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EFRAG Sustainability Reporting Board Consultation Survey 1

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

Consultation survey structure

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

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

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

3. Adequacy of Disclosure Requirements (Survey 2)

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

Respondent Profile

1. Personal details

* Organisation name

50 character(s) maximum

EuropeanIssuers

* First name

50 character(s) maximum

Info

* Surname

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* Country of origin

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*** 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

- [x] 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

Generally, EuropeanIssuers appreciates the overall structure and the precise nature of the proposed reporting standards. Anyhow, considering the extensive amount of topics and content to be reported on in course of these new standards, it seems quite difficult to understand all the background information and link these to relevant other parts. It would be appreciated if the structure would be more simple and not divided in cross-cutting / technical / sector-specific standards to allow an easy application. Having said this, in the sake of efficiency it would be favourable also to limit the amount of content (especially for first time application).
Furthermore, we consider that the status of the application guidance should be clarified: if application guidance address disclosures required by the CSRD then these specific disclosure requirements should be included in the standards otherwise application guidance should be non-binding and should not add requirements (e.g. in ESRS 2, AG related to DR2 – GR2 on sectors of activity, AG 14 related to DR2 – GR3 regarding key features of the value chain, AG 25 related to DR2 – SBM1 which requires a concise description while at the same time listing a long and exhaustive list of topics to address and AG 32 and 33 related to DR2 – SBM3 on interaction of impacts).
In addition, we raise the attention to the following points:

- It needs to be ensured that only topics/aspects that are indeed material across all or the large majority of companies form part of sector-agnostic standards (as foreseen by the CSRD for the first set), which does not currently seem to be the case.
- Only topics that are indeed of cross-cutting nature should form part of ESRS 1 and 2. For impacts, risks and opportunities, for example, this is not the case. The DRs IRO-2 and IRO-3 of ESRS 2 would require centralized disclosure of IROs across topics, which would lead to a significant need for cross-referencing when policies, targets, action plans and performance measures related to those IROs are separately disclosed under the topical standards, creating fragmentation and complexity.
- The repetitive structure of disclosure requirements within the ESRS should be replaced by comprehensive outline of disclosure requirements per dimension in one section. One negative example is how the topic of Governance is spread across ESRS 2 and ESRS G1 with in both cases DR (Disclosure Requirements) and AG (Application Guidance): thus the sector-agnostic requirements are already displayed in 4 different sections.
- ESRS 1 and 2 should be merged and streamlined to facilitate reading and understanding.
- Clarifications are needed regarding the definition of the terms “material” and “significant” in order to know if they refer to the same principle or not. There is also a need to specify the definitions of certain terms, which sometimes seem to vary throughout the different standards (e.g.: value chain, stakeholders, higher governance bodies, supervisory bodies, etc.)
- Mention of the “European public good” in ESRS 1 (paragraph 43) raises questions and needs to be clarified. The IAS Regulation (Regulation 1606/2002 of 19 July 2002 on the application of international accounting standards) refers also to the European public good but in a different context: the European Commission can adopt IFRS published by the IASB only if they meet certain conditions and are conducive to the European public good. Requiring the European Commission to take into account the European public good when adopting regulatory measures is conceivable but we don’t consider that it is appropriate to mandate companies to take into account the European public good when determining on which sustainability topics to report. Companies in particular should not have to make public confidential information that could negatively impact their competitive position.
- The boundary between disclosure requirements and implementation requirements needs to be clearly marked (e.g. on transition plans, for instance, the Corporate Sustainability Due Diligence Directive proposal requires the establishment of transition plans ; CSRD requires transition plans, if any, to be made public): CSRD only deals with disclosure requirements and the ESRS shall therefore not impose an obligation “to do” and shall be drafted accordingly.
- Also, the standards should not anticipate the future Corporate Sustainability Due Diligence Directive.

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

ESRS E1 overall seems in most aspects well-aligned with TCFD and it seems like all TCFD recommendations would generally be covered (i.e. high compatibility); however, various differences arise and it is unclear why TCFD is not fully incorporated, especially as regards the structure (e.g. ESRS reporting areas, strategy, implementation, performance, differ from TCFD reporting areas, while ISSB clearly builds on TCFD’s four reporting areas, not only for climate, but for all topics).
We do not see a need to deviate in terms of reporting areas as the TCFD framework and its reporting areas are well-established and have proven successful. With view to the fact that the ISSB has endorsed the TCFD structure, both for climate and more generally for all topics, we would strongly recommend for EFRAG to do the same. Clearly, compatibility is already valuable, but alignment would be even better, and deviations should only be retained where EFRAG’s proposals are superior. We are not aware of any evidence that the TCFD structure is not (or less) appropriate.

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

First of all, we notice that while the EFRAG Exposure Drafts are very granular and detailed (covering e.g., all GRI standards), the IFRS Sustainability Exposure Drafts seem of less volume (both pages-wise and content-wise) but also incorporate TCFD and GRI logics. Also, it seems that the IFRS Sustainability Exposure Drafts are easier to be implemented (especially for first time application) and due to less granularity still ensuring that relevant/material content is included in reporting.

In addition, EuropeanIssuers exhorts to carefully take into consideration the following points:

- Alignment and interoperability with the ISSB's global baseline are absolutely essential; any deviations /non-alignments/inconsistencies that are not due to mere extensions to go beyond the global baseline should be avoided; where they are retained, they need to be clearly outlined (to all stakeholders at all times).
- Ultimately, a EU company must know whether it would need to apply both sets separately to be compliant (which should clearly be avoided) or whether the ESRS are fully aligned with the global baseline (which should be the aim), but go beyond it to cover the double materiality perspective; the extent to which the ESRS are aligned with the ISSB's global baseline must be made fully transparent in the final ESRS.
- ISSB and EFRAG should urgently develop a collaboration model that enables global alignment and connect EFRAG's work with the ISSB's agenda (this requires engagement/involvement/effort by both EFRAG and ISSB).

With regards to inconsistencies, EuropeanIssuers would like to point out the following:

1. Different approach towards timeline/workplan: ESRS cover everything, but only from sector-agnostic angle, ISSB focuses on climate first, but including sector-specific requirements.
2. ISSB builds on TCFD for all topics and very clearly in terms of structure, while ESRS E1 also builds on TCFD, but has a different structural approach (different reporting areas, see above).
3. Further structural differences:

-ISSB has topical standards (to include sector-specific requirements via appendices).EFRAG plans topical standards for sector-agnostic standards and separate sector-specific standards (unclear whether they would then capture all the remaining requirements in one standard per sector, but jointly for E, S and G).

-Under ISSB, there is only one cross-cutting standard (S1), under ESRS, there are two.

-ISSB approach is more principle-based, e.g.:

->Many requirements in ESRS 2 (e.g., prior period errors, estimation uncertainty, changes in presentation) are principles in S1, but not requirements (note: ESRS 2 would require centralized reporting under ESRS 2, although those aspects relate to individual metrics that are reported elsewhere, while S1 is principles-based and does not prescribe a specific structure or order).

->Companies could define the time horizon (for short, medium and long term) themselves under ISSB.

-We do not know whether the ISSB will also have four further E standards (i.e., what topics will be covered, when, and whether they would be covered separately or jointly, etc.).

-ESRS foresee less integration (max. flexibility would be to report 12 sections under option 3, while S1 allows for (and even encourages) full integration within the sustainability area, but also with financial reporting in the general purpose financial statements); unclear how companies could apply/integrated ISSB disclosures under ESRS 1 presentation principles. From our perspective, the possibility of integrated reporting should remain an option also under ESRS reporting.

4.ESRS and IFRS Sustainability Exposure Drafts have a different understanding of financial materiality. This different understanding alone means that no interoperability is promoted between these two sets of rules. Even if the general materiality concept is different in the two sets of rules, at least the understanding of financial materiality must be the same.

We appreciate that EFRAG provided an ISSB vs. ESRS reconciliation table (Appendix V) to facilitate the comparison of both initiatives. Nevertheless, the reconciliation seems to be insufficient to determine alignment between the standards. To facilitate alignment, it is important that EFRAG provides a clear mapping identifying which of the draft ESRS cover which of the draft ISSB standards and which, if any, ISSB standards/requirements are not covered by the draft ESRS. Any ISSB requirement not covered by the ESRS and any extension going beyond the global baseline (e.g., for SFDR or to cover the double materiality perspective) needs to be easily identifiable.

Consideration given to EU policies and legislation

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

1. the information that financial market participants need to comply with their disclosure obligations laid down in Regulation (EU) 2019/2088 and the delegated acts adopted pursuant to that Regulation - **Su stainable Finance Disclosure Requirements**;
2. the criteria set out in the delegated acts adopted pursuant to Regulation (EU) 2020/852 - **Taxonomy Regulation**;
3. the disclosure requirements applicable to benchmarks administrators in the benchmark statement and in the benchmark methodology and the minimum standards for the construction of EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks in accordance with Commission Delegated Regulations (EU) 2020/1816*8, (EU) 2020/1817 and (EU) 2020/1818 - **Benchmark Regulation**;
4. the disclosures specified in the implementing acts adopted pursuant to Article 434a of Regulation (EU) No 575/2013; **Prudential requirements for Credit Institutions and Investment Firms**;
5. Commission Recommendation 2013/179/EU; **European Commission recommendation on the life cycle environmental performance of products and services**;
6. Directive 2003/87/EC of the European Parliament and of the Council; **GHG allowance Directive**;
7. Regulation (EC) No 1221/2009 of the European Parliament and of the Council; **EMAS regulation**.

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

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

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

Overall, it is highly appreciated that alignment is sought with different regulations and initiatives. However, this is a highly complex endeavour which requires further work where the below aspects need to be resolved /addressed/clarified:

- There do not seem to be inconsistencies with the Taxonomy Regulation (as Art. 8 TR disclosure requirements form a placeholder).
- SFDR coverage clearly required by CSRD, but unclear how the ESRS cover the following:

We believe that the link to minimum safeguards needs to be taken into account. It is essential that it will not be the user's responsibility to assess compliance with MS for CSRD companies, especially not based on different disclosures, but at most by relying on a statement of compliance by the company (which would be subject to audit). For investees reporting Taxonomy-aligned activities, this would not be needed as this implies MS compliance (and should not need to be re-assessed by the investor), but for companies with no Taxonomy-eligible activities, a disclosure requirement on MS compliance (that investors can rely on) would make sense. This should be included as a separate DR in the S area via a short "compliance statement" with MS.

With specific regards to the Accounting Directive Art. 20/SRD, while ESRS 2 and G1 integrate existing disclosure requirements on corporate governance (e.g. on remuneration or from Art. 20 Accounting Directive), we are not sure whether it is indeed desirable that requirements were just integrated although they already exist (e.g. on remuneration in ESRS 2 and G1, from/related to the SRD, on corporate governance, from/related to Art. 20 Accounting Directive). Will they then be removed from these other regulations or will there be double reporting (where the information under other regulation is not provided in the management report and can thus not be cross-referenced) or complex cross-referencing (where the information under other regulation is also provided in the management report)? Overall, the governance concept within different European legislations is not aligned. The European legislation should have been adapted in order to present a concise and coherent governance concept for all undertakings reporting under the CSRD.

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

We consider that the ESRS should not anticipate the outcome of legislation which are currently being negotiated or under review (e.g., Corporate Sustainability Due Diligence Directive).

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.

In the current Exposure Drafts, all topics being addressed in the CSRD are covered. Moreover, the broad scope and high granularity in the Exposure Drafts seem to exceed the reporting obligations being meant by the CSRD by far.
The scope of sustainability reporting is not aligned with the scope of financial reporting under IFRS (see in particular paragraph 63 of ESRS 1), which can raise issue and generate disproportionate administrative burden. As regards specifically the value chain, companies question the feasibility/operability of the disclosure requirements which as a comparison go well beyond the boundaries set by the ISSB. Companies consider therefore that the value chain should be restricted, upstream, to tier 1 suppliers and, downstream, should exclude end-users and customers upon which the reporting entity has little to no leverage. EFRAG should reconsider the relevance of all AG related to the value chain and the opportunity to maintain these guidance, in particular AG 14 which requires to disclose contractual terms. Reporting on its upstream and downstream value chain should be limited to the areas and topics where the undertaking has an actual influence.
Accountability principle is to be considered to define where companies are legitimate to act and to report versus the areas where they cannot take any commitment. Suggestion could be that companies present this scope of accountability in the introduction of the sustainability reporting to clarify where they are legitimate to act and report versus the areas where they cannot take any commitment.
The boundary between reporting requirements and implementation requirements is sometimes unclear, whereas CSRD only concerns reporting requirements. This should be clarified for all standards
In our view, it is thus essential that the scope of the reporting requirements is defined only by the CSRD at Level 1. It needs to be ensured that the standards do not add topics/disclosures which are not set out in the CSRD text.

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

EuropeanIssuers welcomes that the CSRD includes a provision that the ESRS shall at least focus on SFDR-relevant data in the first set, as this is absolutely essential, among others for EU financial markets participants to be able to comply with their specific sustainability reporting requirements. However, we consider that the optional indicators required by the SFDR to describe the principal adverse impacts (PAI) of investment decisions and related, on the one hand, to climate and other environment-related topics and, on the other hand, to social and employee, respect for human rights, anti-corruption and anti-bribery matters should be gradually phased-in focusing first on indicators already available and/or that can be produced without generating disproportionate burden for preparers. The optional PAI KPIs could be added over time after with the review of CSRD and after taking stock of the needs of investors.

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)

We fully support option 2 (incorporation of references). In option 1 and 3, we see challenges of linking sustainability information with financial information, as most of the sustainability topics are not directly linked with financials (e.g., GHG emissions are linked, but for example pollution or waste KPIs are not directly linked with financial KPIs in the management report). It would be appreciated if reporting would allow for linking sustainability KPIs/financials if there is a direct linkage. In case there is no direct linkage (which would be in the majority of requested disclosures), this should be simply stated (no "comply-or-explain").
At best, fully integrated reporting should have been allowed at Level 1 from the beginning. Irrespective of the possibility of integration with financial information (which is determined at Level 1), it is essential that companies have flexibility on integrating sustainability information across ESRS and choosing the most appropriate storyline and order. They should not be required to disclose under each ESRS separately in a dedicated section.
For example, companies may consider the social implications of climate transition as part of the same action plan/transition plan and, thus, wish to disclose these implications and respective actions taken together and

not separately. The structure cannot be rigidly prescribed by EFRAG as this would significantly harm the decision usefulness of companies' sustainability reporting as a whole.
This would also be (more) aligned with the ISSB approach as the ISSB encourages integrating reporting (both within sustainability information and with financial information). Also, more flexibility would significantly facilitate the building-blocks approach as soon as a global baseline is available. Otherwise, it is absolutely essential that a short-term review clause be included to account for ISSB developments (as it is unclear how the building-blocks-approach could be reflected in a rigid structure of CSRD sustainability statements).

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

With reference to Q9, we see challenges in the depth of granularity to link with content of the annual report. In the majority of requested disclosures, there would be no adequate content within the management report to be linked with.
Given the interlinkages across topics and the (still) various overlaps between cross-cutting standards (information to be reported under "General") and topical standards (e.g., ESRS 2 and G1), the role and functioning of cross-referencing should be elaborated on in more detail. Double reporting should be avoided as far as possible. Also, further clarity / guidance on the location table is needed; a standardized structure on the location table would help increase comparability across companies, even if they choose different options /storylines, and should, thus, represent a key focus area; this could significantly mitigate any potential concerns where companies are flexible to choose where in the single dedicated section they disclose which information.
As regards the requirements of ESRS 1 we would like to raise the following issues:
- As envisaged, the scope of reporting under the ESRS differs from the scope of consolidated financial statements and of the disclosure requirements of Article 8 of the Taxonomy Regulation (proportion of revenue, CapEx and OpEx associated with activities that are Taxonomy eligible and aligned) which for instance exclude joint ventures. Accounting data should be required only on the scope of the financial statements, namely by excluding companies accounted for under the equity method, as well as companies controlled but not consolidated because not material. When an item involves a combination of financial and sustainability information, the accounting scope must take precedence for the sake of consistency. For the sustainability information relating to the elements of the value chain out of the control of the undertaking, it seems preferable to give nothing rather than to make approximations which can put the issuer at risk; a progressive approach across the entire value chain will enable companies to gradually implement processes allowing reliable collection of data.
- Reporting on its upstream and downstream value chain should be limited to the areas and topics where the undertaking has an actual influence. Accountability principle is to be considered to define where companies are legitimate to act and to report versus the areas where they cannot take any commitment. Suggestion could be that companies present this scope of accountability in the introduction of the sustainability reporting to clarify where they are legitimate to act and report versus the areas where they cannot take any commitment. The boundary between reporting requirements and implementation requirements is sometimes unclear, whereas CSRD only concerns reporting requirements. This should be

clarified for all standards
- Similarly, the disaggregation by business sectors should be based on the information available to management and which allows it to monitor its performance and actions. These segments should therefore be those used today for segment reporting.
- The time horizons defined by ESRS 1 does not necessarily corresponds to the time horizons considered when establishing the financial statements.

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

EuropeanIssuers appreciates the option for incorporation of information in the sustainability statements by reference to other parts of the management report, as it would allow for an efficient reporting, avoiding double content in the management report, and ensure reader-friendliness. However, this is by far not sufficient (please refer to our above responses). This possibility should be extended also to other sections of the annual report (e.g., notes to the financial statements) as well as to other reporting documents required by law published earlier or at the same time of the Annual Report (e.g., reference to the Relation on corporate governance for Italian legislation). The fact that the CSRD prescribes that all sustainability information shall be located in a dedicated section does not forbid companies to incorporate information by reference.

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

Given the impossibility of integrated reporting, we strongly doubt that connectivity with the financial statements can be achieved in a straightforward and concise way. Rather, where interlinkages need to be elaborated on, complex cross-referencing or duplications would likely be required.
Also, at best, connectivity of information should be a principle. Namely, we believe that the approach should be principles-based and would suggest to even make it clearer that “connected information” is a principle and not a requirement. Indeed, we would consider this as a principle that applies generally and across all topics specific ESRS, and accordingly suggest to clarify that this principle only results in additional disclosure requirements in those instances in which supplementary information is needed (after applying all ESRS), but

neither generally nor in a separate section or in a specific format. At best, the ESRS will be designed in a way that connected information is in as many cases as possible disclosed by complying with the disclosure requirements of the ESRS implicitly/automatically (e.g., because adverse effects on other ESG topics need to be disclosed), especially, but not only where companies choose an integrated disclosure format (if/where possible). The principles-based approach also facilitates the building blocks approach and would be (more aligned) with the ISSB approach.

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

Relevant sustainability information is generally evaluated by a materiality assessment. In course of the EFRAG Exposure Drafts, a materiality assessment is foreseen to report on additional topics (besides these mentioned in the technical standards). Therefore, all relevant sustainability information will be included within reporting according to the CSRD. Besides this, even more (detailed) information is requested to report on. This will expand the reporting scope massively (both content-wise and page-wise) and there is a risk of giving too much information which is not relevant while relevant information needed to be searched for in the sustainability report.

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

- [x] 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 do not have specific concerns on this characteristic; however, the wording should be as much as possible aligned with the wording of the ISSB which is strongly based on the IFRS Conceptual Framework which we fully support.

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
- [x] To a large extent with some reservations
- [ ] Fully
- [ ] No opinion

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

> In case all reporting organizations will strictly follow the disclosure requirements, we appreciate the comparability. What is of upmost importance is that any room of interpretation in course of applicable standards need to be avoided.
> In addition, we note the wording should be as much as possible aligned with the wording of the ISSB which is strongly based on the IFRS Conceptual Framework which we fully support.
> Finally, further clarity / guidance on location table is needed; a standardized structure on the location table would help increase comparability across companies, even if they choose different options, and should, thus, represent a key focus area; this could significantly mitigate any potential concerns where companies do not choose to report a single dedicated section.

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

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

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

> We do not have specific concerns on how the characteristic is defined; however, the wording should be as much as possible aligned with the wording of the ISSB which is strongly based on the IFRS Conceptual Framework which we fully support.
> Also, we have significant concerns on whether verifiability is indeed given for many of the proposed DRs (e.g., sewage – scope of audit, evidence difficult).

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 (selected)
- 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

With basics laid down in ESRS 1 and 2, understandability of sustainability information should be clearly addressed and described. With reference to Q13 and Q15, we would suggest to limit the reporting scope content-wise to priority topics (material topics + some limited general information) to facilitate efficiency for reporting companies and to support reader-friendliness of sustainability reports.
In addition, we restate the importance that the wording should be as much as possible aligned with the wording of the ISSB which is strongly based on the IFRS Conceptual Framework which we fully support.
Moreover, in order to ensure understandability and comparability of information a clear guidance or specific methodologies should be provided. It is still difficult to report on those KPIs for which there is already an international recognized methodology (e.g., Scope 1,2,3 emissions) and so asking a preparer to disclose those KPIs for which there is not yet a specific methodology would lead to excessive costs, lack of comparability among different reports and confusion for the readers.

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 (selected)
- 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

From our current experience, only a limited set of stakeholders is interested in reading sustainability information. Therefore, we see difficulties in reaching out to a diffuse group of stakeholders which could not easily identified by reporting organizations. Additionally, we doubt that all “affected stakeholders” will read our sustainability report for their information.
The risk with this approach is to have an overly complicated process to assess materiality that may result redundant if from the double-materiality assessment all the topics from the different standards result material. Moreover, the sector-specific standards provide companies in a specific sector with other disclosure requirements which are material for their business, thus reducing the usefulness of having an overly complicated process for materiality assessment.

We support double materiality although there are many issues to address.
There is a lack of clarity on what constitutes a “material” or “relevant” or “significant” information, due to the multiple concepts presented in paragraphs 26 to 28, 43 and 46 to 56, that could be simplified. In particular, paragraph 48 establishes that the terms significant and material have the same meaning, however paragraph 51 distinguishes between the materiality of an actual impact and the significance of a potential impact. In addition, a significant impact could be positive or negative.
The use of threshold and/or criteria mentioned in paragraph 43 should also be clarified, e.g., by specifying that the undertaking can specify these threshold/criteria based on their judgement and on the enterprise’s experience. The draft IFRS S1 refers to the notion of “applying judgement to identify material sustainability-related financial information”. This notion should be introduced in ESRS 1.
The definition of relevance of sustainability information in draft ESRS 1 and draft IFRS S1 are very similar but the definition of “materiality”, which is an enabling factor of relevance, differs between paragraph 28 of draft ESRS 1 and paragraph C8 of Appendix C of draft IFRS S1. In order to maximize interoperability between the two standards and since the concept of materiality is used in other parts of ESRS 1 (paragraph 30 regarding the definition of faithful representation for instance), we consider that the definition of materiality under draft ESRS 1 should be aligned with the definition of draft IFRS S1 as regards financial materiality.

Also, we consider that implementation of the double materiality principle does not require companies to address in their sustainability report the needs of all stakeholders. Double materiality requires an assessment of the impacts of a company’s activities on its ecosystem and the environment and an assessment of the impacts of sustainability factors on the company’s performance, financial situation and prospects but does not require the company to address the needs of every stakeholder. Such an objective, if achievable, would result in the publication of a disproportionate amount of information, many of which would not be material for the company and for most of its stakeholders. This would be detrimental to the implementation of the double materiality principle, but also to the relevance, verifiability, and understandability of sustainability reporting. Therefore, it should be specified in paragraph 44 and 45 that the undertaking should define its principal stakeholders through its materiality assessment.

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

Further to the observations made in the previous response, we would like to state the following:
- The disclosure requirement outlined in 74(b)(iii) seems generally feasible; nonetheless, the level of detail that companies will be able to disclose will only become clearer once the materiality assessment process is established. AG 61 generally provides sound guidance; however, until a company starts to actually develop its process, it is difficult to comment on how feasible it will be to implement.
- The disclosure requirement outlined in 74(d) seems generally feasible, however the information value of dates and future revision dates is not clear.
- We have strong reservations particularly on the “prioritization of negative impacts reflecting their relative severity and likelihood, where severity is defined by their scale, scope and remediability.” It is unclear to us how a process like materiality can define remediability of issues and how this can be communicated in the reporting of a global company operating in multiple countries.
- In practice, companies establish and implement materiality matrices. They would welcome an explicit reference in IRO 1 to materiality matrices and a clear statement that such matrices constitute the basis for materiality assessment and that the disclosure requirements of IRO 1 can be fulfilled by a presentation of a materiality matrix including in a graphic form.

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
- [x] 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 seems to some extent aligned with GRI. We observe, in fact, that while some definitions are fully aligned with international standards, such as “actual significant impacts”, others present more problematic features, in particular the “potential significant impacts”, where we observe a lack of quantifiability for these impacts which would hinder a comparison with other standards, and also consider that a reporting about potentials should be qualitative (with that lacking of auditability). However, referring to GRI's response to this consultation, we also propose aligning this definition more closely with the language used by GRI, which is clear and precise. The GRI Standards are the most widely used standards globally for impact materiality, and closer alignment will also help reduce confusion and help achieve consistency in reporting impacts at the global level. Also, we disagree that all mandatory disclosure requirements established by the ESRS shall be presumed to be material and recommends reviewing this approach against existing proven approaches, such as GRI's.

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

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

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

Further to the comments made previously, EuropeanIssuers notes that this process will not only require a lot of initial work to determine an adequate process to ensure that all material topics and impacts are covered. It will also involve a high level of judgement (upon first implementation and on an ongoing basis), which is likely to lead to high diversity in practice and reporting inconsistencies across companies, even within the same sector. For example, how should severity be defined, e.g., based on what? Would this mean that a global company would be expected to engage with affected communities in each country it operates in, whenever there is an impact and then include that information into the materiality process? This is not feasible.
Our reservations regarding the implementation of impact materiality mainly concern the fact that the ESRS seem to strongly constrain the scope of themes, actions, stakeholders, value chain… that the undertaking has to consider, without really taking into account materiality assessment. The definitions, the expected process, as well as the significance of the materiality assessment (IRO 1, 2 and 3) have to be clarified.
Also, we disagree with the principle that in the case of a potential human rights impact, the severity of the impact takes precedence over its likelihood. Implementation of this principle could result in reporting on social risks with very low probability of occurrence and which would not be material for stakeholders thus impairing the quality of reporting.

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?

- (x) 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

EuropeanIssuers is highly concerned about financial materiality concept for the following reasons:

• When it comes to financial materiality, we strongly recommend aligning this definition with the approach of the ISSB, which focuses on 'enterprise value', rather than on general 'value creation' and 'capitals.' Significantly more work would be needed if such a different approach would be chosen and we would not see how this could result in benefits, especially not in an amount that could outweigh the significant downsides resulting from inconsistency with the global baseline and inconsistency with financial reporting.

• This alignment will also help drive the consistent application of financial materiality globally; otherwise, significant issues would arise as regards interoperability.

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
- (x) 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 very sceptical that this would be practically feasible, also, but not only given the inconsistency with financial reporting, the lack of experience and the lack of clear guidance in this respect.

(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?

- (x) 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

> Current requirements to apply rebuttable presumption instruct companies to explain in detail the reasons why each of the ESRS DR are not material, using materiality thresholds and qualitative explanations which goes against the principles of Understandable information (paragraphs 38, 40).
> EuropeanIssuers believes that the rebuttable presumption as outlined in the proposed standards, is not aligned with our position. Many DRs (e.g., in E2-E5) are not material across sectors or the vast majority of companies. The rebuttable presumption would, however, create the impression that those are material across sectors. We expect a significant risk in terms of an emerging "need of justification" to the public, significant effort for documentation, materiality assessments, alignment with the auditor, stakeholder engagement, etc. It is essential that the materiality assessment is fully performed by management; the standard setter can define relevance, but not materiality. The approach also differs significantly from the ISSB approach and the current financial reporting approach as well as the approach by GRI, which also oppose this approach. Finally, we see a significant risk and it seems like companies would have to report on immaterial aspects, at least a list of all DRs/disclosures deemed as immaterial, maybe even immateriality

evidence, which we strongly oppose. There cannot be any disclosure requirements as regards immaterial information. Immateriality evidence is per definition immaterial itself.
Materiality assessments are meant to filter information to ensure reports are relevant and concise. It will be probably not feasible to assess the materiality for every single Disclosure Requirement presented in the standards, given the fact that this will imply to present internal and external stakeholders questionnaires with very detailed requests. As such, it is imperative to have a clear operational guidance that defines how to perform the materiality analysis and how to apply the rebuttable presumption.
Considering what is said above, we consider that the rebuttable presumption should be removed. Companies, in accordance, with the materiality principle laid down in the CSRD will carry out their own materiality assessment to determine material topics to report, on notwithstanding the disclosure requirements stemming from other EU legislations (SFDR, Taxonomy Regulation…).

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

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

This approach to materiality assessment will result in:
1. High risk of very burdensome and comprehensive materiality assessment (by default for all sector-agnostic DRs), including efforts for documentation, alignment with auditor, etc.
2. High risk of lack of comparability of sustainability statements between undertakings (both across sectors and within sectors)
3. High risk of not meeting information needs of financial institutions subject to SFDR (which in turn will result in financial institutions requiring undertakings to fill-in various surveys and/or participating in data collection systems; that incurs additional unnecessary costs both in terms of workload, as well as in financial costs of participation in most of those data collection systems)
4. Additional burden for companies to perform materiality assessment focused not on identification and prioritization of material sustainability-related impacts, risks and opportunities, but on proving immateriality of sustainability matters. Thus, the risk for companies that might have to “defend’ themselves, as users will by default assume that anything for which the rebuttable presumption applies is indeed material.
5. Additional burden for auditors who are supposed to verify and fact-check the results of a process to identify immaterial sustainability matters (this burden will then be transferred to report preparers through higher audit costs)
6. High risk of obscuring sustainability reports with immaterial information (undertakings will often rather choose to report on immaterial sustainability-related impacts, risks and opportunities, i.e., comply with immaterial DRs, then to justify rebutting a presumption of materiality of particular ESRS, groups of DRs or individual DRs)
7. Risk of litigation for undertakings and auditors in case rebuttable presumption mechanism was applied

We understand that the concept of rebuttable presumption mechanism originates from financial reporting, but it is not adequate for sustainability reporting. Materiality in financial reporting is a simple, one-dimensional concept. Even at the very source, materiality in sustainability reporting under the CSRD is two-dimensional (impact materiality perspective and financial materiality perspective need to be applied). In fact, there are more dimensions of materiality in sustainability reporting, as impact materiality is defined by scale, scope, irremediable character, and likelihood of impact, while the financial materiality (in sustainability reporting) relates to different types of capital, to risks and opportunities and to past and future events. It is relatively easy to deem a sustainability matter material (positive proof), while it is virtually impossible to rebut this result (negative proof).

Therefore, EFRAG, SR Board and SR TEG should take a different approach to materiality assessment than it is proposed in current ESRS Exposure Drafts.

Q27: how would you suggest it can be improved?

The proposed approach is based on the following building blocks:
1. A relatively small sector-agnostic layer of fully mandatory disclosure requirements (for all undertakings)
2. An extensive sector-specific layer of fully mandatory disclosure requirements (for undertakings in particular sectors)
3. An obligation to perform a full materiality assessment and report on:
- identified material sustainability related impacts
- identified material sustainability related risks and opportunities
- entity specific disclosures on those matters (IROs) that are material for the undertaking, but were not captured under sector-agnostic or sector-specific DRs
All data and information required by financial institutions to reports on PAIs should belong to the fully mandatory sector-agnostic layer.

The approach to materiality assessment should be in our opinion replaced by another one, fully complying with CSRD concepts, and should follow these points:
- Providing a more granular specification on how many/which material topics need to be reported – the focus should be on key stakeholders' needs. Boundaries for companies should be clear.
- No disclosure requirements as to immaterial topics/aspects, neither in terms of a list nor explanations as to immateriality or the undertaken assessment in this respect in order to avoid any dilution of material disclosures.
- Scope to only extend to disclosure requirements that are indeed material for all or the large majority of companies across sectors; it must at least be ensured that any disclosure requirements are also relevant for the financial sectors. The current sector-agnostic standards do not always seem to be relevant for all sectors. The rebuttable presumption should rather apply to sector-specific standards.

The timeline for EFRAG, SR Board and SR TEG to prepare the first set of standards is demanding, but it is fully possible to implement adequate changes in ESRS 1 and 2 (regarding materiality assessment) and in topical standards (regarding choice of fully mandatory sector-agnostic DRs) in time.

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 fully understand and generally support the ambition to cover the value chain and welcome that the ISSB shares this intention. However, we have reservations on the practicability/feasibility to make reliable approximations of this information unless strong, detailed guidance is available which would allow for a consistent approach by all companies. To report on the entire Value Chain is still a premature and too complex concept that would bring an unreasonable burden on preparers. A typical company in the oil and gas industry may have around 100,000 first tier suppliers. Each of those suppliers may have tens or even thousands of its own suppliers making a value-chain coverage unworkable. The perimeter of the Value Chain should be better identified by means of a definition that clearly states which are the boundaries of the Value Chain to be considered.
Accountability principle is to be considered to define where companies are legitimate to act and to report versus the areas where they cannot take any commitment. Suggestion could be that companies present this scope of accountability in the introduction of the sustainability reporting to clarify where they are legitimate to act and report versus the areas where they cannot take any commitment.
The boundary between reporting requirements and implementation requirements is sometimes unclear, whereas CSRD only concerns reporting requirements. This should be clarified for all standards

Particular safeguards need to apply and/or value chain-reporting may not be possible during the first years; also, any knock-on/side effects, e.g., trickle-down effects on SMEs need to be duly considered. We recommend to strongly focus on material information.

It is unclear how an approach towards approximations could look like – guidance would be needed to avoid legal liability risks and ensure consistency across companies. Approximation of information that cannot practically be collected using, for example, peer groups as it makes comparability extremely unreliable. Large companies might not be able to fulfil their own reporting obligations when their suppliers are not equipped to pass on the required information. Approximation of information on the value chain is only a second-best solution. A better approach would be to mandate reporting on own operations and first tier suppliers only and limited to selected and relevant indicators, but even in this case the information would probably not so relevant to justify the costs and the burden associated to retrieve this type of data and could require a level of estimate that would make the information not reliable.

Another aspect to be noted is that the boundary between value chain and the scope of ESRSs is unclear. It should be clarified how the Value Chain matches with the scope of the sustainability reporting. As an example, it is unclear if joint ventures or associated companies should be fully included in the sustainability reporting or if they should be included by the extent to which they are involved in the undertaking's value chain. Specifically for the entity reporting boundary, if it should coincide with the financial perimeter for the Annual Report, it should be better specified what should be included in this perimeter (i.e., fully integrated, consolidated joint operations, fair value, investment at cost, etc.) in order to avoid misunderstandings. It is also important to consider that sustainability information in large groups, for example in the energy sector, is often disclosed with different perimeters such as equity, operated, direct control, depending on the type of information; as such, clear guidance is needed on this aspect.

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

E.g., sustainability labels of SME value chain partners, risk-based approach regarding information that should be collected throughout the 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 should follow a principles-based approach as management is best positioned to make a meaningful assessment as to which level of disaggregation is necessary and useful for users. Overall, we believe that the rebuttable assumption is that consolidated information at group-level is sufficient (in line with CSRD), acknowledging that more granularity may be needed, for example at region- or country-level or site- or product-level, in exceptional cases. We recommend that management decides on disaggregation needs. As an exception from this, in many cases, a segment-level view (based on segments as defined under IFRS 8 for IFRS preparers) may be valuable for users.

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
- (selected) No
- I do not know

Please explain why

We do not consider that ESRS 1 should define ex ante a specific duration for each time horizon (short, medium, long-term) that could be inconsistent with a company's business and investment cycles. In this regard the ISSB has adopted a more pragmatic approach requiring companies to disclose how they define short-, medium- and long-term and how these definitions are linked to the entities' strategic planning horizons and capital allocation plans. We consider that ESRS 1 should adopt the same approach than IFRS S1.

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

- Yes
- No
- I do not know

Please explain why

While we agree with the proposed time horizons (namely, that short, medium and long term should be considered), a principles-based approach should be followed. If EFRAG indeed decides to specify the time horizons across sectors, we believe short-term should not by default be considered as being only one year and anything >5 years is not necessarily long-term.

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

A more principles-based approach with illustrative examples, e.g., guidance on which aspects need to be taken into account (e.g., company's own planning horizon, sector specificities, product lifecycles), would be more appropriate. A company should then be required to disclose how it defines short, medium and long term and how these definitions are linked to the entity's strategic planning horizons and capital allocation plans (as proposed under ISSB's S1). The approach should be fully aligned with the approach by the ISSB as differences in such a fundamental principle significantly impede interoperability.

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

> Overall high complexity, very granular and comprehensive – essential for DPs to only apply for material policies, targets, and actions. DP 1 would require a significant amount of information per each policy, including on stakeholder engagement etc. Not all of this information is material.

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

> Overall high complexity, very granular and comprehensive – essential for DPs to only apply for material policies, targets, and actions. DP 2 seems too prescriptive. Target setting (e.g., metric used, timeline, milestones, interim targets) is set in the company's discretion; concrete specifications/requirements on selected aspects (e.g., target year, metric) are only justifiable in the case of actual obligations (such as net-zero in accordance with the EU Green Deal or the CSDDD). For example, a company may not set interim targets, meaning that it should also not need to disclose interim targets.

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

- Overall high complexity; uniform application seems unlikely.
- Very granular and comprehensive – essential for DPs to only apply for material policies, targets, and actions. DP 3 would e.g., often require disclosures per action within action plans per ESG topic or sub-topic.
- Approach is too rigid/does not seem flexible enough to be applied in each company-specific context. Policies, targets, and actions must (still) be defined on a company-specific basis.
- For example, what about a climate transition plan – this has social implications (e.g., sites may close, employees may need to be retrained). Currently, it seems like the part on S would need to be disclosed under S – however, this is not a separate action plan, but ensuring a "just transition" likely forms part of the E-related action plan.
- Also, how can resources be quantified? May be possible for E plans, but what about S and G plans (e. g., what does it cost to increase diversity)?

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)

Overall, important aspects seem to be covered; however, alignment with ISSB approach not fully clear.
Further overarching comments on draft ESRS package:
- Complexity: The requirements seem complex to apply for preparers, especially for preparers falling in scope of the CSRD for the first time, but also more generally; this applies in particular, but not only to the materiality concept and the linkage between policies, targets and action plans.
- Unclarities:
• It is not always clear which AG refers to which sub-paragraph of a DR; a clear overview / matching would help preparers to understand how to comply with each specific requirement.
• Approach to voluntary / optional disclosures is unclear (is this the case for all "should" and "can" references in a similar vein?).
- - Overlaps: Some AGs (or, partly, sub-paragraphs within the DRs) seem to create redundancies / overlaps.
All of this makes implementation more difficult and time-consuming, also in view of the vast amount of disclosure requirements and significantly increases the likelihood of high diversity in practice.

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

> Please refer to our response to Q3.

ESRS 2 – General, strategy, governance and materiality assessment

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

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

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

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

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

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

DR ESRS 2-GOV3 and ESRS-GR4 should be removed for confidentiality reasons.
Some elements of the disclosures will be difficult to quantify and verify (e.g. which/how material sustainability-related risks and opportunities have affected the undertaking's financial performance, position and cash flows, information on short-, medium and long-term, information on entire value chain). Further guidance is needed in this respect. Also, it is also questionable whether the information will be consistent/comparable enough between different companies.
For Part I, DR ESRS 2-GOV5 should only represent a placeholder until the CSDDD is adopted.
For Part J, Please refer to our response to Q3. E.g., DR ESRS 2-GR 5 GR6 and GR8 should only represent principles to apply to each disclosure requirement of the topical standards, not disclosure requirements to be fulfilled in a central place.

ESRS E1 – Climate change

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

1. how the undertaking affects climate change, in terms of positive and negative material actual or potential adverse impact;

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

This [draft] standard derives from the [Draft] Corporate Sustainability Reporting Directive stating that the sustainability reporting standards shall specify which information to disclose about climate change mitigation and climate change adaptation.
This [draft] standard covers Disclosure Requirements related to 'Climate change mitigation', 'Climate change adaptation' and 'Energy'.

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

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

I. Is sufficiently consistent with relevant EU policies and other EU legislation	●	○	○	○	○
J. Is as aligned as possible to international sustainability standards given the CSRD requirements	●	○	○	○	○

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

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

Overall, we observe the following:
- A higher level of aggregation should be allowed (especially if entity-specific disclosures are requested). We do not think entity-specific disclosures would always lead to meaningful disclosures. It heavily depends on the situation of the individual company or group.
- We see challenges in harmonizing financial and nonfinancial information with regard to scope, perspective (double materiality would extend the horizon which would mean financial and nonfinancial information are not comparable) / timeframes when talking about potential sustainability impacts (generally longer timespan in comparison to financial KPIs)
- Guidance needed on how to identify stakeholder / definition of “key stakeholders” and “substantive” boundaries have to be absolutely clear and manageable.
- E Standards: The choice of metrics should also be subject to materiality. We would suggest to include a principle as in the IFRS to ensure that only material information is disclosed. If some disclosures are immaterial a disclosure is not useful.
- ESRS E1: we would recommend to allow also for a net disclosure of physical and transition risks and not only for gross disclosure, actions and net risks. From our perspective, to disclose also gross risks would only lead to a massive enlargement of disclosures with no added value for users.

For Part H:
- Mandatory disclosure of Scope 1, 2 and 3 as well as of transition plans fully supported.
- Some disclosure requirements are of high granularity, increasing massively reporting effort and not adding value to information users.
- Action plans and resource plans are mainly too detailed to be reported on, keep on aggregated level (i.e., no reporting by action, but by action plan) and suggestion to delete resource plans
- Description of value chain is mostly challenging (e.g., from all inputs to downstream delivery + disposal /recycling/reuse could be extensive reporting and double reporting, e.g., according to circular economy standard). Description of the value chain is useful and insightful for some companies.
- Reference and details to related policies/action plans etc. might also be extensive and very granular, disclosing resources is not meaningful in details / details of transition plans too granular (high-level would be sufficient)
- Suggestion to focus in a first step on priority topics (e.g., human rights, carbon emissions) and successively extending scope at a later stage (first revision of CSRD, after having gained experience with top priority topics) for not overburden reporting companies. This also applies to other ESRS. Sectors / Companies should focus on what is material to their business activities
- Overall, too extensive/comprehensive and too granular/detailed to be manageable for companies’ sustainability reporting, materiality not considered sufficiently, focus on financial impacts challenging.

For Part I, Audit Directive, ETS (BREF LCP etc), RED.

For Part J:
- E Standards: The current EU Taxonomy Regulation does not include criteria with regard to some of the requested disclosures, e.g., water and marine resources. It would be beneficial in the sake of quality if a linkage between Taxonomy and this EFRAG standard would be made once there is clarity on which criteria would have to be assessed. This especially applies to ESRS E2-E5.
- Furthermore, from our perspective the boundaries regarding taxonomy regulation and the EFRAG standard are different, esp. regarding value chain. We would recommend aligning these disclosure requirements or at least making very clear the differences in order to avoid any misunderstandings. We would recommend for the ESRS to only contain a placeholder for Art. 8, but to not have own DRs related to the Taxonomy. Taxonomy-related information should be required only under the Taxonomy, the ESRS shall not serve as an extension. If the EU COM deems Taxonomy-related information to be missing, the Disclosures Delegated Act needs to be amended, but this shall not be incorporated via the ESRS.
- We do not see a need to deviate in terms of reporting areas as the TCFD framework and its reporting areas are well-established and have proven successful. With view to the fact that the ISSB has endorsed the TCFD structure, both for climate and more generally for all topics, we would strongly recommend for EFRAG to do the same. Clearly, compatibility is already valuable, but alignment would be even better, and deviations should only be retained where EFRAG's proposals are superior. We are not aware of any evidence that the TCFD structure is not (or less) appropriate.

ESRS E2 – Pollution

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

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

This standard derives from the (Draft) Corporate Sustainability Reporting Directive stating that the sustainability reporting standards shall specify the information that undertakings are to disclose about environmental factors, including information about 'pollution'.

This standard sets out Disclosure Requirements related to pollution of air (both indoor and outdoor), water (including groundwater), soil, substances of concerns, most harmful substances and enabling activities in support of prevention, control and elimination of pollution.

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

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

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

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

For Parts B and F:
- It will be hard to get verifiable information of pollution occurring downstream in the value chain through the use of the undertaking's products and/or services.
- The information seems to be a more relevant reporting requirement for the downstream user (if applicable).

The very detailed information requested has significance when acquired at the site level, but for a multisite reality they cannot be differentiated and are not significant (e.g., contextualization of specific indicators with respect to the specific geographical area / degree of urbanization / pollutants already present, etc.).

For Part H:
- Measuring and tracking all pollutants listed in AG 15 (DR 4), will require enormous resources whereas quantities will be immaterial for majority of pollutants. Companies are already operating in highly regulated environment
- Reporting of pollutants should be addressed on sector-specific level, where pollutants are relevant. The draft E2 would very likely not be material in its entirety or the large majority of DRs for many sectors (e.g., financial sector). Such DRs should not form part of set 1, which is supposed to be of sector-agnostic nature (as per the CSRD).

For Part I:
- Hazardous characteristics requiring reporting should not be defined in sustainability reporting in anticipation of decisions yet to be made on the CLP and REACH regulations or the Ecodesign Regulation.
- Regulations or requirements that only consider the hazardous properties of chemicals unnecessarily limit the variety of chemicals needed. This then has a direct critical impact on the innovation and competitiveness of companies for the production of sustainable products, which are needed, among other things, for the successful implementation of the Green Deal.

For Part J:
- Focus on pollutants relevant to all sectors only in the first set would be required to be aligned with the CSRD; any remaining DRs shall form part of sector-specific standards.
- Alignment with ISSB as the key benchmark for international alignment (as per the CSRD: "European standards should reduce the risk of inconsistent reporting requirements on undertakings that operate globally by integrating the content of global baseline standards to be developed by the ISSB") can only be assessed as soon as the global baseline is available.

ESRS E3 – Water and marine resources

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

1. how the undertaking affects water and marine resources, in terms of positive and negative material actual or potential adverse impacts;
2. any actions taken, and the result of such actions, to protect water and marine resources, also with reference to reduction of water withdrawals, water consumption, water use, water discharges in water bodies and in the oceans, habitat degradation and the intensity of pressure on marine resources;
3. to what extent the undertaking is contributing to the European Green Deal's ambitions for fresh air, clean water, a healthy soil and biodiversity as well as to ensuring the sustainability of the blue economy and fisheries sectors, to the EU water framework directive, to the EU marine strategy

framework, to the EU maritime spatial planning directive, the SDGs 6 Clean water and sanitation and 14 Life below water, and respect of global environmental limits (e.g. the biosphere integrity, ocean acidification, freshwater use, and biogeochemical flows planetary boundaries) in line with the vision for 2050 of ‘living well within the ecological limits of our planet’ set out in in the 7th Environmental Action Programme, and in the proposal for a decision of the European Parliament and the Council on the 8th Environmental Action Programme;

4. the plans and capacity of the undertaking to adapt its business model and operations in line with the transition to a sustainable economy as well as with the preservation and restoration of water and marine resources globally;
5. the nature, type and extent of the undertaking’s material risks and opportunities related to the undertaking’s impacts and dependencies on water and marine resources, and how the undertaking manages them; and
6. the effects of risks and opportunities, related to the undertaking’s impacts and dependencies on water and marine resources, on the undertaking’s development, performance and position over the short, medium and long term and therefore on its ability to create enterprise value.

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

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

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

I. Is sufficiently consistent with relevant EU policies and other EU legislation	●	○	○	○	○
J. Is as aligned as possible to international sustainability standards given the CSRD requirements	●	○	○	○	○

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

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

ESRS E4 – Biodiversity and ecosystems

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

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

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

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

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

For part H, please explain why costs would be unreasonable and / or what particular benefit ESRS 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

The standard fails to foster comparability across sectors. The standard requires to have measurable targets and performance metrics without providing guidance on the evaluation\measurement methodology to use. The selection of the targets is done by the undertaking which also selects its own approach to measure performances based on different ecological priorities. It would have been more useful to identify a limited number of targets applicable for all companies of the same sector, with reference to the measure metrics to use. In addition, most of the information required by the standard is site-specific (i.e., that in sections E4-4 – Biodiversity and ecosystems action plans, E4-5 – Pressure metrics, E4-6 – Impact metrics E4-7 – Response metrics) therefore not comparable even between different sites under the same undertaking. This type of reporting is not useful to measure the sustainability of a company as it fails to able to measure it in an objective and comparable way. Therefore, we strongly urge EFRAG to review the extent to which the current disclosure requirements in ESRS E2-5 are indeed of sector-agnostic nature. Also, we recommend for EFRAG to not only/preliminary use the sector-specific standards to develop further/additional requirements, but to especially/first focus on developing sector-specific application guidance, at least if ESRS E2-5 remain essentially unchanged. Otherwise, for example, financial undertakings will not know how to apply the (presumably) sector-agnostic standards (especially without further clarity on how the value chain requirement shall be applied)."
The standard does not cover information necessary for a faithful representation from a financial perspective. Indications provided are very general, and again without reference to common metrics to be used. Emerging metrics in this field are defined internationally by TNFD which is expected to be released in 2023. Again, CSRD requirements should be reassessed once TNFD will be issued. Moreover, TNFD requires implementation within 5 years from the definition of the framework (2028). Therefore, alignment on the first reporting milestone should be guaranteed as well.

For Part H, uncertainty in the amount and availability of the needed information, potentially high costs in collecting and reporting the information especially concerning coverage of full value chain.
For Part I: The standard requires to have measurable targets and performance metrics without providing information on the evaluation\measurement methodology to use. The standard should provide clarity on this, and specifically should provide a clear link to the outputs of the EU Business @ Biodiversity Platform (i.e. The Align project) to maximise synergies with other initiatives on sustainability measurement and disclosure efforts (including the Corporate Sustainability Reporting Directive (CSRD), International Financial Reporting Standards (IFRS), the Global Reporting Initiative (GRI) revision of its biodiversity indicators, the Taskforce for Nature-Related Financial Disclosures framework (TNFD), the Science Based Targets Network guidance (SBTN)). CSRD requirements should be reassessed once the most important frameworks will be issued. For this reason, it will be better to postpone this type of disclosure to a second phase of implementation.
For Part J: International standards and framework for biodiversity are currently under development with the more relevant to be issued between end of 2022 and 2023 (i.e., Post 2020 Global biodiversity framework of the UN-CBD and the related LTAM, the SBT for Nature, TNFD etc.). CSRD requirements should be reassessed once the most important international standards will be issued. For this reason, it will be better to postpone this type of disclosure to a second phase of implementation.

ESRS E5 – Resource use and circular economy

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

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

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

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

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

J. Is as aligned as possible to international sustainability standards given the CSRD requirements	○	●	○	○	○

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

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

This ESRS seems to have been developed from the perspective of a subset of sectors (of non-financial nature), so that they will be of very limited relevance for financial undertakings as well as further (non-financial) sectors (e.g., Performance measures and respective granular splits). To foster maximum relevance and operability of the proposed cross-sector framework for preparers and comparability across preparers and sectors for investors, we strongly urge EFRAG to review the extent to which the current disclosure requirements in ESRS E2-5 are indeed of sector-agnostic nature.
Also, we recommend for EFRAG to not only/preliminary use the sector-specific standards to develop further /additional requirements, but to especially/first focus on developing sector-specific application guidance, at least if ESRS E2-5 remain essentially unchanged. Otherwise, for example, financial undertakings will not know how to apply the (presumably) sector-agnostic standards (especially without further clarity on how the value chain requirement shall be applied)."
It is suggested to avoid wordings like "elimination of waste." Instead, waste prevention or waste minimization shall be preferred, as already used in existing legislation.

For Part H: The proposed requirements will trigger a huge need to update the data availability within countries in a way to measure baseline, plan and manage the progress and verify. Such granular requirements will therefore require updates on people, technologies, and processes.
For Part I: National legislation is the point of measurement but are not covered. Also, there are nuances within Europe and sometimes even differences in the way of implementation. It is further that transposition within EU law is lagging behind and MS are in delay with the deliverables. Definitions shall be aligned with EU legislation and relevant EN/ISO standards (SN).
For Part J: An assessment of what is the status based on the current availability of data of the already involved companies and a representative sample of companies that will fall now in the category to report.

ESRS S1 – Own workforce

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

1. how they affect the undertaking affects own workforce, in terms of positive and negative material impacts;
2. any actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential adverse impacts;
3. the nature, type and extent of the undertaking's material risks and opportunities related to its impacts and dependencies on own workforce, and how the undertaking manages them and,

4. the effects of risks and opportunities, related to the undertaking's impacts and dependencies on own workforce, on the undertaking's development, performance and position over the short, medium and long term and therefore on its ability to create enterprise value.

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

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

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

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

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

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

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

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

-Required info are too detailed, repetitive and not relevant;sustainability report should not contain detailed split of every variance, as it would become an operative report, too long and challenging to understand
-Not relevant to multiply indicators and consolidate social data as social policies are national competences and some concepts are defined at State level
-Due to various contexts,such detailed level of information makes comparison analysis difficult and misleading.This level of public disclosure might not be appropriate from the point of view of business strategy since many significant specific detailed elements would be revealed.The disclosure of the information can be problematic for companies from the point of view of sensitive data.The safeguarding of Regulation (EU)2016/679 must be ensured in relation to the 26 DR.It will undermine the role of social partners:in some MS worker reps are exclusive recipients of some part of the data at enterprise level
-Scope of ESRS E1 encompasses a mix of undertakings’ employees and non-employees, the latter being either workers provided by undertakings primarily engaged in employment activities(NACE Code N78)or individuals with contracts with the undertaking to supply labour(self-employed workers).The undertaking’s relationship with the non-employees is a commercial contract and so they have no obligation to provide the undertakings with the required detailed information,resulting that the undertaking is not able to provide information on these workers, especially on a global basis.The info regarding the non-employees should be put altogether in the S1.8 DR.The specific mentions through the other DR are confusing and make it difficult for the undertaking to properly understand what is required.They can also be misleading for the reader as the level of quality of the information cannot be the same for own employees vs non-employees
-With regards to self-employed workers it’s not clear: does it refer to the legal status of their company or activity?To the fact that they are the unique worker in their company?Is there a minimum activity required for these temporary workers or self-employed workers to be taken into account in the undertaking’s reporting? Should they work 100% of their time during the reporting year or having worked 1 hour for the undertaking over this period is sufficient?

-We don’t subscribe to definitions proposed by EFRAG and which are not currently used in EU or international legislation (living wage, fair wage):ESRS can’t be a vehicle to introduce new concepts which have not yet been defined and addressed at EU level.The obligation to report on such new concepts goes beyond CSRD which does not mention neither living wage nor fair wage
-The administrative burden is intense and will require companies to adapt their data-collecting process and information system, for instance some KPI require the calculation of medians, which can be burdensome as HR systems may not be interconnected on the global perimeter.The data consolidation lack of relevance for some KPIs.E.g. average expenses for training worldwide will not give any pertinent information because expenses for training vary considerably from one country to the other.It makes no sense to ask companies to publish this information
-Requirements must be clear proportionate progressive and allow flexibility to maintain balance between cost they represent for the companies and relevance and usability of the info for stakeholders
-The assessment of material sustainability impacts, risks and opportunities as required by IRO 1,2,3 should be the cornerstone to select on which impacts the detailed aspects of each DR should be provided.It should be stated in each DR that the required information should only concern those main impacts.This reasoning is not clearly enough settled in the S1 standard: there is a strong need to harmonise the vocabulary for an appropriate legal framework.To avoid ambiguity between disclosure requirements and implementation requirements every DR must be drafted with the unique form of “shall disclose.”The addition “if any” or “where relevant” is to state that the description is due only if policies/targets/actions are implemented by the undertaking
-Application guidance should be better articulated with EU legislation e.g. on privacy rights (§AG 31 (f)).It is more accurate to require to declare if policies respect a specific directive than developing, in the EFRAG standards, additional norms which are not in EFRAg prerogatives and add complexity
-All questions related to digital taxonomy are very sensitive for the undertakings and the users.Many social information required will not be easy to collect and consolidate.The draft standard proposes no practical indication on how the taxonomy will be implemented and as a consequence, we are not in a position to comment on it

ESRS S2 – Workers in the value chain

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

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

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

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

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

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

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

I. Is sufficiently consistent with relevant EU policies and other EU legislation	◉	○	○	○	○
J. Is as aligned as possible to international sustainability standards given the CSRD requirements	◉	○	○	○	○

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

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

ESRS S2 to S4 are highly descriptive and detailed given the entirety of the six disclosure requirements relating to a company's strategy, governance, and materiality assessment about its value chain (S2), its affected communities (S3) and its consumer and end-users (S4) is narrative. We are concerned that these standards might result in voluminous reports with potentially duplicative information (for example information required under S1-5 and S1-4 might already be encompassed in S1-2 and S1-3). This might not serve well the users of sustainability reporting which needs meaningful information to make informed decisions.
In addition, the stakeholders covered under ESRS S2, S3 and S4 (respectively workers in the value chain, affected communities and end-users/consumers) are disclosures that could be considered as less mature for companies, as demonstrated by the fact that EFRAG could not provide at this stage specific and relevant KPI relating to each of these topics. Consequently, mandating a reporting on all this information from the first years of implementation could be rather challenging.
The scope of information required in these three standards is far too broad. The extent of the value chain over which the entity is required to disclose information remains a major problem. Reporting on its upstream and downstream value chain should be limited to the areas and topics where the undertaking has an actual influence.
Accountability principle is to be considered to define where companies are legitimate to act and to report versus the areas where they cannot take any commitment. Suggestion could be that companies present this scope of accountability in the introduction of the sustainability reporting to clarify where they are legitimate to act and report versus the areas where they cannot take any commitment.
Information required in this ESRS S2 should be coherent with those that will be required in the Corporate Sustainability Due Diligence Directive. It is essential not to anticipate the Corporate Sustainability Due Diligence Directive that is not effective yet.

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

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

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

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

General statements for this standard should be sufficient so that the undertaking signals awareness and make more detailed/quantifiable statements only where possible, in their own interest of providing transparency to their information users as general forecasts on potential effects and on expectations.

ESRS S4 – Consumers and end-users

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

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

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

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

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

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

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

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

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

ESRS G1 – Governance, risk management and internal control

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

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

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

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

H. Reaches a reasonable cost / benefit balance	○	●	○	○	○
I. Is sufficiently consistent with relevant EU policies and other EU legislation	●	○	○	○	○
J. Is as aligned as possible to international sustainability standards given the CSRD requirements	○	●	○	○	○

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

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

In Exposure Draft ESRS G1, we see a major challenge in disclosure G1-8 Internal Control processes: The Exposure draft implies (No. 38) that sustainability aspects (nonfinancial risks) are already implemented in the (financial) risk controlling. From our perspective, underlying assumptions for identifying both categories of risks differ with regard to timeframe (short-medium vs long-term), in the ability of quantification (as sustainability risks are mainly difficult to assess in terms of Euros) and with regard to perspectives to be considered (as sustainability risks consider also stakeholder perspectives not linked with financial risks). It would be meaningful with regard to integration of financial and nonfinancial reporting, and also to comparability among company's reporting) if the same reporting obligations apply to financial and nonfinancial reporting.
A key problem concerns the current text of the application guidance which seems to explicitly allow for cross-referencing only to other sections of the management report that are clearly identified as addressing the specific disclosure requirement. This limited choice for cross-referencing appears inconsistent with the EU legal framework, inasmuch the: (i) 2013/34/UE allows listed companies to disclose the relevant information in a separate report (published together with the management report) or as a document publicly available on the company's website, to which reference is made in the management report; (ii) the 2007/36/EC requires listed companies to publish a remuneration policy and a remuneration report that shall be available on the company's website. In case companies adopt such options, they seem not to be allowed for cross-referencing to that disclosure, leading to undue costs and unnecessary duplication of information.
With regards to the wording, we notice that "administrative, management and supervisory bodies" should explicitly and only refer to the highest governance body such as the board of directors or the supervisory board and the committees set up within them. All other references should be suppressed in the standards if they are not related to the highest governance bodies. For example, following bodies "senior management", "other key personnel", "leadership", "management level senior executives", "executive and operational levels" must be suppressed.
Finally, on diversity, we underline that some diversity criteria may not be available/legal in some countries, therefore we suggest to take this into account by adding the wording "where applicable" in G1-4-24 and AG6.

For Part H: this Exposure Draft is based on well-established reporting obligations, Nevertheless, some requested disclosures seem to exceed the level of information stakeholders need for their own assessment. For example, we consider preparing the following information with quite some effort and challenging if this information might be relevant for key stakeholders: G1-1: Disclosing all "associated regulation" is excessive and does not add value for sustainability reporting. The same applies to reporting on "operational level" as this could lead to a high granularity of reporting.

For Part I and J: With regard to reporting according to SASB or e.g., comparing with the current ISSB Exposure Drafts, reporting obligations according to ESRS 2 exceed the effort to prepare company reporting.

ESRS G2 – Business conduct

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

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

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

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

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

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

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

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

– Notion of "at-risk employees" (better write at-risk “functions" than “employees”) not sufficiently defined (“to be defined by each undertaking”)
– "Expertise" of its governance bodies: governance bodies cannot be made of "experts" only. It is also a matter of experience and competence.
– DR G2-7 “Report on any publicly announced possible anti-competitive behaviour events”: is it consistent with the respect of the presumption of innocence?

For Part H:
Confidential or too detailed or unavailable information required:
– e.g., G2-6 on corruption events: report on ongoing legal proceedings vs confidentiality
– e.g., G2-10: how to report on “contractual payment terms” at the undertaking’s level? Contractual payment terms are multiple, depending on countries, markets, channels; there should be a possibility for the undertaking to rely and comment on balance sheet ratios such as Account Payable / Net sales and Account Receivable / Net sales as well as the % of suppliers' invoices paid on time.
– e.g., AG13 table on anti-corruption training: number of staff to be trained and % having received training should be sufficient.

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?

Particular safeguards need to apply and/or full value chain-reporting may not be possible during the first years. Safeguards must also apply for forward-looking information; however, this should not exempt companies from providing such information. Forward-looking information, especially as regards transition pathways and how investees intend to deal with outside-in and inside-out impacts is absolutely essential from the user perspective.
See also our response to Q56 for deprioritisation issues.

Implementation of ESRSs/central IT infrastructure for implementation of ESRSs
1. ESRSs will be extremely difficult to implement even by large companies
2. ESRSs will be even more difficult to implement by SMEs
3. Although the first to report are large companies and SMEs are theoretically supposed to report later and under lighter regime, in practice SMEs will have to report as large companies both in terms of periods and of the scope, due to the obligation to report along the value chain. In case the SMEs are supposed to report less than the large companies, the requirement to report along the value chain would make no sense – large companies would simply hide all the "dirty" business in SMEs as their contractors
4. The most difficult challenge in implementation of ESRSs will be reporting along the value chain, in particular getting appropriate information from SMEs
5. Gathering information along the value chain should be supported by development of central IT infrastructure embracing following functionalities:
a. Any company selling goods or services in the EU (directly or indirectly, i.e. through the value chain) should be allowed to log in and publish sustainability data
b. Publishing such data should be assisted by the system:
i. the system should guide the users, where to find data
ii. the system should ask for the simplest possible data (e.g., from the invoice for electricity)
iii. the system should calculate necessary indicators/aggregated data basing on the simplest possible data
c. The data should be automatically tagged in XBRL language to make it possible for further machine processing

d.	Any company obliged to report under CSRD should be allowed to map value chain
e.	The sustainability data along the values chain should be calculated by the system itself, using the mapped value chain and the data of enterprises along this value chain
f.	The system could also assist in preparing reports under ESRSs
6.	Such centralised system would have several advantages:
a.	It would be much cheaper to create one central system than thousands of such systems by particular companies
b.	The data in one system would be much completer and more reliable than in many fragmented systems
c.	It would be much easier for initial data providers (SMEs, but also micro and nano companies) to feed one system instead of several ones or to respond to several questionnaires of different companies
d.	It would be much easier for reporting companies to rely on one central system than to create their own solutions
7.	If no IT infrastructure is developed, reporting under ESRSs will not meet the objective, i.e the data will neither be complete nor reliable since:
a.	Preparing accurate aggregated data would be extremely difficult for purely technological reasons
b.	There would be huge temptation not to gather embarrassing information allegedly due to technical limitations.

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?

The disclosure requirements that will result more challenging are the ones which exceed the current reporting obligations and for which there is not, at the moment, a shared methodology for the reporting. This is true especially for those DRs which involve a financial estimation for impacts, risks and opportunities related to specific sustainability topics. We would suggest to plan a staged implementation process,

prioritizing those core KPIs for which a specific methodology is available (also in order to foster comparability) and postpone those KPIs which are not yet mature for companies to disclose on.
The ESRS should first consider the observations done throughout this consultation:
– Better description and illustration of materiality assessment
– Suppress the presumption of materiality.
– Limit reporting on upstream and downstream value chain to the areas and topics where the undertaking has an actual influence. Accountability principle is to be considered to define where companies are legitimate to act and to report versus the areas where they cannot take any commitment.
– Limit complexity and granularity not going beyond consolidated financial statements' granularity.
– Allow companies not have to make public confidential information that could negatively impact their competitive position.
– Do not impose a definition of the 3 time horizons.
– Governance: "administrative, management and supervisory bodies" should explicitly and only refer to the highest governance body such as the board of directors or the supervisory board and the committees set up within them; all other references to "senior management", "other key personnel", "leadership", "management level senior executives", "executive and operational levels" should be suppressed as part of the governance bodies to be described.
– Accept that certain topics such as biodiversity are less mature than others (e.g., climate) and do not try to push concepts that have not been validated yet such as the objectives of "no net loss", "net gain", "full recovery" that have to be adopted by the COP 15 for biodiversity.

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

Our concern mostly relates to the comprehensiveness and granularity of the overall package that EFRAG is proposing:
o Not only is the mere number of Disclosure Requirements (DRs) high, the Application Guidance (AG) as well as certain DR sub-paragraphs clearly show that the actual underlying requirements would often be numerous and very / too far-reaching (generally or for the first version of the ESRS and result in a number of indicators and disclosures way beyond 137 (which is the number of DRs).
o Disclosure requirements are too comprehensive (e.g. going beyond own operations for essentially all DRs) and granular (e.g. regarding the unit of analysis) generally or for the first set of ESRS, both in terms of feasibility for preparers (regarding data collection, own quality assurance and audit procedures), but also with view to the limited timeframe for EFRAG to finalize the first set of ESRS at high quality and based on an appropriate due process.

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

We assume that establishing and implementing relevant processes need appr. 2 years until data quality is in such a shape to be audited in a high quality. As resources are limited within organizations for reporting purpose, we would highly recommend to prioritize reporting obligations, as not all processes can be established in parallel for all disclosure requirements in the grade of granularity it is foreseen in the current Exposure Drafts.

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?

– The costs incurred to produce the disclosures required by the CSRD and the ESRS should be taken into account as a criterion for implementation. As a matter of fact, whilst draft IFRS S1 asks on several occasions if disclosure requirements appropriately balance the costs of applying the requirements with the benefits of information (in particular Question 16 of the ISSB's Exposure Draft IFRS S1 related to costs, benefits and likely effects), draft ESRS 1 does not make any reference to the costs of reporting. Costs of reporting as well as administrative burden are nevertheless key concerns for companies.
– Availability of skills (within undertakings and at auditing/supervision firms) may rapidly become a bottleneck in the deployment of sustainability reporting standards, leading to further prioritizations.
– Availability of standard solutions to adapt Information Systems rather than tailormade ones.

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

A reasonable prioritisation approach is indispensable, taking into account proportionality in general as well as with view to the high number of companies that will be required to disclose sustainability information in a systematic way for the first time.
- In a first step, i.e., upon initial implementation, the focus should be on
o Alignment with the SFDR (as foreseen by the CSRD);
o Actual needs of (key) users;
o Covering climate adequately; and
o Own operations and the consolidation scope (to ensure feasibility by all companies in scope of the CSRD).
- A valuable way forward would be to deprioritize entire standards while prioritizing others (especially on climate) to be able to:
o Make short-term progress;
o Ensure high quality; and
o Allow for international alignment from the beginning (as the ISSB's standards focus on cross-cutting issues and climate at this stage).
- In concrete, the CFO Forum proposes to prioritize the following ESRS/DRs:
o Cross-cutting standards ESRS 1 and 2 (aligned with ISSB approach);
o Climate standard E1 (aligned with ISSB approach); and
o SFDR-relevant DRs included in the remaining standards (E2-5, S1-4, G1-2).
Beyond considering the observations done throughout this consultation, the priority should be to create the conditions for a Level Playing Field:
– Ensuring interoperability of international sustainability reporting standards (not ensured yet),
– Align implementation dates for EU and non-EU companies vs current timeline: NFRD (Reporting Year 2024) & Non-EU (Reporting Year 2028).
– Allow non-disclosure of information detrimental to commercial positions.

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

- Numerous AGs contain recommendations; these do not have to be included in the first set of ESRS, as they are not "high priority".

- Inconsistencies: There are various inconsistencies between the DRs and the respective AGs (or, partly, within the DRs) or across ESRS that will require further alignment before finalization; this needs to be prioritized. E.g. most ESRS start asking companies for their policies regarding the standard in question, whereas the ESRS G1 requires that companies already have special policies (diversity etc.)."

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

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Contact

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