to the new policy and disclosed together with the description of the methodology used for the restatement. Metrics to be used should be based on commonly used units of account.

36 For certain quantitative information, the establishment of a baseline year can be useful. If not set by [the Board], a baseline year should be required from the undertaking itself. The baseline year should be fixed and only changed in order to foster a better understanding of the depicted phenomenon in relation to retrospective and prospective evolution.

37 Relative data can be a very useful supplement for users of reporting. However, in order to promote comparability, reporting of absolute data should be prioritised as well as normalised data.

38 As users need to compare information between various undertakings, comparability between reporting entities assumes that entities facing the same pattern of facts will prepare information and report in a similar way, allowing for proper comparison.

39 [The Board] should aim at being prescriptive enough not to allow for significant deviations from one undertaking to another. [The Board] should provide explanations when it allows several options in a standard.

40 Clear guidance with regard to the approach used for calculating quantitative disclosures can help reporting undertakings to ensure robust and replicable data, information and results. [The Board] should pay particular attention when drafting applicable guidance to:

(a) Scope (e.g., economic activities covered, boundaries, business units targeted, value chain, etc.).

(b) Terms and definitions used.

(c) Calculations, including with regard to the calculation methods underpinning certain formulae; reference tools of use in making calculations; the base year for calculations and its rationale; and the specification of sources, methodologies and assumptions used.

(d) Linkages to other credible and well-recognised standards.

(e) Any need to use a baseline year as a reference for the quantitative indicators.

41 [The Board] may offer options in situations where a single approach cannot be selected. Yet such options shall be limited in number as far as possible and shall require undertakings to justify their selected option. In such a case, various options allowed by [the Board] shall be detailed and [the Board] may require undertakings to justify their selected option and any alternative information provided.

42 In some areas of sustainability reporting relevant disclosures will be sufficiently context-specific to make it unreasonable to seek comparability between reporting entities. This is because of different strategies needed to address impacts and therefore different targets, metrics and narratives needed to report on progress. This is particularly the case when seeking to identify targets and indicators of actual outcomes, as against indicators of process. Where they meet ‘relevance’ and other criteria for quality information, they should be included within disclosure standards, with particular emphasis placed on consistency in the basis for their reporting over time.

Verifiability

43 Sustainability information is verifiable if it enables users to trust the information in their decisions and it can be audited when required.

44 Verifiability is about ensuring reliability of the presented information and of the process that has led to that information. Reliability is when different independent observers with reasonable expertise would be in a position to reach a similar conclusion and consider that a particular disclosure conveys a faithful representation. Information is verifiable if it is possible to trace it.

45 Verifiability is the prerequisite of sustainability reporting being auditable, because it allows for appropriate evidence to be obtained as to the audit assertions (based on the required level of assurance).

46 The undertaking has the task to implement appropriate procedures, set up internal controls as well as suitable organisation and to assess which part of the report and/or information is ready/mature to allow for its verification.

47 [The Board] has the task to identify and define subject matters and where applicable, the relevant sector specific criteria in order to ensure that all assumptions, data compilations, methods and caveats (whatever their format) will be sufficiently transparent, documented and traceable for allowing a verification of information.

48 Sustainability disclosures shall be required in a way that allows their verifiability by providing contextual information on underlying assumptions and description of implemented processes and methods.

Understandability

49 Sustainability information should be presented in a clear and concise manner.

50 Understandable information enables all (knowledgeable) intended users to readily identify the main points being made in a straight-forward manner.

51 This includes a clear, logical layout and easy to follow presentation of the information in a way that effectively outlines and draws attention to material aspects under the double materiality approach.

52 For sustainability disclosures to be concise, they need to:

(a) avoid generic information, sometimes called ‘boilerplate’, that is not specific to the undertaking;

(b) avoid duplication of information, including unnecessary duplication of information also provided in financial statements; and

(c) use clear language and clearly structured sentences and paragraphs.

53 The clearest form of disclosure depends on the nature of the information and might sometimes include tables, graphs or diagrams in addition to narrative text. If graphs or diagrams are used, additional text or tables may be necessary to avoid obscuring material detail.

54 Clarity might be further enhanced by distinguishing information about developments in the reporting period from 'standing' information that remains unchanged, or changes only a little, from one period to the next – for example, by separately highlighting features of the undertaking's sustainability-related governance and risk management processes that have changed since the previous reporting period.

55 Concise disclosures should include only material information.

56 Some sustainability matters are inherently complex and may be challenging to present in a manner that is easy to understand. An undertaking should seek to present such information as clearly as possible. However, complex information about these matters should not be excluded from reports to make those reports easier to understand. The exclusion of such information would render those reports incomplete and, therefore, possibly misleading.

57 The completeness, clarity and comparability of sustainability disclosure all rely on information being presented as a coherent whole. For sustainability-related disclosures to be coherent, such information shall be presented in a way that explains that context and the relationships between the related pieces of information.

58 Understandable information should always be presented in the right context, balanced as much as possible, consistent within the sustainability reporting itself and with information provided elsewhere in the corporate reporting. The order in which information is presented is important for its ability to be understandable.

59 Some disclosures might be best understood in the context of information in the related financial statements. If sustainability risks and opportunities discussed in financial statements have implications for sustainability reporting, an undertaking shall include the information necessary for users to assess those implications and present connected information (including reconciliations and statements of consistency between financial and sustainability information).

60 The undertaking assesses whether information is material to the sustainability report, regardless of whether such information is also publicly available from another source.

61 The digitisation process shall also be considered to provide easy access to the disclosures without undue risks of misinterpretation.

62 For quantitative information, no netting or offsetting should be allowed as such does not contribute, in general, to an understanding of the underlying facts. A gross presentation is a priori a prerequisite for transparency.

63 The level of information, granularity and technicality should be aligned with the needs and expectations of users.

64 The language shall not be unduly technical and [the Board] should prioritise defined terms, as standardised and as recapitulated in the general glossary. If additional qualifications are needed, [the Board] should address them. Such qualifications include: (i) reasonably to be expected efforts to learn about the business or industry from other sources than the sustainability report, and (ii) general insight into issues related to sustainability matters.

65 Abbreviations should be avoided, units of measure should be indicated.

Categories of disclosed information

66 The qualities of information expected above apply to different categories of disclosed information. When designing a disclosure under the expected characteristics of quality, [the Board] should consider the nature of the disclosed information which may justify particular attention to certain characteristics.

Forward-looking information

67 Forward-looking information qualifies predictions about future business conditions including the undertaking's business environment, the undertaking's situation within this environment, and its strategy, policies and targets in a perspective of double materiality.

68 Reports may contain different forms of forward-looking (future-oriented) information, such as:

(a) Information about future conditions or outcomes from different scenarios. This may include forecasts, roadmaps, projections, and other information about future risks and opportunities.

(b) Information regarding the undertaking's intentions or strategy, etc.

69 Some but only a little forward-looking information might be almost actual and therefore, does not contain a significant degree of uncertainty. Most forward-looking information, however, is subject to greater inherent uncertainty than retrospective information.

70 Information about forecast or projected future conditions or outcomes relates to events and actions that have not yet occurred and may not occur, or that have occurred but are still evolving in unpredictable ways. Many tools may be used for forecasting. [The Board] should prescribe when possible the most adequate methods to be used.

71 The time horizon to be taken into account to establish and disclose forecasts should be stipulated by [the Board] when appropriate.

72 A **forecast** is prepared on the basis of assumptions as to future events that management expects to occur and as to actions that management expects to take as of the date the information is prepared ('best estimate' assumptions and/or models).

73 A **projection** is based on assumptions about future events and management actions that are not necessarily expected to occur, or a combination of hypothetical and « best estimate » assumptions. This could also refer to scenario analysis, which may offer different projections reflecting different assumptions. Such information illustrates the possible consequences as of the date at which the information is prepared, if events and actions were to occur. The inherent uncertainties relating to the forward-looking information, the criteria and assumptions used, and the speculative nature of the available evidence, which give rise to a wide range of possible outcomes, in order for the information to be relevant and to faithfully represent what it purports to represent, mean that [the Board] shall require the undertaking to identify and disclose the sources of significant uncertainty and the factors affecting these sources of uncertainty.

74 When the forward-looking information relates to strategy, targets or other intentions, the undertaking is not likely to be able to document evidence about whether the strategy, targets or intention will be achieved, or to come to a conclusion to that effect. In this case, refer to the cross-cutting standard [ESRS n *Strategy and business model*].

75 The system and documentation should give access to back testing capabilities or should allow to identify gaps between the forward-looking and the effective outcomes.

76 Forward-looking information may be either quantitative or qualitative. [The Board] should identify the nature of the most relevant forward-looking information in that regard.

Retrospective information

77 Retrospective information is information related to past dates or certain periods in the past.

78 [The Board] should specify explicitly for each reporting requirement the intended period of reporting (number of required periods). A given metric could be required for past and future periods.

Qualitative information

79 Qualitative information is information expressed through narrative text.

80 Assertions embodied in qualitative information may be explicit or implicit.

81 Some qualitative information is factual (directly observable or otherwise able to be subject to evidence-gathering procedures). Some information is inherently subjective (not directly observable and variable with the views of those reporting it).

82 Mis-statements in qualitative information have to be avoided and may arise for instance, through:

(a) the inclusion of inappropriate information, such as information that obscures or distorts information;

(b) the inclusion of information that is not supported by available evidence, or the omission of information for which there is evidence that suggests it should have been included;

(c) information relating to a significant subsequent event that would be likely to change the decisions of stakeholders.

Quantitative information

83 Quantitative information is information expressed in a certain number of units of account.

84 Indication of the unit (monetary or not) for each quantitative indicator has to be clearly stated. When there is a possible choice regarding the unit, the most meaningful one – for the users of reporting – should be selected. [The Board] should indicate the reasons for the choice of the selected unit.

85 The process of collecting any retrospective information should be similar to the financial one even if dedicated processes may be specified per E, S and G categories.

Underlying organisation for processes and internal control allowing quality of information

86 When elaborating standards, [The Board] should give due consideration to the processes and internal control to be put in place by the undertaking for collecting inputs and preparing disclosures.

87 Organisational fundamentals should be implemented to ensure information quality. The purpose is to highlight the optimal processes to be considered within the organisation for achieving quality information. It is therefore useful for the [Board] to have in mind the related underlying organisation to be set-up at undertaking level.

Tone of the Top

88 All members of the highest governance body are ultimately accountable for the quality of the information included in sustainability reporting. In particular, through their oversight, they are expected to make sure that the processes that have led to the preparation of the information included in reports respect the principles of quality of information. Their primary responsibility is to give the ‘tone as the top’ establishing the direction of travel of the undertaking and the framework of values and principles to be adhered to and complied with. The development of sustainability reporting as a key pillar of corporate reporting implies a specific focus on this area.

89 In this respect, undertakings have to guarantee that material mis-statements in sustainability reporting are avoided, that appropriate risk assessment policies to cover this risk are set-up, even though the preparatory work for their board’s review may be delegated to a relevant committee and should be performed in conjunction with relevant members of the senior management, e.g., the CEO, CFO, COO and the heads of Internal Audit, Finance/Accounting, CSR, HR, Legal, etc.

90 Hence, the highest governance body, in conjunction with the undertaking’s executive staff, is responsible for the implementation of a comprehensive framework aimed at ensuring the fundamentals for producing quality information to the sustainability reporting, including:

(a) Proper and timely assessment of risks, opportunities and impacts,

(b) Value chain due diligence,

(c) Alignment of disclosure to users’ needs and expectations,

(d) Connectivity between disclosures,

(e) Applicable internal governance,

(f) Internal control framework.

91 The governance and management attitude, awareness and actions on these tasks are key to reaching a good level of quality of information.

Set-up of a control environment

92 In order to make sure that the reporting processes and the information included in a sustainability report meet an adequate level of quality, the highest governance body should ensure that the internal control system and aligned processes are effective.

93 This implies that an assessment should be made on the effectiveness of the internal control system, focused on (i) how well designed the controls are, and (ii) how well implemented the controls are.

94 From a generic standpoint, the following definitions of risks are relevant for the reporting process: (i) the risk to or from an undertaking in the absence of any direct or focused actions by top management to alter its severity – the inherent risk; (ii) the risk not to detect or avoid errors, false and/or not correct information – the control risk.

Internal control as to documentation

95 In addition to the setting-up of a general control environment, the highest governance body should ensure the existence of suitable process-related trails (similar to the trails for financial documentation) that show and document how data and information are and have been collated, recorded, accumulated, eventually calculated, consolidated, transmitted, and communicated from and through different sources to the sustainability reporting to ensure that sustainable information has the same level of quality as the financial information.

96 When uncertainties are not inherent to the organisation (e.g. they result from lack of knowledge or lack of appropriate application of quality criteria), mis-statements can arise. Relevant control points throughout the process should be accordingly set-up equal to financial control points.

Cost constraint on useful sustainability information

97 Cost is a constraint on the information that can be provided by sustainability reporting. Reporting imposes costs, and it is important that those costs are justified by the benefits of reporting that information. There are several types of costs and benefits to consider.

98 Preparers and providers of sustainability information expend most of the effort involved in collecting, processing, verifying and disseminating sustainability information. Users of financial information also incur costs for analysing and interpreting the information provided. If needed information is not provided, users incur additional costs to obtain that information elsewhere or to estimate it.

99 Reporting sustainability information that is relevant and faithfully represents what it purports to represent helps users to make decisions with more confidence in respect of their respective relationship to the undertaking. However, it is not possible for sustainability reports to provide all the information that every user finds relevant.

100 In applying the cost constraint, [the Board] assesses whether the benefits of reporting particular information are likely to justify the costs incurred to provide and use that information.

Appendix: Background research

Key principles

1 The content of the guidelines has been developed following the content of similar guidelines or definitions that exist for financial frameworks or other existing sustainability frameworks, as much as is possible.

Alignment with the contents of the PTF-NFRS Report of March 2021 and subsequent developments

2 An analysis of current qualities of information used in corporate reporting was performed during the first phase of the Project Task-Force (PTF-NFRS), comparing the qualitative characteristics of the following frameworks: Non-binding guidelines (2017) of the Non-Financial Reporting Directive, Global reporting initiative (GRI), International integrated reporting council (IIRC), Sustainable accounting standard board (SASB), UN Guiding Principles, task-force on Climate-related financial disclosures (TCFD) and Sustainable development goals (SDGs). In addition, reference has been made to the IFRS Conceptual Framework for Financial Reporting. Additional consideration has been given to the General Requirements for Disclosure of Sustainability-related Financial Information Prototype issued by the IFRS Foundation TWRG in November 2021.

3 Related extracts from Stream A3 report "Conceptual framework for non-financial information standard setting" (from pages 47 to 56) relating to quality of information are summarised below together with additional developments for each of CSRD requested quality criteria:

Relevance

4 Proposed definition (§205 – c)) of the PTF-NFRS report for a relevant information is "Non-financial information is relevant when it has substantive influence on the assessments and decisions made by all stakeholders under a double materiality approach."

5 See below a summary of the definition in current frameworks as they have been compiled in PTF-NFRS report:

Framework	A3 report ref	definition
SASB	§195 - c)	Relevant across an industry: SASB addresses topics that are systemic to an industry and/or represent risks and opportunities unique to the industry and which, therefore, are likely to apply to many companies within the industry.
NFRD / Guidelines	§ 188- c)	Comprehensive but concise: material disclosures are expected to provide a comprehensive picture of a company in the reporting year. This refers to the breadth of information disclosed. However, the depth of information reported on any particular issue depends on its materiality. A company should focus on providing the breadth and depth of information that will help stakeholders understand its development, performance, position and the impact of its activities. The non-financial statement is also expected to be concise and avoid immaterial information. Disclosing immaterial information may make the non-financial statement less easy to understand since it would obscure material information. Generic or boilerplate information that is not material should be avoided.
IIRC	192 – d)	Materiality: an integrated report should disclose information about matters that substantively affect the organisation's ability to create value over the short-, medium- and long-term.

TCFD	§ 198 – a)	Relevant information: the organisation should provide information specific to the potential impact of climate-related risks and opportunities on its markets, businesses, corporate or investment strategy, financial statements, and future cash flows.
SDGs	-	
IFRS Foundation TRWG Prototype General Requirements	D5/D6 *New compared to A3 report*	Relevant sustainability-related financial information is capable of making a difference in users' decisions. Information may be capable of making a difference in a decision even if some users choose not to take advantage of it or are already aware of it from other sources. Sustainability-related financial information is capable of making a difference in decisions made by users if it has predictive value, confirmatory value or both.
IFRS Conceptual Framework for financial reporting	2.6/2.7 *New compared to A3 report*	Relevant financial information is capable of making a difference in the decisions made by users. Information may be capable of making a difference in a decision even if some users choose not to take advantage of it or are already aware of it from other sources. Financial information is capable of making a difference in decisions if it has predictive value, confirmatory value or both.

Faithful information

6 Proposed definition (§205 – a)) of the PTF-NFRS report for faithful representation is "Non-financial information conveys a faithful representation of the reality it depicts: a faithful representation should be complete, neutral and free from error.

7 See below a summary of the definition in current frameworks as they have been compiled in PTF-NFRS report:

Framework	A3 report ref	definition
GRI	§171- b)	Balance: the reported information shall reflect positive and negative aspects of the reporting organisation's performance to enable a reasoned assessment of the overall performance.
SASB	§172 - e), h)	e) Complete: individually, or as a set, metrics provide enough data and information to understand and interpret performance associated with all aspects of the sustainability topic. h) Neutral: metrics are free from bias and value judgment on behalf of SASB, so that they yield an objective disclosure of performance that investors can use regardless of their worldview or outlook.
NFRD/ Accounting directive / Guidelines	§200 – b)	b) Faithful representation means representation of the substance of an economic phenomenon instead of representation of its legal form only. A faithful representation seeks to maximise the underlying characteristics of completeness, neutrality and freedom from error.

TCFD	§198- b)	Specific and complete: an organisation's reporting should provide a thorough overview of its exposure to potential climate-related impacts; the potential nature and size of such impacts; the organisation's governance, strategy, processes for managing climate-related risks, and performance with respect to managing climate-related risks and opportunities.
SDGs	§201- f)	Completeness, balance, understandability: SDG Disclosures should be complete, balanced and understandable. They should report on the organisation's impact on the achievement of the SDGs in a balanced way and without material error. For SDG Disclosures to be complete and comply with the Fundamental Concept of Sustainable Development context and relevance and the Fundamental Concept of Materiality, they may need to address issues and impact in the organisation's value chain but outside its boundary.
IIRC	Referred to as 'reliability'	The reliability of information is affected by its balance and freedom from material error. Reliability (which is often referred to as faithful representation) is enhanced by mechanisms such as robust internal control and reporting systems, stakeholder engagement, internal audit or similar functions, and independent, external assurance.
IFRS Foundation TRWG General Presentation	D11/D12 *New compared to A3 report*	Sustainability-related financial disclosures represent economic phenomena in words and numbers. To be useful, disclosures shall not only represent relevant phenomena, but shall also faithfully represent the substance of the phenomena that they purport to represent. In many circumstances, the substance of an economic phenomenon and its legal form are the same. If they are not the same, providing information only about the legal form would not faithfully represent the economic phenomenon. To be a faithful representation, a depiction would be complete, neutral and accurate. The objective of general purpose financial statements is to maximise those qualities to the maximum extent.
IFRS Conceptual Framework for financial reporting	2.12/2.13 *New compared to A3 report*	Financial reports represent economic phenomena in words and numbers. To be useful, financial information must not only represent relevant phenomena, but it must also faithfully represent the substance of the phenomena that it purports to represent. In many circumstances, the substance of an economic phenomenon and its legal form are the same. If they are not the same, providing information only about the legal form would not faithfully represent the economic phenomenon. To be a perfectly faithful representation, a depiction would have three characteristics. It would be complete, neutral and free from error. Of course, perfection is seldom, if ever, achievable. The Board's objective is to maximise those qualities to the extent possible.

Comparability

8 Proposed definition (§205 – b)) of the PTF-NFRS report for a comparable information is "Non-financial information is presented: on a basis that is consistent over time, on a way that enables comparison with other organisations."

9 See below a summary of the definition in current frameworks as they have been compiled in PTF-NFRS report:

Framework	A3 report ref	definition
GRI	§171- d)	Comparability: the reporting organisation shall select, compile, and report information consistently. The reported information shall be presented in a manner that enables stakeholders to analyse changes in the organisation's performance over time, and that could support analysis relative to other organisations.
SASB	§172 - d)	Comparable: metrics will yield primarily (a) quantitative data that allow for peer-to-peer benchmarking within the industry and year-on-year benchmarking for an issuer, but also (b) qualitative information that facilitates comparison of disclosure.
NFRD/ Accounting directive / Guidelines	§200 – c)	Comparability enables users to identify and understand similarities in, and differences among, items.
IIRC	192 – g)	Consistency and comparability: the information in an integrated report should be presented on a basis that is consistent over time and in a way that enables comparison with other organisations to the extent it is material to the organisation's own ability to create value over time.
TCFD	§ 198 – d), e)	d) Consistent over time: disclosures should be consistent over time to enable users to understand the development and/ or evolution of the impact of climate-related issues on the organisation's business. Disclosures should be presented using consistent formats, language, and metrics from period to period to allow for inter-period comparisons. Presenting comparative information is preferred; however, in some situations it may be preferable to include a new disclosure even if comparative information cannot be prepared or restated. e) Comparable: disclosures among organisations within a sector, industry, or portfolio should be comparable. They should allow for meaningful comparisons of strategy, business activities, risks, and performance across organisations and within sectors and jurisdictions. The level of detail provided in disclosures should enable comparison and benchmarking of risks across sectors and at the portfolio level, where appropriate.
SDGs	§ 201 – e)	Consistency and comparability: Changes that occur through the application of these Principles should be disclosed so that the SDG Disclosures are comparable over time and across organisations.
IFRS TRWG General Presentation Prototype	D20 *New compared to A3 report*	Information is more useful to investors and creditors if it is also comparable, that is if it can be compared with: (a) information provided by the entity in previous periods; and (b) information provided by other entities, in particular those with similar activities or operating within the same industry.

IFRS Conceptual Framework for financial reporting	2.25 *New compared to A3 report*	Comparability is the qualitative characteristic that enables users to identify and understand similarities in, and differences among, items

Verifiability

10 Proposed definition (§205 – e)) of the PTF-NFRS report for a verifiable information is "Non-financial information is verifiable, and auditable when required. All assumptions data, caveats, and methods used are transparent, traceable and fully documented."

11 See below a summary of the definition in current frameworks:

Framework	A3 report ref	definition
GRI	-	
SASB	§172 - f)	Verifiable: metrics are capable of supporting effective internal controls for the purposes of data verification and assurance.
NFRD/ Accounting directive / Guidelines	§200 – d)	d) Verifiability helps to assure users that information represents faithfully the economic phenomena it purports to represent. Verifiability means that different knowledgeable and independent observers could reach consensus, although not necessarily complete agreement, that a particular depiction is a faithful representation.
IIRC	192 – c)	-
TCFD	§ 198 – f)	Reliable, verifiable, and objective: disclosures should provide high-quality reliable information. They should be accurate and neutral. Future-oriented disclosures will inherently involve the organisation's judgment (which should be adequately explained). To the possible extent, disclosures should be based on objective data and use best-in-class measurement methodologies, which would include common industry practice as it evolves. Disclosures should be defined, collected, recorded, and analysed in such a way that the information reported is verifiable to ensure it is high quality. For future-oriented information, this means assumptions used can be traced back to their sources. This does not imply a requirement for independent external assurance; however, disclosures should be subject to internal governance processes that are the same or substantially similar to those used for financial reporting..
SDGs	§ 201 – g)	Reliability and verifiability: quantified SDG Disclosures should be reliable and verifiable.
IFRS TRWG General Presentation Prototype	D24 *New compared to A3 report*	Information is verifiable if it is possible to corroborate either the information itself or the inputs used to derive it. Verifiable information is more useful than information that is not verifiable.

Understandability

12 Proposed definition (§205 – d)) of the PTF-NFRS report for an understandable information is “Non-financial information is presented in a clear and understandable manner for all stakeholders”.

13 See below a summary of the definition in current frameworks as they have been compiled in PTF-NFRS report:

Framework	A3 report ref	definition
GRI	§171- c)	Clarity: the reporting organisation shall make information available in a manner that is understandable and accessible to stakeholders using that information.
SASB	-	-
NFRD / Guidelines	§ 188- b)	b) Fair, balanced and understandable: the non-financial statement should give fair consideration to favourable and unfavourable aspects, and information should be assessed and presented in an unbiased way. The non-financial statement should consider all available and reliable inputs, taking into account the information needs of relevant stakeholders. Users of information should not be misled by material mis-statements, by the omission of material information, or by the disclosure of immaterial information. The non-financial statement should clearly distinguish facts from views or interpretations.
TCFD	§ 198 – c)	c) Clear, balanced, and understandable: disclosures should be written with the objective of communicating financial information serving the needs of a range of financial sector users (e.g., investors, lenders, insurers, and others). This requires reporting at a level beyond compliance with minimum requirements. The disclosures should be sufficiently granular to inform sophisticated users but should also provide concise information to those who are less specialised. Clear communication will allow users to identify key information efficiently. Disclosures should show an appropriate balance between qualitative and quantitative information and use text, numbers, and graphical presentations as appropriate. Fair and balanced narrative explanations should provide insight into the meaning of quantitative disclosures, including changes or developments they portray over time. Furthermore, balanced narrative explanations require that risks as well as opportunities are portrayed in a manner that is free from bias.
SDGs	§ 201 – f)	f) Completeness, balance, understandability: SDG Disclosures should be complete, balanced and understandable. They should report on the organisation’s impact on the achievement of the SDGs in a balanced way and without material error. For SDG Disclosures to be complete and comply with the Fundamental Concept of Sustainable Development context and relevance and the Fundamental Concept of Materiality, they may need to address issues and impact in the organisation’s value chain but outside its boundary.

IFRS Foundation TRWG General Presentation Prototype	D29 *New compared to A3 report*	Sustainability-related financial disclosures shall be clear and concise.
IFRS Conceptual Framework for financial reporting	2.34 *New compared to A3 report*	Classifying, characterising and presenting information clearly and concisely makes it understandable.

Nature of the information

14 Forward-looking and retrospective information was analysed from page 29 to 35 of Stream A3 report and has resulted in the recommendation that "In non-financial reporting (when compared to financial reporting), reporting over a longer time period, both retrospective and (in particular) forward-looking, is often deemed necessary due to the nature of the topics. Assessing available methods and tools that assist reporting organisations in disclosing the information in a comprehensive yet understandable manner will be helpful in a next step".

15 The PTF-NFRS report embeds the analysis in a time horizon context as stated in § 108 & 109.

16 § 108 Disclosing forward-looking information is often required or recommended by existing non-financial frameworks and standards. The type of information and extent of forward-looking disclosures vary significantly, as do the time horizons that are considered adequate to address the sustainability challenges ahead.

17 § 109 The key question in PTF's analysis in relation to time horizon is: 'What is the role and value of forward-looking information, what may be included in forward-looking information, which time horizons could be applied and how could forward-looking non-financial information be made meaningful?'

18 As the time horizon concept is treated in a specific guideline, only the issues related to definitions is incorporated in this guideline.

Forward-looking information

19 § 110 Most frameworks and standards reviewed require or recommend some form of forward-looking information. The type of forward-looking information required or recommended may vary significantly and may include, among others, strategic outlook, scenario-analyses and (projected performance against) science-based targets.

20 § 111 Several existing standards and frameworks require or recommend disclosure of targets and performance against targets. Only a limited number of these standards and frameworks specifically require or recommend science-based targets or policy-based targets (e.g. based on global or EU policy commitments such as the ILO Conventions or the Sustainable Development Goals SDGs).

21 See the table page 31 of the PTF-NFRS report for the analysis by main standard or frameworks.

Retrospective information

22 Extract from § 116: The recommended retrospective information includes the company's view on performance with respect to targets and key events, achievements and failures during the reporting period.

23 Retrospective information relates to past performance (§235) and is a reference for a baseline (§ 112).

24 Qualitative and quantitative information was analysed from page 43 to 55 of Stream A3 report and has resulted in the recommendation that for non-financial information, both qualitative and quantitative (both non-monetary and monetary) information are equally important, including where qualitative information provides essential context for the interpretation of numerical data or when numerical data illustrate or support qualitative information. The different types of non-financial information are not always clearly defined."

Qualitative / quantitative information

25 There is no definition as such of what is qualitative or quantitative information in the reviewed frameworks. Some tend to qualify nevertheless the different inherent and interlinked characteristics:

§ 160: GRI Standard specifically requires – for each material topic – to report the management approach to disclosures for that topic, that is a narrative description about how the topic is managed, and a specific disclosure to be chosen within the Topic Specific Standards (200, 300, 400) that is typically a quantitative KPI. Other appropriate disclosures should be reported, if the material topic is not covered by an existing GRI Standard.

§ 161 Some frameworks are not granular in terms of specific quantitative and qualitative information to disclose (IIRC, UNGP). The IIRC Framework is principle-based. The intent of the principle-based approach is to strike an appropriate balance between flexibility and prescription that recognises the wide variation in individual circumstances of different organisations while enabling a sufficient degree of comparability across organisations to meet relevant information needs. This Framework does not prescribe specific key performance indicators (KPIs), measurement methods or the disclosure of individual matters. Quantitative indicators, such as KPIs and monetised metrics, and the context in which they are provided can be very helpful in explaining how an organisation creates value and how it uses and affects various capitals. While quantitative indicators are included in an integrated report whenever it is practicable and relevant to do so:

(a) The ability of the organisation to create value can best be reported through a combination of quantitative and qualitative information.

(b) It is not the purpose of an integrated report to quantify or monetise the value of the organisation at a point in time, the value it creates over a period, or its uses of or effects on all the capitals.

§ 162: SASB provides companies with standardised quantitative—or, in some cases, qualitative—metrics intended to measure performance on each disclosure topic or an aspect of the topic. Indicators are retroactive and can be either quantitative (in amounts or percentages) or descriptive (e.g. corporate policies). Sustainability accounting metrics should be accompanied by a narrative description of any material factors necessary to ensure completeness, accuracy, and comparability of the data reported, where not addressed by the specific accounting metrics, including strategy, competitive positioning, degree of control, performance, and trends over time.

§ 165 The TCFD requires both qualitative and quantitative information: the first category includes, for instance, narrative description of governance, strategy and risk management approach concerning climate-related issues; while the second category includes, for instance, metrics and targets concerning climate-related risks and opportunities, such as Scope 1, 2 and 3 carbon emissions, or the quantification of the financial impacts of climate-related risks and opportunities over the organisations' business, financial planning and strategy.

§ 166 GHG protocol focus primarily on quantitative information: it requires predominantly quantitative information on GHG emissions. Some additional explanatory information is also provided in qualitative form in reports.

§ 167 Natural Capital Protocol establishes that the valuation of natural capital can be:

(a) Qualitative: e.g. opinion surveys, deliberative approaches, relative valuation;

(b) Quantitative (numerical but NOT monetary): e.g. structured surveys, indicators, multi-criteria analysis;

(c) Monetary: e.g. market and financial prices (if available), production function, cost-based approaches, revealed or stated preference approach.