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EFRAG Sustainability Reporting Board Consultation Survey 1

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EFRAG Sustainability Reporting Board Consultation Survey 1A - 1C, 2

Consultation survey structure

1. Overall European Sustainability Reporting Standards (ESRS) Exposure Drafts' relevance (Survey 1)

- 1A. Architecture
- 1B. Implementation of Corporate Sustainability Reporting Directive (CSRD) principles
- 1C. Exposure Drafts' content

2. European Sustainability Reporting Standards (ESRS) implementation prioritisation / phasing-in (Survey 1)

3. Adequacy of Disclosure Requirements (Survey 2)

- 3A. Cross cutting standards
- 3B Environmental standards
- 3C Social standards
- 3D Governance standards

Respondent Profile

1. Personal details

* Organisation name

50 character(s) maximum

Austrian Financial Reporting and Auditing Committe

* First name

50 character(s) maximum

Romuald

* Surname

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* Country of origin

50 character(s) maximum

Austria

*** 2. Type of respondent**

- ○ Academic / research institution
- ○ Audit firm, assurance provider and/or accounting firm
- ○ Business association
- ○ Consumer organization
- ○ ESG reporting initiative
- ○ EU Citizen
- ○ Financial institution (Bank)
- ○ Financial institution (Other financial Market Participant, including pension funds and other asset managers)
- ○ Financial institution (Insurance)
- ◉ National Standard Setter
- ○ Non-governmental organisation
- ○ Non-financial corporation with securities listed on EU regulated markets
- ○ Non-financial corporation with securities listed outside EU regulated markets
- ○ Public authority/regulator/supervisor
- ○ Rating agency and analysts
- ○ Trade unions or other workers representatives
- ○ Unlisted non-financial corporations
- ○ Other

*** 3. Size**

- ○ Micro (1 to 9 employees)
- ○ Small (10 to 49 employees)
- ○ Medium (50 to 249 employees)
- ○ Large (250 or more employees)
- ◉ Not relevant

* **4. User/Preparer perspective**

- ○ User
- ○ Preparer
- ◉ Both
- ○ Neither

* **5. Subject to CSRD**

Separate non-financial corps subject to CSRD from those not subject to CSRD?

- ○ Yes
- ◉ No

EFRAG Sustainability Reporting Board Consultation Survey 1A - 1C, 2

1A. Overall ESRS Exposure Drafts' relevance – Architecture

Cross-cutting and topical standards

To facilitate a coherent coverage of the CSRD topics and reporting areas (as per Article 19a paragraph 2 and Article 19b paragraph 2 – see Appendix II) the Exposure Drafts ("EDs") submitted for public consultation are based upon two categories of standards:

• **Cross-cutting ESRS** which:

1. Establish the general principles to be followed when preparing sustainability reporting in line with the CSRD provisions
2. Mandate Disclosure Requirements ("DRs") aimed at providing an understanding of (a) strategy and business model, (b) governance and organisation, and (c) materiality assessment, covering all topics.

• **Topical ESRS** which, from a sector-agnostic perspective:

1. Provide topic-specific application guidance in relation to the cross-cutting DRs on strategy and business model, governance, materiality assessment
2. Mandate DRs about the undertaking's implementation of its sustainability-related objectives (i.e. on its policies, targets, actions and action plans, and allocation of resources)
3. Mandate performance measurement metrics.

A full list of standards and whether they are cross-cutting standards or topical standards can be found in Appendix I.

Q1: in your opinion, to what extent do the structure and articulation of cross-cutting and topical standards adequately support the coverage of CSRD topics and reporting areas?

- ○ Not at all

- ○ To a limited extent with strong reservations
- ◉ To a large extent with some reservations
- ○ Fully
- ○ No opinion

Please explain your reservations or your suggestions for improvement or any other comment you might have

We agree that the ESRS cover all CSRD topics and regulations.

However, the ESRSs include too many detailed DRs. These procedures are not only costly to undertakings, but also make it very difficult for users of the reports to find out and understand the relative importance of such information. Even rating agencies and other information aggregators request much less detailed information than is required in the ESRSs.

In our view, this approach is a typical example of creating an information overload. As we see the “decision usefulness” for the addressed stakeholders as a central cornerstone for sustainability-related reporting, it is very important to keep the right balance between relevance and completeness.

We, therefore, suggest using a standard-setting format that is more principles- and less rules-based instead. Such an approach would also be more in line with the ISSB baseline approach. It would avoid a tick-the-box mentality and would reduce experimentation with disclosures, in order to find out which disclosure could lead to best practice examples, which can subsequently be considered for future mandatory disclosures.

Less detailed requirements also help the roll-out of the standards to (listed) SMEs and, indirectly, to other undertakings that must provide similar information, if they are part of the value chain of reported undertakings.

We are also concerned with the additional sector-specific standards that will be developed and will add further detailed DRs. It appears to us that several of the draft DRs are more relevant for sector-specific standards than for all undertakings. Thus, at least, we expect that during the development of sector-specific standards EFRAG will shift some of the now general DRs to those sectors for which they are actually relevant. We also regret the missed opportunity to align the ESRS with the standards of the ISSB.

Alignment and interoperability with international standards and frameworks

- Article 19b paragraph 3a of the CSRD requires that “When adopting delegated acts pursuant to paragraph 1, the Commission shall take account of the work of global standard-setting initiatives for sustainability reporting, and existing standards and frameworks for natural capital accounting, responsible business conduct, corporate social responsibility, and sustainable development.”
- ESRS EDs were drafted accordingly, with the objective of fostering as much alignment as possible considering the constraints imposed by other provisions included in articles 19a and 19b as per the CSRD proposal. Details of these provisions and how they are covered by the ESRS EDs can be found in Appendix I.
- The structure and organisation of the reporting areas was one aspect of alignment to which particular attention was paid. Thus, the two categories of standards are organised to cover the reporting areas in relation to governance, strategy, assessment/management of impacts, risks and opportunities, and targets/metrics (as considered by the Task Force on Climate-Related Financial Disclosures - TCFD

and source of inspiration for the IFRS Sustainability standards). A detailed mapping of the ESRS EDs disclosure requirements with TCFD recommendations and with IFRS Sustainability Exposure Drafts can be found in Appendices 5 and 6.

Q2: in your opinion, to what extent is the TCFD framework of reporting areas (governance, strategy, risk management and metrics/targets) compatible with the structure of the ESRS?

- ○ Not at all
- ◉ To a limited extent with strong reservations
- ○ To a large extent with some reservations
- ○ Fully
- ○ No opinion

Please explain your reservations or your suggestions for improvement or any other comment you might have

> As GRI was used as primary basis for the ESRS, the TCFD structure and content did not find its way into the ESRS. In particular, TCFD includes more guidance on opportunities, whereas ESRSs has a focus more on the risks. The different structures are also an obstacle to align ESRS with ISSB standards.

Q3: in your opinion, to what extent does the approach taken to structure the reporting areas promote interoperability between the ESRS and the IFRS Sustainability Exposure Drafts?

- ○ Not at all
- ◉ To a limited extent with strong reservations
- ○ To a large extent with some reservations
- ○ Fully
- ○ No opinion

Please explain your reservations or your suggestions for improvement or any other comment you might have

> Due to the different architecture, the objectives of disclosure requirements, the different terminology and the definitions it will be difficult to align the standards and, thus, interoperability will not be promoted.

Consideration given to EU policies and legislation

Article 19b paragraph 3 of the CSRD also requires that “When adopting delegated acts pursuant to paragraph 1, the Commission shall take account of:

1. the information that financial market participants need to comply with their disclosure obligations laid down in Regulation (EU) 2019/2088 and the delegated acts adopted pursuant to that Regulation - **Su stainable Finance Disclosure Requirements**;
2. the criteria set out in the delegated acts adopted pursuant to Regulation (EU) 2020/852 - **Taxonomy Regulation**;
3. the disclosure requirements applicable to benchmarks administrators in the benchmark statement and in the benchmark methodology and the minimum standards for the construction of EU Climate

Transition Benchmarks and EU Paris-aligned Benchmarks in accordance with Commission Delegated Regulations (EU) 2020/1816*8, (EU) 2020/1817 and (EU) 2020/1818 - **Benchmark Regulation**;

4. the disclosures specified in the implementing acts adopted pursuant to Article 434a of Regulation (EU) No 575/2013; **Prudential requirements for Credit Institutions and Investment Firms**;
5. Commission Recommendation 2013/179/EU; **European Commission recommendation on the life cycle environmental performance of products and services**;
6. Directive 2003/87/EC of the European Parliament and of the Council; **GHG allowance Directive**;
7. Regulation (EC) No 1221/2009 of the European Parliament and of the Council; **EMAS regulation**.

Q4: in your opinion, have these European legislation and initiatives been considered properly?

- ○ Not at all
- ○ To a limited extent with strong reservations
- ◉ To a large extent with some reservations
- ○ Fully
- ○ No opinion

Please explain your reservations or your suggestions for improvement or any other comment you might have

In general, the DRs in the ESRS should be aligned with the requirements in the EU-Taxonomy.

There is also some overlap with the draft CSDDD that need to be taken into account when finalising the ESRS.

The approach taken for developing the ESRSs appears to be based on the conjunction of current standards, especially the GRI standards and the TCFD framework. These standards are originally voluntary standards; therefore, undertakings can choose to comply with all or parts of these standards. In this sense, they serve primarily to achieve comparability of disclosures across undertakings. The ESRSs now appear to bring together these, and other, voluntary standards, to add additional requirements, and to make these standards compulsory for all large undertakings and, in the future, also for listed SMEs. We have a general reservation against this approach. In particular, we miss clear criteria for the inclusion of voluntary standards as mandatory, without persuasive arguments why an extremely wide range of undertakings must report using these large set of standards.

Undertakings must provide further entity-specific disclosures, if they present information that is not included in the ESRSs. So, there is another layer in the sustainability reporting architecture that can help to avoid that undertakings suppress sustainability reporting information.

Our suggestion is to require a smaller set of mandatory DRs of the ESRS, which are reasonable to all undertakings that must use them and make other requirements optional. Indeed, the draft ESRSs include few optional DRs (E1-14, E3-5, E4-8, E4-9, and S1-12), which stipulates that if an undertaking discloses such information, it must do it in the described way. This serves comparability across undertakings if they disclose the information. We recommend using this optional format also for several mandatory DRs.

We note that the standards are, in general, wordy and not always coherent both in their structure and wording, particularly across different ESRSs.

Some ESRSs include disclosure requirements in the application guidance, which is bad standard setting. Any requirements should be in the body of the standard, whereas the application guidance can provide further explanations or guidance when applying these requirements.

Conversely, several ESRSs include examples in the body of the standard, which should clearly be moved to the application guidance or to additional materials, such as illustrative examples to the standards. Examples are in ESRS 1.50 and 1.60.

The role of disclosure principles (as presented in ESRS 1) is not clear. Are they overarching principles from which the DRs are derived? If so, that should be made more transparent.

Q5: are there any other European policies and legislation you would suggest should be considered more fully?

[No opinion]

Coverage of sustainability topics

Article 19b paragraph 2 of the CSRD proposal defines the sustainability subject matters (referred to as sustainability topics or subtopics in the ESRS) that the sustainability reporting standards shall address when defining the sustainability information required by article 19a paragraphs 1 and 2 of the CSRD.
The ESRS architecture was designed to cover all the detailed subject matters listed in article 19b paragraph 2 for environment-, social- and governance-related matters and to ensure that sustainability information is reported in a carefully articulated manner.
In terms of timing of adoption of European sustainability reporting standards, article 19b paragraph 1 of the CSRD requires the Commission to adopt:

- a first set of sustainability standards covering the information required by article 19a and at least specifying information needed by financial market participants subject to the SFDR reporting obligations
- a second set of standards covering information that is specific to the sector in which undertakings operate.

Also, article 19c of the CSRD proposal on sustainability reporting standards for SMEs requires the Commission to adopt SME-proportionate standards in a second set.
As a consequence, as per article 19b paragraph 1, are only included in this first set of ESRS Exposure Drafts:

1. the two cross-cutting standards on General principles (ESRS 1) and on General, strategy, governance and materiality assessment (ESRS 2);
2. the eleven topical (sector-agnostic) standards covering environment- (ESRS E1 to E5), social- (ESRS S1 to S4) and governance-related (ESRS G1 and G2) sustainability topics.

A detailed list of ESRS EDs can be found in Appendix I. And the detailed provisions of the CSRD and how they are covered by the ESRS EDs can be found in Appendix II.

Q6: in your opinion, to what extent does the proposed coverage of set 1 adequately address CSRD sustainability topics?

- ○ Not at all
- ○ To a limited extent with strong reservations
- ◉ To a large extent with some reservations
- ○ Fully
- ○ No opinion

Please explain your reservations or your suggestions for improvement or any other comment you might have.

We believe that the CSRD sustainability topics are addressed in this set of standards. However, unfortunately, the CSRD topics have not been structured according to the four pillars of TCFD.

More clarifications throughout ESRS should be made regarding “Intangibles”. The latest version of CSRD requires disclosures about key intangible resources (Art 2 para 19), which should be addressed in ESRS.

Governance matters are addressed in different standards (ESRS 2-GOV, G1 and G2). ESRS G1 is based on corporate governance reports of PIEs. The demand for such reports, which are mandatory for PIEs, derives from the fact that ownership of listed undertakings is typically in the hands of many, and anonymous, investors. In such undertakings, owners are requested to make decisions on boards and related issues, for which they need such information. We doubt that it is justified to roll out these disclosure requirements to all large undertakings, as their original purpose is completely different from sustainability reporting. Moreover, many of the DRs in ESRS G1 describe general decision processes rather than strategies, target, and outcomes. Processes are important to ensure high-quality information, but the sustainability reports will be subject to auditing, so there is no obvious need for information about processes.

We recommend eliminating all DRs in ESRS G1 and instead transferring the governance-related DRs 2-GOV to ESRS G1. They are clearly relevant and are focused on sustainability matters.

Q7: in your opinion, to what extent does the proposed coverage of set 1 (see Appendix I) adequately address SFDR reporting obligations?

- ○ Not at all
- ○ To a limited extent with strong reservations
- ◉ To a large extent with some reservations
- ○ Fully
- ○ No opinion

If you think this coverage and its implementation could be improved in any way, please specify how and to what specific SFDR indicator your comment relates

Sustainability statements and the links with other parts of corporate reporting

For clarity and ease of use, standardised sustainability reporting shall be easily identifiable within the management report (MR). To that effect, ESRS 1 – General principles (paragraphs 145 to 152) prescribes how to organise the information required by ESRS. It offers three options (paragraphs 148 and 149) for undertakings to consider when preparing their sustainability reporting:

- a single separately identifiable section of the MR;
- four separately identifiable parts of the MR:

1. General information;
2. Environment;
3. Social;

4. Governance

- one separately identifiable part per ESRS in the MR.

The first option is the preferred option. When applying the other two options the entity shall report a location table to identify where disclosures are presented in the MR.
In order to foster linkage throughout the undertaking's corporate reporting, ESRS 1 also:

- prescribes that the undertaking adopts presentation practices that promote cohesiveness between its sustainability reporting and: (a) the information provided in the other parts of the management report, (b) its financial statements (FS), and (c) other sustainability-related regulated information (paragraphs 131 to 134)
- promotes the incorporation of information by reference to other parts of the corporate reporting in order to avoid redundancy (paragraphs 135 and 136)
- organises connectivity with the financial statements by prescribing how to include monetary amounts or other quantitative data points directly presented in the financial statements (paragraphs 137 to 143).

Q8: Do you agree with the proposed three options?

- ○ Yes
- ◉ No
- ○ No opinion

Q9: would you recommend any other option(s)?
If so, please describe the proposed alternative option(s)

> Article 19a and 29a of the latest version of the CSRD require that "the information shall be clearly identifiable within the management report, through a dedicated section of the management report." ESRS 1.148 provides three options for sustainability statements and para. 149 states that the first option is the preferred option. We presume the other two options are not available anymore.
>
> If the three disclosure options are meant to prescribe the only permitted sequences of topics within the sustainability report, we are against prescribing a sequence at all.
>
> We note that there is a large overlap between the DRs in ESRS and the information contained in other reports prescribed in the Accounting Directive, in particular the corporate governance and remuneration reports that are mandatory for PIEs. For undertakings that must provide multiple reports of similar information, it should be made clear which is the primary report for such information.

Q10: in your opinion, to what extent do you believe that connectivity between the sustainability reporting and other parts of the management report has been appropriately addressed?

- ○ Not at all
- ◉ To a limited extent with strong reservations
- ○ To a large extent with some reservations
- ○ Fully
- ○ No opinion

Please explain your reservations or your suggestions for improvement or any other comment you might have

We believe that connectivity is not sufficiently addressed in the current ESRS. ESRS 1 only addresses connectivity between the financial statements and the ESRS. We recommend including guidance or requirements in ESRS 1 that promote integrated thinking while preparing the sustainability information. This information should serve understanding the undertakings' strategy towards transforming its business model and operations.

Q11: in your opinion, to what extent does the incorporation of information in the Sustainability section by reference to other parts of the management report support cohesiveness throughout corporate reporting?

- ○ Not at all
- ○ To a limited extent with strong reservations
- ◉ To a large extent with some reservations
- ○ Fully
- ○ No opinion

Please explain your reservations or your suggestions for improvement or any other comment you might have

If there is a required single section within the management report in the changed CSRD, we do not think this is an issue. Cohesiveness would be more difficult to reach when referring from the sustainability report to corporate governance and other mandatory reports.

Q12: in your opinion, to what extent do the requirements and provisions on how to include monetary amounts and other financial statement-related quantitative data into sustainability reporting support connectivity with the financial statements?

- ○ Not at all
- ○ To a limited extent with strong reservations
- ○ To a large extent with some reservations
- ○ Fully
- ◉ No opinion

Please explain your reservations or your suggestions for improvement or any other comment you might have

1B. Overall ESRS Exposure Drafts relevance – Implementation of CSRD principles

Characteristics of information quality

Article 19a paragraph 2 of the CSRD proposal states that “the sustainability reporting standards referred to in paragraph 1 shall require that the information to be reported is understandable, relevant, representative, verifiable, comparable, and is represented in a faithful manner.”
As a consequence, ESRS 1 - *General principles* defines how such qualities of information shall be met:

- Relevance is defined in paragraphs 26 to 28
- Faithful representation is defined in paragraphs 29 to 32
- Comparability is defined in paragraphs 33 and 34
- Verifiability is defined in paragraphs 35 to 37
- Understandability is defined in paragraphs 38 to 41

Q13: to what extent do you think that the principle of relevance of sustainability information is adequately defined and prescribed?

- ○ Not at all
- ○ To a limited extent with strong reservations
- ◉ To a large extent with some reservations
- ○ Fully
- ○ No opinion

Please explain your reservations or your suggestions for improvement or any other comment you might have

> The definition and description of relevance are based on the same ideas as relevance in IFRS Conceptual Framework, although materiality in the IFRS sense is limited to financial materiality and does not include impact materiality per se.
>
> The potential impacts are linked to positive or adverse impacts (or none!), which might apply for nonfinancial KPIs and building or diminishing reputation. Judgement on these impacts may differ between users, yet the disclosure is nevertheless relevant. If users' judgements are highly correlated, there will be financial impact earlier, otherwise later. In any case, the direct perspective of financial materiality is always a relevant factor.
>
> The standards use “material”, “relevant” and “significant” in different contexts, which adds to confusion about their semantic differences. We recommend using clear terminology throughout the standards.

Q14: to what extent do you think that the principle of faithful representation of sustainability information is adequately defined and prescribed?

- ○ Not at all
- ○ To a limited extent with strong reservations
- ◉ To a large extent with some reservations
- ○ Fully
- ○ No opinion

Please explain your reservations or your suggestions for improvement or any other comment you might have

> We appreciate the definition of faithful representation as it is based on the same ideas as in the IFRS Conceptual Framework. There are some differences to the concepts of the ISSB. EFRAG should review whether alignment is possible, as the meaning is the same.

Q15: to what extent do you think that the principle of comparability of sustainability information is adequately defined and prescribed?

- ○ Not at all
- ○ To a limited extent with strong reservations
- ◉ To a large extent with some reservations
- ○ Fully
- ○ No opinion

Please explain your reservations or your suggestions for improvement or any other comment you might have

The comparability definition reflects the classic definition used in financial accounting standards.

Further guidance is needed for errors and prior years' adjustments as the description is too vague. Precise and clear rules as in IAS 8 would be preferable.

Q16: to what extent do you think that the principle of verifiability of sustainability information is adequately defined and prescribed?

- ○ Not at all
- ○ To a limited extent with strong reservations
- ◉ To a large extent with some reservations
- ○ Fully
- ○ No opinion

Please explain your reservations or your suggestions for improvement or any other comment you might have

We clearly prefer that the definitions of the Conceptual Framework of IFRS are taken into consideration within the detailed formulation (this answer also applies to Q13 to Q17). Discrepancies between the two frameworks should be avoided as far as possible and an alignment with ISSB S 1 ED should also be achieved. It would be favorable to focus on the idea that the data should be either directly verifiable, e.g. in the case of energy consumption a statement from the energy provider, or indirectly verifiable, e.g. checking the inputs to a model, formula or other technique and recalculating the outputs using the same methodology. In many cases it will only be possible to verify data indirectly.

In addition, the qualitative (only textual) information sometimes might be laid down in policies, organization charts, memos, but sometimes this will not be the case – so there needs guidance how to compile this information.

The inclusion of specific language in paragraph 37 related to being able to ‘trace’ the information, it ‘being auditable’ and ‘appropriate evidence on the audit assertions’ seems out of place. We would prefer more conceptual language referring to ‘assurance’ or 'traceability' and not directly to ‘audit’.

Q17: to what extent do you think that the principle of understandability of sustainability information is adequately defined and prescribed?

- ○ Not at all

- ○ To a limited extent with strong reservations
- ◉ To a large extent with some reservations
- ○ Fully
- ○ No opinion

Please explain your reservations or your suggestions for improvement or any other comment you might have

> We question how far the definitions of the Conceptual Framework of IFRS have been taken into consideration within the detailed formulation (this answer applies to Q13 to Q17). Discrepancies between the two frameworks should be avoided as far as possible and an alignment with ISSB S1 ED should also be achieved. Moreover, double materiality and broader stakeholders should be added.
>
> We suggest adding that 'excluding information about inherently complex phenomena on the grounds that they are difficult to understand should not be allowed'. The assumption here is that the sustainability information is prepared for users with a reasonable knowledge of sustainability activities who can review and analyse the information diligently, even if it is necessary to refer to specialist advice.

Double materiality

Double materiality is a principle that is central to the CSRD proposal and is represented accordingly in the ESRS materiality assessment approach that sustains the definition of mandatory requirements by the cross-cutting and topical standards. This is also true of the materiality assessment any undertaking is expected to perform, per ESRS 2 – *General, strategy, governance and materiality assessment*, to identify its principal sustainability risks, impacts and opportunities. This in turn, defines what sustainability information must be reported by the undertaking.
Double materiality assessment supports the determination of whether information on a sustainability matter has to be included in the undertaking's sustainability report. ESRS 1 paragraph 46 states that "a sustainability matter meets the criteria of double materiality if it is material from an impact perspective or from a financial perspective or from both." Further indications as to how to implement double materiality is given by ESRS 2 Disclosure Requirement 2-IRO 1, paragraph 74b(iii) and AG 68.
While recognising that both perspectives are intertwined the Exposure Drafts contain provisions about how to implement the two perspectives in their own rights.

Q18: in your opinion, to what extent does the definition of double materiality (as per ESRS 1 paragraph 46) foster the identification of sustainability information that would meet the needs of all stakeholders?

- ○ Not at all
- ○ To a limited extent with strong reservations
- ◉ To a large extent with some reservations
- ○ Fully
- ○ No opinion

Please explain your reservations or your suggestions for improvement or any other comment you might have

We appreciate the definition and guidance of the ED ESRS 1, although we do not think that such guidance on its own fosters the identification of sustainability information. Preparers need more guidance on assessing the impact and financial materiality in order to understand the components of double materiality and how to apply them in real situations. See also our response to Q19.

Q19: to what extent do you think that the proposed implementation of double materiality (as per ESRS 2-IRO 1, paragraph 74b(iii) and AG 61) is practically feasible?

- ○ Not at all
- ◉ To a limited extent with strong reservations
- ○ To a large extent with some reservations
- ○ Fully
- ○ No opinion

Please explain your reservations or your suggestions for improvement or any other comment you might have

We strongly suggest defining and clarifying the concepts severity and likelihood, which are essential notions within the impact materiality assessment. It is also necessary to provide a hierarchy between financial and impact materiality.

We also recommend incorporating the “enterprise value” terminology, explanations and guidance like the provisions of ED IFRS S1.

It is important to improve the implementation guidance and examples for double materiality, which should include a step-by-step guidance on how to perform the materiality assessment as well as a guidance how the underlying concepts should be applied in practice.

In addition, ESRS should acknowledge that it may be very difficult to measure positive impacts and that positive impacts might be overstated or overestimated by companies (e.g., the positive impact of switching to renewable electricity to power operations does not outweigh the overall carbon footprint). In many matters, positive impacts can theoretically also be tied directly to mitigation actions.

To avoid confusion between mitigation measures and positive impacts and the general link between positive impacts and products, we suggest that positive impact disclosures shall be made in Taxonomy reporting. The focus on impact materiality here should be on negative impacts, as those are also what the topic standards largely address. Determining and quantifying negative impacts will already be difficult enough for first-time reporters and adding positive impacts would create additional confusion and potentially green or social washing (e.g., a company determining that its impacts on biodiversity are not material, because the company has impacts on biodiversity, while it also plants some trees, so - seen as a whole - it is not highly impactful in either direction).

Impact materiality

- A definition of impact materiality is given by ESRS 1 paragraph 49: “a sustainability matter is material from an impact perspective if the undertaking is connected to actual or potential significant impacts on people or the environment over the short, medium or long term. This includes impacts directly caused or contributed to by the undertaking and impacts which are otherwise directly linked to the undertaking’s upstream and downstream value chain.”

- A description of how to determine impact materiality and implement impact materiality assessment can be found in ESRS 1 *paragraph 51* and is complemented by ESRS 2 *Disclosure Requirement* 2-IRO 1, paragraph 74b(iii), AG 64 and AG 68.

Q20: in your opinion, to what extent is the definition of impact materiality (as per ESRS 1 paragraph 49) aligned with that of international standards?

- ○ Not at all
- ○ To a limited extent with strong reservations
- ◉ To a large extent with some reservations
- ○ Fully
- ○ No opinion

Please explain your reservations or your suggestions for improvement or any other comment you might have

We appreciate that the definition is based on the GRI standards, but we note that the language is different. We strongly advise to align the language with GRI as this is more precise and clearer.

In addition, para 51 is confusing in the light of para 48. Para 48 states that significant and material mean the same, while 51 seems to contradict this statement (significance has the likelihood as a second dimension). If the terms “material” and “significant” have the same meaning, the same term should be used. Otherwise, a clear explanation for their differences should be provided.

In its current form, the draft does not adequately address whether an undertaking should consider gross or net impacts, both actual and potential, for the impact assessment. An undertaking’s due diligence and mitigation measures can reduce the likelihood of an impact strongly, so the net impact would be lower. For instance, strong process safety measures might significantly lower the likelihood of a major accident, and a company might accordingly have no fatalities. But the risk of a major accident remains, and the loss of life would obviously be a significant impact. The standard vaguely refers to severity and likelihood, but then states that for human rights impacts, severity takes precedence over likelihood, indicating a preference for gross impacts. Such an example is only given for human rights, so it is unclear whether severity taking precedence should be the guidance for every sustainability matter. But, in that case, should a company account for every possible impact, even if the likelihood is extremely limited, if there is a potentially very high severity? And while rating the importance of the impact, how much should the likelihood of its occurrence be included into the rating of the importance. The standards should give clearer guidance on how to treat this matter in the materiality assessment, as otherwise there is a strong chance that companies will come to very different conclusions. This outcome is problematic, if a company bases the rebuttable presumption on the outcome of the materiality assessment.

Q21: to what extent do your think that the determination and implementation of impact materiality (as proposed by ESRS 1 paragraph 51) is practically feasible?

- ○ Not at all
- ◉ To a limited extent with strong reservations
- ○ To a large extent with some reservations
- ○ Fully
- ○ No opinion

Please explain your reservations or your suggestions for improvement or any other comment you might have

Para 51 of ESRS 1 provides brief guidance on impact materiality on a very high level. We suggest that examples and more guidance are included. Furthermore, definitions of the elements of severity “scale, scope and irremediable character” are also missing. It is also unclear, whether impact includes negative and positive impacts on people and the environment.

EFRAG uses materiality concerning all topics. There are topics that are quite developed or easy to understand, as for example water. Other topics are less developed, like biodiversity. For those, it might be difficult to determine impact materiality on the level of individual disclosure requirements.

Financial materiality

- A definition of financial materiality is given by ESRS 1 paragraph 53: “a matter is material from a financial perspective if it triggers or may trigger significant financial effects on the undertaking, i.e., it generates risks or opportunities that influence or are likely to influence the future cash flows and therefore the enterprise value of the undertaking in the short, medium or long term, but it is not captured or not yet fully captured by financial reporting at the reporting date.”
- A description of how to determine financial materiality and implement financial materiality assessment can be found in ESRS 1 paragraphs 54 to 56 and is complemented by ESRS 2 Disclosure Requirement 2-IRO 1, paragraph 74b(iii), AG 65 and AG 69.

Q22: in your opinion, to what extent is the definition of financial materiality (as per ESRS 1 paragraph 53) aligned with that of international standards?

- (●) Not at all
- ( ) To a limited extent with strong reservations
- ( ) To a large extent with some reservations
- ( ) Fully
- ( ) No opinion

Please explain your reservations or your suggestions for improvement or any other comment you might have

We strongly suggest aligning the definition and concept of financial materiality to the ISSB concept (“enterprise value materiality"). ED ESRS 1 explained that sustainability financial materiality is not the same as financial materiality for financial statements. This causes confusion in practice as both types of information (financial and sustainability) are part of the same reporting information and will use the same terminology for different things.

We also have concerns regarding the connectivity of sustainability and financial reporting. For example, ESRS E standards require disclosure of possible or potential financial consequences (e.g., DR E1-15 to E1-17), which seem to be unconnected with financial reporting, but may interact with financial reporting.

Q23: to what extent do you think that the determination and implementation of financial materiality (as proposed by ESRS 1 paragraphs 54 to 56) is practically feasible?

- (●) Not at all

- To a limited extent with strong reservations
- To a large extent with some reservations
- Fully
- No opinion

Please explain your reservations or your suggestions for improvement or any other comment you might have

> In addition to our response to Q 22, we note that para 54 to 56 use terminology that is not defined in ESRS 1. Terms like 'probability of occurrence' and 'magnitude of financial effects' need to be explained. Stakeholders need guidance and examples what is meant by para 54 which refers to 'capitals' in frameworks promoting a multi-capital approach'.
>
> We strongly suggest that EFRAG defines all terminology it uses and gives guidance and illustrative examples to help in the assessment of this aspect of double materiality.

(Materiality) Rebuttable presumption

Central to the ESRS is the critical combination of two key elements:

- the mandatory nature of disclosure requirements prescribed by ESRS, and
- the pivotal importance of the assessment by the undertaking of its material impacts, risks and opportunities.

The combination of the two is designed to make sure that the entity will report on its material impacts, risks and opportunities, but on all of them.
The assessment of materiality applies not just to a given sustainability matter covered by a given ESRS (like ESRS E3 on biodiversity for example), but also to each one of the specific disclosure requirements included in that ESRS. However, this excludes the cross-cutting standards and related disclosure requirements, which are always material and must be reported in all cases.
When a sustainability matter is deemed material as a result of its materiality assessment, the undertaking must apply the requirements in ESRS related to these material matters (except for the few optional requirements identified as such in ESRS). Conversely, disclosure requirements in ESRS that relate to matters that are not material for the undertaking are not to be reported.
The (materiality) rebuttable presumption mechanism described in ESRS 1 paragraphs 57 to 62 aims at supporting the implementation and documentation of the materiality assessment of the undertaking at a granular level.
ESRS 1 paragraphs 58 to 62 describe how to implement the rebuttable presumption principles. In particular, “The undertaking shall therefore assess for each ESRS and, when relevant, for a group of disclosure requirements related to a specific aspect covered by an ESRS if the presumption is rebutted for:

1. all of the mandatory disclosures of an entire ESRS or
2. a group of DR related to a specific aspect covered by an ESRS,

Based on reasonable and supportable evidence, in which case it is deemed to be complied with through a statement that:

1. the ESRS or

2. the group of DR is “not material for the undertaking”.

Q24: to what extent do you think that the (materiality) rebuttable presumption and its proposed implementation will support relevant, accurate and efficient documentation of the results of the materiality assessment?

- (●) Not at all
- ( ) To a limited extent with strong reservations
- ( ) To a large extent with some reservations
- ( ) Fully
- ( ) No opinion

Please explain your reservations or your suggestions for improvement or any other comment you might have

We disagree with the rebuttable presumption approach, as we believe it does not help to provide reliable and useful information. It is burdensome for undertakings, as they will have to report, document and prove for a vast number of immaterial DRs, why they are immaterial. This could lead to disagreements between preparers, auditors and enforcers on what has been rebutted and why. It could also obscure information, because prepares may avoid using the rebuttable presumption due to the documentation burden, and may disclose all DRs which are required. In practice, public disclosure of such evidence would make sustainability reports complex.

The concept of rebuttable presumption for materiality is not used anywhere else in financial or sustainability reporting frameworks. If EFRAG chooses to keep the rebuttable presumption, we oppose that undertakings need to publicly disclose evidence that supports their decision to not report a given issue.

A clearly defined materiality test together with illustrative examples and guidelines would make the rebuttable presumption redundant.

Furthermore, we want to draw the attention to Art 19a CSRD, which provides a Member State option for omittance of the disclosure in exceptional cases. We strongly would favour including this CSRD regulation in ESRS.

We propose to provide a sector-specific list of material topics/sustainability matters where disclosures are expected.

Q25: what would you say are the advantages of the (materiality) rebuttable presumption and its proposed implementation?

We do not see any significant advantages for the disclosure of rebuttable presumption.

Q26: what would you say are the disadvantages of the (materiality) rebuttable presumption and its proposed implementation?

As we explain in our response to Q24, the rebuttable presumption will lead to the inclusion of also immaterial information in the sustainability report by undertakings, just to avoid discussions about materiality and justifications of the explanations. It even highlights immaterial information instead of a positive picture of

material (or relevant) information, thus, leading to information overload and difficulty to read sustainability reports.

Q27: how would you suggest it can be improved?

We suggest not to apply the rebuttable presumption concept. See also our response to Q24.

Reporting boundary and value chain

ESRS 1 paragraphs 63 to 65 define the reporting boundary of the undertaking and how and when it is expanded when relevant for the identification and assessment of principal impacts, risks and opportunities upstream and downstream its value chain – as the financial and/or impact materiality of a sustainability matter is not constrained to matters that are within the control of the undertaking.

Paragraphs 67 and 68 address the situation when collecting the information about the upstream and downstream value chain may be impracticable, i.e. the undertaking cannot collect the necessary information after making every reasonable effort, and allows approximation based on the use of all reasonable and supportable information, including peer group or sector data.

Due to the dynamics and causal connections between levels within the undertaking's reporting boundary, material information is not constrained to one particular level. Paragraphs 72 to 77 prescribe how the undertaking shall consider the appropriate level of disaggregation of information to ensure it represents the undertaking's principal impacts, risks and opportunities in a relevant and faithful manner.

Q28: in your opinion, to what extent would approximation of information on the value chain that cannot (practically) be collected contribute to the reporting of understandable, relevant, verifiable, comparable, and faithfully represented sustainability information?

- ○ Not at all
- ◉ To a limited extent with strong reservations
- ○ To a large extent with some reservations
- ○ Fully
- ○ No opinion

Please explain your reservations or your suggestions for improvement or any other comment you might have

We have strong reservations on the practicability and feasibility to make reliable approximations of the required information unless robust, detailed guidance is available, which will allow for a consistent approach.

Therefore, we suggest that only the information for undertakings included in the consolidation should be required in the first year of application and to defer the information for enterprises of the value chain using a gradual approach over the next couple of years. In addition, the use of reasons for omission, if data are not available or complete, should be allowed, as regulated in GRI.

If sufficiently precise information is not available, that information, that is available to help users to make their

own evaluation, should be reported instead.

We also note that Art 19a para 3 CSRD specifies a period of 3 years before information on the value chain should be obtained, which should be incorporated in the ESRS.

Q29: what other alternative to approximation would you recommend in cases where collecting information is impracticable?

No opinion

Q30: in your opinion, to what extent will the choice of disaggregation level by the undertaking as per ESRS 1 paragraphs 72 to 77 contribute to the reporting of understandable, relevant, verifiable, comparable and faithfully represented sustainability information?

- ○ Not at all
- ○ To a limited extent with strong reservations
- ○ To a large extent with some reservations
- ○ Fully
- ◉ No opinion

Please explain your reservations or your suggestions for improvement or any other comment you might have

Time horizon

ESRS 1 paragraph 83 defines short-, medium- and long-term for reporting purposes, as

- One year for short term
- Two to five years for medium term
- More than five years for long-term.

Q31: do you think it is relevant to define short-, medium- and long-term horizon for sustainability reporting purposes?

- ◉ Yes
- ○ No
- ○ I do not know

Please explain why

Generally, in the light of global targets regarding sustainability matters, it is important to require undertakings to report on short-, medium- and long-term horizons. This allows users to assess the targets and achievements in the short term and in the longer term, including the trade-offs made by undertakings, for

example, more investment into sustainability-related activities, which may be detrimental in the short term, but provide long-term benefits.

Different time horizons are an important factor in measuring the achievement of targets set. Companies have to measure and report their progress against a predetermined time horizon.

Q32: if yes, do you agree with the proposed time horizons?

- ○ Yes
- ◉ No
- ○ I do not know

Please explain why

Our concern with prespecified lengths is that internal planning cycles may not conform to these cycles. Thus, prescribing specific lengths by ESRS is not proportionate, as undertakings may not have that information in detail.

Q33: if you disagree with the proposed time horizons, what other suggestion would you make? And why?

A possibility to address the coherence of planning cycles with the reporting on them is to define ranges for short-, medium- and long-term time periods. These periods should also be aligned with those used in financial reporting, if appropriate (e.g., for impairment testing).

As planning horizons may differ strongly in different industries, another possibility is to consider the inclusion of more concrete lengths in the sector-specific standards.

More generally, we do not support the inclusion of explicit public policy targets in the ESRSs (such as the 2030 or 2050 GHG targets and global warming limits in ESRS E1). Policy targets should not be part of the reporting standards, but rather be included in legislation only. We believe that reporting standards should be applicable regardless of the specific policy targets. This is even more important if the ESRS should be a set of standards that could be adopted in countries outside the EU.

Disclosure principles for implementation of Policies, targets, action and action plans, and resources

In order to harmonise disclosures prescribed by topical standards, ESRS 1 provides disclosure principles (DP) to specify, from a generic perspective, the key aspects to disclose:

1. when the undertaking is required to describe policies, targets, actions and action plans, and resources in relation to sustainability matters and
2. when the undertaking decides to describe policies, targets, actions and action plans, and resources in relation to entity-specific sustainability matters.

DP 1-1 on policies adopted to manage material sustainability matters describes (paragraphs 96 to 98) the aspects that are to be reported for the relevant policies related to sustainability matters identified as material following the materiality assessment performed by the undertaking.

DP 1-2 on targets, progress and tracking effectiveness defines (paragraphs 99 to 102) how the undertaking is to report measurable outcome-oriented targets set to meet the objectives of policies, progress against these targets and if non-measurable outcome-oriented targets have been set, how effectiveness is monitored.
DP 1-3 on actions, action plans and resources in relation to policies and targets defines (paragraphs 103 to 106) the aspects that are to be reported by the undertaking relating to actions, action plans and resources in relation to policies and targets adopted to address material impacts, risks and opportunities.

Q34: in your opinion, to what extent will DP 1-1 contribute to the reporting of understandable, relevant, verifiable, comparable and faithfully represented information on sustainability related policies?

- ○ Not at all
- ◉ To a limited extent with strong reservations
- ○ To a large extent with some reservations
- ○ Fully
- ○ No opinion

Please explain your reservations or your suggestions for improvement or any other comment you might have

We are concerned that the description of policies for each sustainability matter (given the high number of policies, guidelines, etc., of undertakings) will go beyond the scope of the report (which must fit into the Management Report) and, thus, will make it unreadable for the average reader.

We suggest to clarify in the disclosure principles that undertakings are not required to disclose intellectual capital and trade secrets (see recital 29a of the CSRD).

We strongly suggest to include a reference to exceptional cases under Art 19a para 3 CSRD which includes a member state option for omitting information in exceptional cases. If a member state provides this option, it appears that ESRS overrides this option by yet requiring such information.

Including the upstream and downstream value chain is also critical, because it will be difficult for undertakings to get information from their clients/suppliers. Limitations concerning the value chain should be included in the disclosure requirement. Without knowing the sector-specific standards, it is difficult to assess the requirements.

As a result of Regulation 2019/2088 on sustainability-related disclosures e.g., in the financial services sector, certain documents/policies must be made available on the website. That's why we think it is not meaningful to include all the policies in the non-financial report. Guidance how to disclose the policies would be helpful.

Q35: in your opinion, to what extent will DP 1-2 contribute to the reporting of understandable, relevant, verifiable, comparable, and faithfully represented information on sustainability-related targets and their monitoring?

- ○ Not at all
- ◉ To a limited extent with strong reservations
- ○ To a large extent with some reservations
- ○ Fully
- ○ No opinion

Please explain your reservations or your suggestions for improvement or any other comment you might have

We refer to our response to Q34.

Q36: in your opinion, to what extent will DP 1-3 contribute to the reporting of understandable, relevant, verifiable, comparable, and faithfully represented information on sustainability-related action plans and allocated resources?

- ○ Not at all
- ◉ To a limited extent with strong reservations
- ○ To a large extent with some reservations
- ○ Fully
- ○ No opinion

Please explain your reservations or your suggestions for improvement or any other comment you might have

We refer to our response to Q34.

The information that is required (especially paragraph 105) is highly confidential (strategy plans, resources) and would give a competitive advantage to the competitors. In this case CSRD 19a Art 3 could be applicable which allows an omission of information, if it would be “seriously prejudicial to the commercial position of the undertaking”.

Bases for preparation

Chapter 4 of ESRS 1 provides for principles to be applied when preparing and presenting sustainability information covering general situations and specific circumstances. Aspects covered include:

- general presentation principles (paragraphs 108 and 109);
- presenting comparative information (paragraphs 110 and 111);
- estimating under conditions of uncertainty (paragraphs 112 and 113);
- updating disclosures about events after the end of the reporting period (paragraphs 114 to 116);
- changes in preparing or presenting sustainability information (paragraphs 117 and 118);
- reporting errors in prior periods (paragraphs 119 to 124);
- adverse impacts and financial risks (paragraphs 125 and 126);
- optional disclosures (paragraph 127);
- consolidated reporting and subsidiary exemption (paragraphs 128 and 129);
- stating relationship and compatibility with other sustainability reporting frameworks (paragraph 130).

Q37: is anything important missing in the aspects covered by the bases for preparation?

- ○ Yes
- ○ No
- ◉ I do not know

If yes, please indicate which one(s).
Please share any comment you might have on the aspects already covered (make sure to indicate which one you are referring to)

1C. Overall ESRS Exposure Drafts relevance – Exposure Drafts content

For the purpose of the questions included in this section, respondents are encouraged to consider the following:

- when sharing comments on a given ESRS Exposure Draft, and as much as possible, reference to the specific paragraphs being commented on should be included in the written comments,
- in the questions asked, for each ESRS, about the alignment with international sustainability standards, these include but are not limited to the IFRS Sustainability Standards and the Global Reporting Initiative Standards. Other relevant international initiatives may be considered by the respondents. When commenting on this particular question, respondents are encouraged to specify which international standards are being referred to.

ESRS 1 – General Principles

This [draft] Standard prescribes the mandatory concepts and principles to apply for preparation of sustainability reporting under the Corporate Sustainability Reporting Directive (CSRD) proposal.
It covers the applicable general principles:

1. when reporting under European Sustainability Reporting Standards;
2. on how to apply CSRD concepts;
3. when disclosing policies, targets, actions and action plans, and resources;
4. when preparing and presenting sustainability information;
5. on how sustainability reporting is linked to other parts of corporate reporting; and
6. specifying the structure of the sustainability statements building upon the disclosure requirements of all ESRS.

Most questions relevant for ESRS 1 are covered in the previous sections of the survey (section 1 Overall ESRS Exposure Drafts relevance – architecture and section 2 Overall ESRS Exposure Drafts relevance – implementation of CSRD principles).

Q38: in your opinion, to what extent can ESRS 1 – *General principles* foster alignment with international sustainability reporting standards (in particular IFRS Sustainability Reporting S1 Exposure draft)?

- ○ Not at all
- ◉ To a limited extent with strong reservations
- ○ To a large extent with some reservations
- ○

Fully

No opinion

Please explain your reservations or your suggestions for improvement or any other comment you might have

We note the different structure, terminology, and definitions between ESRS and IFRS EDs S1. Especially the difference of financial materiality versus enterprise value materiality needs alignment. In addition, a TCFD-based structure may help the alignment with ISSB EDs and may help to achieve a common global baseline.

ESRS 2 – General, strategy, governance and materiality assessment

This [draft] standard sets out the disclosure requirements of the undertaking's sustainability report that are of a cross-cutting nature. Those disclosures can be grouped into those that are:

1. of a general nature;
2. on the strategy and business model of the undertaking;
3. on its governance in relation to sustainability; and
4. on its materiality assessment of sustainability impacts, risks and opportunities.

Q39: Please, rate to what extent do you think ESRS 2 – General, strategy, governance and materiality assessment

	Not at all	To a limited extent with strong reservations	To a large extent with some reservations	Fully	No opinion
A. Covers sustainability information required by articles 19a and 19b of the CSRD proposal (see Appendix II for CSRD detailed requirements)					●
B. Supports the production of relevant information about the sustainability matter covered			●		
C. Fosters comparability across sectors			●		
D. Covers information necessary for a faithful representation from an impact perspective			●		
E. Covers information necessary for a faithful representation from a financial perspective		●			
F. Prescribes information that can be verified / assured			●		

G. Meets the other objectives of the CSRD in term of quality of information	○	○	○	○	◉
H. Reaches a reasonable cost / benefit balance	○	○	◉	○	○
I. Is sufficiently consistent with relevant EU policies and other EU legislation	○	○	◉	○	○
J. Is as aligned as possible to international sustainability standards given the CSRD requirements	○	◉	○	○	○

For part H, please explain why costs would be unreasonable and / or what particular benefit ESRS 2 offers
For part I, please specify what European law or initiative you think is insufficiently considered
For part J, please explain how you think further alignment could be reached

Please share any comments and suggestions for improvement you might have relating to the above questions, referring explicitly to the part of the question you are providing comment

We note that EU policies are properly considered, however, concerning EU legislation we still see potential for alignment.

We think that a better alignment with GRI is necessary.

ESRS E1 – Climate change

The objective of this [draft] standard is to specify Disclosure Requirements which will enable users of sustainability reporting to understand:

1. how the undertaking affects climate change, in terms of positive and negative material actual or potential adverse impact;
2. its past, current, and future mitigation efforts in line with the Paris Agreement (or an updated international agreement on climate change) and limiting global warming to 1.5°C;
3. the plans and capacity of the undertaking to adapt its business model(s) and operations in line with the transition to a sustainable economy and to contribute to limiting global warming to 1.5°C;
4. any other actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential adverse impacts;
5. the nature, type and extent of the undertaking's material risks and opportunities related to the undertaking's impacts and dependencies on climate change, and how the undertaking manages them; and
6. the effects of risks and opportunities, related to the undertaking's impacts and dependencies on climate change, on the undertaking's development, performance and position over the short-, medium- and long- term and therefore on its ability to create enterprise value .

This [draft] standard derives from the [Draft] Corporate Sustainability Reporting Directive stating that the sustainability reporting standards shall specify which information to disclose about climate change mitigation and climate change adaptation.

This [draft] standard covers Disclosure Requirements related to ‘Climate change mitigation’, ‘Climate change adaptation’ and ‘Energy’.

Q40: Please, rate to what extent do you think ESRS E1 – Climate change

	Not at all	To a limited extent with strong reservations	To a large extent with some reservations	Fully	No opinion
A. Covers sustainability information required by articles 19a and 19b of the CSRD proposal (see Appendix II for CSRD detailed requirements)	○	○	○	●	○
B. Supports the production of relevant information about the sustainability matter covered	○	○	●	○	○
C. Fosters comparability across sectors	○	○	●	○	○
D. Covers information necessary for a faithful representation from an impact perspective	○	○	●	○	○
E. Covers information necessary for a faithful representation from a financial perspective	○	○	●	○	○
F. Prescribes information that can be verified / assured	○	○	●	○	○
G. Meets the other objectives of the CSRD in term of quality of information	○	○	●	○	○
H. Reaches a reasonable cost / benefit balance	○	○	●	○	○
I. Is sufficiently consistent with relevant EU policies and other EU legislation	○	○	●	○	○
J. Is as aligned as possible to international sustainability standards given the CSRD requirements	○	○	○	●	○

For part H, please explain why costs would be unreasonable and / or what particular benefit ESRS E1 offers
For part I, please specify what European law or initiative you think is insufficiently considered
For part J, please explain how you think further alignment could be reached

Please share any comments and suggestions for improvement you might have relating to the above questions, referring explicitly to the part of the question you are providing comment

The disclosure requirements relating to transition plan, removals and avoided GHG emissions require a solid basis of GHG emission quantification. We recommend to consider to define these disclosure requirements for the first year(s) of sustainability reporting as optional. In addition, some disclosure requirements are only relevant for specific sectors. It should be considered to define these disclosure requirements as mandatory only for specific sectors and optional for the other sectors.

Regarding the disclosure requirements to report on potential financial effects, we note that those potential financial effects may not meet the recognition and measurement criteria set for assets and liabilities in financial reporting. The reconciliation required by the disclosure requirement only refers to assets, liabilities and turnover, although the potential effects might not be reflected in these positions, but might be reflected only in the budget of the undertakings. We recommend to provide more guidance on what to report, if the potential financial effects are not reflected in assets, liabilities and turnover (i.e., effects on operating expenses, depreciation, investments, future revenue considered in impairment test models).

ESRS E2 – Pollution

The objective of this [draft] standard is to specify Disclosure Requirements which will enable users of the sustainability reporting to understand:

1. how the undertaking affects pollution of air (both indoor and outdoor), water (including groundwater) and soil, living organisms and food resources (referred to in this [draft] Standard as “pollution”), in terms of positive and negative material actual or potential adverse impacts;
2. any actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential adverse impacts;
3. the plans and capacity of the undertaking to adapt its strategy, business model(s) and operations in line with the transition to a sustainable economy concurring with the needs for prevention, control and elimination of pollution across air (both indoor and outdoor), water (including groundwater), soil, living organisms and food resources, thereby creating a toxic-free environment with zero pollution also in support of the EU Action Plan ‘Towards a Zero Pollution for Air, Water and Soil’;
4. the nature, type and extent of the undertaking’s material risks and opportunities related to the undertaking’s impacts and dependencies arising from pollution, as well as from the prevention, control, elimination or reduction of pollution (including from regulations) and how the undertaking manages them; and
5. the effects of risks and opportunities, related to the undertaking’s impacts and dependencies on pollution, on the undertaking’s development, performance and position over the short, medium and long term and therefore on its ability to create enterprise value.

This standard derives from the (Draft) Corporate Sustainability Reporting Directive stating that the sustainability reporting standards shall specify the information that undertakings are to disclose about environmental factors, including information about ’pollution’.
This standard sets out Disclosure Requirements related to pollution of air (both indoor and outdoor), water (including groundwater), soil, substances of concerns, most harmful substances and enabling activities in support of prevention, control and elimination of pollution.

Q41: Please, rate to what extent do you think ESRS E2 - Pollution

	Not at all	To a limited extent with strong reservations	To a large extent with some reservations	Fully	No opinion
A. Covers sustainability information required by articles 19a and 19b of the CSRD proposal (see Appendix II for CSRD detailed requirements)	○	○	◉	○	○
B. Supports the production of relevant information about the sustainability matter covered	○	○	◉	○	○
C. Fosters comparability across sectors	○	○	◉	○	○
D. Covers information necessary for a faithful representation from an impact perspective	○	◉	○	○	○
E. Covers information necessary for a faithful representation from a financial perspective	○	○	◉	○	○
F. Prescribes information that can be verified / assured	○	○	◉	○	○
G. Meets the other objectives of the CSRD in term of quality of information	○	○	◉	○	○
H. Reaches a reasonable cost / benefit balance	○	○	◉	○	○
I. Is sufficiently consistent with relevant EU policies and other EU legislation	○	○	◉	○	○
J. Is as aligned as possible to international sustainability standards given the CSRD requirements	○	○	◉	○	○

For part H, please explain why costs would be unreasonable and / or what particular benefit ESRS E2 offers
For part I, please specify what European law or initiative you think is insufficiently considered
For part J, please explain how you think further alignment could be reached

Please share any comments and suggestions for improvement you might have relating to the above questions, referring explicitly to the part of the question you are providing comment

We have strong concerns regarding data availability and data quality with respect to the requirement to report on actual and future impacts, risks and opportunities.

We recommend to include some of the disclosure requirements relating to performance management to the sector-specific standards and limit the mandatory sector-agnostic disclosure requirements to the description of strategy, impacts, risks and opportunities as well as action plans, as different sectors are affected

differently.

We note that the disclosure requirements of financial effects, which could be actual, effective and potential effects, are not aligned between the ESRS E standards and that more guidance in the Application Guidance and the Basis for Conclusions is needed concerning the definition of the respective effects as well as concerning the reconciliation to financial reporting, while also considering that the potential effects might not be reflected in the financial statements. As connectivity between sustainability and financial reporting is a key element of the double materiality concept and the assessments of effects on the enterprise value of the undertaking, it is recommended to align the respective guidance between all ESRS and provide illustrative examples.

ESRS E3 – Water and marine resources

The objective of this [draft] standard is to specify disclosure requirements which will enable users of the sustainability reporting to understand:

1. how the undertaking affects water and marine resources, in terms of positive and negative material actual or potential adverse impacts;
2. any actions taken, and the result of such actions, to protect water and marine resources, also with reference to reduction of water withdrawals, water consumption, water use, water discharges in water bodies and in the oceans, habitat degradation and the intensity of pressure on marine resources;
3. to what extent the undertaking is contributing to the European Green Deal's ambitions for fresh air, clean water, a healthy soil and biodiversity as well as to ensuring the sustainability of the blue economy and fisheries sectors, to the EU water framework directive, to the EU marine strategy framework, to the EU maritime spatial planning directive, the SDGs 6 Clean water and sanitation and 14 Life below water, and respect of global environmental limits (e.g. the biosphere integrity, ocean acidification, freshwater use, and biogeochemical flows planetary boundaries) in line with the vision for 2050 of 'living well within the ecological limits of our planet' set out in in the 7th Environmental Action Programme, and in the proposal for a decision of the European Parliament and the Council on the 8th Environmental Action Programme;
4. the plans and capacity of the undertaking to adapt its business model and operations in line with the transition to a sustainable economy as well as with the preservation and restoration of water and marine resources globally;
5. the nature, type and extent of the undertaking's material risks and opportunities related to the undertaking's impacts and dependencies on water and marine resources, and how the undertaking manages them; and
6. the effects of risks and opportunities, related to the undertaking's impacts and dependencies on water and marine resources, on the undertaking's development, performance and position over the short, medium and long term and therefore on its ability to create enterprise value.

This standard derives from the [Draft Corporate Sustainability Reporting Directive] stating that the sustainability reporting standards shall specify information to disclose about two sub-subtopics: 'water' and 'marine resources'.

Q42: Please, rate to what extent do you think ESRS E3 – Water and marine resources

	Not at all	To a limited extent with strong reservations	To a large extent with some reservations	Fully	No opinion
A. Covers sustainability information required by articles 19a and 19b of the CSRD proposal (see Appendix II for CSRD detailed requirements)	○	○	◉	○	○
B. Supports the production of relevant information about the sustainability matter covered	○	○	◉	○	○
C. Fosters comparability across sectors	○	○	◉	○	○
D. Covers information necessary for a faithful representation from an impact perspective	○	○	◉	○	○
E. Covers information necessary for a faithful representation from a financial perspective	○	◉	○	○	○
F. Prescribes information that can be verified / assured	○	○	◉	○	○
G. Meets the other objectives of the CSRD in term of quality of information	○	○	◉	○	○
H. Reaches a reasonable cost / benefit balance	○	○	◉	○	○
I. Is sufficiently consistent with relevant EU policies and other EU legislation	○	○	◉	○	○
J. Is as aligned as possible to international sustainability standards given the CSRD requirements	○	○	◉	○	○

For part H, please explain why costs would be unreasonable and / or what particular benefit ESRS E3 offers
For part I, please specify what European law or initiative you think is insufficiently considered
For part J, please explain how you think further alignment could be reached

Please share any comments and suggestions for improvement you might have relating to the above questions, referring explicitly to the part of the question you are providing comment

We have strong concerns regarding data availability and data quality with respect to the requirement to report on actual and future impacts, risks and opportunities.

We also recommend to include some of the disclosure requirements relating to performance management to the sector-specific standards and limit the mandatory sector-agnostic disclosure requirements to the description of strategy, impacts, risks and opportunities as well as action plans, as different sectors are

affected differently.

We note that the disclosure requirements of financial effects including actual, effective and potential effects are not aligned between the ESRS E standards and that more guidance in the Application Guidance and the Basis for Conclusions is needed concerning the definition of the respective effects as well as concerning the reconciliation to financial reporting, while also considering that the potential effects might not be reflected in the financial statements. As connectivity between sustainability and financial reporting is a key element of the double materiality concept and the assessments of effects on the enterprise value of the undertaking, it is recommended to align the respective guidance between all ESRS and provide illustrative examples.

ESRS E4 – Biodiversity and ecosystems

The objective of this [draft] standard is to specify Disclosure Requirements which will enable users of sustainability reporting to understand:

1. how the undertaking affects biodiversity and ecosystems, in terms of positive and negative material actual or potential adverse impacts;
2. any actions taken, and the result of such actions, to prevent, mitigate or remediate, actual or potential adverse impacts and to protect and restore biodiversity and ecosystems;
3. to what extent the undertaking contributes to (i) the European Green Deal's ambitions for protecting the biodiversity and ecosystems, the EU Biodiversity Strategy for 2030, the SDGs 2 Zero Hunger, 6 Clean water and sanitation, 12 Responsible consumption, 14 Life below water and 15 Life on land, the Post-2020 Global Biodiversity Framework and (ii) the respect of global environmental limits (e.g. the biosphere integrity and land-system change planetary boundaries);
4. and the plans and capacity of the undertaking to adapt its business model and operations in line with the transition to a sustainable economy and with the preservation and restoration of biodiversity and ecosystems globally in general; and in particular in line with the objective of (i) ensuring that by 2050 all of the world's ecosystems and their services are restored to a good ecological condition, resilient, and adequately protected and (ii) contributing to achieving the objectives of the EU Biodiversity Strategy at latest by 2030;
5. the nature, type and extent of the undertaking's material risks and opportunities related to the undertaking's impacts and dependencies on biodiversity and ecosystems, and how the undertaking manages them;
6. the effects of risks and opportunities, related to the undertaking's impacts and dependencies on biodiversity and ecosystems, on the undertaking's development, performance and position over the short, medium and ling term and therefore on its ability to create enterprise value.

This standard derives from the [Draft Corporate Sustainability Reporting Directive] stating that the sustainability reporting standards shall specify information to disclose about 'biodiversity and ecosystems'. This standard sets out Disclosure Requirements related to the undertaking's relationship to terrestrial, freshwater and marine habitats, ecosystems and populations of related fauna and flora species, including diversity within species, between species and of ecosystems and their interrelation with many indigenous and local communities.

Q43: Please, rate to what extent do you think ESRS E4 – Biodiversity and ecosystems

		To a limited extent with	To a large extent with		

	Not at all	strong reservations	some reservations	Fully	No opinion
A. Covers sustainability information required by articles 19a and 19b of the CSRD proposal (see Appendix II for CSRD detailed requirements)	○	○	◉	○	○
B. Supports the production of relevant information about the sustainability matter covered	○	○	◉	○	○
C. Fosters comparability across sectors	○	○	◉	○	○
D. Covers information necessary for a faithful representation from an impact perspective	○	○	◉	○	○
E. Covers information necessary for a faithful representation from a financial perspective	○	○	◉	○	○
F. Prescribes information that can be verified / assured	○	○	◉	○	○
G. Meets the other objectives of the CSRD in term of quality of information	○	○	◉	○	○
H. Reaches a reasonable cost / benefit balance	○	○	◉	○	○
I. Is sufficiently consistent with relevant EU policies and other EU legislation	○	○	◉	○	○
J. Is as aligned as possible to international sustainability standards given the CSRD requirements	○	○	◉	○	○

For part H, please explain why costs would be unreasonable and / or what particular benefit ESRS E4 offers
For part I, please specify what European law or initiative you think is insufficiently considered
For part J, please explain how you think further alignment could be reached

Please share any comments and suggestions for improvement you might have relating to the above questions, referring explicitly to the part of the question you are providing comment

We have strong concerns regarding data availability and data quality with respect to the requirement to report on actual and future impacts, risks and opportunities.

We also recommend to include some of the disclosure requirements relating to performance management to the sector-specific standards and limit the mandatory sector-agnostic disclosure requirements to the description of strategy, impacts, risks and opportunities as well as action plans, as different sectors are affected differently.

We note that the disclosure requirements of financial effects, which could be actual, effective and potential effects, are not aligned between the ESRS E standards and that more guidance in the Application Guidance and the Basis for Conclusions is needed concerning the definition of the respective effects as well as concerning the reconciliation to financial reporting, while also considering that the potential effects might not be reflected in the financial statements. As connectivity between sustainability and financial reporting is a key element of the double materiality concept and the assessments of effects on the enterprise value of the undertaking, it is recommended to align the respective guidance between all ESRS and provide illustrative examples.

Furthermore, we recommend to address the impacts of soil sealing. Guidelines on best practice to limit, mitigate or compensate soil sealing are published by the European Commission: https://ec.europa.eu /environment/soil/pdf/guidelines/pub/soil_en.pdf

ESRS E5 – Resource use and circular economy

The objective of this [draft] standard is to specify Disclosure Requirements which will enable users of the sustainability reporting to understand:

1. the impact of the undertaking on resource use considering the depletion of non-renewable resources and the regeneration of renewable resources and its past, current and future measures to decouple its growth from extraction of natural resources;
2. the nature, type and extent of risks and opportunities arising from the resource use and the transition to a circular economy including potential negative externalities;
3. the effects of circular economy-related risks and opportunities on the undertaking's development, performance and position over the short-, medium- and long-term and therefore on its ability to create enterprise value in;
4. the plans and capacity of the undertaking to adapt its business model and operations in line with circular economy principles including the elimination of waste, the circulation of products and materials at their highest value, and the nature's regeneration.

This [draft] standard derives from the [Draft] Corporate Sustainability Reporting Directive stating that the sustainability reporting standards shall specify information to disclose about 'resource use and circular economy'.

Q44: Please, rate to what extent do you think ESRS E5 – Resource use and circular economy

	Not at all	To a limited extent with strong reservations	To a large extent with some reservations	Fully	No opinion
A. Covers sustainability information required by articles 19a and 19b of the CSRD proposal (see Appendix II for CSRD detailed requirements)	○	○	◉	○	○
B. Supports the production of relevant information about the sustainability matter covered	○	○	◉	○	○

C. Fosters comparability across sectors	○	○	◉	○	○
D. Covers information necessary for a faithful representation from an impact perspective	○	○	◉	○	○
E. Covers information necessary for a faithful representation from a financial perspective	○	○	◉	○	○
F. Prescribes information that can be verified / assured	○	○	◉	○	○
G. Meets the other objectives of the CSRD in term of quality of information	○	○	◉	○	○
H. Reaches a reasonable cost / benefit balance	○	◉	○	○	○
I. Is sufficiently consistent with relevant EU policies and other EU legislation	○	○	◉	○	○
J. Is as aligned as possible to international sustainability standards given the CSRD requirements	○	○	◉	○	○

For part H, please explain why costs would be unreasonable and / or what particular benefit ESRS E5 offers
For part I, please specify what European law or initiative you think is insufficiently considered
For part J, please explain how you think further alignment could be reached

Please share any comments and suggestions for improvement you might have relating to the above questions, referring explicitly to the part of the question you are providing comment

We have strong concerns regarding data availability and data quality with respect to the requirement to report on actual and future impacts, risks and opportunities.

We also recommend to include some of the disclosure requirements relating to performance management to the sector-specific standards and limit the mandatory sector-agnostic disclosure requirements to the description of strategy, impacts, risks and opportunities as well as action plans, as different sectors are affected differently.

We note that the disclosure requirements of financial effects, which could be actual, effective and potential effects, are not aligned between the ESRS E standards and that more guidance in the Application Guidance and the Basis for Conclusions is needed concerning the definition of the respective effects as well as concerning the reconciliation to financial reporting, while also considering that the potential effects might not be reflected in the financial statements. As connectivity between sustainability and financial reporting is a key element of the double materiality concept and the assessments of effects on the enterprise value of the undertaking, it is recommended to align the respective guidance between all ESRS and provide illustrative examples.

ESRS S1 – Own workforce

The objective of this [draft] standard is to specify Disclosure Requirements which will enable users of the sustainability reporting to understand:

1. how they affect the undertaking affects own workforce, in terms of positive and negative material impacts;
2. any actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential adverse impacts;
3. the nature, type and extent of the undertaking's material risks and opportunities related to its impacts and dependencies on own workforce, and how the undertaking manages them and,
4. the effects of risks and opportunities, related to the undertaking's impacts and dependencies on own workforce, on the undertaking's development, performance and position over the short, medium and long term and therefore on its ability to create enterprise value.

In order to meet the objective, this [draft] Standard also requires an explanation of the general approach the undertaking takes to identify and manage any material actual and potential impacts on its own workforce in relation to:

1. working conditions (impacts related to e.g. living wage, health and safety, social security, working hours, water and sanitation);
2. access to equal opportunities (impacts related to e.g. discrimination, including on the rights of workers with disabilities or on women workers, as well as impacts related to issues of equality in pay and work-life balance, precarious work);
3. other work-related rights, (impacts related to e.g. trade union rights, freedom of association and collective bargaining, child labour, forced labour, privacy, adequate housing).

This draft standard derives from the [Draft] Corporate Sustainability Reporting Directive stating that the sustainability reporting standards shall specify the information that undertakings are to disclose regarding social factors.
This [draft] Standard covers an undertaking's "own workforce", which is understood to include both workers who are in an employment relationship with the undertaking ("employees") and non-employee workers who are either individuals with contracts with the undertaking to supply labour ('self-employed workers') or workers provided by undertakings primarily engaged in 'employment activities' (NACE Code N78). This [draft] Standard does not cover (i) workers in the upstream or downstream undertaking's value chain for whom neither work nor workplace are controlled by the undertaking; or (ii) workers whose work and/or workplace is controlled by the undertaking but are neither employees, nor individual contractors ("self-employed workers"), nor workers provided by undertakings primarily ,engaged in "employment activities" (NACE Code N78); these categories of workers are covered in ESRS S2 Workers in the Value Chain.

Q45: Please, rate to what extent do you think ESRS S1 – *Own workforce*

	Not at all	To a limited extent with strong reservations	To a large extent with some reservations	Fully	No opinion
A. Covers sustainability information required by articles 19a and 19b of the CSRD proposal (see Appendix II for CSRD detailed requirements)	○	○	○	◉	○

B. Supports the production of relevant information about the sustainability matter covered	○	○	●	○	○
C. Fosters comparability across sectors	○	○	●	○	○
D. Covers information necessary for a faithful representation from an impact perspective	○	○	●	○	○
E. Covers information necessary for a faithful representation from a financial perspective	○	○	●	○	○
F. Prescribes information that can be verified / assured	○	○	●	○	○
G. Meets the other objectives of the CSRD in term of quality of information	○	○	○	●	○
H. Reaches a reasonable cost / benefit balance	○	○	●	○	○
I. Is sufficiently consistent with relevant EU policies and other EU legislation	○	○	○	●	○
J. Is as aligned as possible to international sustainability standards given the CSRD requirements	○	○	●	○	○

For part H, please explain why costs would be unreasonable and / or what particular benefit ESRS S1 offers
For part I, please specify what European law or initiative you think is insufficiently considered
For part J, please explain how you think further alignment could be reached

Please share any comments and suggestions for improvement you might have relating to the above questions, referring explicitly to the part of the question you are providing comment

In general, we recommend that the overlap with the ESRS 2 general business model disclosure should be eliminated.

We find that the scope of ESRS S1 is not always clear, as the DRs sometimes refer to employees, in some cases extend the scope to all stakeholders and at times include employees and non-employees. There are also inconsistencies between some DRs and the corresponding AG regarding the scope.

We think that the reasonable cost / benefit balance was not fully considered throughout the DRs of the social standards. Moreover, we suggest to consider more optional disclosures rather than mandatory DRs concerning the social standards.

We are concerned that the digitalization was not considered during the preparation of the ESRS S1 and, therefore, recommend to provide more guidance on how to transform the required information into a digital reporting taxonomy.

We find that the disclosure of some key figures should be more prioritized than others, as some of them are more difficult to collect and analyse.

ESRS S2 – Workers in the value chain

The objective of this [draft] standard is to specify Disclosure Requirements which will enable users of the sustainability reporting to understand:

1. how the undertaking affects workers in its value chain through its own operations and its upstream and downstream value chain (including its products and services, its business relationships and its supply chain), in terms of material positive and negative actual or potential adverse impacts;
2. any actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential adverse impacts;
3. the nature, type and extent of the undertaking's material risks and opportunities related to its impacts and dependencies on workers in the value chain, and how the undertaking manages them; and
4. the effects of risks and opportunities, related to the undertaking's impacts and dependencies on workers in the value chain, on the undertaking's development, performance and position over the short-, medium- and long-term and therefore on its ability to create enterprise value.

In order to meet the objective, the [draft] standard requires an explanation of the general approach the undertaking takes to identify and manage any material actual and potential impacts on value chain workers in relation to impacts on those workers':

1. working conditions (impacts related to e.g. living wage, health and safety, social security, working hours, water and sanitation);
2. access to equal opportunities (impacts related to e.g. discrimination, including on the rights of workers with disabilities or on women workers, as well as impacts related to issues of equality in pay and work-life balance, precarious work);
3. other work-related rights, (impacts related to e.g. trade union rights, freedom of association and collective bargaining, child labour, forced labour, privacy, adequate housing).

This draft standard derives from the [Draft] Corporate Sustainability Reporting Directive stating that the sustainability reporting standards shall specify the information that undertakings are to disclose regarding social factors.
This [draft] standard covers all workers in the undertaking's upstream and downstream value chain who are or can be materially impacted. This also includes all non-employee workers whose work and/or workplace is controlled by the undertaking but are not included in the scope of "own workforce" ("own workforce" includes: employees, individual contractors, i.e., self-employed workers, and workers provided by third party undertakings primarily engaged in 'employment activities'). Own workforce is covered in ESRS S1 Own workforce.

Q46: Please, rate to what extent do you think ESRS S2 – Workers in the value chain

	Not at all	To a limited extent with strong reservations	To a large extent with some reservations	Fully	No opinion

A. Covers sustainability information required by articles 19a and 19b of the CSRD proposal (see Appendix II for CSRD detailed requirements)	○	○	○	●	○
B. Supports the production of relevant information about the sustainability matter covered	○	○	○	●	○
C. Fosters comparability across sectors	○	○	●	○	○
D. Covers information necessary for a faithful representation from an impact perspective	○	○	●	○	○
E. Covers information necessary for a faithful representation from a financial perspective	○	○	●	○	○
F. Prescribes information that can be verified / assured	○	○	●	○	○
G. Meets the other objectives of the CSRD in term of quality of information	○	○	○	●	○
H. Reaches a reasonable cost / benefit balance	○	○	●	○	○
I. Is sufficiently consistent with relevant EU policies and other EU legislation	○	○	○	●	○
J. Is as aligned as possible to international sustainability standards given the CSRD requirements	○	○	●	○	○

For part H, please explain why costs would be unreasonable and / or what particular benefit ESRS S2 offers
For part I, please specify what European law or initiative you think is insufficiently considered
For part J, please explain how you think further alignment could be reached

Please share any comments and suggestions for improvement you might have relating to the above questions, referring explicitly to the part of the question you are providing comment

We are concerned about the uncertainty of how far the value chain extends. We see possible difficulties regarding the gathering of the information that needs to be disclosed, especially from those companies in the value chain, that are not obliged to publish sustainability information.

We think that the reasonable cost / benefit balance was not fully considered throughout the DRs of the social standards. Moreover, we suggest to consider more optional disclosures rather than mandatory DRs concerning the social standards.

We are concerned that the digitalization was not considered during the preparation of the ESRS S2 and, therefore, recommend to provide more guidance on how to transform the required information into a digital reporting taxonomy.

We find that the disclosure of some key figures should be more prioritized than others, as some of them are more difficult to collect and analyse.

ESRS S3 – Affected communities

The objective of this [draft] standard is to specify Disclosure Requirements which will enable users of the sustainability reporting to understand:

1. how the undertaking affects its local communities through its own operations and its upstream and downstream value chain (including its products and services, its business relationships and its supply chain), in terms of material positive and negative actual or potential adverse impacts;
2. any actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential adverse impacts;
3. the nature, type and extent of the undertaking's material risks and opportunities related to the undertaking's impacts and dependencies on affected communities, and how the undertaking manages them; and
4. the effects of risks and opportunities, related to their impacts and dependencies on local communities, on the undertaking's development, performance and position over the short-, medium- and long-term and therefore on its ability to create enterprise value.

In order to meet the objective, the [Draft] standard requires an explanation of the general approach the undertaking takes to identify and manage any material actual and potential impacts on affected communities in relation to:

1. impacts on communities' economic, social and cultural rights (e.g. adequate housing, adequate food, water and sanitation, land-related and security-related impacts);
2. impacts on communities' civil and political rights (e.g. freedom of expression, freedom of assembly, impacts on human rights defenders); and
3. impacts on particular rights of Indigenous communities (e.g. free, prior and informed consent, self-determination, cultural rights).

This draft standard derives from the [Draft] Corporate Sustainability Reporting Directive stating that the sustainability reporting standards shall specify the information that undertakings are to disclose regarding social factors.

Q47: Please, rate to what extent do you think ESRS S3 – Affected communities

	Not at all	To a limited extent with strong reservations	To a large extent with some reservations	Fully	No opinion
A. Covers sustainability information required by articles 19a and 19b of the CSRD proposal (see Appendix II for CSRD detailed requirements)	○	○	○	◉	○

B. Supports the production of relevant information about the sustainability matter covered	○	○	○	●	○
C. Fosters comparability across sectors	○	○	●	○	○
D. Covers information necessary for a faithful representation from an impact perspective	○	○	●	○	○
E. Covers information necessary for a faithful representation from a financial perspective	○	○	●	○	○
F. Prescribes information that can be verified / assured	○	○	●	○	○
G. Meets the other objectives of the CSRD in term of quality of information	○	○	○	●	○
H. Reaches a reasonable cost / benefit balance	○	○	●	○	○
I. Is sufficiently consistent with relevant EU policies and other EU legislation	○	○	○	●	○
J. Is as aligned as possible to international sustainability standards given the CSRD requirements	○	○	●	○	○

For part H, please explain why costs would be unreasonable and / or what particular benefit ESRS S3 offers
For part I, please specify what European law or initiative you think is insufficiently considered
For part J, please explain how you think further alignment could be reached

Please share any comments and suggestions for improvement you might have relating to the above questions, referring explicitly to the part of the question you are providing comment

We see difficulty in the verification due to language barriers and access. In addition, it is unclear how far the responsibility extends.

We think that the reasonable cost / benefit balance was not fully considered throughout the DRs of the social standards. Moreover, we suggest to consider more optional disclosures rather than mandatory DRs concerning the social standards.

We are concerned that the digitalization was not considered during the preparation of the ESRS S3 and, therefore, recommend to provide more guidance on how to transform the required information into a digital reporting taxonomy.

We find that the disclosure of some key figures should be more prioritized than others, as some of them are more difficult to collect and analyse.

ESRS S4 – Consumers and end-users

The objective of this [draft] standard is to specify Disclosure Requirements which will enable users of the sustainability reporting to understand:

1. how the undertaking affects the consumers and end-users of its products and/or services (referred to in this [draft] Standard as “consumers and end-users”), in terms of material positive and negative actual or potential adverse impacts connected with the undertaking’s own operations and upstream and downstream value chain, including its business relationships and its supply chain;
2. any actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential adverse impacts;
3. the nature, type and extent of the undertaking’s material risks and opportunities related to its impacts and dependencies on consumers and end-users, and how the undertaking manages them; and
4. the effects of risks and opportunities, related to their impacts and dependencies on consumers and end-users, on the undertaking’s development, performance and position over the short-, medium- and long-term and therefore on its ability to create enterprise value.

In order to meet the objective, the [draft] standard requires an explanation of the general approach the undertaking takes to identify and manage any material actual and potential impacts on the consumers and /or end-users related to their products and/or services in relation to:

1. information-related impacts for consumers/end-users, in particular privacy, freedom of expression and access to information; .
2. personal safety of consumers/end-users, in particular health & safety, security of a person and protection of children; and
3. social inclusion of consumers/end-users, in particular non-discrimination and access to products and services.

This draft standard derives from the [Draft] Corporate Sustainability Reporting Directive stating that the sustainability reporting standards shall specify the information that undertakings are to disclose regarding social factors.

Q48: Please, rate to what extent do you think ESRS S4 – Consumers and end-users

	Not at all	To a limited extent with strong reservations	To a large extent with some reservations	Fully	No opinion
A. Covers sustainability information required by articles 19a and 19b of the CSRD proposal (see Appendix II for CSRD detailed requirements)	○	○	○	●	○
B. Supports the production of relevant information about the sustainability matter covered	○	○	●	○	○
C. Fosters comparability across sectors	○	○	●	○	○

D. Covers information necessary for a faithful representation from an impact perspective	○	○	●	○	○
E. Covers information necessary for a faithful representation from a financial perspective	○	○	●	○	○
F. Prescribes information that can be verified / assured	○	○	●	○	○
G. Meets the other objectives of the CSRD in term of quality of information	○	○	○	●	○
H. Reaches a reasonable cost / benefit balance	○	○	●	○	○
I. Is sufficiently consistent with relevant EU policies and other EU legislation	○	○	○	●	○
J. Is as aligned as possible to international sustainability standards given the CSRD requirements	○	○	●	○	○

For part H, please explain why costs would be unreasonable and / or what particular benefit ESRS S4 offers
For part I, please specify what European law or initiative you think is insufficiently considered
For part J, please explain how you think further alignment could be reached

Please share any comments and suggestions for improvement you might have relating to the above questions, referring explicitly to the part of the question you are providing comment

We are concerned about the uncertainty of how far the definition of consumers and end-users extends. We see possible difficulties regarding the gathering of the information that needs to be disclosed. We recommend to provide more guidance and clear definitions of the scope.

We think that the reasonable cost / benefit balance was not fully considered throughout the DRs of the social standards. Moreover, we suggest to consider more optional disclosures rather than mandatory DRs concerning the social standards.

We are concerned that the digitalization was not considered during the preparation of the ESRS S4 and, therefore, recommend to provide more guidance on how to transform the required information into a digital reporting taxonomy.

We find that the disclosure of some key figures should be more prioritized than others, as some of them are more difficult to collect and analyse.

ESRS G1 – Governance, risk management and internal control

The objective of this [draft] standard is to specify disclosure requirements which will enable users of the undertaking's sustainability report to understand the governance structure of the undertaking, and its internal control and risk management systems.
This [draft] standard derives from the [Draft Corporate Sustainability Reporting Directive] stating that the sustainability reporting standards shall specify information to disclose information about governance factors, including:

1. the role of the undertaking's administrative, management and supervisory bodies, including with regard to sustainability matters, and their composition, as well as a description of the diversity policy applied and its implementation;
2. the undertaking's internal control and risk management systems, including in relation to the undertaking's reporting process.

Q49: Please, rate to what extent do you think ESRS G1 – Governance, risk management and internal control

	Not at all	To a limited extent with strong reservations	To a large extent with some reservations	Fully	No opinion
A. Covers sustainability information required by articles 19a and 19b of the CSRD proposal (see Appendix II for CSRD detailed requirements)	●	○	○	○	○
B. Supports the production of relevant information about the sustainability matter covered	●	○	○	○	○
C. Fosters comparability across sectors	●	○	○	○	○
D. Covers information necessary for a faithful representation from an impact perspective	●	○	○	○	○
E. Covers information necessary for a faithful representation from a financial perspective	●	○	○	○	○
F. Prescribes information that can be verified / assured	○	○	○	●	○
G. Meets the other objectives of the CSRD in term of quality of information	○	●	○	○	○
H. Reaches a reasonable cost / benefit balance	●	○	○	○	○
I. Is sufficiently consistent with relevant EU policies and other EU legislation	○	●	○	○	○
J. Is as aligned as possible to international sustainability standards given the CSRD requirements	○	●	○	○	○

For part H, please explain why costs would be unreasonable and / or what particular benefit ESRS G1 offers
For part I, please specify what European law or initiative you think is insufficiently considered
For part J, please explain how you think further alignment could be reached

Please share any comments and suggestions for improvement you might have relating to the above questions, referring explicitly to the part of the question you are providing comment

ESRS G1 is based on corporate governance reports of PIEs. The demand for such reports, which are mandatory for PIEs, derives the fact that ownership of listed undertakings is typically in the hands of many, and anonymous, investors. In such groups, owners are requested to make decisions on boards and related issues, for which they need such information. We doubt that it is justified to roll out these disclosure requirements to all large undertakings, as their original purpose is completely different from sustainability reporting. Moreover, many of the DRs in ESRS G1 describe general decision processes rather than strategies, target, and outcomes. Processes are important to ensure high-quality information, but the sustainability reports will be subject to auditing, so there is no obvious need for information about processes.

As we stated in our response to Q6 we recommend eliminating all DRs in ESRS G1 and instead transferring the governance-related DRs 2-GOV to ESRS G1.

ESRS G2 – Business conduct

The objective of this [draft] standard is to specify disclosure requirements for the undertaking to provide information about its strategy and approach, processes and procedures as well as its performance in respect of business conduct.
This [draft] standard derives from the [Draft Corporate Sustainability Reporting Directive] stating that the sustainability reporting standards shall specify information to disclose about business ethics and corporate culture, including anti-corruption and anti-bribery.
In general, business conduct covers a wide range of behaviours that support transparent and sustainable business practices to the benefit of all stakeholders. This [draft] standard focusses on a limited number of practices as follows:

1. business conduct culture;
2. avoiding corruption, bribery and other behaviours that often have been criminalised as they benefit some in positions of power with a detrimental impact on society; and
3. transparency about anti-competitive behaviour and political engagement or lobbying.

This [draft] standard is addressing business conduct as a key element of the undertaking's contribution to sustainable development. This [draft] standard requires the undertaking to report information about its overall policies and practices for business conduct, rather than information for specific material sustainability topics.

Q50: Please, rate to what extent do you think ESRS G2 – Business conduct

	Not at all	To a limited extent with strong reservations	To a large extent with some reservations	Fully	No opinion
A. Covers sustainability information required by articles 19a and 19b of the CSRD proposal (see Appendix II for CSRD detailed requirements)	○	○	◉	○	○
B. Supports the production of relevant information about the sustainability matter covered	○	○	◉	○	○
C. Fosters comparability across sectors	○	○	◉	○	○
D. Covers information necessary for a faithful representation from an impact perspective	○	○	◉	○	○
E. Covers information necessary for a faithful representation from a financial perspective	○	◉	○	○	○
F. Prescribes information that can be verified / assured	○	○	◉	○	○
G. Meets the other objectives of the CSRD in term of quality of information	○	○	◉	○	○
H. Reaches a reasonable cost / benefit balance	○	○	◉	○	○
I. Is sufficiently consistent with relevant EU policies and other EU legislation	○	◉	○	○	○
J. Is as aligned as possible to international sustainability standards given the CSRD requirements	○	◉	○	○	○

For part H, please explain why costs would be unreasonable and / or what particular benefit ESRS G2 offers
For part I, please specify what European law or initiative you think is insufficiently considered
For part J, please explain how you think further alignment could be reached

Please share any comments and suggestions for improvement you might have relating to the above questions, referring explicitly to the part of the question you are providing comment

We believe that the DRs are too detailed and granular.

2. ESRS implementation prioritisation / phasing-in

Application provisions

In order to facilitate the first-time application of set 1, ESRS 1 includes two provisions:

- Application Provision AP1 which exempts undertaking to reports comparatives for the first reporting period, and
- Application Provision AP2 which proposes transitional measures for entity-specific disclosures which consists in allowing the undertaking to continue to use, for 2 years, disclosures it has consistently used in the past, providing certain conditions are met, as described in paragraph 154.

Q51: to what extent do you support the implementation of Application Provision AP1?

- ○ Not at all
- ○ To a limited extent with strong reservations
- ○ To a large extent with some reservations
- ◉ Fully
- ○ No opinion

Q52: to what extent do you support the implementation of Application Provision AP2?

- ○ Not at all
- ○ To a limited extent with strong reservations
- ○ To a large extent with some reservations
- ◉ Fully
- ○ No opinion

Q53: what other application provision facilitating first-time application would you suggest being considered?

We appreciate that the CSRD regulation (Art. 5 Transposition) of the first-time application is being included based on the undertakings' size. Undertakings which were subject to the regulations of the NFRD already could report comparative information, if undertakings have relevant data/information for the previous period.

Please explain why

ESRS implementation prioritisation / phasing-in options

Set 1 proposes a comprehensive set of standards aimed at achieving the objectives of the CSRD proposal, with the exception of the standards to be included in Set 2.

Acknowledging the fact that the proposed vision of a comprehensive sustainability reporting might be challenging to implement in year one for the new preparers and potentially to some of the large preparers as well, EFRAG will consider using some prioritisation / phasing-in levers to smoothen out the

implementation of the first set of standards.

The following questions aim at informing EFRAG's and ultimately the European Commission's decision as to what disclosure requirements should be considered for phasing-in, based on implementation feasibility / challenges and potentially other criteria, and over what period of time their implementation should be phased-in.

Q54: for which one of the current ESRS disclosure requirements (see Appendix I) do you think implementation feasibility will prove challenging? and why?

We believe that a lot of standards will be most difficult to implement due to the number of DRs with detailed data points and the conceptual and calculation complexity. Undertakings that already report under the NFRD might have experience, as many undertakings in Europe apply GRI standards, although mostly the universal standards only. The practical difficulties particularly arise from the topic-specific standards, because they are far-reaching and require a significant amount of data that are not generally available and for which processes must be established. Financial institutions especially face severe difficulties in implementing the DRs because of a lack of reliable data that needs to be collected from clients, investees, etc.

Given the critical importance of implementation prioritisation / phasing-in, please justify and illustrate your response

Q55: over what period of time would you think the implementation of such "challenging" disclosure requirements should be phased-in? and why?

We think a period of three years at a minimum would be necessary. Impact assessment projects are complex and time consuming. Lack of guidance and of examples adds to the complexity and implementation issues. A gradual approach may also be feasible. For example, there could be a set of minimum requirements that must be reported in the first year of application, whereas the rest will have to be reported within a period of three years.

Given the critical importance of implementation prioritisation / phasing-in, please justify and illustrate your response

Q56: beyond feasibility of implementation, what other criteria for implementation prioritisation / phasing-in would recommend being considered? And why?

Criteria for a prioritisation approach could be:

- Cross-cutting standards ESRS 1 and 2 (aligned with ISSB approach); ESRS 1 does not have any DR, thus, only the general alignment with ED IFRS S1 is important

- Climate standard E1 (aligned with ISSB approach)
- SFDR relevant DRs included in the remaining standards (E2-5, S1-4, G1-2)
- Regulation of the Taxonomy

Given the critical importance of implementation prioritisation / phasing-in, please justify and illustrate your response

Q57: please share any other comments you might have regarding ESRS implementation prioritisation / phasing-in

In our view, the focus should be set on disclosure requirements that are needed to understand an undertaking's progress concerning sustainability matters and how it fosters transformation of the business model. To achieve this, only a handful of KPIs and descriptive disclosures are necessary. The ESRSs appear to be submitted to the view that reporting is for the reporting's sake and might forget the underlying rationale of the reporting (Green Deal etc).

See our suggestion in Q 28 where we propose a gradual approach as to the provision of information across the value chain (Art 19e (3)). This should be reflected in ESRS 1. We recognize that the transformation of systems and data collection will be a challenge, when the undertakings aim at complying with ESRS requirements.

If you have other comments in the form of a document please upload it here

Contact

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