

EFRAG Sustainability Reporting Board Consultation Survey 1

Fields marked with * are mandatory.



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

FAR, the institute for the accountancy profession

* First name

50 character(s) maximum

Maria

* Surname

50 character(s) maximum

Lantz

* Email (this information will not be published or made public)

50 character(s) maximum

maria.lantz@far.se

* Country of origin

50 character(s) maximum

Sweden

* 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

The standards should not go beyond the requirements in CSRD. The standard setter ought to evaluate that the disclosure requirements in the draft ESRS do not go beyond the CSRD.

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

Please also see our answer to Q1:
The standards should not go beyond the requirements in CSRD. The standard setter ought to evaluate that the disclosure requirements in the draft ESRS do not go beyond the CSRD.

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 differing structure and terminology, we see limited interoperability with the ISSB standards resulting in additional reporting for entities subject to both the CSRD and ISSB. Users might receive different information due to different applied concepts in ESRS and IFRS ED:s.

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 - **Sustainable 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

The standard setter and the respective member states need to make a thorough analysis when implementing the directive on how the proposed disclosure requirements are compatible with company laws, governance regulation, anti-discrimination laws, competition laws, GDPR etc.

The requirements in ESRS are very far-reaching when it comes to disaggregated reporting on e.g. product / service level. Consider how much information the reporting entity can be expected to be willing to report without having to disclose trade secrets or face a competitive disadvantage. It is likely to become problematic when such information will have to be audited / assured as it is ultimately the auditor who needs to assess when the reporting entity can exclude information or not.

Examples:

ESRS 2 DR2-GR2 Sector(s) of activity

AG 6. The undertaking shall consider disclosing potential challenges and/or competitive advantages of the undertaking in performing the activities.

AG 8. When describing its significant groups of products and services as well as significant markets, the undertaking shall consider relevant disclosures related to changes that occurred during the reporting period on: (a) new products and services, removed products and services and their relative shares in revenue or equivalent information about volumes for financial institutions, to the extent that it is needed to convey a fair, relevant and complete depiction of how it is exposed to the risk of creating impacts and/or risks and opportunities; (b) new markets served as well as markets closed and their relative shares in revenue or equivalent information about volumes for financial institutions; (c) new customer groups and customer groups not to be served anymore and their relative shares in revenue or equivalent information about volumes for financial institutions; and (d) products and services under bans, restrictions or authorisation systems and other public information regarding potential bans, restrictions or authorisation systems in certain markets.

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

The standard setter and the respective member states need to make a thorough analysis when implementing the directive on how the proposed disclosure requirements are compatible with company laws, governance regulation, anti-discrimination laws, competition laws, GDPR etc.

The requirements in ESRS are very far-reaching when it comes to disaggregated reporting on e.g. product / service level. Consider how much information the reporting entity can be expected to be willing to report without having to disclose trade secrets or face a competitive disadvantage. It is likely to become problematic when such information will have to be audited / assured as it is ultimately the auditor who needs to assess when the reporting entity can exclude information or not.

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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.

Please see our response to Q1:

The standards should not go beyond the requirements in CSRD. The standard setter ought to evaluate that the disclosure requirements in the draft ESRS do not go beyond the CSRD.

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)

Despite the requirement in CSRD it would be preferable with an option to report the sustainability information in a report separate from the financial statements and the management report. The detailed disclosure requirements in the ESRS will increase volume of the management report. ESRS 1 Appendix E should be supplemented by an example illustrating how detailed disclosures could be positioned in a separate section. A quality criterion in ESRS 1 for "understandability" is to avoid repetition and therefore cross-references should be allowed to other parts of the annual report. ESRS 1 p 135 does not allow cross-references to other parts than the management report which contradicts ESRS 1 p 40 (ii) "avoid unnecessary duplication of information, including information also provided in financial statements". Amending the last sentence of p 135 to "Incorporation by reference in the sustainability statements from reports other than the management report or the financial statements is not allowed" is key for enhancing connectivity to the financial statements and enhancing understandability.

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

The standard setter and the respective member states need to make a thorough analysis to ensure alignment between disclosure requirements in the ESRS and other existing reporting requirements. ESRS should allow cross-references to other reports, separate or integrated in the management report or the financial statements, such as to governance reports or remuneration reports.

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

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

Financial data disclosed in the sustainability statements should align with the principles used in the financial statements.
See answer to Q 9:
The detailed disclosure requirements in the ESRS will increase volume of the management report. ESRS 1 Appendix E should be supplemented by an example illustrating how detailed disclosures could be positioned in a separate section.
A quality criterion in ESRS 1 for "understandability" is to avoid repetition and therefore cross-references should be allowed to other parts of the annual report. ESRS 1 p 135 does not allow cross-references to other parts than the management report which contradicts ESRS 1 p 40 (ii) "avoid unnecessary duplication of information, including information also provided in financial statements". Amending the last sentence of p 135 to "Incorporation by reference in the sustainability statements from reports other than the management report or the financial statements is not allowed" is key for enhancing connectivity to the financial statements and enhancing understandability.

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 principle of relevance is adequately defined but difficult to assess and apply due to the proposed principles for determining double materiality in the draft ESRS being vague. The determination of materiality should be delimited to the information needs of users of sustainability reports. The current vague reference to stakeholders and general transparency requirements is not sufficient to determine what matters an entity should report on.

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

The concept of completeness is challenging to apply in practice due to the vague definition of impact materiality, see also Q18:
The application of the double materiality concepts is one of the most important components in the ESRS framework. Although the basic requirement for it is set out in the CSRD, it is our opinion that the double materiality concept must be further explained for entities be able to apply it accordingly. We therefore recommend additional guidance to be developed in order to facilitate the analysis and avoiding reports with a high degree of variety. The determination of materiality should be delimited to the information needs of users of sustainability reports. The current vague reference to stakeholders and general transparency requirements is not sufficient to determine what matters an entity should report on and needs to be reconsidered. Further, we propose that p 43 sub-bullet iii needs to for transparency corresponding to the European public good should be excluded.

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

Due to areas where definitions still are unclear in the ED ESRS comparability might be difficult to obtain, however, to the extent that there is agreement on what to measure and how to measure it, comparability as defined in the ED should be possible.

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

The definition is adequately defined, however, due to challenges in definitions of relevance, comparability, fair presentation, verifiability might be difficult to apply in practice.

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

The principle of understandability is adequately defined, however see our answer in 1A Q9. ESRS 1 p 135 does not allow cross-references to other parts than the management report which contradicts ESRS 1 p 40 (ii) "avoid unnecessary duplication of information, including information also provided in financial statements". Amending the last sentence of p 135 to "Incorporation by reference in the sustainability statements from reports other than the management report or the financial statements is not allowed" is key for enhancing connectivity to the financial statements and enhancing understandability.

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

The application of the double materiality concepts is one of the most important components in the ESRS framework. Although the basic requirement for it is set out in the CSRD, it is our opinion that the double materiality concept must be further explained for entities be able to apply it accordingly. We therefore recommend additional guidance to be developed in order to facilitate the analysis and avoiding reports with a high degree of variety. The determination of materiality should be delimited to the information needs of users of sustainability reports. The current vague reference to stakeholders and general transparency requirements is not sufficient to determine what matters an entity should report on and needs to be reconsidered. Further, we propose that p 43 sub-bullet iii needs to for transparency corresponding to the European public good should be excluded.

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

AG 61 (b) and (c) are practically feasible to implement, as they relate to financial materiality, for which the accounting profession has a long tradition and experience to determine. AG 61 (a) is not practically feasible to implement, as it suffers from the weak definition of impact materiality, see also Q13 and Q18: The principle of relevance is adequately defined but difficult to assess and apply due to the proposed principles for determining double materiality in the draft ESRS being vague. The determination of materiality

should be delimited to the information needs of users of sustainability reports. The current vague reference to stakeholders and general transparency requirements is not sufficient to determine what matters an entity should report on.

The application of the double materiality concepts is one of the most important components in the ESRS framework. Although the basic requirement for it is set out in the CSRD, it is our opinion that the double materiality concept must be further explained for entities be able to apply it accordingly. We therefore recommend additional guidance to be developed in order to facilitate the analysis and avoiding reports with a high degree of variety. The determination of materiality should be delimited to the information needs of users of sustainability reports. The current vague reference to stakeholders and general transparency requirements is not sufficient to determine what matters an entity should report on and needs to be reconsidered. Further, we propose that p 43 sub-bullet iii needs to for transparency corresponding to the European public good should be excluded.

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

The concept of impact materiality correlates with the concept in GRI but is not covered in the IFRS Sustainability reporting standards or any other to us known international standard.

Q21: to what extent do you 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

We are convinced that it is possible to provide a clearer demarcation regarding the scope of the sustainability reporting requirements in ESRS. If reporting entities are expected to be able to determine principles and thresholds for the determination of materiality, as suggested by the draft ESRS, it should be possible for EFRAG to provide workable guidance regarding how to do so. The severity and likelihood dimensions referred to in the draft ESRS are not sufficient, as they require assessments about future events that are difficult to make and are subjective in nature (for example the implied mutual ranking of the severity of potential impacts).

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

International standards, as the proposed IFRS sustainability disclosure standards, puts the concept of materiality (financial materiality) in relation to decisions that primary users of general purpose financial reporting make on the basis of that reporting. ESRS 1 p.53 only refers to financial materiality in relation to whether a matter triggers or may trigger significant financial effects on the undertaking.

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

See Q 22:

International standards, as the proposed IFRS sustainability disclosure standards, puts the concept of materiality (financial materiality) in relation to decisions that primary users of general purpose financial reporting make on the basis of that reporting. ESRS 1 p.53 only refers to financial materiality in relation to whether a matter triggers or may trigger significant financial effects on the undertaking.

ESRS is based in the double materiality concept thus the definition of financial materiality is not of decisive importance for the assessment of 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

The vague outline of impact materiality is combined with a rebuttable presumption that all sector-agnostic and sector specific ESRS are material for reporting entities unless reasonable and supportable counterevidence are presented. However, the draft ESRS is silent on what facts or circumstances that would qualify as counterevidence, this is submitted to the reporting entity. Thus, as the principles in ESRS fail to provide adequate tools and guidance for the assessment of what information to report, it is left to the undertaking to develop its own criteria and thresholds for determining materiality. This puts a heavy burden on reporting entities. As such criteria also must be agreed upon by assurance providers and (preferably) users of sustainability reports, many entities will be led to conclude that they should comply with the full set of ESRS. This risk turning the reporting process into a compliance exercise and creating an overflow of less relevant information in the sustainability reports.

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

None.

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

See our answer to Q24:

The vague outline of impact materiality is combined with a rebuttable presumption that all sector-agnostic and sector specific ESRS are material for reporting entities unless reasonable and supportable counterevidence are presented. However, the draft ESRS is silent on what facts or circumstances that would qualify as counterevidence, this is submitted to the reporting entity. Thus, as the principles in ESRS fail to provide adequate tools and guidance for the assessment of what information to report, it is left to the undertaking to develop its own criteria and thresholds for determining materiality. This puts a heavy burden on reporting entities. As such criteria also must be agreed upon by assurance providers and (preferably) users of sustainability reports, many entities will be led to conclude that they should comply with the full set of ESRS. This risk turning the reporting process into a compliance exercise and creating an overflow of less relevant information in the sustainability reports.

Q27: how would you suggest it can be improved?

Simplification through convergence of differing reporting frameworks is one of the key aims behind the CSRD. The rebuttable presumption differs from the principles the proposed global standards from ISSB and the principles of financial reporting in IFRS and local GAAP where the undertaking only reports on applicable topics and leaves out immaterial and non-applicable topics. We suggest ESRS taking the same approach as ISSB, IFRS and local GAAP and the most widely used framework for sustainability reporting – GRI.

Reporting according to GRI an undertaking shall motivate why a reporting topic is regarded as significant thus not having to report on or motivate why not reporting on non-material topics.

If the proposed rebuttable presumption will be kept it could be improved by not requiring the undertaking to disclose facts and circumstances motivating why a disclosure requirement is rebutted. We would expect the motivations to rebutted disclosures to be internally documented.

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 support the principle in ESRS 1 4.3 on describing how estimates have been made, transparency is needed since much data is missing, extrapolated and estimated. However approximations will not contribute to comparability or verifiability since ESRS is vague on how much effort is required from the undertaking to gather information from parties in the value chain.

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

The boundaries should be in line with the general concept of control within the financial statements. If the undertaking is unable to collect data qualitative disclosures should be made in line with the concept in IFRS

S2 BC 67 “However, relevant quantitative disclosures may create measurement challenges for preparers. As a result, the Exposure Draft includes proposals for qualitative disclosures about the current and anticipated effects of significant climate-related risks and opportunities on an entity’s value chain...”

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

Disaggregation of information is key for relevance. The proposed principles in p. 74 however are too granular. We suggest ESRS adapting the concept in IFRS 8 Operating Segments, when relevant for a proper understanding of an entity’s material impacts, risks and opportunities. A disaggregation would then disclose those material impacts, risks and opportunities that are regularly reviewed by the entity's chief operating decision maker.

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

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

- Yes
- No
- I do not know

Please explain why

The proposed time intervals for short- and medium term are commonly used also in financial reporting. As for long term time horizons the reporting entity should disclose the adapted time horizon. The global standards have adapted well-known concepts in financial reporting from IFRS. EFRAG should clarify if “relevant time horizon” in p 84 a and b are those defined in p 83 a-c.

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

◆n/a

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

The proposed disclosure requirements do not necessarily provide usefulness. Having policies implemented does not mean that they are effective. It would be more relevant to adopt the approach proposed in AG 26 ESRS E1 - encourage entities to report on other policies that may have a positive or negative indirect material impact only.

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

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

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)

Definition of unit of measure is missing.

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

IFRS S1 is conceptually rigorous, as it clearly defines the intended user and the intended use of sustainability-related disclosures. ESRS 1, on the other hand, is similar to S1 on the surface (e.g., it uses similar terminology), but is conceptually very different. ESRS 1 does not define the objective functions of intended users, and unlike S1, it assumes multiple users with presumably very different objective functions. Furthermore, ESRS 1 has a totally different definition of materiality. It is unlikely that such fundamental conceptual differences will foster alignment in sustainability disclosures.

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)	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

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

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

A: See Q1.

B: The ESRSs should strive for a more principles based and less rules-based concept.

AGs should be used to give guidance on the application of new and/or complex disclosure requirements; this is specifically important for the topical standards that mandate disclosures that have no reporting history in the EU so far.

Example in ESRS 2: There are several DRs on business context, these are too granular and prescriptive. ESRS 2 should provide for reporting principles on the business context, be less granular and it should - as a general rule - provide that the descriptions are required at a level that allows the user a proper understanding of the material impacts, risks and opportunities. However, we would except information that needs to be inserted due to the requirements in the SFDR.

In our opinion AGs should explain how to report but not what to report. The DRs that are key requirements should be in the actual standard. We would therefore suggest to not make the AG mandatory (if kept at all). This also enhances readability of the standards and make them easier to navigate.

The vague outline of impact materiality is combined with a rebuttable presumption that all the sector-agnostic

and sector-specific ESRS are material for reporting entities, unless reasonable and supportable counterevidence is presented. It is however not clear if the rebuttable presumption applies to ESRS 2. Our reading is that it does not. But this should be made clearer. In this context it would be good to also clearly state if a general information materiality concept can be applied (we would suggest that it does apply). ESRS 2 uses different terminology for “material” such as significant, substantial and key without giving further definition and explanations of how these terms differ from or relate to “material”. We strongly recommend the revision and stringent alignment of the terminology to the term “material” in the sense of “materiality of information”. Further discussions related to the rebuttable presentation, refer to our Q24-comments:

The vague outline of impact materiality is combined with a rebuttable presumption that all sector-agnostic and sector specific ESRS are material for reporting entities unless reasonable and supportable counterevidence are presented. However, the draft ESRS is silent on what facts or circumstances that would qualify as counterevidence, this is submitted to the reporting entity. Thus, as the principles in ESRS fail to provide adequate tools and guidance for the assessment of what information to report, it is left to the undertaking to develop its own criteria and thresholds for determining materiality. This puts a heavy burden on reporting entities. As such criteria also must be agreed upon by assurance providers and (preferably) users of sustainability reports, many entities will be led to conclude that they should comply with the full set of ESRS. This risk turning the reporting process into a compliance exercise and creating an overflow of less relevant information in the sustainability reports.

In relation to the now proposed rebuttable presumption and DR 2 – IRO 2, we don't think that entities should provide reasons as to why something is rebutted. This should be made clear. The reasons can be documented internally with the entity and used for example as evidence to an external assurance provider. Displaying in a list all rebutted topics would in our opinion not lead to relevant information for stakeholders, instead only lead to costs for the preparer and the obscuring of other relevant information.

F: There are several areas where verification or assurance will be questionable, for example: the statements on when information is missing 'due to impracticability' (2-GR-5, 2-GR-7), the resilience of an undertakings strategy and business model(s) (2-SBM-4) and the outcome of a entity's assessment of material impacts, risks and opportunities (2-IRO-2, 2-IRO-3). Also, please refer to the issue of materiality above.

I: See Q4 and Q5.

J: See Q27.

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

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

B: We have strong concerns regarding depth and granularity of the proposed disclosure requirements. This, in combination with the short timeframe until first-time application, will pose huge challenges even for entities with significant experience in disclosing climate-related information. For example, related to Scope 3, time is needed to adequately collect data (this will be almost impossible to report in the first year of application). For example, related to financial effects, time is needed to adequately identify exposed assets and calculate turnover from exposed activities. For example, Locked-in emissions, it is in our opinion only undertakings with experience in climate reporting that will be able to disclose locked-in emissions.

More precision is needed, for example related to materiality assessment and climate scenarios, is the use of climate scenarios mandatory? In some AG paragraphs the requirement is shall, in some others it is phrased as “whether and how” (refer to AGs 14 and 19 compared to AG 17 and 18).

Little explanation or guidance is given in the standard (nothing in the AGs) to assess or measure how climate-related risks and opportunities may affect the future financial position and performance.

Further guidance on method and scope required for meeting DRs, in particular sector-specific guidance, is needed.

F: Some disclosure requirements are of a more qualitative nature, for example referring to topics such as scenario analysis and financial impact due to climate related risks. To ensure the feasibility of assurance the disclosure requirements need to be more specific and the publicly disclosed.

J: There are details that affects ISSB-alignment. Example areas for potential further alignment with ISSB climate ED are:

Resilience and climate scenario analysis:

The ESRS implies the use of scenario analysis (“whether and how”) but under ISSB scenario analysis is required unless the preparer is “unable to do so”, then an alternative technique may be used.

Time horizon:

ESRS has defined related to how material climate-related transition risks may affect the undertaking’s performance and position over the short-, medium- and long-term, (refer to AG 80) that short is 1-5 years, medium is more than 5-10 years, and long is more than 10 years. The base year is updated from 2025 onwards in 5-year rolling periods (i.e., the base years to be applied are 2025, 2030, 2035, etc.) In the ISSB standard there is no reference to 2030 and 2050 (entity chooses milestones/interim targets).

Scope 3 disclosures:

ESRS standard requires inventory every three years; only material categories are based on GHG Protocol. In the ISSB standard: GHG Protocol applies and there is no guidance on inventory frequency or materiality assessment.

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)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
B. Supports the production of relevant information about the sustainability matter covered	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
C. Fosters comparability across sectors	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
D. Covers information necessary for a faithful representation from an impact perspective	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
E. Covers information necessary for a faithful representation from a financial perspective	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
F. Prescribes information that can be verified / assured	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
G. Meets the other objectives of the CSRD in term of quality of information	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

H. Reaches a reasonable cost / benefit balance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I. Is sufficiently consistent with relevant EU policies and other EU legislation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
J. Is as aligned as possible to international sustainability standards given the CSRD requirements	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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

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

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

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 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 ‘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

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

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

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)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
B. Supports the production of relevant information about the sustainability matter covered	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
C. Fosters comparability across sectors	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
D. Covers information necessary for a faithful representation from an impact perspective	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
E. Covers information necessary for a faithful representation from a financial perspective	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
F. Prescribes information that can be verified / assured	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
G. Meets the other objectives of the CSRD in term of quality of information	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
H. Reaches a reasonable cost / benefit balance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I. Is sufficiently consistent with relevant EU policies and other EU legislation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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

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

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

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

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

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

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)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
B. Supports the production of relevant information about the sustainability matter covered	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
C. Fosters comparability across sectors	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
D. Covers information necessary for a faithful representation from an impact perspective	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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

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

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)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
B. Supports the production of relevant information about the sustainability matter covered	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
C. Fosters comparability across sectors	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
D. Covers information necessary for a faithful representation from an impact perspective	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
E. Covers information necessary for a faithful representation from a financial perspective	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
F. Prescribes information that can be verified / assured	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
G. Meets the other objectives of the CSRD in term of quality of information	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
H. Reaches a reasonable cost / benefit balance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I. Is sufficiently consistent with relevant EU policies and other EU legislation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

J. Is as aligned as possible to international sustainability standards given the CSRD requirements	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
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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

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)	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
B. Supports the production of relevant information about the sustainability matter covered	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
C. Fosters comparability across sectors	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

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

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

A, B, H: Disclosure requirements are overly prescriptive and lack the necessary scalability for all entities included in the scope. Examples follow below:

B: p. 44 in the draft standard states that The Board's gender diversity should be calculated as an average ratio of female to male board members expressed as a percentage of all board members. We think it should be considered to calculate the KPI in relation to shareholder elected board members. Right now, board members elected by other parties are included in the calculation (e.g. worker representatives). If the purpose with the KPI is to allow for initiatives towards more diverse boards, it would probably be relevant to report on the share of board members (shareholder elected) that is not impacted by others.

p. 15 states that the undertaking shall disclose the corporate governance code, policy or practices that determine the function of its administrative, management or supervisory bodies. For large groups with operations in different countries we think the details of this reporting requirement should be clarified. I.e., does the reporting requirement refer to mainly the parent entity and the group as a whole, or should it be listed any potential national governance codes or policies that are relevant for different subsidiaries within the group etc. It has to be considered that there are various jurisdictional differences, among legal entities (cooperatives, family firms) and that some countries might lack codes etc. For this sake G1-2 must only be applicable on the parent level, maybe for local level if the subsidiary is over a certain size.

H: CSRD Articles 19a and 19b must be clear on the boundaries for reporting and responsibility related to the value-chain and supply-chain (down-stream and up-stream). It is important that 19b(c) on the description of the administrative role...is cleared in relation to boards, and single executives, responsibility to various

stakeholder groups. 19b(c) need to be aligned with critique from many jurisdictions in relation to the draft report of the CSDD and its inclusion of corporate governance rules (CSDD §25 and §26).

G1-4, paragraph 24. It is important that this is not a tick-boxing requirement but expressed as an overall aim. It will in many cases be impossible to run a business that is fully diversified on all levels.

I: P. 14 (a) in G1-1 states that a description of the structure of its governance body and the roles and key responsibilities of each of its committees should be disclosed. We think that it is important that the reporting requirements for governance body is aligned with the proposed CSDD (art. 25 and 26) since the CSDD articles mean the board's role will be levelled up.

J: Alignment with international sustainability standards

The key difference of misalignment lies within structure. The ESRS are rule-based, highly detailed and prescriptive while the IFRS standards are principle-based, focus on more targeted information and leave sufficient room for preparers to decide how to comply with the DRs. The GRI standards are also less prescriptive and require more targeted information.

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)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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

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

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?

See Q57:

We recommend EFRAG to phase-in the reporting standards, to allow smaller entities to adjust to the extensive reporting framework develop reporting processes and systems to the new requirements.

To allow for financial market participants to comply with the Sustainable Finance Disclosure Regulation (2019 /2088), a practical solution would be to start with a smaller reporting package that reflect the mandatory principal adverse impacts set out by the related delegated act of that regulation ahead of the full ESRS. The SFDR requirements thus does not have to be an obstacle for allowing EFRAG to develop high quality standards based on a thorough impact assessment and the forthcoming work of the ISSB.

Consider instead phasing in reporting requirements to a smaller number of mandatory key KPIs f-or the opportunity to evaluate whether additional needs exist going forward.

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?

See Q57:

We recommend EFRAG to phase-in the reporting standards, to allow smaller entities to adjust to the extensive reporting framework develop reporting processes and systems to the new requirements.

To allow for financial market participants to comply with the Sustainable Finance Disclosure Regulation (2019 /2088), a practical solution would be to start with a smaller reporting package that reflect the mandatory principal adverse impacts set out by the related delegated act of that regulation ahead of the full ESRS. The SFDR requirements thus does not have to be an obstacle for allowing EFRAG to develop high quality standards based on a thorough impact assessment and the forthcoming work of the ISSB.

Consider instead phasing in reporting requirements to a smaller number of mandatory key KPIs for the opportunity to evaluate whether additional needs exist going forward.

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?

See Q57:

We recommend EFRAG to phase-in the reporting standards, to allow smaller entities to adjust to the extensive reporting framework develop reporting processes and systems to the new requirements.

To allow for financial market participants to comply with the Sustainable Finance Disclosure Regulation (2019 /2088), a practical solution would be to start with a smaller reporting package that reflect the mandatory principal adverse impacts set out by the related delegated act of that regulation ahead of the full ESRS. The SFDR requirements thus does not have to be an obstacle for allowing EFRAG to develop high quality standards based on a thorough impact assessment and the forthcoming work of the ISSB.

Consider instead phasing in reporting requirements to a smaller number of mandatory key KPIs for the opportunity to evaluate whether additional needs exist going forward

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?

See Q57:
We recommend EFRAG to phase-in the reporting standards, to allow smaller entities to adjust to the extensive reporting framework develop reporting processes and systems to the new requirements.

To allow for financial market participants to comply with the Sustainable Finance Disclosure Regulation (2019 /2088), a practical solution would be to start with a smaller reporting package that reflect the mandatory principal adverse impacts set out by the related delegated act of that regulation ahead of the full ESRS. The SFDR requirements thus does not have to be an obstacle for allowing EFRAG to develop high quality standards based on a thorough impact assessment and the forthcoming work of the ISSB.

Consider instead phasing in reporting requirements to a smaller number of mandatory key KPIs for the opportunity to evaluate whether additional needs exist going forward.

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

We recommend EFRAG to phase-in the reporting standards, to allow smaller entities to adjust to the extensive reporting framework develop reporting processes and systems to the new requirements.

To allow for financial market participants to comply with the Sustainable Finance Disclosure Regulation (2019 /2088), a practical solution would be to start with a smaller reporting package that reflect the mandatory principal adverse impacts set out by the related delegated act of that regulation ahead of the full ESRS. The SFDR requirements thus does not have to be an obstacle for allowing EFRAG to develop high quality standards based on a thorough impact assessment and the forthcoming work of the ISSB.

Consider instead phasing in reporting requirements to a smaller number of mandatory key KPIs for the opportunity to evaluate whether additional needs exist going forward.

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

Contact

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