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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

EAPB

* First name

50 character(s) maximum

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* Country of origin

50 character(s) maximum

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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

- 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

EAPB supports the adoption of the new EU directive on corporate sustainability reporting. This law will promote financing towards the European green transition, as well as providing data for a better integration of ESG criteria into investment decision making processes. Moreover, we support the work of EFRAG to improve the quality of corporate sustainable reporting information.

The cross cutting and topical standards cover the full range of CSRD topics. Overall, the standards are mostly clear, cover an extensive range of topics. The CSRD paves the way for advances for all users of sustainability disclosures and more particularly investors.

However, the current version of the standards is bulky and will be complex to implement. Solutions should be found to reduce the burden of the disclosure, streamline the information flood and facilitate readability by prioritising information and avoiding redundancy.

In particular, the presence of strategy items both in the cross-cutting standards and in the topical standards may raise the issue of readability and redundancy. Some pathways for improvement:

• It is particularly important to allow for cross references between the standards to improve the readability.
• Several data points required in the topical standards could be mutualised only once as answers to ESRS 2 :
o Interaction between material impacts and the strategy and business models
o Interaction between material risks and opportunities and the strategy and business models
• There are numerous cases of redundancy between ESRS 1 presenting the principles and ESRS 2 presenting the disclosure requirements. Associated items could be merged to avoid unnecessary redundancy.
• Also, there are some other duplications of the requirements (e.g. in ESRS 2 GOV 1 and ESRS G1).
• First set published by EFRAG covers some topics that are sector specific. We recommend moving sector-specific topics from the sector-agnostic to the sector-specific standards.

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

We would welcome a stronger alignment with the TCFD reporting areas. For example, we identify that the structure of the EFRAG proposals (strategy, implementation and performance measures) slightly differs from the 4 pillars of TCFD. The granularity of the ESRS is far beyond the TCFD framework. The SME/SNCI-standards should not be more complex than the TCFD. The granularity of sector-agnostic reporting requirements should be reduced significantly for SMEs and SNCIs.

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

Existing differences between the ESRS and the IFRS's Exposure drafts, e.g. on “double materiality” vs. “single materiality”, lead per se to different approaches in terms of measurement and presentation. Deviating definitions lead to problems in interoperability and additional burden for companies. The structures differ. We encourage the adoption of highly consistent reporting standards and strongly recommend to keep on the discussions with ISSB in order to foster the largest possible coordination on the disclosure requirements.

Furthermore, the level of detail and specification of the ESRS is far beyond the more fundamental approach of the IFRS Exposure Drafts. This subjects European companies to considerably higher efforts and risks double reporting. European companies would thus suffer a competitive disadvantage and the objective to develop a global baseline and level playing field would be missed.

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

ESRS should explicitly state that they are to be applied by companies that are in scope of the CSRD at EU level. They should not apply directly to companies that are only obliged to report on sustainability by national laws. This is especially important concerning Regulation (EU) 2020/852 (cf. answers of EU commission on Art. 8 Taxonomy Regulation).
There could be some misinterpretations if mixing up CapEx plans (Taxonomy Regulation, designed for Taxonomy aligned activities) and action plans (CSRD, designed for all activities and the entire company).
Moreover, all requirements related to turnover KPI, CapEx and OpEx should explicitly refer to non-financial undertakings as irrelevant for financial undertakings.
Given the very limited consultation period it is not possible to provide the consistency analysis with all of the relevant EU regulations.

However, articulation of the ESRS with SFDR should be further investigated, on two main issues:

• Metrics required by investors to compute their SFDR Principal Adverse Impacts (PAI) indicators should be compulsory for non-financial undertakings (investees) or at least guidance should be provided when they are not disclosed by investees: In this current version of the standards, preparers can use the rebuttable presumption to indicate that topics and metrics covered by the PAI of SFDR are not material, and thus not report on the associated metrics. For investors, this does not allow for a homogeneous interpretation, and raises the issue of how to calculate its consolidated PAI indicators. As the list of compulsory PAI metrics is short (14), they could be made compulsory, thus ensuring homogeneous treatment. If it was not possible to make the metrics compulsory, guidance should be provided on how investors should account for the contribution of companies that used the rebuttable presumption

• Some of the metrics required under the PAI indicators should be integrated more clearly in the ESRS standards. Ideally there should be a clearly defined DR for each PAI indicator:

o PAI 4: Exposure to companies active in the fossil fuel sector: there is only a reference to DR 2 GR2 Description of business model. However, the list of sectors of activities is not standardised, and thus the method which companies use to disclose their activities may significantly vary. As this information is paramount to understand the business model, inform the whole reporting and inform the whole reporting and on exposures for investors and banks, the disclosure on sectors should be standardised, in particular for exposure to fossil fuels with both a list of detailed sectors based on NACE for example and compatible with the EU Taxonomy sectors/activities.

o PAI 14: Share of investments in investee companies involved in the manufacture or selling of controversial weapons: same comment as above.

o PAI 11: Share of investments in investee companies without policies to monitor compliance with UNGC principles and OECD guidelines or grievance / complaints handling mechanisms to address violations: this PAI indicator is not covered clearly by one metric but partially in several DR of the ESRS. To ensure homogeneous calculation by investors, it would be better if one single clear metric could be identified (i.e: existence of a policy including grievance and/or company handling mechanism to address UNGC principles and OECD guidelines on the whole value chain). A reference to the directive on corporate sustainable due diligence (CSDDD) could be made.

In addition, for credit institutions, articulation between CRR pillar 3 and CSRD should be clarified (at least in the future sectoral topics), to ensure convergence.

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

It's not a question of considering more fully, extended disclosures, but a question of consistency, alignment of scope and definitions and avoiding duplications. The consistency with other articles of Accounting Directive (e.g. Art. 20), with Shareholders Rights Directive and future CSDDD, as well as with laws for data protection is needed.
Besides the regular procurements, the ESRS should align with CSDDD regarding the definition of the value chain of financial undertakings, limited to :
« …The activities of the clients receiving [such] (the) loan, credit, and other financial services and of other companies belonging to the same group whose activities are linked to the contract in question. The value chain of such regulated financial undertakings does not cover SMEs receiving loan, credit, financing, insurance or reinsurance of such entities ». (Article 3 point g)

The CSDDD definition of the value chain for financial undertakings also excludes beneficiaries that are households and SMEs. Such definition would allow to clarify reporting obligations for companies. In any case the applicable perimeter of the value chain should be made more precise in the ESRS.

Data will be indeed very hard to collect from investee companies for financial undertakings on the perimeter currently retained in the ESRS (upstream, downstream, direct and indirect contractual relationships of the company).. A phase-in concerning value chain disclosures is needed.

Also, when preparing sector-specific exposure drafts, Art. 449a CRR (respective EBA ITS on ESG-risk disclosures) and Art. 450 CRR (remuneration disclosures) should also be considered with the harmonized proportionality approach. Referencing to disclosures in other mandatory reports should be allowed; in general, duplications should be avoided and definitions should be aligned.

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.

> The topics identified by the CSRD were taken up by the ESRS and detailed DR were drafted. However, the proposal goes far beyond the CSRD and the obligation to provide explanations due to the rebuttable presumption applies to such a large number of requirements that it leads to a disproportionally high effort for the companies. This presumption should only apply to certain key disclosure requirements, like e.g. information needed for SFDR/PAI, see Q4. It could be useful to identify such key disclosure requirements at a sector-specific level.

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

In accordance with the Disclosure Regulation (SFDR), investors are required to report information on their financial products with regards to the 14 principal adverse impact indicators (PAI). To answer this requirement, they need to collect data produced by their investee companies on these indicators. Therefore, the counterparties of banks should prioritise disclosing information, which banks need to comply with SFDR. Deeper analysis would be possible after the first disclosure periods. Banks should report one or two years later (than the investee companies and other customers) on their value chain and financed assets.

Considering the materiality assessment to be done in respect with the rebuttable presumption, preparers may not report on a significant part of the standards' Disclosure Requirements, including the ones linked to the 14 SFDR PAI. To cope with this potential lack of data, other solution could be to make the reporting on the Disclosure requirements linked to the 14 PAI mandatory (out of the scope of the materiality assessment) to ensure that investors have access to the information needed for their own reporting under SFDR. Moreover, in a general manner, this proposal would allow to guarantee a minimum level of reporting on key indicators for all companies subject to CSRD.

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?

- [x] Yes
- [ ] No
- [ ] No opinion

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

> The requirement to include the sustainability report in the management report is already sufficiently restrictive. We agree with the options presented but believe there is no need to describe a list of options and no need for setting a preferred option. It should be a matter of individual decision. Given the tagging requirements, the layout is not of particular importance.

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
- [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 welcome the principle of avoiding duplications through cross-referencing (para. 132 and 135). EFRAG-Proposal includes some redundancies. Some information is required from preparer and auditor, the duplications should be avoided. For inconsistencies see our answer to the question Q11.
> Furthermore, it is also important that incorporation by reference can be used for connectivity between the different disclosure requirements of ESRS E, S and G proposed by EFRAG as there can be overlaps. This is important especially considered the ESRS set 1 comprises 137 disclosures requirements with more than , 600 datapoints
>
> As mentioned in the final CSRD-text would be helpful to have references between the reports of the parent entity and the subsidiaries. Moreover, it would be very helpful if the incorporation by reference could be used between the management reports of a subsidiary and the one of its parent-entity to contribute to the same objective of avoiding duplication of information

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
- [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

The prohibition to reference other reports than the management report could be interpreted as a prohibition to refer to the balance sheet, income statement and notes (see para. 135 last sentence). This would contradict ESRS 1 paras. 137ff. and ESRS 2 para. 13 concerning references to financial statements and is not meaningful. This prohibition also interferes with ESRS para. 133(b) in terms of references to other reports required under EU regulations. We stress our support for cross-references to other mandatory reports. The requirements on para. 133 on financial undertakings should not be a part of the sector-agnostic standard but be consulted under the sector-specific exposure drafts

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
- (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

Connectivity with financial statement-related quantitative data is paramount to ensure comprehensiveness and robustness of sustainable reporting. Financial and sustainability topics should be considered together, and we fully support the integration or the connection with financial information on:

- the business model: sectoral breakdown of activities
- the potential and actual impacts on the cashflows
- the actual and potential impacts on the financial risks

As some of these topics may be new and complex, a transition period could be envisaged

Moreover, the prohibition to reference other reports than the management report contradicts paras. 137ff. concerning references to financial statements (see para. 135 last sentence). Our reservations and concerns refer to the level of detail of the required references and reconciliations. Para. 145 for example requires that consistency is ensured at the level of individual data points, including referencing, which does not appear reasonable from a cost-benefit and materiality perspective.

In this regard, further precisions would be needed on ESRS 2, in particular DR 2 GR2 where links with the financial statement are not clear (in particular for financial companies). A standardised sector-specific presentation of the business model would be key for all stakeholders and would better inform on a comprehensive manner on the sustainability of the business model. This would also help financial companies with risk assessment.

•

As regards risks, the impact of sustainability risks and opportunities could be difficult to measure, but better connectivity should be the long-term goal.

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

For all principles, we support the aligning with characteristics and principles of IASB / ISSB. In the case of relevance and materiality we observe different concepts (enabling factor vs. aspect of).
The principle of relevance in connection with the double materiality concept must prevent an information overload, that would limit the sustainability report’s understandable, verifiable and comparable nature. Sustainability reporting should focus on meaningful information. The proposed definitions of relevance and materiality as well as the wide-ranging group of addressees and value chain considerations will however overload the sustainability reports and with it the management reports. Evaluating and implementing all standards and disclosure requirements places an immense burden on reporting entities, despite and in fact even due to the concept of “rebuttable presumption”. Therefore only a core set of a limited number of DR should be mandatory, the rest should be subject to materiality assessment.
Furthermore, the term “substantive influence” in paragraph 26 requires further clarification. The connection of “confirmatory value” in paragraph 27 to “previously reported” information does not appear to be sufficiently precise, as it remains unclear whether this results in a connection to prior reports. The difference and connection between relevance and materiality is, in our view, despite the clarification that “materiality is an enabling factor of relevance” not clear. For the finalisation of the first set and development of the second set of ESRS (sector-specific), we recommend further clarification of “relevance”, e.g. through the use of examples. Furthermore, we consider the definition of “stakeholder” with its differentiation between affected stakeholders and users (para. 44) as unclear and fear that it might lead to uncertainty.

In addition, we would like to signal that some of the indicators of the ESRS could be improved as they sometimes lack relevance to report on sustainability information for financial undertakings. Indeed, some DRs are not usable by financial undertakings, and are only relevant for non financial companies

It would be important to distinguish impacts associated with the internal operations of the entity (intensity metrics in m² or per employee would be more relevant than energy or GHG intensity per net turnover) and impacts associated with the investment and lending (intensity metrics in € invested). This can be specified either in the current generic standards or in the forthcoming sector-specific standards.

Operationally, this issue questions the interconnection between the current sector agnostic standards and the future sector specific standards. Several DRs are not drafted in a relevant way for all sectors. Those should be replaced (to remain concise and understandable) by more sector-adapted DR in the sector specific standards.

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

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

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

Clarification needed as for the balance between relevance and faithful representation. The inclusion of value chain and information about financed matters limits the ability to follow the principle of faithful representation when compared to financial reporting and disclosure on own operations.
The ESRS require disclosure on the whole financial perimeter, however, data is still often missing in practice. It would be useful to :
- Specify the methodology to be used when effective data is missing, to avoid misrepresentation and biases due to smaller perimeters with a better performance.
- To use estimations of missing data using penalizing proxies that do not bias the reporting
- To indicate on which part of the perimeter estimations have been used.

Moreover, a key concept could be added to better define faithful representation with regard to the sustainability reporting, it should be aligned with the existing principles for financial reporting. Information needs to be meaningful as regards its representativity and coverage. Illustrations of best practices covering only a very limited portion of activities should not hide the practices implemented for most of the activities. .
In practical terms, companies could be required to disclose and present in a clear way the perimeter covered by the information provided, specifically when information does not cover the full financial perimeter.

Furthermore, the granularity of requirements, the forward-looking information for long-term time horizon and the rebuttable presumption for materiality are very challenging. The requirements should be streamlined and prioritized.

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

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

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

There remains significant margins for interpretation on quantitative KPIs to ensure comparability (i.e: ESRS E1 DR E1-5 : primary energy vs final energy, climate correction or not, activities correction or not…).

In addition, the notion of comparability itself is debatable when comparing companies between different sectors. The description of activities breakdown (per geographical area, sector of activities in particular) is paramount to contextualise performance measurement. In that perspective:
- DR2 GR2 (ESRS 2) should be further precised to ensure data is available at disaggregated level. Indeed, the DR focuses only on “significant” sector and “significant” country. The involvement in a controversial sector should be made transparent. The requirement should be aligned so that financial undertaking can comply with SFDR and Taxonomy Regulation.
- The list of sectors should be standardized and aligned with NACE classification

As guidance, it should be specified that data should be contextualised as regards activities breakdown to ensure effective comparability.

We find that prescribing a core set (with a very limited number of KPIs) would bring more comparability than granular disclosures. Taxonomy and SFDR requirements should be considered in this respect.
Paragraph 33 may imply that corporates are required to partially analyse reports by other reporting entities in their sector and compare themselves thereto as well as adapt their own reporting practices. This would not only be an immensely burdensome process but would also be almost impossible during the early implementation period of the ESRS, particularly the first reporting period. Consequently, no such requirement should be included.

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 consider the principle of faithful representation to be sufficient.
However, it raises different operational issues as regards the verifiability of the standards :
The length of the standard and the number of data points : third party verifiers will not be able to verify all the data points with a high level of accuracy. A solution could be to define a smaller number of quantitative data points that would need to be audited in-length.

The amount of qualitative DRs : qualitative information may be more difficult to verify if the topic is not part of a formalised policy.
It will be challenging for a large international group to verify data on the full perimeter, respecting a cost benefit principle.
These issues should be investigated as part of future standards or as part of the guidance on the verification.

Also, if the characteristic “verifiability” were kept, there is a need for clarification regarding the verifiability of forward-looking information (partially looking forward by multiple decades). Verifiability of data and reported information should not require reporting entities to adhere to detailed requirements relating to documentation. The requirement should only be limited to the verifiability of the information by the auditor within the rules of the CSRD.
Many questions on the obligation to provide evidence to auditors resulting from the Taxonomy Regulation remain unresolved, especially for banks with many non-NFRD-counterparties. Theses aspects should be addressed separately within the sector-specific standard for banks, including considerations for a practicable compensation of expenses in order to not place an excessive burden on the financing cycle.

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

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

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

We welcome the principle of avoiding duplications; it should be followed not only when reporting but when setting the reporting framework. However, we would like to express reservations regarding the too high number of information to be collected and published by entities following the 137 DRs contained. The materiality assessment for some entities could decrease the readability and comparability of the sustainability disclosure if the rebuttable presumption is not used in a homogeneous fashion across undertaking companies. The sustainability part in the management report will contain too many data points as it stands (more than 600 datapoints). This can be solved by several options including the prioritisation of certain data among others (i.e : the 14 mandatory PAI indicators under SFDR) for the first reporting period, as well as allowing for a mechanism of cross-referencing data within the sustainable reporting, as outlined in ESRS 1 paragraph 135 « Incorporation by reference ». It should be made explicit that the logic of incorporation by reference can be valid for ensuring connectivity between the different disclosure requirements of ESRS E, S and G proposed by EFRAG, as there can be overlaps.
Immaterial information should be also allowed to be omitted without further explanations.

Double materiality

Double materiality is a principle that is central to the CSRD proposal and is represented accordingly in the ESRS materiality assessment approach that sustains the definition of mandatory requirements by the cross-cutting and topical standards. This is also true of the materiality assessment any undertaking is expected to perform, per ESRS 2 – *General, strategy, governance and materiality assessment*, to identify its principal sustainability risks, impacts and opportunities. This in turn, defines what sustainability information must be reported by the undertaking.

Double materiality assessment supports the determination of whether information on a sustainability matter has to be included in the undertaking's sustainability report. ESRS 1 paragraph 46 states that “a sustainability matter meets the criteria of double materiality if it is material from an impact perspective or from a financial perspective or from both.” Further indications as to how to implement double materiality is given by ESRS 2 Disclosure Requirement 2-IRO 1, paragraph 74b(iii) and AG 68.

While recognising that both perspectives are intertwined the Exposure Drafts contain provisions about how to implement the two perspectives in their own rights.

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

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

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

A common understanding of financial materiality for financial and sustainability reporting is important. It should be aligned with the IASB/ISSB definition.
Para. 48 states that significant and material have the same meaning when referring to impacts, risks and opportunities under the ESRS. In para. 49, the term ‘material’ is explained through ‘significant impacts’. Such an explanation is circular and not helpful.
The reporting requirements should be defined as minimum standards for providing key information. The concept of ‘direct linkage’ in para. 50 could help to define reporting boundaries. However, it does not appear feasible to differentiate – with a reasonable amount of effort – which emissions of a business partner are connected to the undertaking's value chain and which are not. This applies particularly to credit institutions as their number of business partners is naturally very high.

We find the definition of double materiality too generic and paving the way for heterogeneous interpretations. This may lead some undertakings to not fully address all topics that are material for their stakeholders. As a solution, minimum cornerstones could be introduced to clarify the operational interpretation and the process to be implemented to perform the double materiality assessment.

Moreover, we find that more guidance and examples on assessment and prioritisation in both the sector-agnostic and sector-specific standards are necessary. With regards to the definition of stakeholders, please see our response on ‘characteristics of information quality’.

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

The materiality assessment depends on the decision of each undertaking. Indeed, the ESRS do not fully explain how the assessment should be conducted in practice, in particular :
- if minimum criteria are required to ensure the analysis of impact materiality or not.
- if a minimum list of stakeholders should be consulted or if an internal process is sufficient.

In the absence of common thresholds and methodologies, the materiality assessment could lead to a lack of exhaustivity and comparability. Moreover, the due diligence process requires to take into account the entire value chain, which can be very tricky complex for financial and non-financial undertakings. As a solution, ESRS 2-IRO 1 should provide more clarification and guidance as it is key for the overall organisation of the standards and the rebuttable presumption principle.

We find that disclosure requirements as outlined in ESRS 2-IRO 1, paragraph 74b(iii) are very wide. Description of processes should be limited to the absolutely necessary minimum as the sustainability report will be audited. The disclosures risk the publication of internal or confidential information of the reporting entity.
As for AG 61 and Application Guidance in general, the wording “shall” should be changed to “should” to underline the guidance character.
Examples for the implementation of double materiality in sector-specific standards would be welcomed.

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 of impact materiality given by the EFRAG goes beyond the exposure draft published by the ISSB. The ISSB focusses on financial materiality. Thus, there is no alignment. We encourage the adoption of highly consistent standards of requirements in that matter.

Moreover, the ESRS proposals are not fully aligned with the GRI. Furthermore, certain terms used in the ESRS are not aligned with the CSRD (impact and financial materiality).

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
- (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 boundaries of impact assessment are not properly considered. The interdependencies between impact materiality and the value chain are not sufficiently clear. The assessment of severity and likelihood of the impact for different time periods is unclear. Explanatory examples and more guidance would be helpful.
As guidance, a sectoral list of commonly acknowledged material topics would be most welcome (see for example Sustainability Accounting Standards Board).

The materiality assessment depends on the decision of each undertaking. Indeed, the ESRS do not fully explain how the assessment should be conducted in practice, in particular :

- if minimum criteria are required to ensure the analysis of impact materiality or not.
- if a minimum list of stakeholders should be consulted or if an internal process is sufficient.

In the absence of common thresholds and methodologies, the materiality assessment could lead to a lack of exhaustivity and comparability. Moreover, the due diligence process requires to take into account the entire value chain, which can be very tricky for financial and non- financial undertakings.

This DR should be further clarified as it is key for the overall organisation of the standards and the rebuttable presumption principle.

Financial materiality

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

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

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

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

> The definition of financial materiality goes beyond international standards (e.g. ESRS 1 para. 65(b)). It should be aligned with the approach used in financial reporting. There should be a clear and unique definition of financial materiality that is consistent throughout all parts of the management report to ensure its integrity. The exclusion of financial effects captured in financial reporting (ESRS 1 paragraph 52) seems confusing.
>
> The last part of the paragraph 53 ESRS 1 could be deleted : "… but it is not captured or not yet fully captured by financial reporting at the reporting date".
>
> Financial materiality risks may already be captured in financial reporting or not. Financial materiality should include sustainability risks that are already covered and the ones that are not, to avoid excluding important sustainability topics over time as companies will tend to fully integrate their risks in their reporting.

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

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

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

> The assessment is dependent on each entity 's position about its impacts, which could affect the availability and/or the exhaustivity of the reporting.
>
> Our reservations concern the deviations from the definition of financial materiality usually used in financial reporting, which is generally accepted and widely used for all parts of the management report.
>
> As guidance, a sectoral list of commonly acknowledged material topics would be most welcome (see for example SASB).

(Materiality) Rebuttable presumption

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

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

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

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

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

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

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

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

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

EAPB welcomes the efforts of EFRAG to facilitate the reporting under ESRS through the introduction of the materiality assessment and rebuttable presumption. However, the process to assess the presumption of materiality and decide whether it is rebuttable or not, in its current state, lacks precision and may lead to heterogeneous analyses by undertakings. Moreover, it does not improve relevance or efficiency. The obligation to provide explanations due to the rebuttable presumption applies to such a large number of requirements that it leads to a disproportionately high effort for companies. This presumption should only apply to certain key disclosure requirements, e.g. important for SFDR/PAI. It could be useful to identify such key disclosure requirements at a sector-specific level. We would like to elaborate on two main issues we think will be triggered by this exercise:

• Firstly, there is an issue of feasibility of the materiality assessment: The ESRS as they stand do not sufficiently define and frame the materiality assessment exercise, which is problematic for feasibility and comparability reasons. One solution would be for EFRAG to develop sectoral guidelines to frame the materiality assessment. These guidelines should however be published in a delay sufficiently short to be used by the time when reporting obligations will start. The guidelines should be precise in priority :

o on which perimeter of the value chain the materiality assessment should be conducted

o how to conduct such materiality assessment for holdings...

• Secondly, the rebuttable presumption may create a risk of insufficient and heterogeneous coverage of the sustainability matters on the one hand: the materiality assessment to be done on groups of DRs gathered by themes (i.e : energy or GHG emissions) may lead a company to omit significant parts of its reporting on sustainable aspects. On the other hand it could lead to information overload if the materiality is presumed for too many DR. One option to ensure a minimum level of reporting and to maintain the initial ambition of the CSRD would be to make it mandatory to report on DRs related to the 14 indicators of the Disclosure Regulation (SFDR) on Principal Adverse Impacts (PAIs) on sustainability.

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

Rebuttable presumption is only advantageous, if it applies to a very limited number of reporting requirements. Nevertheless, it allows the undertakings to reduce the burden of their disclosure while increasing understandability. The fact that by default almost each disclosure is mandatory is very burdensome given the overall scope and extent of the requirements.

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

The articulation between the materiality assessment and the rebuttable presumption should be further clarified and be suitable for practice, if the concept of rebuttable presumption is included in final standards. It is not fully clear whether the sustainability impact, risks and opportunities assessment is sufficient, or if further evidence is required to specifically declare an item (a topical standard or a DR or an item in a DR) as not material to comply with disclosure obligations. To avoid unnecessary burden, no further information should be required.

It will be burdensome to document and explain the rationale why disclosure requirements are not material. Documentation requirements for reporting entities should be limited as far as possible, to prevent the notion of a general disclosure requirement. Furthermore, certain sectors should be exempted from certain disclosure obligations, to limit the administrative burden immediately within the ESRS.
Moreover, the concept of rebuttable presumption could both increase and decrease the extent of the sustainability reports in a not meaningful way and reduces the identification and therefore the understandability of the key information.

Q27: how would you suggest it can be improved?

To reduce the burden of the materiality assessment, the ESRS should :
clarify the articulation between risk, impact, opportunities assessment and the rebuttable presumption as identified in Q26.
Propose sectoral guidance (in sectoral guidance or not) to help a more homogeneous interpretation of material topics.
There should be at least a phase-in period where information needed for SFRD/PAI is prioritised and the rest of disclosures is subject to materiality assessment without materiality by default and rebuttable presumption during the early stages of implementation if this concept stays in final standards. Based on disclosures done in the reports during the phase-in period and considering sector-specific usage, a limited number of disclosures could be chosen for assuming materiality by default and requiring rebuttable presumption after a consultation with the industry at issue.

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

The focus on an entity’s value chain is hard to transfer to the financial sector. A more open concept and corresponding definitions would provide corporates in the sector with more certainty regarding their obligations.
From an investor’s perspective, the use of proxies presents a limited interest, as they account for sectorial averages. The data user needs information which is tangible and reliable, not averages. In a general manner

actual data should be required whenever possible. But, when it is not available, proxies should be used to ensure the full perimeter is covered, to the extent that :

- data preparers indicate when they report data that are proxies
- the hypotheses of the proxies are specified,
- the proxies used are prudent.

Furthermore, the notion of control (paragraph 63) doesn't seem to be taken into account to decide whether an entity is accounted for under the proportional consolidation method. In our opinion, if the entity is controlled, its data should be consolidated.
Additionally, if data cannot be obtained from third parties, estimates are most likely also not a viable method (with few exceptions like information based on generally recognised standardised or centrally published values).
Estimating data requires the existence or development of at least some indicators. For data, where third parties are unable to provide any data, such indicators are unlikely to exist, and their development would be immensely burdensome. Consequently, the estimates would be of little use to the users of sustainability information. Reporting entities should be offered a low-level option to refrain from reporting certain data, if their disclosure is not relevant or if it would be uneconomical/inefficient. Estimated information on the value chain will not increase the quality of the non-financial report at this stage.

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

An option to omit data similar to GRI should be provided, in case it is unavailable or incomplete. Otherwise, the principle of faithful representation could be violated. A risk-based approach could also be useful.
Other option would be to limit biases on data provided, data preparers should systematically indicate when they report data that are proxies.

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

Financial undertakings may need information at a disaggregated level, for instance to comply with requirement such as SFDR or Pillar III.
Para. 74 should either be deleted or the wording should be changed from “shall” to “may”. Companies should be offered some leeway for the decision on how disaggregated they report.

Time horizon

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

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

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

- ◯ Yes
- ◉ No
- ◯ I do not know

Please explain why

Defining standardised time horizons may be useful for purposes of formal comparability, though horizons may differ significantly between different corporates or economic sectors depending on their purposes. Consequently, we consider this not necessary. It is also unclear how individual risk factors are to be differentiated and assessed with regard to these different time horizons

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

- ◯ Yes
- ◯ No
- ◉ I do not know

Please explain why

It may not be needed to require a specific number of years to define the short (1y), medium (2 to 5 y) and long term horizons (more than 5y).

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

Horizons may differ significantly between different corporates or economic sectors. We particularly disagree with the proposed long-term horizon, as it is looking too far into the future if considered for the entire sustainability reporting. In case standardised time horizons are necessary, a shorter, forward-looking period should be used for a very limited number of exceptions accompanied by a longer time horizon that is not subject to the assurance requirement (cf. scope 3 without assurance in the SEC's consultation).
Another alternative is to make long-term disclosures optional.
Regarding ESRS 1 paragraph 80: the historic information, to which the data should be compared, should be limited to the minimum amount necessary.
In addition, on paragraph 78 regarding time horizon reporting periods: « the undertaking shall retain a reporting period in its sustainability report consistent with the one retained for its financial statement », it should be allowed for effective data collection to allow for a gap in data collection, as sustainability data may not be fully collected by the time the information of management report needs to be collected.

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

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

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

DP 1-1 on policies adopted to manage material sustainability matters describes (paragraphs 96 to 98) the aspects that are to be reported for the relevant policies related to sustainability matters identified as material following the materiality assessment performed by the undertaking.
DP 1-2 on targets, progress and tracking effectiveness defines (paragraphs 99 to 102) how the undertaking is to report measurable outcome-oriented targets set to meet the objectives of policies, progress against these targets and if non-measurable outcome-oriented targets have been set, how effectiveness is monitored.
DP 1-3 on actions, action plans and resources in relation to policies and targets defines (paragraphs 103 to 106) the aspects that are to be reported by the undertaking relating to actions, action plans and resources in relation to policies and targets adopted to address material impacts, risks and opportunities.

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

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

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

> The so-called principles are not principles, but a list of aspects to be disclosed. This is somewhat confusing. Any list of aspects should be optional (cf. GRI). The term “resources” is not defined.

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

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

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

> We agree with the requirement in para. 99. However, the so-called principles are not principles but a list of aspects to be disclosed, especially in para. 100. This list should be optional or limited to para. 100(b), (d) and (h).

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

> The so-called principles are not principles but a list of aspects to be disclosed. This is somewhat confusing. Any list of aspects should be optional (cf. GRI). The required information could be highly sensitive. Therefore, it is important not to prescribe a granular disclosure.

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)

> Estimating under conditions of uncertainty (paragraphs 112 and 113): disclosures on the uncertainties of estimates should be limited to information that is absolutely necessary. Further descriptions are not necessary.
> Also, for financial institutions, there may be a discrepancy between on the one side the consolidation scope applicable for Taxonomy Regulation and pillar 3 ESG disclosure (scope as reported in FINREP) and on the other side the applicable scope of ESRS (statutory basis).

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 (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

Compatibilitywiththeglobalbaselinestandardsofthe ISSBshouldbeensuredtothegreatestextentpossible.
Europeanstandardsshouldonlydeviatetherefromwherenecessary ESRS1&2couldbecombinedasmanyaspects willbereportedorcross-referencedunder ESRS1&2. ThedefinitionsofESRSApp.
AareusedinESRS1&shouldthusalreadybedefinedtherein Generallyapplicableprinciplesshouldbeoutlinedonce, whichnegatestheneedforfuturereferences(egdefineimpracticable&itsconditionsonlyoncepar7198&106)
Theremanyduplications&crossreferences Connectionstosustainabilityshouldbeoutlinedexplicitly.
Ageneralreferencetotransitionplansforexamplecouldmeanmanydifferentthings,
seepar2c17 Thedefinitionofdoublematerialityinpar6-47differsfromtheCSRD
(impactmateriality&financialmaterialityvs.inside-out&outside-inperspective).
ThedefinitionwithintheESRSmustfollowthewordingwithintheCSRD. Thetermimpactisntclearlydefined.
ThetermisonlydefinedinESRS2(seeminglyfromaninside-outperspective),
whileESRS1describesimpactmaterialityasbothimpactonthecorporate&impactcausedbythecorporate.
Thedefinitionsshouldbeclarified&includedinESRS1 Thefocusonthereportingentitysvaluechaincannotbetransferr edeasilytothefinancialsector Amoreopenconcept&correspondingdefinitionsshouldbeused.
Keyindicatorspar18142 Theselackadefinition Structure&references:Numberingtheheadlinesofpar153-155seemsunclear Infoconcerning3rdpartiesistoofar-reaching
(egpar64onindirectbusinessrelationshipsorpar69onentitiesbeyonditsoperationalinfluence).
Theenvisionedcomparabilitybetweencorporatescanonlybeachievedthroughspecificdisclosurerequirementsset withintheESRS. Companiesmustnotberequiredtoanalyseallavailableinitiatives,frameworks...
toachievethebestpossiblecomparabilitywithotherones Consideringthesheeramountofpublicationscompaniessh ouldnotberequiredtoscreenallpublications.
Meanwhilehowevercompaniesarealsoencouragedtoprovideadditionalinformationrelevanttotheirbusiness, whichcanbydefinitionnotberelevanttoorcomparablewithothercorporates.
ComparabilitycanonlybeensuredthroughtheESRSitself,notbythereportingentitiesindividually
Disclosuresreferencingabaseyear:whiletheunderlyingideaisunderstandable,
implementingthisrequirementappearshardlypossible. Shouldone,uniformbaseyearbesetforalldisclosures?
Inlightofdifferingdynamicsthisappearsillogical,asnewobjectives&measuresareexpectedeveryyear,
whichwouldallrequireanewbaseyear Thedevelopmentisalreadyoutlinedthroughthepriorreportingperiod&milesto nes Furtherdatacanbeobtainedfrompriorreports Referencetoabaseyearwilldifferbycompany&thusdirectlycontra dictthedesiredcomparability. Itgreatlycomplicatesthecomplexityoftheunderlyingdata,
particularlyifneworadaptedKPIsmustbereported
Referencestootherreportsshouldbepermitted,
ifthesecontaintheinformationrequiredwithintheESRSMseepar135 EFRAGintendstodevelopsectorspecificstand ardsatalaterpoint Duetothespecificsofthefinancialsector,banksareregularlysubjecttodifferingperspectives
(egriskorientedanalysisoftheiractivitiesinsteadoftheirvaluechain),disclosurerequirementsordefinitions.
Inourview,itisntlogicalto1stdevelopgeneralstandardsfollowedbysectorspecificstandards.
Wefearthatthisrequiresmultiplechangesinthereportingpracticesofreportingentities,
resultinginaneedlessmultiplicationofimplementingwork. Either,
the1stimplementationyearforsectorswithspecificstandardsshouldbedelayedoronlyverylimitedsector-agnosticinformationshouldberequiredinthefirstreportingyear.
Bearinginmindthelevelofdetail&theestimatedpublicationofthefinalsector-

specificstandardsin2024forthereportingperiod2024, thereisnowayofgettingpreparedfortheimplementationunlesstheconsultationofthesestandardsisonlyproforma&thefeedbackhasnochanceofbeingseriouslyconsideredPar31neutralityisbackedbytheexerciseofprudencewhichimpliestheexerciseofcaution.InourviewthisneedsclarificationPar51thesentence “inthecaseofapotentialhumanrightsimpact,theseverityoftheimpacttakesprecedenceoveritslikelihood”istoowide. Incaseofahumanrightsviolation, theseverityismostlikelyalwayssignificant&potentialprobabilitycannotbedisregarded. Whatshouldentitiesreporthere?TowhichexamplesdoesEFRAGrefer? Par74thereasoningbehindtherequirementtobreakdownmaterialimpacts,risks&opportunities(IRO) inaccordancewiththelegalrequirementsofaMSortheEUisunclearSect2.5DueDiligence(para85ff.): almosteveryparagraphreferstoothersectionsorESRS2TheseappeartobeduplicationsPar117likeourcommentstoISSBsExposureDraftIFRSS1, wehaveconcernregardingtheproposedrequirementtorestatechangesinpriorperiods. WenotethisisadeparturefromIAS8wherechangesinestimatesaretreatedprospectively. WesuggesttheEFRAGshouldalignthisproposedrequirementtotheaccountingtreatmentinIAS8, toavoidunintendedconsequenceswhenanentityneedstoconnectinformationtothefinancialstatementPar122retrospectivevsprospectivecorrectionincaseofmistakesshouldbeclarified. Par129appearsredundantPar137consistencywithfinancialstatementsItmaybeproblematicthatdataoffinancialundertakingsundertheEUtaxonomyrefertothelevelofregulatoryconsolidationwhilefinancialstatementsrelyontheIFRSsornGAAPlevelofconsolidation.Throughthatdifferinglevelofconsolidation,fullconsistencyisntpossible

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

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

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

H: We are concerned that EFRAG is running a cost-benefit analysis in parallel to the consultation. Additionally, EFRAG did not prepare a mock sustainability report to assess the feasibility of the draft standards, which could provide more clarity regarding reporting expectations for the banking sector.
We also consider that the assessment of materiality is burdensome and disproportionate given the lack of clarity of the value chain concept of financial institutions. It will be very difficult or impossible to obtain the necessary data for a large proportion of bank customers. A risk-based approach could be useful.
J: TCFD and the ISSB standards could be specified as the baseline. Other requirements could be clearly separated as add-on. Alternatively, further alignment is possible if the ESRS were more principle-based.

Any comments section: • Section 1.1 / GR 1: mostly already included in ESRS 1. References offer little benefit, but significantly complicate the reporting process. Para. 5(d) should be deleted as it is included in the auditor's statement. Para. 6 is obvious and does not necessitate additional disclosure.
• GR 2 – sector of activity: it should be clarified whether the reporting requirements relate only to sustainability. Information not related to sustainability is already included in the financial reports and would thus be redundant. Insofar as they relate only to sustainability, they are however too far reaching (e.g. on headcount, AG5 on internal transactions, AG6 on competitive advantages). References in AG2ff. are made to sector-specific standards which will not be finalised by the publication of set 1. Such a situation should be avoided.
Moreover, the exposure to fossil fuels as required for investors for PAI SFDR should be specifically mentioned, with a list of detailed sectors based on NACE for example and compatible with the EU taxonomy sectors.

• GR 3 – value chain: see prior comment on the limited transferability of the value chain concept to the financial sector under ESRS 1. Initial implementation should be delayed. The wording in para. 16. Should be changed from "shall" to "should". The term "resources" is not defined and the requirement in 16(b) is not clear. The term "end-user" is unclear with regard to credit institutions. Goes beyond GRI and should be streamlined.
• GR 4 – drivers of value creation: Para. 20: risk of creating IRO (incl. opportunities) should be rephrased. In general, alignment with ISSB (enterprise value) would be welcome. Initial implementation should be delayed if the entire value chain is included.
• GR 5 – approximation on the disclosure in relation to boundary and value chain: the proposal appears unclear in this area. Considerations on approximations should also apply generally. The context in which they are described is unclear. Initial implementation should be delayed if the entire value chain is included.
• GR 6 – estimation uncertainty: the definition in para. 24b should be simplified. It remains unclear, whether sensitivity analysis or purely qualitative descriptions are required. Paras. 24a and 24 are partially redundant.
• GR 8 – prior period errors: only the corrected data should be reported, not the adaptation. On para. 26c: disclosure of the date when the error was corrected is not necessary (can only occur in the reporting period).
• GR 9 should be optional. The requirement could imply additional extensive auditing/assurance procedures.
• SBM 2 – views, interests and expectations of stakeholders: the level of detail of the disclosure requirements is unrealistic and concerns confidential, internal information. More general descriptions would likely be redundant.
• SBM 3 and 4 – interaction of impacts / risks and opportunities and strategy and business model: Die sections are almost identical and could be summarised together with SBM 1. It remains unclear, what must be reported and what data remain voluntary.
• GOV 1: a phase-in approach is necessary.
• GOV 2 and 3: the difference between the two sections is not clear. A phase-in approach is necessary. Partially they concern internal, confidential information not intended for publication (para. 60).
• GOV 5: mapping appears unnecessary and will only increase the administrative burden (unusual in reports).
• IRO 1 and IRO 2: reporting requirements are partially too far-reaching and company-specific to offer any benefit. They should be streamlined and utilise a phase-in approach.
• IRO 2 and 3: could be summarised into one section, as they include similar information.•

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

H:TheIevelofdetailistoohighTherequirementsshouldbemorestreamlined,proportional,oratleastprioritized. AG77requiringaconsistencystatementcouldbedeletedastheauditorhastoconfirmthisconsistencyinhisstatement Art34AccountingDirective
I:ESRSE1implementationshouldbephasedin. Allinformationfromfinancialinstitutionsandallinformationconcerningthevaluechainshouldbephased-inwithadelayofatleastoneyear, asbanksaredependentondisclosuresoftheircounterpartiesfortheirowndisclosures.Inthefirstreportingyear, bankscanonlyreportontheirownactivities. Financialinstitutionsareparticularlydependentondisclosuresoftheircounterpartieswithregardstoscope3GHGemissions.Consequently, financialinstitutionsshouldberequiredtobegintodiscloseallinformationconcerningtheirvaluechain, includingGHGemissions,twoyearsafterreportingrequirementsapplytonon-financialundertakings. DisclosuresundertheEUTaxonomyforSustainableActivitiesalreadyfollowthisapproachandaffordedfinancialundertakingsaone-yeardelaytoallowbankstoobtainthenecessarydatafromtheirNFRDcounterparties. ThesituationishoweveraggravatedundertheCSRD, asitwillrequireafargreateramountofcorporatestomakedisclosures.Thus, banksshouldagainbeprovidedacomparabledelay
Anycommentssection:InparticularthefollowingDRsshouldbemaintainedasmuchaspossible:thetransitionplan, GHGscope1,2,3,thedecarbonationtargets,thescience-basedmethodology,andthephysicaltransitionrisks
•HoweverESRSE1maybecomplextoimplement.Furthercommentareprovidedbelow
•E1-1Transitionplanforclimatechangemitigation: WefullysupporttheintegrationofaDRonthetransitionplanforclimatechangemitigationtocontextualizeagainsta1.5°Cscenario
•E1-7to10ScopeGHGemissions:WefullysupporttheintegrationofaDRonthe3scopesoftheGhGemissions.
•E1-2,E1-3,E1-4,E1-15:Toeasethecommonunderstandingoftheadaptationtopicbycompaniesandinvestors, wesuggestthatmitigationandadaptationtopicsshouldbedistinguishedbycreatinganewsectiondedicatedtoadaptationpolicies,targets,actionplansandresources,andfinancialeffectsfromphysicalrisks
• wenoticethatnoindicationisgivenonsettingtargetsonadaptation.Guidanceonthistopicwouldbeuseful.
•E1–3:MeasurabletargetsforclimatechangemitigationandadaptationParagraph24(b): ThestandardaskstodiscloseGHGreductiontargetsinabsolutevalueandinintensityvalueonlyifdeemedmeaningful. Couldthestandardallowtargetsinintensityvalueiftheyaretranslatedintermsofabsoluteemissions (reductionsorincreases)?Intensitytargetsaremeaningfulforthefinancesector,e.g.emissionspereuroinvested. Financedemissionsshouldbeclearlyspecifiedatleastinthefinancialsector-specificstandard
•E1-4–ClimatechangemitigationandadaptationactionplansandresourcesPar31-75:Performancemeasurement: Thestandardsdon'treallyallowtoreportonperformancewithregardtoadaptationandresilience,including, butnotlimitedtoDRE1-4onadaptationactionplan.CurrentlytheonlyDRusefultothatendisE1-17,but "potentialfinancialeffectsfrom(market)opportunities"isarathernarrowwaytolookatadaptationperformance. WhileforadaptationtheindicatorscannotbereducedtoGHGemissionsand/orenergyconsumption,

thestandardcouldarrangeforundertakingstoreportonadaptationperformanceusingapertinentsetofindicatorsinrelationtotheirsector(water,agriculture,forest,tourismetc),andnotrestrictedtoafinancialeffect, withinRequirementE1-17oranotherrequirementtobeintroducedinthestandard
•E1-15Potentialfinancialeffectsfrommaterialphysicalrisksparagraph66:Preciseshort, mediumandlongtermaccordingtothedefinitionprovidedpage26(example:2050forlongtermhorizon)
•AG71: itcouldbemorerelevanttodefinerisksundervariousprecisetimehorizonsthantodefinethetimehorizonsthemselves.
•Other
•Foradaptation,itcouldbeinterestingtoaddacompulsorydisclosureofcompanies' variouslocationsbytypeofbuildings(headquarter,plants,storage,logistics…)tohelpdatausers(investors, riskanalysisproviders)andassessdirectexposuretoclimatehazards. Thisdisclosurecouldbeextendedtocriticalinputssuchasrawmaterial,components,energy, thatcouldweakenthevaluechainincaseofclimateevents.ifthisisnotrequiredelsewhereintheESRSproject (seeESRS2wheretheitemisbroadlymentioned)
•Forajusttransition, itcouldbeinterestingtoaddintheapplicationguidancethatthepoliciesandactionplanshouldincludeforcompaniesconcernedtheactionsimplementedtoensureajusttransitionforexampletrainingandsupportforemployeeswhosejobwillneedtoevolve
carbonpricingschemescanbeonlyanexampleformanagingGHGemissions
•15a:itshouldstate"disclosurerequirement2"
•InDR31-1(ESRSE1,par.15(c)),theundertakingisrequiredtodisclosean "explanationofthefinancialresourcessupportingtheimplementationofthetransitionplan".Inourview, therequirementtodisclosetheallocationofafinancialinstitution' sfinancialresourcessupportingtheimplementationofthetransitionplanisaconfidentialmatterthatmaygivecompetitorsanadvantage.Weproposetoremovethisdisclosurerequirement.
WewouldalsoliketorefertoCSRDrecital29awhichstatesthat "itisnottheobjectiveofthisDirectivetorequireundertakingstodiscloseintellectualcapital,intellectualproperty,know-howortheresultsofinnovationthatwouldqualifyastradesecretsasdefinedintheTradeSecretsDirective"

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

It should also be considered to move this requirement to the sector-specific standards and, with particular regard to financial undertakings, to clarify the relevance and scope. If applicable, there must be a phase-in approach: 1. ESRS E1 2. Other E-standards 1) on own operations, 2) taxonomy KPIs on financed assets 3) high level information on value chain) considerable time after the finalisation of CSDDD.

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)				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		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 E3 offers
For part I, please specify what European law or initiative you think is insufficiently considered
For part J, please explain how you think further alignment could be reached

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

We welcome and support ESRS E3 Water and Marine resources, which is regarding the disclosure of non-financial undertakings a very robust and exhaustive standard.
However, further improvements could be made, which are detailed below.
Part B: The geographical location could be more precise (not only on performance metrics). It would be also useful to specify the location of assets globally so that investors can use this information in other

measurement/evaluation tools. In a general manner, it is important for investors to access raw data of investee companies on quantitative indicators.
Part C: It is essential that, in addition to general information allowing comparability between companies, additional data specific to each sector/activity is added.
Part D: We consider that ESRS E3-6 Marine resources-related performance should be reworded to align it with the data requested in the Carbon Disclosure Project Water questionnaire.
Intensity metrics have a lower priority than pressure metrics In addition, transparency on the calculation method used is needed.
Part E: By definition, as the negative externality of one company can turn into a risk for the activities of another, the lack of consideration of discharges (i.e: toxic substances) can impact the risk profile of companies with activities in the same area. It would be useful to have indicators on discharges.

Part H: To reach a reasonable cost/benefit ratio, the value chain framework needs to be defined and the scope needs to be determined as it will heavily impact the cost and quality of the data reported. A solution to improve the cost/benefit ratio would be to introduce sequenced work:

1. Risk assessment / dependencies
2. Impact assessment
3. Setting targets; policies and action plan to be implemented

Risk analysis takes precedence over policies in order to put in place relevant actions. However, deadlines and an improvement plan are expected; or the establishment of a backward planning of expectations is necessary. A sectoral approach may be considered depending on the materiality of the sector.

Part I: Currently, the text is aligned with EU policies and legislations. However, regular updates will be necessary including its alignment with the new version of the Taskforce on Nature-related Financial Disclosures (TNFD). Also, the text should be aligned with the future global targets set at the COP 15 in December 2022.

• DR E3-1 – Policies implemented to manage water and marine resources: Companies with direct, own activities in high water stress areas should be asked to communicate the share of such activities.
• DR E3-2 – Measurable targets for water and marine resources: The value chain to which the indicators and KPIs apply should be defined and aligned with CSDDD. Phase-in after CSDDD-finalisation is needed.
• DR E3-4 – Water management performance: The term “emissions to water” should be further defined to specify the list of substances concerned.
• DR E3-5 – Water intensity performance: It is essential for investors to access raw data here; the data on intensity is secondary and might be computed by data users (investors for instance) by choosing to which financial data they would want to scale it.

Furthermore it should also be considered to move this requirement to the sector-specific standards and , with particular regard to financial undertakings, to clarify the relevance and scope. If applicable, there must be a phase-in approach: 1. ESRS E1 2. Other E-standards 1) on own operations, 2) taxonomy KPIs on financed assets 3) high level information on value chain) considerable time after the finalisation of CSDDD.

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

In a general manner, we welcomes ESRS E4, that is a very robust and exhaustive
standard with respect to non-financial undertakings. Some DR should be maintained as much as possible in particular: the targets, the
pressure metrics, the financial risks.
Further improvements could however be introduced, they are detailed below.
For part B: There is a need for more guidance on the notion of materiality and the degree of freedom given to companies: both a global framework as a priority but also a sector-specific approach. Current ESRS (sector agnostic) are not adapted to some activities. Transparency on the assumptions and models/measures /scenarios used for risk analysis is needed.
For part C: The sectors are not comparable (because the issues are different), but the framework makes it possible to highlight the specific characteristics of each non-financial sector and the specifics of the risks and impacts of a
company. It is therefore necessary to adopt a double approach: both global (cross-sectors) and specific.The perspective of financial undertakings is largely different and should be explained in the sector-specific standard.

For parts D, E : We note a lack of information on :
• The limitations of current methods, the coverage of the scope considered and the assumptions used.
• The quantification of 2 of the 5 environmental pressures that are used in biodiversity impact models:
- Land use
- Invasive species
For part F: We consider that, to date, there is a lack of third parties to allow an audit on biodiversity matters. Pressure metrics are auditable because they are physical measurements. On the other hand, impact metrics can be "black boxes" if the methodologies used are not specified.

For part H: To date, companies are generally lagging behind in taking biodiversity into account. Therefore, a clear timeline for the progressive implementation of the standards is needed to achieve a sustainable cost /benefit balance, especially for reasons of training/awareness and implementation of internal tools and methods.
The value chain framework needs to be defined and the scope needs to be determined and be aligned with the final CSDDD Sequenced work is
needed to put in place a structured and efficient policy:
1. Risk assessment / dependencies
2. Impact assessment
3. Setting targets; policies and action plan to be implemented
Risk analysis takes precedence over policies in order to put in place relevant actions. However, deadlines and an improvement plan are expected; or the establishment of a backward planning of expectations is necessary. A sectoral approach may be considered depending on the materiality of the sector.
• Training and raising awareness could be further addressed in application guidance. It is mentioned in the climate standard in appendix (AG 24 et AG 25), pollution (AG 12 f) et circular economy (AG 13 b). This issue could be addressed (at least in the appendices) in ESRS E4.

In aDDITION, either science nor capital market players / companies currently have suitable measurement methods and tools for this requirement. Qualitative requirements supported through guidelines could be a good starting point. With particular regard to financial undertakings, it should also be considered to move this requirement to the sector-specific standards and to clarify the relevance and scope.

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

A phase-in approach is necessary. It should also be considered to move this requirement to the sector-specific standards and, with particular regard to financial undertakings, to clarify the relevance and scope.

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

H:Legalrestrictionstosharepersonaldatabetweencompaniestofulfilthedisclosurerequirementsoftheundertaking

GroupwelcomesandsupportsESRSS1,
whichisastepinthegooddirectionforfurthertransparencyonthecompanyworkforce.
However,andinexceptionofDRS1-7andDRS1-8,DRsESRS1-1toESRSS1-26maybedifficulttoimplementastheKPIsproposedwillnotallowcompaniestodifferentiatebetweenemployeesandnonemployeesworkers,meaningindividualcontractorsandemploymentagencyworkers.
Thecharacteristicsofthetwocategoriesdiffersubstantiallyinparticularintermsofrisks,issues,objectives, actionplans,socialprotection…andwouldthereforerequirespecificindicatorstopreventbiases.Forinstance:

• DRS1-8raisesanissueofcapacitytocollectdataforemployersonindividualcontractorsandemploymentagencyworkers.
ConsideringtheseworkersarenotincludedintheHumanresourcesmanagementinformationsystem(HRIS), employerswillhavedifficultytoaccesstheirdata,andmaynotbeentitledtoaskforthatdata.
Asolutioncouldbeenvisagedtocopewiththistolimitthereportingonnon-employeeworkforcetospecificsectorsofactivity,

whichconcentratethemainrisksforindividualcontractorsandemploymentagencyworkers.
Ingeneral,weconsiderthatDisclosurerequirementsaretoodetailedandwouldleadtoinformationoverloadandthus, resultinthedisclosureoflessrelevantinformation.Theproposeddisclosurescanbeverifiedandassured, consideredindividually.However,sincetherequirementsinESRSS1(andtheotherstandardslikewise) arenumerous,detailed,andveryspecific, wehavedoubtsontheverifiabilityofallnewdisclosuresgiventhetimetableoftheEuropeanCommission.
CompaniesmayhavedifficultiestocomplywiththeprovisionsundertheDRS1-19becauseofthelegaldataprotectionregulations.
Anemployeeisnotrequiredtoinformtheemployerofthekindanddegreeofdisability.
Itshouldbepossibletoomitconfidentialinformation.
Commentsareprovidedbelowforfurtherimprovementsonthestandard

• DRS1-1–Policiesrelatedtoownworkforce:

o Thisitemrequiresadetaileddescriptionofthecontentsofallpoliciesonabouttwentytopics. Thisisveryfastidiousandwillbeharmfultotheoverallreadabilityofthedocument.Toeasereadability, onlytheidentificationofthetopicscoveredbythepolicywiththeperimeterscoveredcouldberequired, withalinktowardsthepolicydocumentitself.

o Thetopic«Impactsonitsownworkforcethatmayarisefromthetransitiontoaclimate-neutraleconomy», whichisonlyconsideredinappendices(AG8), couldbementioneddirectlyinaDReitherESRSS1orESRSE1onclimate).

DRS1-7–CharacteristicsoftheUndertaking’sEmployees:
Paragraph51.e):Requiresaconnectionbetweentheaveragenumberofstaffandfinancialinformation («mostrepresentativenumberinthefinancialstatements»).Asfarasfinancialinformationisstandardized, thisinterconnectioncouldbespecifiedfurther:crossreferencing, specifythemetrictargetedofthefinancialstatement…

DRS1-8–Characteristicsofnon-employeeworkersintheundertaking’sownworkforce:
ThisDRcallsforsomeclarificationson:
Thedatetobechosentoassessthenon-employeeworkers(i.e:workerspresentfrom31December, overthefinancialyear,overtheyearoftheexercise)
Thecontractstobeconsidered(intermsofduration).Athreshold, forexampleatleast3monthsofconsecutivecontractsovertheyear,couldbeintroduced.
Whichshouldbeconsideredbetweentheworkerandtheserviceprovided(numberofman-days)
Thecountingunit(workingdaysorcalendardays).

DRS1-9–TrainingandSkillsDevelopmentindicators:
Paragraph57.c):
ItwillbedifficulttoexpressthetrainingandskillsinFTEsasthenumberofemployeeswhohaveundergonetrainingisexpressedeitherintermsofthephysicalworkforceorinthenumberoftrainees.
Atraineeisdefinedasanemployeewhohasattendedatrainingcourse.
Anemployeewhohasattended3differenttypesoftrainingcoursesrepresents3trainees.

DRS1-10–Coverageofthehealthandsafetymanagementsystem:Theterm“healthandsafetymanagementsystem” shouldbefurtherclarified,examplescouldbeprovided.

OptionalDisclosure-DRS1-12–WorkingHours:
Paragraph66:Thenumberofhoursfromwhichovertimeistobecountedshouldbeprecised.(35h/week?) asseveralworkcyclescanco-exist.

DRS1-13–Work-LifeBalanceindicators:
Paragraph67:Clarifytheterm“family-relatedleaves”.

DRS1-16–Paygapbetweenwomenandmen:
Paragraph79:theDRshouldindicateiftheGenderEqualityIndexisrelevantandsufficient.

DRS1-20–Differencesintheprovisionofbenefitstoemployeeswithdifferentemploymentcontracttypes:
Paragraph97:Internationalsubsidiariesfinditverydifficulttoreportinformationontheirforeignworkforce.
Aslabourlawsdifferfromonecountrytoanother,itwillbeverydifficulttolistthedifferencesinbenefits.

DRS1-22–Collectivebargainingcoverage:
Paragraph103.c):Theterm“workingconditionsandtermsofemployment”shouldbefurtherprecised.
DRS1-25:Identifiedcasesofseverehumanrightsissuesandincidents:ThisDRrequiresthedisclosureofthenumber «ofseverehumanrightsissuesandincidents».Toreducemarginforinterpretation,whatshouldbeconsideredasan «issue»shouldbedefined.Moreover,severalDR(S1-3andS1-21forexamples)considerincidents.
Forsimplificationpurposes,allrequirementscouldbegatheredinS1-3.

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

H: In practice, it is burdensome to obtain information from other companies that the company does not control.
I: There are legal restrictions on the exchange of personal data between companies in order to comply with the company's disclosure obligations.
J; Alignment can be reached by creating principle-based, streamlined standards.
Any comments section: Overall, we welcome and support this standard which is a step in the good direction for further transparency on the value chain, with a better understanding of the risks and the stakes.
However, in our view some improvements could be made regarding:
• The articulation with the CSDDD, in particular on the definition of the value chain for financial undertakings. We understand that the collection of data would be extremely challenging.
• Appendix B (application guidance) AG9 (a) i: value chain includes « workers whose work and / or workplace is controlled by the undertaking but who are not employees or individual contractors ». The word « controlled » should be clarified (what about the owner of the workplace, does he « control » the workplace?).
• The reporting requirements are immensely detailed and may overwhelm reporting entities as well as users of sustainability data (information overload instead of meaningful information).

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		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 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

H: The immense level of granularity requires the preparation of a lot of information that is not covered by existing frameworks (particularly DR S3-2, S3-4 and S3-6). In practice, it is burdensome to obtain information from other companies that the company does not control.
I: There are legal restrictions on the exchange of personal data between companies in order to comply with

the company's disclosure obligations.
J: The immense level of granularity requires the preparation of a lot of information that is not covered by existing frameworks. Alignment can be reached by creating principle-based, streamline standards.
Any comments section: We see that Improvements could be made on the application guidance, in particular the AG linked to the DR where companies need to inform on the positive contribution of companies to communities. In the application guidance, examples of metrics could be added in particular the share of turnover in sectors with a net positive contribution for communities (i.e: SDGs).
Moreover, when the social taxonomy will be enforced, the share of turnover aligned with the social taxonomy could be required in this standard.

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

H: In practice, it is burdensome to obtain information from other companies that the company does not control.
I; There are legal restrictions on the exchange of personal data between companies in order to comply with the company's disclosure obligations. The requirements should be aligned with the requirements of the future Directive on corporate sustainability due diligence. In addition, it should be further clarified how the CSRD and this Directive interact with each other
Any comments section: The reporting obligations are immensely detailed and may overwhelm reporting entities as well as users of sustainability data (information overload instead of meaningful information). The reporting requirements should either be postponed or a phase-in approach should be developed. In the meantime, voluntary information should be allowed. The reporting requirements should either be relocated to the sector-specific standards or they must at least be clarified further therein.

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)			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		X			

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

H:WeconsidertheinformationrequestedintheproposedstandardESRSG1tobetoodetailed.
Disclosureswouldnecessitateaveryhigheffort,
particularlybysmallerinstitutionsnotsubjecttoArticles19aand19boftheCSRD.
I:Duplicationsshouldbeavoided.Referencestoothermandatory/regulatoryreportsshouldbepermitted.
Itshouldbepossibletoomitconfidentialinformation.
Forreasonsofconsistency,comparabilityaswellasefficiency,theCSRD’
sreportingrequirementsconcerninggovernance
/complianceaspectsshouldbecloselyalignedwithexistinglegalobligationsoncompliance,
moneylaunderingandfraudprevention.
Thesemattersarealreadyaddressedinstrongregulatoryframeworksapplicabletothefinancialsector.
TheESRSshouldbeadaptedaccordingly,expresslyreferenceapplicableregulationsandmapexistingobligations.
Theproposedstandardsonlyfitthefinancialsectortoalimitedextent.Instead,separatestandardsshouldbeapplied.
TheproposedstandardESRSG1isnotcompatiblewiththegovernancestructureofsomebanks.Inparticular,
itfailstotakeintoaccountcertainspecificlegalrequirementsfromotherframeworks.Theseinclude:
(a) independenceofmembers(seep.5para.14(d)),whichisnotrequiredinsomeMemberStates;
(b) informationconcerningthecreed/religionofthemembers(seep.12,AG6),whichanemployermustnotask
/collectandcanthusnotbereported;
(c)
certaintypesofinstitutionsoffertheinstitutionitselfnoinfluenceduringtheselectionandappointmentofsupervisorybo
dymembers;whilethenominationprocesscanbedescribed,suchinstitutionscannotinfluenceit;similarly,
someinstitutionshavenoinfluenceregardingthediversitypolicy(seep.7,paras.22-26)
(d) someinstitutionsdonothave“shareholder-selectedmembers”(seep.9,para.43(a))
Duplicationsshouldbeavoided.Referencestoothermandatory/regulatoryreportsshouldbepermitted.
Itshouldbepossibletoomitconfidentialinformation.
Forreasonsofconsistency,comparabilityaswellasefficiency,theCSRD’
sreportingrequirementsconcerninggovernance
/complianceaspectsshouldbecloselyalignedwithexistinglegalobligationsoncompliance,
moneylaunderingandfraudprevention.
Thesemattersarealreadyaddressedinstrongregulatoryframeworksapplicabletothefinancialsector.
TheESRSshouldbeadaptedaccordingly,expresslyreferenceapplicableregulationsandmapexistingobligations.
Theproposedstandardsonlyfitthefinancialsectortoalimitedextent.Instead,separatestandardsshouldbeapplied.
TheproposedstandardESRSG1isnotcompatiblewiththegovernancestructureofsomebanks.Inparticular,
itfailstotakeintoaccountcertainspecificlegalrequirementsfromotherframeworks.Theseinclude:
(a) independenceofmembers(seep.5para.14(d)),whichisnotrequiredinsomeMemberStates;
(b) informationconcerningthecreed/religionofthemembers(seep.12,AG6),whichanemployermustnotask

/collectandcanthusnotbereported;
(c)
certaintypesofinstitutionsoffertheinstitutionitselfnoinfluenceduringtheselectionandappointmentofsupervisorybodymembers;whilethenominationprocesscanbedescribed,suchinstitutionscannotinfluenceit;similarly, someinstitutionshavenoinfluenceregardingthediversitypolicy(seep.7,paras.22-26)
(d) someinstitutionsdonothave“shareholder-selectedmembers”(seep.9,para.43(a))

Furthermore,certainreportingrequirementsdonotappearparticularlymeaningful,e.g.theattendancerate(seep.10, para48(b)).

J:CloseralignmentwithGRIwouldbewelcome
Anycommentssection:
Furthercommentsforimprovementareprovidedbelow.

DRG1-1–Governancestructureandcomposition:Onverifiability, atransparencyrequirementregardingthecriteriausedtoassesstheadministrators’ independencycouldbeintroduced.

DRG1-5–Evaluationprocess:
Atransparencyrequirementregardingthecriteriaconsideredfortheevaluationprocess(i.e:thirdparty) couldbeintroduced.

DRG1-6–Remunerationpolicy:
o Besidestheremunerationpolicy, theremunerationreportcouldbecoveredtogiveacomprehensivepictureoftheremunerationscheme.
o Furtherreportingrequirementscouldbeaddedon:
Specialremunerationsandbenefitsinkind,
Thecriteriadefinedtoassesstheperformancerelatingtothevariableremuneration. Transparencyrequirementscouldnotablycover(i)thetypeoftheremuneration,(ii) theirweightinthetotalremuneration,(iii)criteriaandthresholdssettotriggertheremuneration.
Conditionsrelatingtoseverancepackageattribution;
OnLongTermIncentivePlans,wesuggestaddingtransparencyrequirementontheirprocessingincaseofleave (i.e.wouldtheybepro-rated?)

DRG1-10–Meetingsandattendancerate:
o Inadditiontodisclosingthenumberofmeetings’participants,companiescoulddisclose,onavoluntarybasis, thenameofparticipantsforeachmeeting,ortheattendancerateofeachmember, inordertoallowinvestorstoassesstheindividualassiduityofadministrators.
o Companiescouldalsodisclose,whererelevant, thenumberofmeetingsthatoccurredwithoutexecutivemembers.

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)			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		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 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

H: We consider the information requested in the proposed standard ESRS G2 to be too detailed. Disclosures would necessitate a very high effort, particularly by smaller institutions not subject to Articles 19a and 19b of the CSRD. G2-9 should be optional. G2-10 should be mandatory only for selected sectors.
I: Duplications should be avoided. References to other mandatory/regulatory reports should be allowed. It should be possible to omit confidential information. The alignment with the current and future Money Laundring Directives is needed.
Any comments section: •	DR G2-8 Beneficial ownership: a significative threshold could be added. In addition, the presentation of beneficial owners / controllers should be made consistent with what is already published for other exercises, in particular for listed companies (it could be specified for non-listed companies).
•	Some of the expected disclosures concern confidential information, relate to preliminary matters or would not be clearly determinable. Such requirements should be deleted. Moreover, the requirements should generally be streamlined considerably. It should be taken into account that certain business conduct aspects of financial undertakings are already closely regulated. The reporting requirements should thus be moved to the sector-specific standards.

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
- (x) 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?

Disclosure requirements for banks should generally be subject to a delay, as banks need the data disclosed by industry for their own regulatory compliance. Requirements referring to unfinalized frameworks, such as the Corporate Sustainability Due Diligence Directive, should be taken out for now and only be reinserted after the frameworks have been finalised.

Data availability is the most critical challenge for financial institutions as their own disclosures rely on information provided by different types of counterparties with vastly different capabilities and experience (particularly dependent on the counterparty's size). First time adopters should disclose information with respect to the Principal Adverse Impact Indicators as required by SFDR.

The general and cross-cutting information according to ESRS 1 and ESRS 2 as well as ESRS E1 Climate change should be prioritized.

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?

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

The implementation of almost all reporting requirements appears challenging. Nevertheless, please find some specific examples for requirements that can only be fulfilled over time below:
• DR E1-7 to DR E1-10 with regards to GHG emissions: at the beginning, only reporting on CO2 emissions should be required. Moreover, reporting on scope 3 emissions should be subject to an implementation period (DR E1-9).
• DR E1-12: should only be applied after the finalisation of the Corporate Sustainability Due Diligence Directive.
Other particularly challenging disclosure requirements: DR E1-13, DR E1-15 to E1-17, quantitative data in E2 to E5 as well as quantitative data in S2 to S4. An important challenge regarding the feasibility of reporting concerns the information to be collected on the value chain. Indeed, information on the value chain requires on a large part information from other companies, in particular as regards responsible purchasing for all entities and more specifically information on the investments and financing for financial entities. For the first year, standardised published information on the companies financed and /or invested will not yet be available. Several options could help :

For financial undertakings, a gradual implementation is necessary as information for the financial undertakings' value chains is currently not available. Financial institutions rely on information provided by their counterparties and business partners to make their own disclosures (e.g. scope 3 GHG emissions). Moreover, indicators allowing the estimation of that data are not available in the market. Through the first reporting periods, credit institutions can thus only report on their own activities. Financial institutions should thus only be subject to reporting obligations concerning their value chain and financed assets after the CSDDD has been finalised and after non-financial corporates have completed two full reporting periods. The reporting obligations under Article 8 Taxonomy Regulation follow a similar approach as they provide a one year delay for the disclosure requirements of banks. This general approach should be transferred to the CSRD's reporting obligations, though, in light of its significantly expanded scope and phase-in times for new reporters, the implementation period for financial undertakings should be extended to two years. Another solution of prioritization, would be for companies to disclose in priority the indicators (DRs) needed by investors, for instance the 14 indicators covered by set 1 ESRS on the principal adverse impacts (PAI) required under the SFDR.
•

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

Financial institutions should be allowed to report only on their own operations during the initial reporting periods and then gradually include information from the value chain as it becomes available over the following years. First time adopters should disclose information with respect to the Principal Adverse Impact Indicators as required by SFDR. The general and cross-cutting information according to ESRS 1 and ESRS 2 as well as ESRS E1 Climate change should be prioritized

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?

Timeline for relevant EU regulations to be developed and finalised.

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

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

The preparation of such an ambitious amount of disclosure requirements and the limited time to react to the content of the Exposure Drafts may jeopardise the objectives of the ESRS. Sample reports for both financial and non-financial undertakings should be published. A pilot project with undertakings from different sectors would also be useful. During the phase-in only a certain key information should be required with optional voluntary disclosures for the other aspects. Future amendments to ESRS should include clear transitional provisions.

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

7596f0bf-ef1b-4319-8a1e-58a14b5225f2/ANL01_CSRD_EFRAG_Standards_General_Comments._EAPB.docx

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