Finance Watch

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Finance Watch response to the EFRAG consultation on the exposure drafts for the European Sustainability Reporting Standards (ESRS)

8 August 2022

Summary

Finance Watch welcomes the European Financial Reporting Advisory Group (EFRAG) exposure drafts on the European Sustainability Reporting Standards (ESRS), which have the potential to be catalysts for change. Well-calibrated, quality, comparable and reliable corporate sustainability-related disclosures are essential to inform capital allocation and accelerate the transition towards an inclusive and sustainable economy.

Overall, Finance Watch is very supportive of the EFRAG proposals for ESRS. However, some changes are needed to ensure comparability of the corporate sustainability disclosures, improve user-friendliness of the standards, prevent green and social washing and finally, to improve interoperability between ESRS and international standards developed by the International Sustainability Standards Board (ISSB).

The European Sustainability Reporting Standards are a major milestone in the EU sustainable finance agenda, so it's very important we get this right. While we are overall supportive of the EFRAG´s work on the standards, adjustments are needed to make them better structured, comparable across companies, reliable and of high quality.

Our main recommendations are:

1. Rebuttable presumption and materiality assessment

We are **supportive of how double materiality**, a core principle under the Corporate Sustainability Reporting Directive, **is defined and the approach taken on double materiality assessment and implementation**. Further **practical guidance** for companies on how to **perform materiality assessment based on the double materiality principle**, including examples of methodologies and thresholds, would be helpful.

Concerns mount over the **rebuttable presumption** concept, which means that all disclosure requirements are considered mandatory for an undertaking until proven not material. On one hand, rebuttable presumption would leave **too much flexibility to companies**, which could, in principle, rebut any topical disclosure as long as they come up with elaborate explanations. **Comparability of sustainability reports** would prove problematic, especially for financial market participants who need comparable disclosures to make informed investment or financing decisions, and prepare their own sustainability-related disclosures in line with SFRD, EU climate benchmarks, EBA pillar III requirement, etc.

On the other hand, rebuttable presumption is a concept that is not easy to understand and would result in additional reporting for companies, who would be obliged to justify each time they do not deem certain information material.

Finance Watch **suggests a different approach**, whereby **a core set of indicators is always mandatory / material for all companies to report on**. Then there should be core information or indicators always mandatory / material to companies from certain sectors. The remaining information or indicators should be disclosed if they are considered material. The final layer would be material entity-specific information beyond the ESRS.

Mandatory / always material information or indicators should include: **climate-related disclosures** (especially climate transition plans, climate targets, GHG scope 1, 2 and 3 emissions), **governance matters**, **risk management**, **work-force related-disclosures, all metrics necessary for financial institutions to comply with the SFDR, EU Taxonomy, the EU Climate Benchmarks regulation and the banking and insurance rules prescribing sustainability-related disclosures**, and, last but not least, the **due diligence-related disclosures** to be required in line with the forthcoming Corporate Sustainability Due Diligence Directive.

Such an approach would result in more comparable sustainability reports. It would also be easier for companies, as they would not have to run the materiality assessment on all matters, but simply measure and disclose a narrower set of metrics. Finally, it would reduce the possibility for companies to circumvent certain disclosures.

2. Governance-related disclosures

Good governance is the basis for sustainable performance of any company. As such, **governance-related matters should be mandatory and always material for all companies**.

We strongly advocate for **consolidating the "traditional" and sustainability-related governance disclosures** which, in the exposure drafts, are split between ESRS 2 and the topical standards (ESRS G1 and G2). These disclosures must be read together to get a proper understanding of the company's governance and whether sustainability risks, opportunities and impacts are properly considered and managed by the company's administrative, management and supervisory bodies. **Separating these disclosures would result in incomplete information in each of the sections, missing context and / or unnecessary duplications.**

We also strongly **warn against removing "traditional" corporate governance disclosures from the sustainability reporting standards**. Despite the existing EU rules prescribing corporate governance-related disclosures (e.g. the Shareholder Rights Directive, Company Law Directives), whether and to what extent corporate governance arrangements are addressed in the corporate management reports largely differs across the Member States. Such fragmentation makes it difficult for investors investing cross-border to access such information easily. Requiring core corporate governance-related disclosures, including on the extent of the integration of sustainability-related considerations, would be very helpful to investors and foster cross-border flow of capital.

3. Alignment with international sustainability standards

The EFRAG and the ISSB must work closely together to ensure the compatibility and interoperability of the European and international sustainability reporting standards. The close exchanges that have recently started between the EFRAG and the ISSB should continue, with efforts to better align the terminology and the respective structures, being mindful, however, that the standards developed by ISSB are more limited in scope and based on the single, financial materiality logic.

While certain adjustments can be made to ESRS, we would insist that **ISSB makes more efforts to align with ESRS especially with regards to integrating the impact materiality and further developing the impact-related disclosures**.

We also strongly advise that **ISSB aligns with the EFRAG's approach to financial materiality, recognising that the definition of financial materiality for sustainability reporting shall be different from the concept of materiality used in the process of determining which information should be included in the undertaking's financial statements**. The ISSB's approach to financial materiality, focused on what is "relevant for the primary users of general-purpose financial reporting", is highly concerning given the obvious differences between the financial and sustainability reporting and the fact that the users' of the information and interested stakeholders differ.

4. Climate-related disclosures

We are very supportive of the climate-related disclosures in the EFRAG exposure drafts, while providing some minor suggestions for improvements.

Robust, comparable and science-based disclosures on corporate climate targets, transition plans and scope 1, 2 and 3 GHG emissions are essential to achieve the ambitious EU climate-neutrality target by 2050. To that end, **transition plans must be based on targets which are in absolute value and without permitting carbon offsets, avoided emissions or carbon dioxide removals in the calculation.**

5. Prioritisation and phase-in

All topics addressed by the draft standards are important and therefore ideally should be mandatory to report on as from the main application date. However, if choices must be made, we would suggest prioritising metrics needed by financial market participants to comply with the **requirements set by SFDR and other sustainability-related rules (EBA pillar III disclosures, etc.) climate-related disclosures and information that companies already have, meaning on strategy and business model, governance** (including directors' remuneration, internal control and business conduct), risk management and their **own workforce**.

The urgent need for climate-related disclosures has been recognised in the context of the EU Taxonomy, as well by the ISSB. However, the phase-in period of other environmental disclosures should not be too long, especially given strong interdependencies between the climate and other environmental matters. The same applies to social aspects which are also of great importance to ensure a just transition towards a sustainable economy.

Application dates for the due-diligence related disclosures could be aligned with the estimated application dates for the requirements stemming from the forthcoming Corporate Sustainability Due Diligence Directive, which will introduce a requirement for large companies to perform environmental and human-rights due diligence through the value chain.

Certain disclosures could be moved to sector-specific standards, thus reducing the number of disclosures mandatory for all companies.

Full response

EFRAG public consultation is organised to receive feedback on:

- Section 1: The general content of the Exposure Drafts including relevance of (i) the proposed architecture, (ii) the implementation of the CSRD principles and (iii) the overall content of each exposure draft
- Section 2: ESRS Implementation prioritisation / phasing-in
- Section 3: Adequacy of Disclosure (of each disclosure requirement included in exposure drafts)

Section 1

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:
  - i) Establish the general principles to be followed when preparing sustainability reporting in line with the CSRD provisions;
  - ii) 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:
  - i) Provide topic-specific application guidance in relation to the cross-cutting DRs on strategy and business model, governance, materiality assessment;
  - ii) 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);
  - iii) 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?

1/ Not at all

2/ To a limited extent with strong reservations

3/ To a large extent with some reservations

4/ Fully

5/ No opinion

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

Overall, the structure and articulation of cross-cutting and topical standards adequately support the coverage of CSRD topics and reporting areas. However, we have several concerns:

1) We call for **consolidating the "traditional" and sustainability-related governance disclosures** which, in the exposure drafts, are split between ESRS 2 and the topical standards (ESRS G1 and G2). These disclosures must be read together to get a proper understanding of the company's governance and whether sustainability risks, opportunities and impacts are properly considered and managed by the company's administrative, management and supervisory bodies. Separating these disclosures would result in incomplete information in each of the sections, missing context and / or unnecessary duplications. **The best place for all governance-related disclosures would be ESRS 2 as good governance is the basis for sustainable performance of any company**. As such, **governance-related matters should be mandatory and always material for all companies**.

   We **warn against removing "traditional" corporate governance disclosures from the sustainability reporting standards**. Despite the existing EU rules prescribing corporate governance-related disclosures (e.g. the Shareholder Rights Directive, Company Law Directives), whether and to what extent corporate governance arrangements are addressed in the corporate management reports largely differs across the Member States. Cross-border investors often face difficulty accessing such information. Requiring core corporate governance-related disclosures, including on the extent of the integration of sustainability-related considerations, would be very helpful to investors and foster cross-border flow of capital.

2) We see a need to **better reflect the central role of due diligence** to identify and manage the principal actual or potential adverse impacts which is one of the central principles. In the exposure drafts it is briefly introduced in section 2.5 of ESRS 1, however up front referring to Appendix C for a comprehensive explanation of the due diligence process. We would advise to have **a comprehensive description of key elements of the process in the relevant section of ESRS 1**. It is also noteworthy that the due diligence-relevant disclosure requirements in ESRS 2 **(IRO 1 and GOV 5) are not sufficiently comprehensive**. We would also suggest providing **guidance** properly explaining the **interconnectivity of the cross-cutting requirements and the topical standards in the implementation and reporting on the undertaking's due diligence**.

3) **We are concerned about the usability of the standards as certain matters are covered in several different places.** For instance, the materiality assessment based on a double materiality principle is addressed in ESRS 1, ESRS 2 (disclosure requirements and application guidance) and some topical standards.

   Another example are disclosure requirements on director's remuneration and incentive schemes, which are covered by DR G1-6 on remuneration policy, DR 2-GOV 4 on the integration of sustainability strategies and performance in incentive schemes, their respective application guidance, application guidance for ESRS E1 providing more detailed disclosures on climate-related incentive schemes, however referring to ESRS 2 Disclosure Requirements GOV 4 and finally DR S1-17 on the annual ratio between the compensation of its highest paid individual and the median compensation for its employees.

   While there are reasons for including certain descriptions in different sections (e.g., in case of the double materiality being split between the principle, the process and the disclosure requirements further dividing between cross-cutting, topical and sectorial), from the user perspective, it may be worthwhile to **re-structure and consolidate respective requirements and application guidance that users will need to prepare the disclosures, which would benefit both preparers and information users** who would be able to find all related disclosure in one logical place instead of looking for bits and pieces across all the standards.

   To that end, we would like to echo the recommendation by GRI to **present all requirements together in the main body of the ESRS and limit the application guidance to providing explanations and reporting recommendations**. We question the usefulness of providing topic-specific application guidance in relation to the cross-cutting DRs on strategy, business model and governance (included in ESRS 2) in the topical standards. While it might make sense in theory, in practice it would be **more user-friendly to have such guidance provided in the respective sections of ESRS 2**.

   Whenever good reasons exist to keep certain disclosure requirements spread across different sections, there should be **clear cross-reference to other relevant sections** that are relevant and or must be read / referred to for further information / disclosure requirements.

Alignment and interoperability with international standards and frameworks

CSRD Article 19b paragraph 3a 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 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?

1/ Not at all
2/ To a limited extent with strong reservations,
3/ To a large extent with some reservations
4/ Fully
5/ No opinion

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

To enable comparability and usability of the information, as well as to reduce the reporting for companies that will report both against the European and the international standards, it would be useful to further align the structures of the ESRS and the IFRS Sustainability Exposure Drafts (which are based on the TCFD framework). However, it should be carefully considered which differences result from a different scope of sustainability reporting, the key underlying principles (financial materiality vs double materiality) and the ambition level, and therefore are justified.

While certain adjustments can be made to ESRS, including on structure and terminology, we would insist that ISSB makes more efforts to align with ESRS especially with regards to integrating the impact materiality and further developing the impact-related disclosures.

In terms of concrete proposals for pursuing a closer alignment of the structure, we suggest **restructuring ESRS 2 starting by the governance, followed by strategy and business model, and finally by risk management** which indeed is better suited as a stand-alone section as not quite part of corporate governance. As mentioned in our response to Q1, we also strongly **advise to consolidate all governance-related disclosures in ESRS, include "traditional" corporate governance matters**.

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?

1/ Not at all

2/ To a limited extent with strong reservations,

3/ To a large extent with some reservations

4/ Fully

5/ No opinion

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

Interoperability is dependent on the respective structures of the standards, terminology used for the same concepts and on the level of alignment of the individual metrics prescribed. To that end, we suggest seeking more alignment between the ESRS and the IFRS Sustainability Exposure Drafts, however considering that in some instances it may be worthwhile that IFRS S1 and S2 better align with the ESRS.

See also our answer to Q2.

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:*

(a) the information that financial market participants need to comply with their disclosure obligations laid down in Regulation (EU) 2019/2088 and the delegated acts adopted pursuant to that Regulation; **Sustainable Finance Disclosure Requirements;**

(b) the criteria set out in the delegated acts adopted pursuant to Regulation (EU) 2020/852; **Taxonomy Regulation;**

*(c) 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;**

(d) 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;**

(e) Commission Recommendation 2013/179/EU; **European Commission recommendation on the life cycle environmental performance of products and services;**

(f) Directive 2003/87/EC of the European Parliament and of the Council; ***GHG allowance Directive;***

(g) 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?

1/ Not at all

2/ To a limited extent with strong reservations

3/ To a large extent with some reservations

4/ Fully

5/ No opinion

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

Fairly good alignment has been achieved with SFDR (with some reservations) and the EU Taxonomy. We did not have the possibility to analyse the alignment with all other mentioned rules in detail.

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

ESRS should provide detailed disclosure requirements on measuring and reporting on matters / obligations that will stem from the EU Corporate Sustainability Due Diligence Directive, currently being negotiated. In addition to the corporate sustainability (including climate) targets, transition plans, and incentives for directors to pursue sustainability targets, this shall include disclosures on:

- A company's approach to due diligence, including related steps, as per the UN Guiding Principles on Business and Human Rights and relevant OECD Guidelines on Responsible Business Conduct;
- Value chain transparency, which is critical for relevant insights into a company's exposure to risks and potential impacts. Value chain descriptions become particularly relevant when following a sector-specific approach.

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.

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[1]
- 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:

(i) the two cross-cutting standards on General principles (ESRS 1) and on General, strategy, governance and materiality assessment (ESRS 2)

(ii) 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?

1/ Not at all

2/ To a limited extent with strong reservations,

3/ To a large extent with some reservations

4/ Fully

5/ No opinion

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

Overall, the proposed coverage of set 1 rather adequately addresses CSRD sustainability topics. However, the **governance section** is missing disclosures on the **awarded remuneration** and the code of conduct section is missing disclosures on **animal welfare and tax governance and compliance** (for more details see our response to Q 50).

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

1/ Not at all

2/ To a limited extent with strong reservations

3/ To a large extent with some reservations

4/ Fully

5/ 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

Overall, the ESRS exposure drafts **cover fairly well** the information needed by the Financial Market Participants (FMPs) to consider the Principle Adverse Impacts (PAI) and prepare their corresponding disclosures, **with two exemptions** being **PAI 10 (Violations of UNGC principles and OECD guidelines) and PAI 11 (Lack of processes and compliance mechanisms to monitor compliance with UNGC principles and OECD guidelines)**.

To ensure that the ESRS result in disclosures better corresponding to the needs of FMPs in the context of SFRD as well as the EU Taxonomy, we would suggest to consider the recommendations of the draft report of the Platform on Sustainable Finance on the minimum social safeguards set out in Article 18 of the Taxonomy Regulation (TR). In its draft advice the Platform provides **criteria for when a company should be considered as not-compliant with the minimum safeguards**, which Article 18 of TR defines as "procedures implemented by an undertaking that is carrying out an economic activity to ensure the alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights (...)". The key criteria for non-compliance with minimum safeguards are:

1) the company has **not established adequate human rights due diligence processes** as outlined in the UNGPs and OECD MNE Guidelines;

2) There are clear indications that the company **does not adequately implement Human Rights Due Diligence (HRDD)** resulting in human rights abuses. This is considered in cases when:

a) A company or its top management, including that of its subsidiary, has been **convicted of a breach of HRRD laws**. The report notes that a differentiation between serious and minor cases may be necessary, with further work required;

b) **a company refuses to communicate with an OECD National Contact Point (NCP)**, which are non-judicial grievance mechanisms which aim to provide persons affected by negative corporate impacts with compensation. This would reflect a lack of sufficient engagement with stakeholders.

c) **It is not responding to concerns taken up by the Business and Human Rights Resource Centre (BHRRC) within three months,** also reflecting a lack of sufficient engagement with stakeholders.

To that end, we suggest, at minimum to:

- **provide for a disclosure requirement whereby a company must comprehensively describe its due diligence processes** (including on human rights) as outlined in the UNGPs and OECD MNE Guidelines.

  This could be done by beefing up DR 2-GOV 5 (Statement on due diligence) which currently is overly formalistic and excessively focused on reporting rather than describing the actual due diligence process. [DR 2-GOV 5 reads: "The undertaking shall disclose its general assessment regarding how it **embeds the core elements of due diligence in its sustainability statements**."

  We suggest rephrasing it to: "The undertaking shall disclose ~~its general assessment regarding~~ how it **embeds the ~~core elements~~ adequate due diligence processes in its operations and value chains ~~in its sustainability statements~~. as outlined in the UNGPs and OECD MNE Guidelines**".

- require companies to **report on any on-going court cases and / or convictions for human rights breaches** against the company or its top management.

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:
  (i) General information;
  (ii) Environment;
  (iii) Social;
  (iv) 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?

1/ Yes 2/ No 3/ No opinion

Q9: would you recommend any other option(s)?

If so, please describe the proposed alternative option(s)

The final text of the CSRD provides that "undertakings should therefore report sustainability information in a clearly identifiable dedicated section of the management report (...)" hence limiting the aforementioned options.

We would suggest to provide more guidance for companies in ESRS 1 on how to well disclose information across all reporting areas, including strategy, implementation and performance measurement in such way that reflects the interdependency between impacts on people and the environment, risks and opportunities, in line with AG2 for Disclosure principles on implementation.

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?

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion

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

We understand this question relates to the structure addressed in Q9. Due to the final wording of the CSRD, which states that "undertakings should therefore report sustainability information in a clearly identifiable dedicated section of the management report (...)", options for manoeuvre are limited. In any case, this is a tricky issue as, on the one hand, to ensure connectivity between the sustainability reporting and other parts and information in the management report, an integrated reporting approach would be better, allowing to spread the information throughout different sections of the management report. On the other hand, the usefulness of spreading the information out or deciding to provide it in one dedicated section depends on the preferences of different users and reporting companies, bearing in mind that they tend to differ. That means that there are many advocates of a single and static section dedicated to the sustainability information, which can enhance comparability and usability of the sustainability reports, while there are also proponents of a more flexible approach which would enhance connectivity 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?

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion

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

Incorporation of information in the sustainability section by reference to other parts of the management report indeed has the potential to support cohesiveness throughout corporate reporting, if it is applied properly. However, this should be permitted only if the information in the section(s) referred to is of the same or higher level of quality, is meeting specific disclosure requirements and is in line with the principles of the sustainability reporting (in terms of relevance, reliability, understandability and comparability). Also, a usability aspect should be considered, meaning whether incorporation of information by reference, especially in case of quantitative information, may impede machine readability.

We would also like to point out a certain ambiguity in the exposure draft text of ESRS 1 5.1 where para 132 states "To promote effective communication and avoid duplications appropriate cross-referencing shall be put in place by the undertaking." while para 135 reads: "Incorporation by reference in the sustainability statements from reports other than the management report is not allowed." While we support the latter requirement, allowing cross-referencing, especially in the context of the preceding para 131 referring to other types of EU legislation, creates confusion. Moreover, we would suggest defining both terms (cross-referencing and incorporating by reference) in the annexed glossary to ensure clarity.

Finally, the following sentence in para 135. is a little unclear / not coherent with the context and should be either deleted or adjusted: "Without the information incorporated by reference, the sustainability statements are incomplete."

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?

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion

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

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

Characteristics of information quality

Article 19a paragraph 2 of the CSRD proposal states that "t*he 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?

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion

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

Para 27, defining the principle of relevance, states that "Sustainability information can make a difference in decisions made by stakeholders if it has predictive value, confirmatory value or both.", linking confirmatory value with the quality of previously reported information. What is missing is the clearly stated **value of past performance** which is important to understand how the undertaking has been performing on sustainability matters, whether it meets the commitments it makes (e.g. sustainability targets and transition plans) and finally data on past performance is also needed to estimate the future performance.

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

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion

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

We suggest the following amendment to para 31: "Information shall~~, a priori,~~ not be netted or compensated to be neutral. The undertaking may present net information **in addition to absolute value** if such presentation does not obscure relevant information and includes a clear explanation about the effects of the netting." This is a crucial provision especially with regards to impact-related disclosures, which is already reflected in various topical disclosure requirements, e.g., ESRS E1 on climate. Allowing disclosure of netted information only would obscure the information, significantly reduce its usefulness and disable comparability across different entities. For more explanations read the Finance Watch report on net-zero.

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

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion

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

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

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion

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

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

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion

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

Para 38 states that sustainability information is understandable when it is clear and concise. This is missing a very important aspect of comprehensiveness. We suggest the following amendment: "Sustainability information is understandable when it is clear, **comprehensive,** and concise."

Para 39 implies that understandability of information should be judged by whether **knowledgeable intended users** can readily comprehend the information being communicated. We would suggest referring to '**any reasonably knowledgeable user**' instead given that sustainability information is of interest not only to professionals but to a wide-range of stakeholders including civil society.

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?

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion

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

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?

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion

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

Overall, we are very supportive of the double materiality approach and we believe it is practically feasible. However, we believe that neither ESRS 2-IRO nor the application guidance provide enough clarity on how to actually perform the materiality assessment based on the principle of double materiality.

The materiality concept and the materiality assessment have been debated in company law for decades. On one hand, many companies preferred to keep the definition of materiality sufficiently vague to keep as much flexibility as possible to decide what information to disclose. This has been also supported by the accountants and consulting firms given that such a situation increases their business opportunities as their services are required to perform the materiality assessment according to specific methodologies and thresholds' setting. On the other hand, such a situation leads to diverging approaches, allows companies to avoid disclosing certain information which after all may be of interest to information users and finally it makes it very difficult or impossible for smaller companies to perform materiality assessment and prepare disclosures themselves.

The issue is even more critical in the case of sustainability reporting and materiality assessment based on the double materiality principle as this is a new and still evolving field. Therefore, we call for including **a clear guidance describing an appropriate double materiality determination process that companies should follow**. This would be of great help especially for companies that are new to sustainability reporting, it would increase the convergence of the approaches followed and enhance comparability of companies' sustainability-related disclosures.

We would also like to note that the text of paragraphs 64 and 66 of the Application Guidance could be improved to articulate the relationship between the due diligence process of assessing and prioritizing impacts for action and the materiality assessment process of identifying material impacts for disclosure. We suggest to clarify that the former should be the primary source for the latter. Overall, the application guidance for double materiality assessment and related disclosure would benefit from a better alignment with the UN Guiding Principles on Business and Human Rights and the GRI Universal Standards.

The ESRS should clearly explain that the nature of thresholds and criteria for determining the material impacts, risks and opportunities varies according to the issue at hand and may be quite different depending on a topic, e.g. social matters, climate or biodiversity, or other environmental matters. Companies should clearly be guided to look at topical standards, including any applicable thresholds or criteria, as a source of information and inspiration when determining the materiality of a specific topic. At the same time, robust guidance for the determination of materiality at topical level should be provided as application guidance in each topical standard.

Consideration could be given to merging ESRS 2-IRO 2 and 3 given they both refer to the outcomes of a company's materiality assessment as both sets of conclusions will be the product of the undertaking's own materiality assessment process.

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?

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion

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

There are some wording differences between the definition of impact materiality provided in para 49 of ESRS 1 and with international standards on due diligence, although the spirit and the main elements seem aligned. There are also some differences with the definition provided by the GRI. Consideration should be given to whether these wording differences have important implications and if yes, adjustments should be made.

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?

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion

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

Please see our response to Q19.

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?

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion

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

The definition of financial materiality as per ESRS 1 paragraph 53 is not fully aligned with that of international standards (we understand the reference here is made to the IFRS S1 and S2 being developed by the ISSB). However, we do not see it as a problem but actually to the contrary, **we are very supportive of the double materiality approach and the definition of financial materiality in the ESRS exposure drafts**.

Indeed, in line with the para 52, the definition of financial materiality for sustainability reporting shall be different from the concept of materiality used in the process of determining information to be included in the undertaking's financial statements given the undeniable differences between the sustainability reporting and financial reporting and very different information users in both cases.

We actually find the approach followed by the ISSB quite problematic, primarily due to single/ financial materiality (outside-in) approach, but also in terms of how ISSB defines financial materiality in the IFRS S1 and S2 exposure drafts focusing on "what is relevant for the primary users of general-purpose financial reporting" meanwhile the range of users of sustainability-related information is wider than the "primary users of general-purpose financial reporting". Here we are not only talking about academia or civil society but also ESG experts within investors and financial institutions who would not necessarily be interested in hard-core financial reporting.

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

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion

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

As mentioned in our response to Q19, it would be helpful to provide more guidance on the determination and implementation of the double materiality process, including on financial materiality in the context of sustainability reporting.

(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 only 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 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:

(a) all of the mandatory disclosures of an entire ESRS or

(b) 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:

(a) the ESRS or

(b) 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?

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion

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

Rebuttable presumption is a concept which may be difficult to understand by companies. Moreover, it leaves room for companies to rebut any disclosures, as long as they come up with elaborate explanations. It would strongly undermine comparability of sustainability reports as each company would rebut different disclosures.

This would be quite problematic especially for financial market participants who need certain indicators to make informed investment / financing decisions as well as prepare their own sustainability-related disclosures, e.g. in line with SFRD, EU climate benchmarks, EBA pillar III requirement, etc.

At the same time, rebuttable presumption would also result in a considerable compliance burden for companies that would need to justify each time they do not deem certain information material for them.

We therefore suggest a **different approach, whereby a core set of indicators is always mandatory / material to report on to all companies**. Then there should be core information / indicators always mandatory / material to all companies from certain sectors. The remaining sector-agnostic and sector-specific information / indicators should be disclosed if they are considered material. Finally, companies should also disclose entity-specific information beyond the ESRS in case it is material.

Always mandatory / material information / indicators should include: climate-related disclosures (esp. climate transition plans, climate targets, GHG scope 1, 2 and 3 emissions), corporate governance matters, risk management, internal control, all metrics necessary for financial institutions to comply with SFDR, EU Taxonomy, the EU Climate Benchmarks, banking and insurance sustainability-related disclosures, incl. EBA pillar III disclosures), work-force related disclosures and last but not least due diligence-related disclosures information which will be required in line with the Corporate Sustainability Due Diligence Directive.

Such an approach would result in more comparable sustainability reports and be easier for companies as they would not have to run the materiality assessment on all disclosure requirements but simply measure and disclose a narrower set of metrics. It would also limit the possibility for companies to circumvent certain disclosures.

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

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

See response to Q 24.

Q27: how would you suggest it can be improved?

See response to Q 24.

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?

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion

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

Approximations of information on the value chain should be allowed subject to the use of a specific methodology and assumptions which should be specified in the application guidance. An approach applied by GRI, whereby the requirement to report on approximations used is included under relevant disclosures where estimates may be used, may be considered as a solution which would ensure clarity on which information may or may not be approximated.

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

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?

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion

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

We suggest that individual disclosure requirements in topical and sectoral ESRS clearly specify the required level of (dis)aggregation.

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?

1/ Yes 2/ No 3/ I do not know

Please explain why

Defining short-, medium- and long-term horizons for sustainability reporting purposes will result in clarity for the reporting companies and increased comparability for the information users.

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

1/ Yes 2/ No 3/ I do not know

Please explain why

We agree with the proposed over-arching time-horizons, however as long as the topical standards specify the time horizons for individual disclosure requirements, where necessary (e.g., GHG disclosures, transition plans and sustainability targets).

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

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:

(i) when the undertaking is required to describe policies, targets, actions and action plans, and resources in relation to sustainability matters and

(ii) 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?

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion

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

The wording in paragraph 98 should be strengthened to ensure there is clarity on whether, and if so when, the reporting entity would adopt a policy and objectives as outlined in paragraph 97 (a). This would ensure consistency with the wording paragraph 101 relating to targets. We suggested the following wording:

"If the undertaking cannot disclose the above required information, because it has not adopted a policy and objectives as outlined in paragraph 97 (a), it shall disclose this to be the case and provide reasons for not having adopted a policy or objectives. The undertaking **shall** ~~may~~ indicate **whether *it intends to adopt policies and targets as outlined in paragraph 97(a) and, if that is the case, specify*** a timeframe in which a policy will be adopted."

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?

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion

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

We would suggest two improvements:

- For each measurable outcome-oriented target, para 100 d requires companies to report on “if applicable, the baseline value and base year from which progress is measured”. As this refers to “outcome-oriented targets”, use of “if applicable” remains unclear. We would suggest deleting it or clearly explaining in which cases not reporting the baseline value and base year from which progress is measured could be justified.
- While there is a reference to the consideration given to the interests of stakeholders in setting the policy (DP 1-1), stakeholder consultation or consideration of their interests is missing from DP1-2. We would recommend that reporting entities are required to disclose stakeholder engagement / consultations and consider various stakeholder interests while setting the targets. As stipulated in ESRS 1, outcome-oriented targets should be set in terms of expected results for people, the environment. Information on the engagement of affected stakeholders or their representatives can provide insight into the relevance of a given target.

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?

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion

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

If the undertaking cannot disclose the information required by paragraph 103, because it has not adopted any action plans or stand-alone actions, the undertaking shall disclose this to be the case and provide reasons for not having adopted them. The

The wording in paragraph 106 should be strengthened to ensure there is clarity on whether, and if so when, the reporting entity would adopt any action plans or stand-alone actions in relation to policies and targets as outlined in paragraph 103. This would ensure consistency with the wording paragraph 101 relating to targets. We suggested the following wording:

“If the undertaking cannot disclose the information required by paragraph 103, because it has not adopted any action plans or stand-alone actions, the undertaking shall disclose this to be the case and provide reasons for not having adopted them. The undertaking **shall** ~~may~~ indicate **whether *it intends to adopt any* action plans or stand-alone actions in relation to policies and targets as outlined in paragraph 103 *and, if that is the case, specify*** a timeframe in which action plans or actions will be adopted.”

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?

1/ Yes 2/No 3/ 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)

With regards to estimating under conditions of uncertainty (Para 112 and 113), overall, more guidance is necessary on methodologies and assumptions to be used when estimating information to be disclosed. Moreover, a differentiation should be made amongst: 1) estimates of data whereby it's collection is challenging, such as the calculation of impact indicators whereby data needs to be collected from the value chain, e.g. Scope 3 GHG emissions; 2) assessing and modelling sustainability-related risks, meaning foresing and estimating probability of occurrence of risks or opportunities that influence or are likely to influence the future cash flows and therefore the enterprise value of the undertaking; 3) identifying and assessing actual and potential business impacts on people and the environment along the value chain, which should be driven by relevant due diligence guidance, namely the UN Guiding Principles on Business and Human Rights, and relevant OECD Guidelines. ESRS 1 should provide clear guidance as to the application of approximation/estimation in relation to these three distinct categories.

Regarding consolidated reporting and subsidiary exemption (para 128 and 129), ESRS 1 should specify that within the consolidated statement companies should provide necessary details to understand the impacts, risks, opportunities of each subsidiary meeting the CSRD and hence that, if not covered by the exemption, would be obliged to report on its own.

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:

(a) when reporting under European Sustainability Reporting Standards;

(b) on how to apply CSRD concepts;

(c) when disclosing policies, targets, actions and action plans, and resources;

(d) when preparing and presenting sustainability information;

(e) on how sustainability reporting is linked to other parts of corporate reporting; and

(f) 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)?

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion

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

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:

(a) of a general nature;

(b) on the strategy and business model of the undertaking;

(c) on its governance in relation to sustainability; and

(d) 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

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion

	1	2	3	4	5
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 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

Our main comment is that we do not understand the separation between governance-related disclosures in relation to sustainability matters contained in ESRS 2 and other governance disclosures in ESRS G1 and G2. We strongly advocate for consolidating these disclosures (especially 2-GOV 1 to 4 and ESRS G1), which must be read together to get a proper holistic understanding of corporate governance and whether sustainability risks, opportunities and impacts are properly considered and managed by the company's administrative, management and supervisory bodies. Separating these disclosures would result in incomplete information in each section and missing context and / or unnecessary duplications.

Consolidating governance-related disclosures would improve user-friendliness of the standards both for the information users as well as for the preparers and increase the interoperability between ESRS and IFRS S1 and S2.

Disclosures should be a reflection of how things are done within companies. Sustainability-related considerations must be properly embedded into corporate strategies and the corporate governance to ensure they are adequately assessed and addressed. It would be counterproductive e.g., a separate risk management without considering sustainability risks and a separate sustainability-focused risk management. Governance-related disclosures in ESRS should reflect that. Otherwise, it may send a wrong signal to the companies that should not only report the information but increasingly integrate sustainability considerations into their strategies, governance and operations.

Following that logic, certain disclosures should be ideally merged together, for instance G1-6 on remuneration policy and 2-GOV 4 on integration of sustainability strategies and performance in incentive schemes, 2-GOV 1 on roles and responsibilities of administrative, management and supervisory bodies with regards to sustainability matters, G1-1 on governance structure and composition and G1-9 on the actual composition of the governance bodies, etc.

For further details see our response to Q49.

Moreover, ESRS 2-ROI, in particular the application guidance, should better refer to the content of the UN Guiding Principles on Business and Human Rights, OECD Guidelines for Multinational Enterprises and the OECD Guidance on Responsible Business Conduct, and the GRI Universal standards. These international norms provide the basis for the draft Corporate Sustainability Due Diligence Directive. Impact materiality determination in ESRS 2-ROI requires further specification to ensure good implementation by companies. See answer to Question 19 for details.

In terms of concrete proposals for pursuing a closer alignment of the structure with the standards developed by the ISSB, we suggest **restructuring ESRS 2 starting by the governance, followed by strategy and business model, and finally by risk management** which indeed is better suited as a stand-alone section as not quite part of corporate governance.

ESRS E1 – Climate change

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

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

(b) 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;

(c) 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;

(d) any other actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential adverse impacts;

(e) 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

(f) 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

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion

	1	2	3	4	5
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 against the intended objective of 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 and 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 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

Robust, science-based, comparable and reliable climate-related disclosures, including in particular climate targets, transition plans and GHG scope 1, 2 and 3 emissions are essential to evaluate whether a company is on a path which is enabling and contributing to the achievement of the European Climate Goals. Investors and other finance providers need such disclosures to make informed investment and financing decisions and prepare their own climate-related disclosures and appropriately assess the physical and transition risks connected with exposures to such companies.

Overall, Finance Watch strongly supports the proposed disclosures in ESRS E1, however we do have suggestions for improvements. Please see our responses in section 3B for further details.

ESRS E2 – Pollution

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

(a) 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;

(b) any actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential adverse impacts;

(c) 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';

(d) 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

(e) 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

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion

	1	2	3	4	5
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 and 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

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:

(a) how the undertaking affects water and marine resources, in terms of positive and negative material actual or potential adverse impacts;

(b) 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;

(c) 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;

(d) 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;

(e) 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

(f) 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

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion

	1	2	3	4	5
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 and assured					
G. Meets the other objectives of the CSRD in term of quality of information					
H. Reaches a reasonable cost / benefit balance					
I. Is sufficiently consistent with relevant EU policies and other EU legislation					
J. Is as aligned as possible to international sustainability standards given the CSRD requirements					

For part H, please explain why costs would be unreasonable and / or what particular benefit ESRS E3 offers

For part I, please specify what European law or initiative you think is insufficiently considered

For part J, please explain how you think further alignment could be reached

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

ESRS E4 – Biodiversity and ecosystems

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

(a) how the undertaking affects biodiversity and ecosystems, in terms of positive and negative material actual or potential adverse impacts;

(b) 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;

(c) 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);

(d) 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;

(e) 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;

(f) 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

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion

	1	2	3	4	5
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 and 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

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:

(a) 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;

(b) 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;

(c) 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;

(d) 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

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion

	1	2	3	4	5
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 and 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

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:

(a) how they affect the undertaking affects own workforce, in terms of positive and negative material impacts;

(b) any actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential adverse impacts;

(c) 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

(d) 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:

(a) working conditions (impacts related to e.g. living wage, health and safety, social security, working hours, water and sanitation);

(b) 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);

(c) 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

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion

	1	2	3	4	5
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 and 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 S1 offers

For part I, please specify what European law or initiative you think is insufficiently considered

For part J, please explain how you think further alignment could be reached

Please share any comments and suggestions for improvement you might have relating to the above

questions, referring explicitly to the part of the question you are providing comment

ESRS S2 – Workers in the value chain

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

(a) 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;

(b) any actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential adverse impacts;

(c) 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

(d) 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':

(a) working conditions (impacts related to e.g. living wage, health and safety, social security, working hours, water and sanitation);

(b) 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);

(c) 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

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion

	1	2	3	4	5
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 and 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 S2 offers

For part I, please specify what European law or initiative you think is insufficiently considered

For part J, please explain how you think further alignment could be reached

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

ESRS S3 – Affected communities

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

(a) 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;

(b) any actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential adverse impacts;

(c) 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

(d) 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:

(a) impacts on communities' economic, social and cultural rights (e.g. adequate housing, adequate food, water and sanitation, land-related and security-related impacts);

(b) impacts on communities' civil and political rights (e.g. freedom of expression, freedom of assembly, impacts on human rights defenders); and

(c) 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

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion

	1	2	3	4	5
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 and 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

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:

(a) 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;

(b) any actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential adverse impacts;

(c) 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

(d) 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:

(a) information-related impacts for consumers/end-users, in particular privacy, freedom of expression and access to information;

(b) personal safety of consumers/end-users, in particular health & safety, security of a person and protection of children; and

(c) 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

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion

	1	2	3	4	5
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 and 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 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

Overall, we very much welcome disclosure requirements on consumers and end-users. We have, however two comments:

1) We suggest to adjust point (a) of para 2 of ESRS S4 as follows:

'(a) information-related impacts for consumers/end-users, in particular privacy, freedom of expression, quality of the information, access to information, complaints management and marketing practices;'.

Complaints and marketing are mentioned sporadically in the standard, but not the quality of the information. We consider all the three essential for consumers, so we propose to include them explicitly in the objectives of ESRS S4.'

2) Similarly, to other social standards, with the exception of ESRS S1, disclosures under ESRS S4 are of a qualitative nature, due to the difficulty of homogenizing and quantifying social aspects. But it would improve the inter- and intra-sectoral comparability of companies with regard to the vitally important sustainability matter of consumers and end users to supplement the qualitative and narrative disclosures with some quantitative indicators. In the case of consumers, some KPIs could easily be added related to complaint management, such as number of complaints received, number of complaints solved, average time to solve it, etc. Or the number of consumer-related complaints about greenwashing, anti-competition, etc.

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:

(i) 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;

(ii) 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

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion

	1	2	3	4	5
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 and 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 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

We do not think that the structure dividing disclosures into 1) policies and targets, 2) action plans and dedicated resources and 3) performance measure is really appropriate to this type of information and given its characteristics.

Our main comment is that we do not understand the separation between governance-related disclosures in relation to sustainability matters contained in ESRS 2 and other governance disclosures in ESRS G1 and G2. We strongly advocate for **consolidating these disclosures (especially 2-GOV 1 to 4 and ESRS G1), which must be read together** to get a proper holistic understanding of corporate governance and whether sustainability risks, opportunities and impacts are properly considered and managed by the company's administrative, management and supervisory bodies. Separating these disclosures would result in incomplete information in each section and missing context and / or unnecessary duplications.

Consolidating governance-related disclosures would improve user-friendliness of the standards both for the information users as well as for the preparers and **increase the interoperability** between ESRS and IFRS S1 and S2.

Disclosures should be a reflection of how things are done within companies. **Sustainability-related considerations must be properly embedded into corporate strategies and the corporate governance** to ensure they are adequately assessed and addressed. It would be counterproductive e.g., a separate risk management without considering sustainability risks and a separate sustainability-focused risk management. Governance-related disclosures in ESRS should reflect that. Otherwise, it may send a wrong signal to the companies that should not only report the information but increasingly integrate sustainability considerations into their strategies, governance and operations.

Following that logic, certain disclosures should be ideally **merged together**, for instance G1-6 on remuneration policy and 2-GOV 4 on integration of sustainability strategies and performance in incentive schemes, 2-GOV 1 on roles and responsibilities of administrative, management and supervisory bodies with regards to sustainability matters, G1-1 on governance structure and composition and G1-9 on the actual composition of the governance bodies, etc.

Regarding point A (alignment with Articles 19a and 19b of the CSRD) we would like to point out that a disclosure requirement on **risk management in relation to the sustainability matters are missing**. Risk management is covered in ESRS G1 however without any reference to sustainability. While ESRS 2-IRO 1 provides for a description of the processes to identify material sustainability impacts, risks and opportunities and 2-IRO 2 and 3 require a description of the outcome of the undertaking's assessment of material sustainability impacts, risks and opportunities, **a disclosure requirement that would require a description of how risks, including stemming from sustainability factors, are managed seems absent**.

Meanwhile, given the increasingly mounting risks posed to companies by sustainability-related events (including environmental and social events) **appropriate integration of sustainability considerations into companies' risk management is of paramount importance**.

Coming back to the separation between the disclosures on traditional corporate governance and governance related to sustainability matters, it is very awkward that ESRS G1 disclosures on governance structure and composition, diversity and the nomination process are completely silent on sustainability-related expertise. While this is included in the ESRS 2-GOV 1, such structure is very counter-intuitive, user-unfriendly and goes against the principles of connectivity and understandability of the information.

Interestingly enough DR G1-8 on **internal controls** is the only disclosure in ESRS G1 which is linked to sustainability matters. However, it's overly focused on the reporting and completely missing the controls of the risk management, which is one of the differences between governance-related disclosures in ESRS exposure drafts and IFRS S1 and S2.

We would also like to note that ESRS is **missing disclosures on awarded remuneration** (in SRD II referred to as remuneration report) which can vary from the remuneration policy. This is particularly relevant for understanding whether and how company directors are incentivised to pursue sustainability-related goals, prescribed for in 2-GOV 4 which unfortunately is also focused on incentive schemes and not on reporting of the actual remuneration awarded and what proportion of that remuneration (in particular variable remuneration) is linked to sustainability-related objectives. Disclosing remuneration policy / incentive schemes only will not be sufficient to provide an understanding of how company directors are incentivized to properly manage the company's sustainability impacts, risks and opportunities, which para 63 of ESRS 2 states as objective of DR S-GOV 4. Moreover, DR G1-6 is not in line with the Shareholders Rights Directive which recognises companies must disclose not only remuneration policy but also the awarded remuneration of directors.

Regarding the disclosure requirement on **diversity**, we would like to point out that there are missing criteria on geographical and ethnic background and that consistency should be improved between DR G1-4 on diversity policy and G1-9 including certain diversity-related metrics.

Regarding point C, to ensure comparability across sectors, business conduct information should be mandatory to all companies / always material meaning not subject to rebuttable presumption, as mentioned in answer to a question on rebuttable presumption / materiality assessment.

Overall, we think it would be best to move ESRS G1 and G2 into ESRS 2 given that these are cross-cutting and always material for all companies.

Corporate governance is the basis for sustainable performance and therefore assessing the sustainability risks, opportunities and impacts of a company without assessing its corporate governance arrangements is a contradiction. Thus, we strongly call for keeping and further enhancing governance-related disclosures presented in the ESRS exposures drafts.

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:

(a) business conduct culture;

(b) 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

(c) 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

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion

	1	2	3	4	5
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 and 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 to.

Regarding point C, to ensure comparability across sectors, business conduct information should be mandatory to all companies / always material meaning not subject to rebuttable presumption, as mentioned in answer to a question on rebuttable presumption / materiality assessment. With that objective in mind and to consolidate governance-related matters in one section, we would suggest moving ESRS G1 and G2 into ESRS 2 given that these are rather cross-cutting than topical disclosure requirements and they are relevant for all companies.

Similarly to ESRS G1, we do not think that the structure dividing disclosures into 1) policies and targets, 2) action plans and dedicated resources and 3) performance measure is really appropriate to this type of information and given its characteristics.

ESRS G2 is missing disclosure requirements on **tax governance and compliance** while this is an important topic regarding business conduct. Omitting tax-related disclosures in ESRS causes a misalignment with the recognised international standards (incl. OECD Guidelines for Multinational Enterprises) as well as with the text of CSRD which in recital 44 states: “Users also need information about undertakings’ corporate culture and approach to business ethics, which are recognised elements of authoritative frameworks on corporate governance such as the Global Governance Principles of the International Corporate Governance Network, including information about anti-corruption and anti-bribery, and about the undertaking’s political engagements, including lobbying activities.” Meanwhile paragraph 4.9 of the ICGN Global Governance Principles lists 'tax policy' among the criteria of good corporate culture and states the need to ensure 'that the company is not only acting legally, but within the bounds of acceptable social norms.

It should also be noted that the list in Article 29b para 2 c of CSRD, specifying the information that undertakings are to disclose about the following governance factors, subpoint (ii) reads “business ethics and corporate culture, **including** anti-corruption and anti-bribery, the protection of whistle-blowers and animal welfare'” is not exhaustive.

We would also like to refer to the draft report by the Platform on Sustainable Finance providing guidance on minimum social and governance safeguards stemming from Article 18 of the EU Taxonomy Regulation. The draft report, which defines what is meant by alignment with the OECD Guidelines for Multinational Enterprises (OECD MNE) and the UN Guiding Principles on Business and Human Rights (UNGP), clearly identifies taxation as one of the four core topics.

The draft report emphasizes that “the ESRS will provide investors with information to evaluate the adequacy of tax strategies and risk processes of a company. This is due to the stipulation in OECD MNE guidelines that tax matters are to be considered important matters of board oversight and risk management’. Together with the fact that the OECD MNE Guidelines stress the importance ‘that enterprises contribute to the public finances of host countries by making timely payment of their tax liabilities’, it can reasonably be concluded that tax matters are to fall under ‘sustainability impacts, risks and opportunities’, which makes them reportable under ESRS and will allow investors to form a view on an undertaking’s self-assessment of MS-alignment. What is more, it follows that tax oversight is to be prioritized by undertakings’ boards.”

Tax transparency is also covered by the Global Reporting Initiative (GRI) that in 2019 published its Tax Standard GRI 207 which refers to the OECD MNE Guidelines.

Finally, Article 17 of SFDR stipulates that for an investment to be considered sustainable, investee companies must follow good governance practices, further detailing “in particular with respect to sound management structures, employee relations, remuneration of staff and **tax compliance**”. This is reflected in the delegated regulation (EU) 2022/1288 where several articles require financial market participants to describe “the policy to assess good governance practices of the investee companies, including with respect to sound management structures, employee relations, remuneration of staff and **tax compliance**.” **If ESRS fails to prescribe disclosures on tax governance and compliance, financial market participants will face major difficulties to assess their investments against the requirements imposed by SFRD.**

ESRS G2 is also missing the disclosures on **animal welfare** which are prescribed by the final CSRD text.

DR G2-8 on beneficial ownership should be better aligned with EU rules on beneficial ownership including aligning on the definitions and thresholds (if any). Further guidance for this disclosure requirement would be helpful.

Section 2: *ESRS implementation prioritisation / phasing-in April 2022*

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?

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion

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

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion

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

Please explain why

Regarding AP1, we would suggest encouraging companies to disclose comparative information in case companies have it.

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

NA (I think we are not an appropriate stakeholder to answer this Q).

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

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

NA (I think we are not an appropriate stakeholder to answer this Q).

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

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

All topics addressed by the draft standards are important and therefore ideally should be mandatory to report on as from the main application date. However, if choices must be made, we would suggest to prioritize metrics needed by financial market participants to comply with the **requirements set by SFDR and other sustainability-related rules (EBA pillar III disclosures, etc.) climate-related disclosures and information that companies already have, meaning on strategy and business model, governance** (including directors' remuneration, internal control and business conduct), risk management and their **own workforce**.

The urgent need for climate-related disclosures has been recognised in the context of the EU Taxonomy, as well by the ISSB. However, the phase-in period of other environmental disclosures should not be too long, especially given strong interdependencies between the climate and other environmental matters. The same applies to social aspects which are also of great importance to ensure a just transition towards a sustainable economy.

Application dates for the due-diligence related disclosures could be aligned with the estimated application dates for the requirements stemming from the forthcoming Corporate Sustainability Due Diligence Directive, which will introduce a requirement for large companies to perform environmental and human-rights due diligence through the value chain.

Certain disclosures could be moved to sector-specific standards, thus reducing the number of disclosures mandatory for all companies.

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

See our response to Q56.

Section 3

3A. Adequacy of Disclosure Requirements– Cross cutting standards

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

- when sharing comments on a given Disclosure Requirement, and as much as possible, reference to the specific paragraphs being commented on should be included in the written comments,
- in the question 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.

A complete index of Disclosure Requirements and their corresponding Application Guidance can be found in Appendix I – Navigating the ESRS.

DR 2-GR 1 – General characteristics of the sustainability reporting of the undertaking

The undertaking shall give general information about (i) its sustainability report, and (ii) the structure of its sustainability statement.

The principle to be followed under this disclosure requirement is to give the necessary context of the sustainability reporting of the undertaking.

Q1: Please, rate to what extent do you think DR 2-GR 1 – General characteristics of the sustainability reporting of the undertaking

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion 6/ Not applicable

	1	2	3	4	5	6

A. Requires relevant information about the sustainability matter covered				X		
B. Requires information that is relevant for all sectors (sector-agnostic only information)				X		
C. Can be verified / assured					X	
D. Meets the other objectives of the CSRD in term of quality of information				X		
E. Reaches a reasonable cost / benefit balance				X		
F. Is sufficiently consistent with relevant EU policies and other EU legislation				X		
G. Is as aligned as possible to international sustainability standards given the CSRD requirements				X		
H. Represent information that must be prioritised in first year of implementation				X		
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities					X	

For part E, please explain why costs would be unreasonable and / or what particular benefit this disclosure requirement offers

For part F, please specify what existing European sustainability reporting obligation you think the disclosure requirements misses to address adequately

For part G, please explain how you think further alignment could be reached

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

We suggest always requiring the identification of the auditor, the audit firm or the independent assurance service provider giving assurance on the sustainability report and the level of assurance provided. Therefore, para 5 (d) should be adjusted by deleting “where applicable”.

DR 2-GR 2 – Sector(s) of activity

The undertaking shall provide a description of its significant activities, headcount and revenue.

The principle to be followed under this disclosure requirement is to allow an understanding of the distribution of the undertaking’s activities by reference to a common sector definition.

Q2: Please, rate to what extent do you think DR 2-GR 2 – Sector(s) of activity

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion 6/ Not applicable

	1	2	3	4	5	6
A. Requires relevant information about the sustainability matter covered				X		
B. Requires information that is relevant for all sectors (sector-agnostic only information)				X		
C. Can be verified / assured					X	
D. Meets the other objectives of the CSRD in term of quality of information				X		
E. Reaches a reasonable cost / benefit balance				X		

F. Is sufficiently consistent with relevant EU policies and other EU legislation				X		
G. Is as aligned as possible to international sustainability standards given the CSRD requirements				X		
H. Represent information that must be prioritised in first year of implementation				X		
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities					X	

For part E, please explain why costs would be unreasonable and / or what particular benefit this disclosure requirement offers

For part F, please specify what existing European sustainability reporting obligation you think the disclosure requirements misses to address adequately

For part G, please explain how you think further alignment could be reached

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

DR 2-GR 3 – Key features of the value chain

The undertaking shall describe its value chain.

The principle to be followed under this disclosure requirement is to provide an understanding of the value chain in which the undertaking operates, from the initial inputs into a product or service, in the upstream supply chain, to its downstream delivery to end-users, including ultimate disposal, recycling or reuse for physical products.

Q3: Please, rate to what extent do you think DR 2-GR 3 – Key features of the value chain

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion 6/ Not applicable

	1	2	3	4	5	6
A. Requires relevant information about the sustainability matter covered				X		
B. Requires information that is relevant for all sectors (sector-agnostic only information)				X		
C. Can be verified / assured					X	
D. Meets the other objectives of the CSRD in term of quality of information				X		
E. Reaches a reasonable cost / benefit balance				X		
F. Is sufficiently consistent with relevant EU policies and other EU legislation				X		
G. Is as aligned as possible to international sustainability standards given the CSRD requirements				X		
H. Represent information that must be prioritised in first year of implementation				X		
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities					X	

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

disclosure requirement offers

For part F, please specify what existing European sustainability reporting obligation you think the disclosure requirements misses to address adequately

For part G, please explain how you think further alignment could be reached

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

DR 2-GR 4 – Key drivers of the value creation

The undertaking shall describe how it creates value.

The principle to be followed under this disclosure requirement is to provide an understanding of the key drivers of value creation the undertaking is leveraging to contribute to the overall performance of the value chain it operates in taking account of the respective interests of all stakeholders.

Q4: Please, rate to what extent do you think DR 2-GR 4 – Key drivers of the value creation

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion 6/ Not applicable

	1	2	3	4	5	6
A. Requires relevant information about the sustainability matter covered		X				
B. Requires information that is relevant for all sectors (sector-agnostic only information)		X				
C. Can be verified / assured					X	
D. Meets the other objectives of the CSRD in term of quality of information		X				
E. Reaches a reasonable cost / benefit balance		X				
F. Is sufficiently consistent with relevant EU policies and other EU legislation		X				
G. Is as aligned as possible to international sustainability standards given the CSRD requirements		X				
H. Represent information that must be prioritised in first year of implementation		X				
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities					X	

For part E, please explain why costs would be unreasonable and / or what particular benefit this disclosure requirement offers

For part F, please specify what existing European sustainability reporting obligation you think the disclosure requirements misses to address adequately

For part G, please explain how you think further alignment could be reached

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

This DR could be removed as it largely overlaps considerably with DR 2-GR 3 and DR 2-SBM 1 that should also contain such information.

DR 2-GR 5 – Using approximations on the disclosure in relation to boundary and value chain

Following the principle on boundaries and value chain of ESRS 1 when the undertaking has used peer group information or sector data to approximate missing data due to impracticability, it shall disclose:

(a) Its basis for preparation for the relevant disclosure and indicators, including the scope for which an approximation has been used; and

(b) The planned actions to reduce missing data in the future.

Q5: Please, rate to what extent do you think DR 2-GR 5 – Using approximations on the disclosure in relation to boundary and value chain

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion 6/ Not applicable

	1	2	3	4	5	6
A. Requires relevant information about the sustainability matter covered			X			
B. Requires information that is relevant for all sectors (sector-agnostic only information)			X			
C. Can be verified / assured					X	
D. Meets the other objectives of the CSRD in term of quality of information			X			
E. Reaches a reasonable cost / benefit balance			X			
F. Is sufficiently consistent with relevant EU policies and other EU legislation			X			
G. Is as aligned as possible to international sustainability standards given the CSRD requirements			X			
H. Represent information that must be prioritised in first year of implementation			X			
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities					X	

For part E, please explain why costs would be unreasonable and / or what particular benefit this disclosure requirement offers

For part F, please specify what existing European sustainability reporting obligation you think the disclosure requirements misses to address adequately

For part G, please explain how you think further alignment could be reached

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

Approximations of information on the value chain should be allowed subject to the use of a specific methodology and assumptions which should be specified in application guidance. An approach applied by GRI, whereby the requirement to report on approximations used is included under relevant disclosures where estimates may be used, may be considered as a solution which would ensure clarity on which information may or may not be approximated.

DR 2-GR 6 – Disclosing on significant estimation uncertainty

Following the principle of estimating under conditions of uncertainty in ESRS 1, the undertaking shall:

(a) identify metrics it has disclosed that have a significant estimation uncertainty, disclose the sources and nature of the estimation uncertainties and the factors affecting the uncertainties, and

(b) identify and disclose the sources of significant uncertainty and the factors affecting these sources of uncertainty when explanations of possible effects of a sustainability factor relate to possible future events about which there is significant outcome uncertainty.

Q6: Please, rate to what extent do you think DR 2-GR 6 – Disclosing on significant estimation uncertainty

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion 6/ Not applicable

	1	2	3	4	5	6
J. Requires relevant information about the sustainability matter covered			X			
K. Requires information that is relevant for all sectors (sector-agnostic only information)			X			
L. Can be verified / assured					X	
M. Meets the other objectives of the CSRD in term of quality of information			X			
N. Reaches a reasonable cost / benefit balance			X			
O. Is sufficiently consistent with relevant EU policies and other EU legislation			X			
P. Is as aligned as possible to international sustainability standards given the CSRD requirements			X			
Q. Represent information that must be prioritised in first year of implementation			X			
R. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities					X	

For part E, please explain why costs would be unreasonable and / or what particular benefit this disclosure requirement offers

For part F, please specify what existing European sustainability reporting obligation you think the disclosure requirements misses to address adequately

For part G, please explain how you think further alignment could be reached

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

Approximations of information on value chain should be allowed subject to the use of a specific methodology and assumptions which should be specified in application guidance.

DR 2-GR 7 – Changes in preparation and presentation

Following the principle on changes in preparation or presentation of ESRS 1, the undertaking shall explain changes in preparation and presentation by disclosing:

(a) the description of the methodology used for the restatement,

(b) the difference between the amount reported in the previous period and the revised comparative amount in case of quantitative metrics,

(c) the reasons for the change in reporting policy, and

(d) if it is impracticable to adjust comparative information for one or more prior periods, the undertaking shall disclose this fact and the reason why.

Q7: Please, rate to what extent do you think DR 2-GR 7 – Changes in preparation and presentation

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion 6/ Not applicable

	1	2	3	4	5	6
A. Requires relevant information about the sustainability matter covered						
B. Requires information that is relevant for all sectors (sector-agnostic only information)						
C. Can be verified / assured						
D. Meets the other objectives of the CSRD in term of quality of information						
E. Reaches a reasonable cost / benefit balance						
F. Is sufficiently consistent with relevant EU policies and other EU legislation						
G. Is as aligned as possible to international sustainability standards given the CSRD requirements						
H. Represent information that must be prioritised in first year of implementation						
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities						

For part E, please explain why costs would be unreasonable and / or what particular benefit this disclosure requirement offers

For part F, please specify what existing European sustainability reporting obligation you think the disclosure requirements misses to address adequately

For part G, please explain how you think further alignment could be reached

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

DR 2-GR 8 – Prior period errors

Following the principles on errors in ESRS 1, if applicable, the undertaking shall disclose the following for prior period errors:

(a) the nature of prior period errors,

(b) for each prior period disclosed, to the extent practicable, the amount of the corrections, and

(c) if retrospective restatement is impracticable for a particular period, the circumstances that led to the impracticability and a description of how and when the error was corrected.

Q8: Please, rate to what extent do you think DR 2-GR 8 – Prior period errors

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion 6/ Not applicable

	1	2	3	4	5	6
A. Requires relevant information about the sustainability matter covered						
B. Requires information that is relevant for all sectors (sector-agnostic only information)						
C. Can be verified / assured						
D. Meets the other objectives of the CSRD in term of quality of information						

E. Reaches a reasonable cost / benefit balance						
F. Is sufficiently consistent with relevant EU policies and other EU legislation						
G. Is as aligned as possible to international sustainability standards given the CSRD requirements						
H. Represent information that must be prioritised in first year of implementation						
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities						

For part E, please explain why costs would be unreasonable and / or what particular benefit this disclosure requirement offers

For part F, please specify what existing European sustainability reporting obligation you think the disclosure requirements misses to address adequately

For part G, please explain how you think further alignment could be reached

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

DR 2-GR 9 – On other sustainability reporting pronouncements

The undertaking shall disclose if it also reports in full or in part in accordance with generally accepted sustainability reporting pronouncements of other standard setting bodies and non- mandatory guidance including sector-specific, in addition to its report prepared according to ESRS. It shall disclose if such reporting is included in its sustainability statements.

Q9: Please, rate to what extent do you think DR 2-GR 9 – On other sustainability reporting pronouncements

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion 6/ Not applicable

	1	2	3	4	5	6
A. Requires relevant information about the sustainability matter covered						
B. Requires information that is relevant for all sectors (sector-agnostic only information)						
C. Can be verified / assured						
D. Meets the other objectives of the CSRD in term of quality of information						
E. Reaches a reasonable cost / benefit balance						
F. Is sufficiently consistent with relevant EU policies and other EU legislation						
G. Is as aligned as possible to international sustainability standards given the CSRD requirements						
H. Represent information that must be prioritised in first year of implementation						
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities						

For part E, please explain why costs would be unreasonable and / or what particular benefit this disclosure requirement offers

For part F, please specify what existing European sustainability reporting obligation you think the disclosure requirements misses to address adequately

For part G, please explain how you think further alignment could be reached

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

DR 2-GR 10 – General statement of compliance

The undertaking shall provide a statement of compliance with ESRS.

The principle to be followed under this disclosure requirement is to inform the users about the compliance with ESRS requirements, following mandated disclosure requirements complemented by entity-specific disclosures.

Q10: Please, rate to what extent do you think DR2-GR 10 – General statement of compliance

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion 6/ Not applicable

	1	2	3	4	5	6
A. Requires relevant information about the sustainability matter covered						
B. Requires information that is relevant for all sectors (sector-agnostic only information)						
C. Can be verified / assured						
D. Meets the other objectives of the CSRD in term of quality of information						
E. Reaches a reasonable cost / benefit balance						
F. Is sufficiently consistent with relevant EU policies and other EU legislation						
G. Is as aligned as possible to international sustainability standards given the CSRD requirements						
H. Represent information that must be prioritised in first year of implementation						
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities						

For part E, please explain why costs would be unreasonable and / or what particular benefit this disclosure requirement offers

For part F, please specify what existing European sustainability reporting obligation you think the disclosure requirements misses to address adequately

For part G, please explain how you think further alignment could be reached

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

ESRS 2 – General, strategy, governance and materiality assessment

DR 2-SBM 1 – Overview of strategy and business model

The undertaking shall provide a concise description of its strategy and business model as a context for its sustainability reporting.

The principle to be followed under this disclosure requirement is to provide relevant contextual information necessary to understanding the sustainability reporting of the undertaking. It is therefore a reference point for other disclosure requirements.

Q11: Please, rate to what extent do you think DR 2-SBM 1 – Overview of strategy and business model

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion 6/ Not applicable

	1	2	3	4	5	6
A. Requires relevant information about the sustainability matter covered				X		
B. Requires information that is relevant for all sectors (sector-agnostic only information)				X		
C. Can be verified / assured					X	
D. Meets the other objectives of the CSRD in term of quality of information				X		
E. Reaches a reasonable cost / benefit balance				X		
F. Is sufficiently consistent with relevant EU policies and other EU legislation				X		
G. Is as aligned as possible to international sustainability standards given the CSRD requirements				X		
H. Represent information that must be prioritised in first year of implementation				X		
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities					X	

For part E, please explain why costs would be unreasonable and / or what particular benefit this disclosure requirement offers

For part F, please specify what existing European sustainability reporting obligation you think the disclosure requirements misses to address adequately

For part G, please explain how you think further alignment could be reached

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

DR 2-SBM 2 – Views, interests and expectations of stakeholders

An undertaking shall describe how the views, interests and expectations of its stakeholders inform the undertaking' strategy and business model.

The principle to be followed under this disclosure requirement is to provide an understanding of how stakeholders' views, interests and expectations are considered for the undertaking's decision and evolution of its strategy and business model.

Q12: Please, rate to what extent do you think DR 2-SBM 2 – Views, interests and expectations of stakeholders

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion 6/ Not applicable

	1	2	3	4	5	6
A. Requires relevant information about the sustainability matter covered			X			
B. Requires information that is relevant for all sectors (sector-agnostic only information)				X		
C. Can be verified / assured					X	
D. Meets the other objectives of the CSRD in term of quality of information				X		
E. Reaches a reasonable cost / benefit balance				X		
F. Is sufficiently consistent with relevant EU policies and other EU legislation				X		
G. Is as aligned as possible to international sustainability standards given the CSRD requirements				X		
H. Represent information that must be prioritised in first year of implementation				X		
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities					X	

For part E, please explain why costs would be unreasonable and / or what particular benefit this disclosure requirement offers

For part F, please specify what existing European sustainability reporting obligation you think the disclosure requirements misses to address adequately

For part G, please explain how you think further alignment could be reached

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

DR 2-SBM 2 should also require information about how a company engages with stakeholders so as to obtain information about stakeholders' views etc. from stakeholders themselves.

DR 2-SBM 3 – Interaction of impacts and the undertaking' strategy and business model

The undertaking shall describe the interaction between its material impacts and its strategy and business model.

The principle to be followed under this disclosure requirement is to provide an understanding of material impacts on people and the environment and the adaptation of its strategy and business model to such material sustainability impacts.

Q13: Please, rate to what extent do you think DR 2-SBM 3 – interaction of impacts and the undertaking' strategy and business model

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion 6/ Not applicable

	1	2	3	4	5	6
A. Requires relevant information about the sustainability matter covered				X		
B. Requires information that is relevant for all sectors (sector-agnostic only information)				X		
C. Can be verified / assured					X	

D. Meets the other objectives of the CSRD in term of quality of information				X		
E. Reaches a reasonable cost / benefit balance				X		
F. Is sufficiently consistent with relevant EU policies and other EU legislation				X		
G. Is as aligned as possible to international sustainability standards given the CSRD requirements				X		
H. Represent information that must be prioritised in first year of implementation				X		
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities					X	

For part E, please explain why costs would be unreasonable and / or what particular benefit this disclosure requirement offers

For part F, please specify what existing European sustainability reporting obligation you think the disclosure requirements misses to address adequately

For part G, please explain how you think further alignment could be reached

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

DR 2-SBM 4 – Interaction of risks and opportunities and the undertaking' strategy and business model

The undertaking shall describe the interaction between its material risks and opportunities and its strategy and business model.

The principle to be followed under this disclosure requirement is to provide an understanding of material risks and opportunities related to sustainability matters that originate from or are connected to the undertaking' strategy and business model and the adaptation of its strategy and business model to such material risks and opportunities.

Q14: Please, rate to what extent do you think DR 2-SBM 4 – interaction of risks and opportunities and the undertaking' strategy and business model

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion 6/ Not applicable

	1	2	3	4	5	6
A. Requires relevant information about the sustainability matter covered				X		
B. Requires information that is relevant for all sectors (sector-agnostic only information)				X		
C. Can be verified / assured					X	
D. Meets the other objectives of the CSRD in term of quality of information				X		
E. Reaches a reasonable cost / benefit balance				X		
F. Is sufficiently consistent with relevant EU policies and other EU legislation				X		
G. Is as aligned as possible to international sustainability standards given the CSRD requirements				X		

H. Represent information that must be prioritised in first year of implementation				X		
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities					X	

For part E, please explain why costs would be unreasonable and / or what particular benefit this disclosure requirement offers

For part F, please specify what existing European sustainability reporting obligation you think the disclosure requirements misses to address adequately

For part G, please explain how you think further alignment could be reached

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

DR 2-GOV 1 – Roles and responsibilities of the administrative, management and supervisory bodies

The undertaking shall provide a description of the roles and responsibilities of its governance bodies and management levels with regard to sustainability matters.

The principle to be followed under this disclosure requirement is to provide an understanding of the distribution of sustainability-related roles and responsibilities throughout the undertaking's organisation, from its administrative, management and supervisory bodies to its executive and operational levels, the expertise of its governance bodies and management levels on sustainability matters, and the sustainability-related criteria applied for nominating and selecting their members.

Q15: Please, rate to what extent do you think DR 2-GOV 1 – Roles and responsibilities of the administrative, management and supervisory bodies

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion 6/ Not applicable

	1	2	3	4	5	6
A. Requires relevant information about the sustainability matter covered			X			
B. Requires information that is relevant for all sectors (sector-agnostic only information)				X		
C. Can be verified / assured					X	
D. Meets the other objectives of the CSRD in term of quality of information			X			
E. Reaches a reasonable cost / benefit balance				X		
F. Is sufficiently consistent with relevant EU policies and other EU legislation				X		
G. Is as aligned as possible to international sustainability standards given the CSRD requirements			X			
H. Represent information that must be prioritised in first year of implementation				X		
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities					X	

For part E, please explain why costs would be unreasonable and / or what particular benefit this disclosure requirement offers

For part F, please specify what existing European sustainability reporting obligation you think the

disclosure requirements misses to address adequately

For part G, please explain how you think further alignment could be reached

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

Our main comment is that we do not understand the rationale for and do not support the separation between governance-related disclosures in relation to sustainability matters contained in ESRS 2 and other governance disclosures in ESRS G1 and G2. We strongly advocate for **consolidating these disclosures (especially 2-GOV 1 to 4 and ESRS G1), which must be read together** to get a proper understanding of the company's overall governance and whether sustainability risks, opportunities and impacts are properly considered and managed by the company's administrative, management and supervisory bodies. Separating these disclosures would result in incomplete information in each section and missing context and / or unnecessary duplications.

Consolidating governance-related disclosures would improve user-friendliness of the standards both for the information users as well as for the preparers and **increase the interoperability** between ESRS and IFRS S1 and S2.

Following that logic, we suggest **merging** 2-GOV 1 on roles and responsibilities of administrative, management and supervisory bodies with regards to sustainability matters, G1-1 on governance structure and composition, G1-9 on the actual composition of the governance bodies, and possibly also with G1-3 on nomination process (currently addressed with regards to sustainability matters in 2-GOV 1), G1-4 on diversity (currently addressed with regards to sustainability matters in 2-GOV 1) and G1-5 on evaluation whereby sustainability considerations should also be addressed. Further, the description of this disclosure requirement should better reflect its contents (as well as the descriptive para 50). Alternatively, the aspects mentioned above could be addressed by dedicated disclosure requirements; however, they should be logically grouped in one dedicated governance section and sustainability considerations should be always addressed in each of the respective sections. For instance, if it is decided to have a disclosure requirement on the nomination process, criteria concerning sustainability should be addressed there instead of 2-GOV 1.

We believe that the 2-GOV 1 should clearly specify that companies must report on:

- how the governance bodies **consider, integrate and manage sustainability-related (outside-in) risks and potential and actual adverse (inside-out) impacts** when overseeing the entity's strategy, its decisions on major transactions, and its risk management policies, including any assessment of trade-offs and analysis of sensitivity to uncertainty that may be required;
- how the governance bodies, including its committees, **oversee the setting of transition plans and targets related to sustainability-matters** and monitor progress towards them, how the **management** ensures appropriate implementation of the transition plan and targets related to sustainability-matters and processes followed and actions taken in case targets are missed.
- a description of **management's role in assessing, integrating and managing sustainability-related outside-in risks and inside-out impacts**, including whether that role is delegated to a specific management-level position or committee and how oversight is exercised over that position or committee. The description shall include information about whether dedicated controls and procedures are applied to management of sustainability-related risks and potential and actual adverse impacts and, if so, how they are integrated with other internal functions;

Such disclosures are crucial to get a proper understanding of whether and how sustainability matters are considered and addressed by the governance bodies and management, including whether sustainability risks are appropriately managed, on an equal footing with other risks. This would also ensure a better alignment with the IFRS S1 and S2.

With reference to para 52 b) we would like to highlight that the consideration and management of sustainability risks and adverse impacts should be properly integrated within corporate strategies rather than creating a separate sustainability strategy.

Please also see our response to Q 49 in the section on drafts relevance & prioritization.

DR 2-GOV 2 – Information of administrative, management and supervisory bodies about sustainability matters

The undertaking shall describe how its governance bodies are informed about sustainability matters.

The principle to be followed under this disclosure requirement is to provide an understanding of how governance bodies and management level senior executives are informed about sustainability-related facts, decisions and/or concerns that are within their responsibility sio that they can effectively perform their duties in that respect.

Q16: Please, rate to what extent do you think DR 2- GOV 2 – Information of administrative, management and supervisory bodies about sustainability matters

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion 6/ Not applicable

	1	2	3	4	5	6
A. Requires relevant information about the sustainability matter covered			X			
B. Requires information that is relevant for all sectors (sector-agnostic only information)				X		
C. Can be verified / assured					X	
D. Meets the other objectives of the CSRD in term of quality of information			X			
E. Reaches a reasonable cost / benefit balance				X		
F. Is sufficiently consistent with relevant EU policies and other EU legislation				X		
G. Is as aligned as possible to international sustainability standards given the CSRD requirements				X		
H. Represent information that must be prioritised in first year of implementation				X		
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities					X	

For part E, please explain why costs would be unreasonable and / or what particular benefit this disclosure requirement offers

For part F, please specify what existing European sustainability reporting obligation you think the disclosure requirements misses to address adequately

For part G, please explain how you think further alignment could be reached

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

We support this requirement however we would suggest putting more emphasis on and including disclosure requirements of the undertakings´ processes and arrangements established for the purposes of assessing and managing / addressing sustainability risks and addressing actual and potential adverse impacts instead of on how the governance bodies and management are merely informed about sustainability matters.

We acknowledge that DR 2-IRO 1 covers the description of the processes to identify material sustainability impacts, risks and opportunities and that the subsequent IROs require companies to report on the outcome of the undertaking's assessment of material sustainability impacts, risks and opportunities. However, none, to our understanding, covers the description of the actual process of managing / addressing sustainability risks and actual and potential adverse impacts.

We are also not convinced that a description of how its governance bodies are informed about sustainability matters should constitute a stand-alone disclosure requirement.

See also our response to Q15.

DR 2-GOV 3 – Sustainability matters addressed by the undertaking's administrative, management and supervisory bodies

The undertaking shall provide a description of the sustainability matters that were addressed by its administrative, management and supervisory bodies during the reporting period.

The principle to be followed under this disclosure requirement is to provide information on whether the administrative, management and supervisory bodies were adequately informed of the material sustainability-related impacts, risks and opportunities arising or developing during the reporting period. Equally what information and matters it actually spent time addressing, and whether it was able to fulfill its roles and responsibilities, as defined in its mandate and described under DR 2-GOV 1.

Q17: Please, rate to what extent do you think DR 2- GOV 3 – Sustainability matters addressed by the undertaking's administrative, management and supervisory bodies

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion 6/ Not applicable

	1	2	3	4	5	6
A. Requires relevant information about the sustainability matter covered			X			
B. Requires information that is relevant for all sectors (sector-agnostic only information)				X		
C. Can be verified / assured					X	
D. Meets the other objectives of the CSRD in term of quality of information			X			
E. Reaches a reasonable cost / benefit balance				X		
F. Is sufficiently consistent with relevant EU policies and other EU legislation				X		
G. Is as aligned as possible to international sustainability standards given the CSRD requirements				X		
H. Represent information that must be prioritised in first year of implementation				X		
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities					X	

For part E, please explain why costs would be unreasonable and / or what particular benefit this disclosure requirement offers

For part F, please specify what existing European sustainability reporting obligation you think the disclosure requirements misses to address adequately

For part G, please explain how you think further alignment could be reached

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

Similarly to DR 2-GOV 2, while we information required by DR2-GOV 3 is important, we think more emphasis should be put on how the governance bodies and management assess, manages and addresses sustainability matters, what are the process in place and then accompany it by the information whether the outcomes are in line with the intended objectives and set targets.

We are not convinced about the usefulness of reporting on sustainability matters addressed by the undertaking's administrative, management and supervisory bodies in isolation especially given that the proposed governance-related disclosures on sustainability matters seem to miss the most important aspects of the actual integration and management or sustainability risks and actual and potential adverse impacts.

See also our responses to Q 15 and 16.

DR 2-GOV 4 – Integration of sustainability strategies and performance in incentive schemes

The undertaking shall provide a description of the integration of sustainability strategies and performance in incentive schemes.

The principle to be followed under this disclosure requirement is to provide an understanding of how members of the administrative, management and supervisory bodies are incentivised to properly manage the undertaking' sustainability impacts, risks and opportunities and, along with other employees, to take steps towards implementing the sustainability strategy of the undertaking.

Q18: Please, rate to what extent do you think DR 2- GOV 4 – Integration of sustainability strategies and performance in incentive schemes

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion 6/ Not applicable

	1	2	3	4	5	6
A. Requires relevant information about the sustainability matter covered			X			
B. Requires information that is relevant for all sectors (sector-agnostic only information)				X		
C. Can be verified / assured					X	
D. Meets the other objectives of the CSRD in term of quality of information			X			
E. Reaches a reasonable cost / benefit balance				X		
F. Is sufficiently consistent with relevant EU policies and other EU legislation				X		
G. Is as aligned as possible to international sustainability standards given the CSRD requirements			X			
H. Represent information that must be prioritised in first year of implementation				X		
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities					X	

For part E, please explain why costs would be unreasonable and / or what particular benefit this disclosure requirement offers

For part F, please specify what existing European sustainability reporting obligation you think the disclosure requirements misses to address adequately

For part G, please explain how you think further alignment could be reached

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

This is a very important disclosure to enable understanding whether and how company directors are incentivized to pursue sustainability-related objectives. We are very supportive of this requirement; however, we would suggest to clarify that companies should provide not only information on the integration of sustainability strategies and performance in incentive schemes (meaning remuneration policy) but also on whether and to what extent the **awarded remuneration** was linked with the sustainability-related considerations and sustainability targets in particular. Moreover, it would be important to require a clear **split between fixed and variable remuneration**. **Specificity with regards to particular sustainability matters and targets the remuneration** is linked to would be welcome and would increase alignment with the IFRS S1 and S2.

It would be useful to combine this disclosure with the disclosure requirement on remuneration policy in ESRS G1 (DR G1-6) however without sacrificing the ambition level or losing the specificity / the level of detail of the disclosures. To be clear, we would suggest that ESRS G1-6 be moved to ESRS 2, and complemented by disclosures on the awarded remuneration (remuneration report).

DR 2-GOV 5 – Statement on due diligence

The undertaking shall disclose its general assessment regarding how it embeds the core elements of due diligence.

Q19: Please, rate to what extent do you think DR 2-GOV 5 – Statement on due diligence

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion 6/ Not applicable

	1	2	3	4	5	6
A. Requires relevant information about the sustainability matter covered			X			
B. Requires information that is relevant for all sectors (sector-agnostic only information)				X		
C. Can be verified / assured					X	
D. Meets the other objectives of the CSRD in term of quality of information			X			
E. Reaches a reasonable cost / benefit balance			X			
F. Is sufficiently consistent with relevant EU policies and other EU legislation			X			
G. Is as aligned as possible to international sustainability standards given the CSRD requirements			X			
H. Represent information that must be prioritised in first year of implementation				X		
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities					X	

For part E, please explain why costs would be unreasonable and / or what particular benefit this disclosure requirement offers

For part F, please specify what existing European sustainability reporting obligation you think the disclosure requirements misses to address adequately

For part G, please explain how you think further alignment could be reached

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

We find this DR quite confusing.

Para 65 of RD 2-GOV 5 states: "The undertaking shall disclose its general assessment regarding how it **embeds** the core elements of due diligence in its **sustainability statements**." Due diligence is a process based on risk management which must be embedded in the company's operations and then this should be explained in the sustainability statements

However, para 66 seems to indicate that the purpose of this requirement is to facilitate navigating through the statements by providing a mapping that reconciles the main aspects of sustainability due diligence to the relevant disclosures in its sustainability statements. While this would indeed be helpful, it does not seem coherent with the description / title of the DR "statement on due diligence" and it could be questioned why a disclosure focused on mapping DRs relevant for due diligence is included in a section on governance.

Moreover, undertakings will need to disclose how their assessment processes align with due diligence. Disclosures on the actions and resources and targets are then covered in separate DRs.

Finally, it is noteworthy that a statement on self-assessment of the implementation of due diligence is not expected by any of the international standards and frameworks

DR 2-IRO 1 – Description of the processes to identify material sustainability impacts, risks and opportunities

The undertaking shall provide a description of its processes to identify its sustainability impacts, risks and opportunities and assess which ones are material.

The principle to be followed under this disclosure requirement is to provide information on (i) how the undertaking is organising its identification and assessment and (ii) what is in the scope of its identification and assessment of sustainability matters.

Q20: Please, rate to what extent do you think DR 2-IRO 1 – Description of the processes to identify material sustainability impacts, risks and opportunities

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion 6/ Not applicable

	1	2	3	4	5	6
A. Requires relevant information about the sustainability matter covered			X			
B. Requires information that is relevant for all sectors (sector-agnostic only information)				X		
C. Can be verified / assured					X	
D. Meets the other objectives of the CSRD in term of quality of information			X			
E. Reaches a reasonable cost / benefit balance				X		
F. Is sufficiently consistent with relevant EU policies and other EU legislation				X		
G. Is as aligned as possible to international sustainability standards given the CSRD requirements			X			
H. Represent information that must be prioritised in first year of implementation				X		
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities					X	

For part E, please explain why costs would be unreasonable and / or what particular benefit this disclosure requirement offers

For part F, please specify what existing European sustainability reporting obligation you think the disclosure requirements misses to address adequately

For part G, please explain how you think further alignment could be reached

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

Information regarding the processes to identify material sustainability impacts, risks and opportunities is provided in three different places: ESRS 2 - IRO 1, ESRS 2 application guidance, and ESRS 1. Consideration could be given to consolidating this information in one place (or two places maximum) to avoid unnecessary duplication and to make it more user-friendly. Also, we would recommend further practical guidance for companies on how to perform materiality assessment (based on a double materiality principle), including examples of a methodology and suggested thresholds. It should be also clearly explained that companies should also refer to topical standards which, as pointed out in para 69 (point 4 on Disclosing on material sustainability impacts, risks and opportunities) may include materiality assessment-related application guidance.

Finally, we think that IROs could be consolidated as they reflect different stages of the risk management process. At the same time, the process of managing / addressing the risks and adverse impacts should be properly reflected.

DR 2-IRO 2 – Outcome of the undertaking's assessment of material sustainability impacts risks and opportunities as identified by reference to and in compliance with sector-agnostic and sector-specific level ESRS

The undertaking shall provide a description of the outcome of its assessment processes by reference to mandatory disclosures under ESRS.

The principle to be followed under this disclosure requirement is to give a clear statement of sustainability matters, as addressed by all ESRS, that are material for the undertaking, and to give relevant explanations on (i) how the undertaking related to the material impacts, risks and opportunities identified by its assessment, (ii) when the undertaking has or will put in place initiative to modify its strategy and business model, in order to reduce or eliminate the risk or to benefit from the opportunity and/or in order to prevent and mitigate negative material impacts and enhance positive material impacts (see DR 2-SBM3 and 4), why this was the case and

(i) if and why certain mandatory disclosures are not material under the undertaking' specific facts and circumstances and therefore disclosed as such.

Q21: Please, rate to what extent do you think DR 2-IRO 2 – Outcome of the undertaking's assessment of material sustainability impacts risks and opportunities as identified by reference to and in compliance with sector-agnostic and sector-specific level ESRS

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion 6/ Not applicable

	1	2	3	4	5	6
A. Requires relevant information about the sustainability matter covered			X			
B. Requires information that is relevant for all sectors (sector-agnostic only information)				X		
C. Can be verified / assured					X	
D. Meets the other objectives of the CSRD in term of quality of information				X		
E. Reaches a reasonable cost / benefit balance				X		
F. Is sufficiently consistent with relevant EU policies and other EU legislation				X		
G. Is as aligned as possible to international sustainability standards given the CSRD requirements			X			
H. Represent information that must be prioritised in first year of implementation				X		
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities					X	

For part E, please explain why costs would be unreasonable and / or what particular benefit this disclosure requirement offers

For part F, please specify what existing European sustainability reporting obligation you think the disclosure requirements misses to address adequately

For part G, please explain how you think further alignment could be reached

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

DR2 IRO2 and IRO3 both require companies to report on the outcome of companies' materiality determination process; the former in compliance with sector-agnostic and sector-specific level ESRS, whilst the latter for issues that are not covered by an ESRS (and defined as entity-specific). The disclosure requirements focus on the same key aspects, making their separation redundant and unnecessary; as such, they should rather be merged into one overarching disclosure requirement.

See also response to Q 20.

DR 2-IRO 3 – Outcome of the undertaking's assessment of material sustainability impacts risks and opportunities that are not covered by and ESRS (entity-specific level)

The undertaking shall provide a description of the outcome of its assessment process in relation to material impacts, risks and opportunities that are not addressed under mandatory disclosure and require entity-specific disclosure.

The principle to be followed under this disclosure requirement is to provide information (i) about all material impacts, risks and opportunities of the undertaking resulting from the undertaking's specific facts and circumstances for which relevant disclosure requirements do not exist, and
(ii) when the undertaking has or will put in place initiatives to modify its strategy and business model, in order to reduce or eliminate the risk or to benefit from the opportunity and/or in order to prevent and mitigate negative material impacts and enhance positive material impacts (see DR 2-SBM 3 and 4), about such impacts, risks and opportunities. For each sustainability matter in the scope of sustainability reporting, the undertaking shall assess which material impacts, risks and opportunities are not covered by ESRS and shall give rise to entity-specific disclosure.

Q22: Please, rate to what extent do you think DR 2-IRO 3 – Outcome of the undertaking's assessment of material sustainability impacts risks and opportunities as identified by reference to and in compliance with sector-agnostic and sector-specific level ESRS

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion 6/ Not applicable

	1	2	3	4	5	6
A. Requires relevant information about the sustainability matter covered			X			
B. Requires information that is relevant for all sectors (sector-agnostic only information)				X		
C. Can be verified / assured					X	
D. Meets the other objectives of the CSRD in term of quality of information				X		
E. Reaches a reasonable cost / benefit balance				X		
F. Is sufficiently consistent with relevant EU policies and other EU legislation				X		
G. Is as aligned as possible to international sustainability standards given the CSRD requirements			X			
H. Represent information that must be prioritised in first year of implementation				X		
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities					X	

For part E, please explain why costs would be unreasonable and / or what particular benefit this disclosure requirement offers

For part F, please specify what existing European sustainability reporting obligation you think the disclosure requirements misses to address adequately

For part G, please explain how you think further alignment could be reached

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

DR2 IRO2 and IRO3 both require companies to report on the outcome of companies' materiality determination process; the former in compliance with sector-agnostic and sector-specific level ESRS, whilst the latter, for issues that are not covered by an ESRS (and defined as entity-specific). The disclosure requirements focus on the same key aspects, making their separation redundant and unnecessary; as such, they should rather be merged into one overarching disclosure requirement.

See also our responses to Q 20 and 21.

3B. Adequacy of Disclosure Requirements - Environmental standards

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

- when sharing comments on a given Disclosure Requirement, and as much as possible, reference to the specific paragraphs being commented on should be included in the written comments,
- in the question 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.

A complete index of Disclosure Requirements and their corresponding Application Guidance can be found in Appendix I – Navigating the ESRS.

ESRS E1 – Climate change

DR E1-1 – Transition plan for climate change mitigation

The undertaking shall disclose its plans to ensure that its business model and strategy are compatible with the transition to a climate-neutral economy and with limiting global warming to 1.5 °C in line with the Paris Agreement.

The principle to be followed under this Disclosure Requirement is to provide an understanding of the transition plan of the undertaking and its compatibility with limiting global warming to 1.5°C.

Q23: Please, rate to what extent do you think DR E1-1 – Transition plan for climate change mitigation

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion 6/ Not applicable

	1	2	3	4	5	6
A. Requires relevant information about the sustainability matter covered			X			
B. Requires information that is relevant for all sectors (sector-agnostic only information)				X		
C. Can be verified / assured					X	
D. Meets the other objectives of the CSRD in term of quality of information				X		
E. Reaches a reasonable cost / benefit balance				X		
F. Is sufficiently consistent with relevant EU policies and other EU legislation			X			
G. Is as aligned as possible to international sustainability standards given the CSRD requirements				X		
H. Represent information that must be prioritised in first year of implementation				X		
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities					X	

For part E, please explain why costs would be unreasonable and / or what particular benefit this disclosure requirement offers

For part F, please specify what existing European sustainability reporting obligation you think the disclosure requirements misses to address adequately

For part G, please explain how you think further alignment could be reached

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

To achieve the ambitious EU climate-neutrality target by 2050, companies must urgently start the transition towards carbon neutrality. This requires transforming radically the way companies produce, sell and consume existing goods and services, in addition to promoting and financing new 'green' activities. Such transition requires effective measurement combined with appropriate rules requiring companies to set and implement robust, comparable and reliable climate transition plans and to report on the progress achieved, accompanied by strong supervisory enforcement.

If the ESRS does not result in robust and reliable disclosures of corporate climate targets and transition plans, and if other regulations do not oblige or properly incentivise pursuit of these targets, the European Union will fall short of the ambitious Paris Agreement and EU Climate goals.

We support the disclosure requirement for a transition plan for climate change mitigation. However, we would like to note that a disclosure requirement for a **transition plan for climate adaptation is missing**. While we understand the paramount importance of ensuring companies take action to mitigate climate change, companies must **also** consider and disclose how climate risks may impact them and take appropriate actions to adapt to the changing environment (e.g., relocating, adjusting business model, etc.).

Targets, action plans, policies and resources allocated for climate adaptation and mitigation indeed are integral elements of a transition plan. Therefore, **DRs E1-1 to 4 could be merged**, however without compromising on the ambition or the level of detail of these crucial disclosures.

We strongly support the requirement to disclose the locked-in GHG emissions from key assets and products (para 15 d), which is essential to assess the sustainability risks the company faces as well as whether the company is on the path towards carbon neutrality. In addition, we call for **requiring disclosure of the exposure of the undertaking to all new and existing (with a breakdown) fossil fuel-related activities, including all fossil fuels' intensive new projects and assets**, given their impact on climate change, potential carbon lock-in and the risks they pose to the undertaking (e.g. transition risk), including an explanation of plans to transform or wind down / close fossil fuels' heavy project, products / services and / or assets / exposures.

DR E1-2 – Policies implemented to manage climate change mitigation and adaptation

The undertaking shall disclose its policies related to climate change mitigation and its policies related to climate change adaptation.

The principle to be followed under this Disclosure Requirement is to provide an understanding of how the undertaking monitors and manages its GHG emissions, climate-related physical and transition risks and opportunities throughout the value chain.

Q24: Please, rate to what extent do you think DR E1-2 – Policies implemented to manage climate change mitigation and adaptation

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations
4/ Fully 5/ No opinion 6/ Not applicable

	1	2	3	4	5	6
A. Requires relevant information about the sustainability matter covered				X		
B. Requires information that is relevant for all sectors (sector-agnostic only information)				X		

C. Can be verified / assured					X	
D. Meets the other objectives of the CSRD in term of quality of information				X		
E. Reaches a reasonable cost / benefit balance				X		
F. Is sufficiently consistent with relevant EU policies and other EU legislation				X		
G. Is as aligned as possible to international sustainability standards given the CSRD requirements				X		
H. Represent information that must be prioritised in first year of implementation				X		
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities					X	

For part E, please explain why costs would be unreasonable and / or what particular benefit this disclosure requirement offers

For part F, please specify what existing European sustainability reporting obligation you think the disclosure requirements misses to address adequately

For part G, please explain how you think further alignment could be reached

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

DR E1-3 – Measurable targets for climate change mitigation and adaptation

The undertaking shall disclose the climate-related targets it has adopted.

The principle to be followed under this Disclosure Requirement is to provide an understanding of the targets the undertaking has adopted to support its climate change mitigation and adaptation policies and address its material climate-related impacts, risks and opportunities.

Q25: Please, rate to what extent do you think DR E1-3 – Measurable targets for climate change mitigation and adaptation

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion 6/ Not applicable

	1	2	3	4	5	6
A. Requires relevant information about the sustainability matter covered			X			
B. Requires information that is relevant for all sectors (sector-agnostic only information)				X		
C. Can be verified / assured					X	
D. Meets the other objectives of the CSRD in term of quality of information				X		
E. Reaches a reasonable cost / benefit balance				X		
F. Is sufficiently consistent with relevant EU policies and other EU legislation				X		
G. Is as aligned as possible to international sustainability standards given the CSRD requirements				X		

H. Represent information that must be prioritised in first year of implementation				X		
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities					X	

For part E, please explain why costs would be unreasonable and / or what particular benefit this disclosure requirement offers

For part F, please specify what existing European sustainability reporting obligation you think the disclosure requirements misses to address adequately

For part G, please explain how you think further alignment could be reached

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We very much support the requirement for the use of absolute value of GHG emissions in the targets. While the intensity value could be added for information purposes, it **shall not replace** the target based on absolute value. Allowing net-zero targets instead of absolute and gross GHG emission reduction targets would strongly undermine comparability of the targets across the different companies and allow for greenwashing. Please see a recent Finance Watch report for further explanations.

We also very much support that para 24 **prohibits inclusion of GHG removals, carbon credits and avoided emissions** as means to achieve GHG emission reduction targets (for the explanations, please see the above-mentioned report). For clarity purposes, we would recommend to explicitly state that GHG emission reduction targets must be **gross and** in absolute value, and that offsets of any kind are not permitted for inclusion in climate targets. It would be also useful to **define what is meant by gross GHG emission and absolute GHG emissions, as well as what are offsets** in the glossary (appendix A). Reductions resulting from reduced production capacity or outsourcing should also be prohibited from inclusion in climate targets. This approach is in line with GRI that requires excluding reductions resulting from reduced production capacity or outsourcing, and reporting reductions from offsets separately

We understand that the disclosures on net-zero targets and GHG neutrality claims referred to in paragraphs 25 and 26 and intended as additional disclosures, not replacing absolute and gross GHG emission reduction targets referred to in paragraphs 24. We suggest to clarify that by making the following adjustments to paragraphs 23, 25 and 26:

"23. The disclosure required by paragraph 20 relates to targets for the reduction of the undertaking's **absolute and gross** GHG emissions in Scope 1, 2 and 3 as well as other targets (...)"

"25. In case the undertaking discloses a net-zero target **in addition to the absolute and gross GHG emissions target referred to in paragraph 24**, it shall explain (...)."

"26. In case the undertaking discloses GHG neutrality claims that involve the use of carbon credits **in addition to the absolute and gross GHG emissions target referred to in paragraph 24**, it shall explain (...)."

Moreover, para 25 should require companies also to disclose the scientific basis and to describe how this claim made at the entity-level corresponds with the definition of global net-zero in the IPCC reports. Companies should also be required to report on the expected volume of residual emissions of its net-zero plan (in relative and absolute terms).

Para 24(c) reads: "The undertaking shall disclose GHG emission reduction targets on Scope 1, Scope 2 and Scope 3, either separately **or** combined (...)." We strongly support the disclosure of Scope 1, Scope 2 and Scope 3 emissions, which are crucial for a proper understanding of the sustainability risks faced by the business (physical and transition risks which can lead to stranded assets) as well as the impacts of the business on the environment and people. However, **we believe that the "or" should be replaced by "AND"** to allow a full and true picture of the business and inform investors' and other finance providers' decisions. In any case, such disclosure will not entail any additional costs for the company as in order to disclose a combined metric, the company must measure Scope 1, Scope 2 and Scope 3 emissions separately anyway.

Para 24 (f) reads: "The undertaking shall state **whether** the GHG emission reduction targets are science-based and in line with limiting global warming to 1.5°C." **It is crucial that the GHG emission reduction targets are science-based and in line with limiting global warming to 1.5°C and only such targets should be allowed**. Non-science-based targets can be misleading and enable greenwashing on a large scale. Therefore we suggest to amend the sentence in the following way: "The undertaking shall ensure

~~that state whether~~ the GHG emission reduction targets are science-based and in line with limiting global warming to 1.5°C."

Furthermore, the same para requires the undertaking to disclose which methodology was used to determine the GHG emission reduction targets, including the underlying climate and policy scenarios. **We strongly advise to prescribe the use of one particular methodology for defining the GHG emission reduction targets and measuring Scope 1, Scope 2 and Scope 3 emissions which** is GHG Protocol compliant (e.g. the GHG Protocol Corporate Value Chain Accounting and Reporting Standard and in case of financial institutions the GHG Accounting and Reporting Standard for the Financial Industry from the Partnership for Carbon Accounting Financials (PCAF)). This is particularly important for calculating Scope 3 emissions. Otherwise, the reported emissions and emission reduction targets will not be comparable across the reporting entities. Prescribing a methodology that is GHG Protocol compliant would increase alignment with the IFRS S2.

The DR should also require that the underlying scenarios used to set the climate targets are 1.5°C scenarios with no/low overshot and limited negative emissions, in addition to information specified in AG 19 to 21. Moreover, while AG 20 specifies some specific frameworks / methodologies for scenario analysis, it does not prescribe a specific one which can impede the comparability across the reporting companies. Prescribing a specific methodology to enable comparability should be considered.

For clarity purposes we would suggest that paragraph 20 be amended in the following way: "The undertaking shall disclose the climate-related targets **for climate change mitigation and adaptation** it has adopted".

As climate targets are the most important elements of company transition plans for climate change mitigation and adaptation, and policies to manage climate change mitigation and adaptation should rather support the achievement of the targets and not the other way around, we would suggest the following amendment:

"21. The principle to be followed under this Disclosure Requirement is to provide an understanding of the targets the undertaking has adopted to ~~support its climate change mitigation and adaptation policies~~ **ensure that its business model and strategy are compatible with the transition to a climate-neutral economy and with limiting global warming to 1.5 °C in line with the Paris Agreement** and address its material climate-related impacts, risks and opportunities."

DR E1-4 – Climate change mitigation and adaptation action plans and resources

The undertaking shall disclose its climate change mitigation and adaption action plans and the resources allocated for their implementation.

The principle to be followed under this Disclosure Requirement is to provide transparency on the key actions taken and planned to achieve climate-related targets and to manage GHG emissions, transition and physical risks and opportunities, supporting the understanding of achieved performance improvements and the credibility of the undertaking's policies, strategy and business model with regards to climate change.

Q26: Please, rate to what extent do you think DR E1-4 – Climate change mitigation and adaptation action plans and resources

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion 6/ Not applicable

	1	2	3	4	5	6
A. Requires relevant information about the sustainability matter covered				X		
B. Requires information that is relevant for all sectors (sector-agnostic only information)				X		
C. Can be verified / assured					X	
D. Meets the other objectives of the CSRD in term of quality of information				X		
E. Reaches a reasonable cost / benefit balance				X		

	1	2	3	4	5	6
F. Is sufficiently consistent with relevant EU policies and other EU legislation				X		
G. Is as aligned as possible to international sustainability standards given the CSRD requirements				X		
H. Represent information that must be prioritised in first year of implementation				X		
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities					X	

For part E, please explain why costs would be unreasonable and / or what particular benefit this disclosure requirement offers

For part F, please specify what existing European sustainability reporting obligation you think the disclosure requirements misses to address adequately

For part G, please explain how you think further alignment could be reached

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

We suggest the following adjustment to para 30:

"The description of the climate-related action plans and resources shall follow ESRS 1 Disclosure Principle 3 Actions, action plans and resources in relation to policies and targets. In addition to ESRS 1 Disclosure Principle 3, the undertaking shall:

(a) when describing the outcome of the actions for climate change mitigation, include the achieved ~~**or**~~ **and** expected GHG emission reductions; and (...)".

ESRS 1 DP 3 referenced by para 30, in para 105 requires the **disclosure of resources** related to the implementation of an action plan only in case they are significant which is subjective. We would suggest requiring disclosure of the resources related to the implementation of an action plan regardless of how significant they are.

DR E1-5 – Energy consumption & mix

The undertaking shall provide information on its energy consumption.

The principle to be followed is to provide an understanding of the undertaking's absolute energy consumption, improvement in energy efficiency and share of renewable energy in its overall energy mix.

Q27: Please, rate to what extent do you think DR E1-5 – Energy consumption & mix

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion 6/ Not applicable

	1	2	3	4	5	6
A. Requires relevant information about the sustainability matter covered				X		
B. Requires information that is relevant for all sectors (sector-agnostic only information)				X		
C. Can be verified / assured					X	
D. Meets the other objectives of the CSRD in term of quality of information				X		
E. Reaches a reasonable cost / benefit balance				X		

	1	2	3	4	5	6
F. Is sufficiently consistent with relevant EU policies and other EU legislation					X	
G. Is as aligned as possible to international sustainability standards given the CSRD requirements			X			
H. Represent information that must be prioritised in first year of implementation				X		
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities					X	

For part E, please explain why costs would be unreasonable and / or what particular benefit this disclosure requirement offers

For part F, please specify what existing European sustainability reporting obligation you think the disclosure requirements misses to address adequately

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The differences with the corresponding metric under the GRI framework and the reasons for them should be assessed.

DR E1-6 – Energy intensity per net turnover

The undertaking shall provide information on the energy consumption associated with activities in high climate impact sectors per net turnover of these activities.

Q28: Please, rate to what extent do you think DR E1-6 – Energy intensity per net turnover

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion 6/ Not applicable

	1	2	3	4	5	6
A. Requires relevant information about the sustainability matter covered				X		
B. Requires information that is relevant for all sectors (sector-agnostic only information)					X	
C. Can be verified / assured				X		
D. Meets the other objectives of the CSRD in term of quality of information				X		
E. Reaches a reasonable cost / benefit balance				X		
F. Is sufficiently consistent with relevant EU policies and other EU legislation					X	
G. Is as aligned as possible to international sustainability standards given the CSRD requirements				X		
H. Represent information that must be prioritised in first year of implementation				X		
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities					X	

For part E, please explain why costs would be unreasonable and / or what particular benefit this disclosure requirement offers

For part F, please specify what existing European sustainability reporting obligation you think the disclosure requirements misses to address adequately

For part G, please explain how you think further alignment could be reached

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

DR E1-7 – Scope 1 GHG emissions

The undertaking shall disclose its gross Scope 1 GHG emissions in metric tons of CO_2 equivalent.

Q29: Please, rate to what extent do you think DR E1-7 – Scope 1 GHG emissions

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion 6/ Not applicable

	1	2	3	4	5	6
A. Requires relevant information about the sustainability matter covered				X		
B. Requires information that is relevant for all sectors (sector-agnostic only information)				X		
C. Can be verified / assured					X	
D. Meets the other objectives of the CSRD in term of quality of information				X		
E. Reaches a reasonable cost / benefit balance				X		
F. Is sufficiently consistent with relevant EU policies and other EU legislation				X		
G. Is as aligned as possible to international sustainability standards given the CSRD requirements				X		
H. Represent information that must be prioritised in first year of implementation				X		
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities					X	

For part E, please explain why costs would be unreasonable and / or what particular benefit this disclosure requirement offers

For part F, please specify what existing European sustainability reporting obligation you think the disclosure requirements misses to address adequately

For part G, please explain how you think further alignment could be reached

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

DR E1-8 – Scope 2 GHG emissions

The undertaking shall disclose its gross indirect energy Scope 2 GHG emissions in metric tons of CO_2 equivalent.

The principle to be followed under this Disclosure Requirement is to provide an understanding of the indirect impacts on climate change caused by the undertaking's consumed energy whether externally purchased or acquired.

Q30: Please, rate to what extent do you think DR E1-8 – Scope 2 GHG emissions

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion 6/ Not applicable

	1	2	3	4	5	6
A. Requires relevant information about the sustainability matter covered				X		
B. Requires information that is relevant for all sectors (sector-agnostic only information)				X		
C. Can be verified / assured					X	
D. Meets the other objectives of the CSRD in term of quality of information				X		
E. Reaches a reasonable cost / benefit balance				X		
F. Is sufficiently consistent with relevant EU policies and other EU legislation				X		
G. Is as aligned as possible to international sustainability standards given the CSRD requirements				X		
H. Represent information that must be prioritised in first year of implementation				X		
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities					X	

For part E, please explain why costs would be unreasonable and / or what particular benefit this disclosure requirement offers

For part F, please specify what existing European sustainability reporting obligation you think the disclosure requirements misses to address adequately

For part G, please explain how you think further alignment could be reached

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

DR E1-9 – Scope 3 GHG emissions

The undertaking shall disclose its gross indirect Scope 3 GHG emissions in metric tons of CO_2 equivalent.

The principle to be followed under this Disclosure Requirement is to provide an understanding of the GHG emissions that occur in the undertaking's value chain beyond its Scope 1 and 2 GHG emissions. For many undertakings Scope 3 GHG emissions are the main component of the GHG inventory and an important driver of their transition risks.

Q31: Please, rate to what extent do you think DR E1-9 – Scope 3 GHG emissions

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion 6/ Not applicable

	1	2	3	4	5	6
A. Requires relevant information about the sustainability matter covered				X		
B. Requires information that is relevant for all sectors (sector-agnostic only information)				X		
C. Can be verified / assured					X	
D. Meets the other objectives of the CSRD in term of quality of information				X		

E. Reaches a reasonable cost / benefit balance				X		
F. Is sufficiently consistent with relevant EU policies and other EU legislation				X		
G. Is as aligned as possible to international sustainability standards given the CSRD requirements				X		
H. Represent information that must be prioritised in first year of implementation				X		
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities					X	

For part E, please explain why costs would be unreasonable and / or what particular benefit this disclosure requirement offers

For part F, please specify what existing European sustainability reporting obligation you think the disclosure requirements misses to address adequately

For part G, please explain how you think further alignment could be reached

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Data on Scope 3 emissions is critical for assessing the companies' impacts as well as risks, especially for companies in certain sectors including financial, clothing, etc.

DR E1-10 – Total GHG emissions

The undertaking shall disclose its total GHG emissions in metric tons of CO_2 equivalent.

The principle to be followed under this Disclosure Requirement is to provide an overall understanding of the undertaking's GHG emissions and whether they occur from its own operations or the value chain. The disclosure is a prerequisite for measuring progress towards reducing GHG emissions in accordance with the undertaking's climate-related targets and EU policy goals as well as for the assessment of the undertaking's transition risks.

Q32: Please, rate to what extent do you think DR E1-10 – Total GHG emissions

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion 6/ Not applicable

	1	2	3	4	5	6
A. Requires relevant information about the sustainability matter covered				X		
B. Requires information that is relevant for all sectors (sector-agnostic only information)				X		
C. Can be verified / assured					X	
D. Meets the other objectives of the CSRD in term of quality of information				X		
E. Reaches a reasonable cost / benefit balance				X		
F. Is sufficiently consistent with relevant EU policies and other EU legislation				X		
G. Is as aligned as possible to international sustainability standards given the CSRD requirements				X		
H. Represent information that must be prioritised in first year of implementation				X		

I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities					X	

For part E, please explain why costs would be unreasonable and / or what particular benefit this disclosure requirement offers

For part F, please specify what existing European sustainability reporting obligation you think the disclosure requirements misses to address adequately

For part G, please explain how you think further alignment could be reached

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

DR E1-11 – GHG intensity per net turnover

The undertaking shall disclose its total GHG emissions per net turnover.

Q33: Please, rate to what extent do you think DR E1-11 – GHG intensity per net turnover

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations
4/ Fully 5/ No opinion 6/ Not applicable

	1	2	3	4	5	6
A. Requires relevant information about the sustainability matter covered				X		
B. Requires information that is relevant for all sectors (sector-agnostic only information)				X		
C. Can be verified / assured					X	
D. Meets the other objectives of the CSRD in term of quality of information				X		
E. Reaches a reasonable cost / benefit balance				X		
F. Is sufficiently consistent with relevant EU policies and other EU legislation				X		
G. Is as aligned as possible to international sustainability standards given the CSRD requirements				X		
H. Represent information that must be prioritised in first year of implementation			X			
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities					X	

For part E, please explain why costs would be unreasonable and / or what particular benefit this disclosure requirement offers

For part F, please specify what existing European sustainability reporting obligation you think the disclosure requirements misses to address adequately

For part G, please explain how you think further alignment could be reached

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

This is a ratio, not an indicator and it can be easily obtained through a calculation and therefore could be removed. Overall, absolute GHG emission are the most important to disclose.

DR E1-12 – GHG removals in own operations and the value chain

The undertaking shall disclose GHG removals from own operations and the upstream and downstream value chain in metric tons of CO_2 equivalent.

The principle to be followed under this Disclosure Requirement is to provide in a comparable manner transparency on actions to permanently remove or actively support the removal of GHG from the atmosphere.

Q34: Please, rate to what extent do you think DR E1-12 – GHG removals in own operations and the value chain

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion 6/ Not applicable

	1	2	3	4	5	6
A. Requires relevant information about the sustainability matter covered				X		
B. Requires information that is relevant for all sectors (sector-agnostic only information)		X				
C. Can be verified / assured					X	
D. Meets the other objectives of the CSRD in term of quality of information				X		
E. Reaches a reasonable cost / benefit balance				X		
F. Is sufficiently consistent with relevant EU policies and other EU legislation		X				
G. Is as aligned as possible to international sustainability standards given the CSRD requirements					X	
H. Represent information that must be prioritised in first year of implementation	X					
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities				X		

For part E, please explain why costs would be unreasonable and / or what particular benefit this disclosure requirement offers

For part F, please specify what existing European sustainability reporting obligation you think the disclosure requirements misses to address adequately

For part G, please explain how you think further alignment could be reached

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

DR E1-13 – GHG mitigation projects financed through carbon credits

The undertaking shall disclose the amount of GHG emission reductions or removals from climate change mitigation projects outside its value chain it has financed through the purchase of carbon credits.

The principle to be followed under this Disclosure Requirement is to provide an understanding of the extent and quality of carbon credits the undertaking has purchased from the voluntary market and cancelled in the reporting period.

Q35: Please, rate to what extent do you think DR E1-13 – GHG mitigation projects financed through carbon credits

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations

4/ Fully 5/ No opinion 6/ Not applicable

	1	2	3	4	5	6
A. Requires relevant information about the sustainability matter covered				X		
B. Requires information that is relevant for all sectors (sector-agnostic only information)		X				
C. Can be verified / assured					X	
D. Meets the other objectives of the CSRD in term of quality of information				X		
E. Reaches a reasonable cost / benefit balance				X		
F. Is sufficiently consistent with relevant EU policies and other EU legislation				X		
G. Is as aligned as possible to international sustainability standards given the CSRD requirements					X	
H. Represent information that must be prioritised in first year of implementation		X				
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities					X	

For part E, please explain why costs would be unreasonable and / or what particular benefit this disclosure requirement offers

For part F, please specify what existing European sustainability reporting obligation you think the disclosure requirements misses to address adequately

For part G, please explain how you think further alignment could be reached

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

(Optional) DR E1-14 – Avoided GHG emissions from products and services

The undertaking may disclose its estimated total avoided GHG emissions from its products and services in metric tons of CO_2 equivalent.

The principle to be followed under this optional Disclosure Requirement is to provide transparency on the methodologies used and assumptions made by the undertaking when estimating and communicating about the impacts of their products and services on climate change in comparison to other products and services, or in comparison to a situation where their products and services would not exist, considering that there is currently no generally accepted framework for accounting and reporting on such avoided emissions.

Q36: Please, rate to what extent do you think DR E1-14 – Avoided GHG emissions from products and services

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations
4/ Fully 5/ No opinion 6/ Not applicable

	1	2	3	4	5	6
A. Requires relevant information about the sustainability matter covered		X				
B. Requires information that is relevant for all sectors (sector-agnostic only information)		X				
C. Can be verified / assured					X	
D. Meets the other objectives of the CSRD in term of quality of		X				

information						
E. Reaches a reasonable cost / benefit balance		X				
F. Is sufficiently consistent with relevant EU policies and other EU legislation		X				
G. Is as aligned as possible to international sustainability standards given the CSRD requirements					X	
H. Represent information that must be prioritised in first year of implementation		X				
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities					X	

For part E, please explain why costs would be unreasonable and / or what particular benefit this disclosure requirement offers

For part F, please specify what existing European sustainability reporting obligation you think the disclosure requirements misses to address adequately

For part G, please explain how you think further alignment could be reached

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

DR E1-15 – Potential financial effects from material physical risks

The undertaking shall disclose the estimated potential financial effects from its material physical risks.

The principle to be followed under this Disclosure Requirement is to provide an understanding of how material climate-related physical risks may affect the undertaking's performance and position over the short, medium and long term, considering that those potential future financial effects may not meet at the reporting date the recognition and measurement criteria set for assets and liabilities.

Q37: Please, rate to what extent do you think DR E1-15 – Potential financial effects from material physical risks

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion 6/ Not applicable

	1	2	3	4	5	6
A. Requires relevant information about the sustainability matter covered				X		
B. Requires information that is relevant for all sectors (sector-agnostic only information)				X		
C. Can be verified / assured					X	
D. Meets the other objectives of the CSRD in term of quality of information				X		
E. Reaches a reasonable cost / benefit balance				X		
F. Is sufficiently consistent with relevant EU policies and other EU legislation				X		
G. Is as aligned as possible to international sustainability standards given the CSRD requirements				X		
H. Represent information that must be prioritised in first year of implementation				X		
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities					X	

DR E1-16 – Potential financial effects from material transition risks

The undertaking shall disclose the estimated potential financial effects from material transition risks.

The principle to be followed under this Disclosure Requirement is to provide an understanding of how material climate-related transition risks may affect the undertaking's performance and position over the short, medium and long-term, considering that those potential future financial effects may not meet at the reporting date the recognition and measurement criteria set for assets and liabilities.

Q38: Please, rate to what extent do you think DR E1-16 – Potential financial effects from material transition risks

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion 6/ Not applicable

	1	2	3	4	5	6
A. Requires relevant information about the sustainability matter covered				X		
B. Requires information that is relevant for all sectors (sector-agnostic only information)				X		
C. Can be verified / assured					X	
D. Meets the other objectives of the CSRD in term of quality of information				X		
E. Reaches a reasonable cost / benefit balance				X		
F. Is sufficiently consistent with relevant EU policies and other EU legislation				X		
G. Is as aligned as possible to international sustainability standards given the CSRD requirements				X		
H. Represent information that must be prioritised in first year of implementation				X		
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities					X	

DR E1-17 – Potential financial effects from climate-related opportunities

The undertaking shall disclose its potential financial effects from climate-related opportunities.

The principle to be followed under this optional Disclosure Requirement is to allow users to understand how the undertaking may financially benefit from material climate-related opportunities. The disclosure is complementary to information requested under the Taxonomy Regulation.

Q39: Please, rate to what extent do you think DR E1-17 – Potential financial effects from climate-related opportunities

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion 6/ Not applicable

	1	2	3	4	5	6
A. Requires relevant information about the sustainability matter covered			X			

B. Requires information that is relevant for all sectors (sector-agnostic only information)				X		
C. Can be verified / assured					X	
D. Meets the other objectives of the CSRD in term of quality of information				X		
E. Reaches a reasonable cost / benefit balance			X			
F. Is sufficiently consistent with relevant EU policies and other EU legislation				X		
G. Is as aligned as possible to international sustainability standards given the CSRD requirements				X		
H. Represent information that must be prioritised in first year of implementation		X				
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities					X	

For part E, please explain why costs would be unreasonable and / or what particular benefit this disclosure requirement offers

For part F, please specify what existing European sustainability reporting obligation you think the disclosure requirements misses to address adequately

For part G, please explain how you think further alignment could be reached

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

3D. Adequacy of Disclosure Requirements – Governance standards

ESRS G1 – Governance, risk management and internal control

DR G1-1 – Governance structure and composition

The undertaking shall provide information on its governance structure and composition.

The principle to be followed under this Disclosure Requirement is to provide an understanding of the structure and composition of the governance and the distribution of roles and responsibilities throughout the undertaking's organisation, from its administrative, management and supervisory bodies to its executive and operational levels.

Q117: Please, rate to what extent do you think G1-1 – Governance structure and composition

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion 6/ Not applicable

	1	2	3	4	5	6
A. Requires relevant information about the sustainability matter covered			X			
B. Requires information that is relevant for all sectors (sector-agnostic only information)				X		
C. Can be verified / assured					X	
D. Meets the other objectives of the CSRD in term of quality of information			x			

E. Reaches a reasonable cost / benefit balance				x		
F. Is sufficiently consistent with relevant EU policies and other EU legislation				x		
G. Is as aligned as possible to international sustainability standards given the CSRD requirements			x			
H. Represent information that must be prioritised in first year of implementation				x		
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities					x	

For part E, please explain why costs would be unreasonable and / or what particular benefit this disclosure requirement offers

For part F, please specify what existing European sustainability reporting obligation you think the disclosure requirements misses to address adequately

For part G, please explain how you think further alignment could be reached

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

Our main comment is that we do not understand the separation between governance-related disclosures in relation to sustainability matters contained in ESRS 2 and other governance disclosures in ESRS G1 and G2. We strongly advocate for consolidating these disclosures (especially 2-GOV 1 to 4 and ESRS G1), which must be read together to get a proper understanding of the company's governance and whether sustainability risks, opportunities and impacts are properly considered and managed by the company's administrative, management and supervisory bodies. Separating these disclosures would result in incomplete information in each section and missing context and / or unnecessary duplications.

Consolidating governance-related disclosures would improve user-friendliness of the standards both for the information users as well as for the preparers and increase the interoperability between ESRS and IFRS S1 and S2.

Disclosures should be a reflection of how things are done within companies. Sustainability-related considerations must be properly embedded into corporate strategies and the corporate governance to ensure they are adequately assessed and addressed. It would be counterproductive e.g., a separate risk management without considering sustainability risks and a separate sustainability-focused risk management. Governance-related disclosures in ESRS should reflect that. Otherwise, it may send a wrong signal to the companies that should not only report the information but increasingly integrate sustainability considerations into their strategies, governance and operations.

Following that logic, we suggest merging 2-GOV 1 on roles and responsibilities of administrative, management and supervisory bodies with regards to sustainability matters, G1-1 on governance structure and composition, G1-9 on the actual composition of the governance bodies, G1-4 on diversity (currently addressed with regards to sustainability matters in 2-GOV 1), and possibly also with G1-3 on nomination process (currently addressed with regards to sustainability matters in 2-GOV 1), and G1-5 on evaluation whereby sustainability considerations should also be addressed.

However, the description of this disclosure requirement should better reflect its contents (as well as the descriptive para 50). Otherwise, these aspects could be addressed by dedicated disclosure requirements however they should be logically grouped in one dedicated governance section and sustainability considerations should be always addressed in each of them. For instance, if it is decided to have a disclosure requirement on the nomination process, criteria concerning sustainability should be addressed there instead of 2-GOV 1.

DR G1-2 – Corporate governance code or policy

The undertaking shall disclose the corporate governance code, policy or practices that determine the function of its administrative, management or supervisory bodies.

The principle to be followed under this Disclosure Requirement is to provide information about any legal or regulatory requirements that mandate and influence the design of the governance structure of the undertaking, together with information on aspects implemented that are over and above any relevant legal or regulatory requirements.

Q118: Please, rate to what extent do you think G1-2 – Corporate governance code or policy

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion 6/ Not applicable

	1	2	3	4	5	6
A. Requires relevant information about the sustainability matter covered			X			
B. Requires information that is relevant for all sectors (sector-agnostic only information)				x		
C. Can be verified / assured					x	
D. Meets the other objectives of the CSRD in term of quality of information				x		
E. Reaches a reasonable cost / benefit balance				x		
F. Is sufficiently consistent with relevant EU policies and other EU legislation				x		
G. Is as aligned as possible to international sustainability standards given the CSRD requirements			x			
H. Represent information that must be prioritised in first year of implementation				x		
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities					x	

For part E, please explain why costs would be unreasonable and / or what particular benefit this disclosure requirement offers

For part F, please specify what existing European sustainability reporting obligation you think the disclosure requirements misses to address adequately

For part G, please explain how you think further alignment could be reached

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

We recommend the following adjustment to para 15 which should then be also reflected in the remainder of the RD:

"The undertaking shall disclose the corporate governance code, policy or practices that determine the role and functions of its administrative, management or supervisory bodies and its responsibilities for identifying, assessing and addressing (managing) sustainability-related risks on the business and its operations and actual and potential adverse impacts on people and the environment".

Please see our response to Q18 on a need to consolidate governance-related disclosures and move them to ESRS 2.

DR G1-3 – Nomination process

The undertaking shall provide information about the nomination and selection processes for its administrative, management and supervisory bodies.

The principle to be followed under this Disclosure Requirement is to provide information about the criteria used for selecting and nominating the members of the undertaking's administrative, management and supervisory bodies.

Q119: Please, rate to what extent do you think G1-3 – Nomination process

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion 6/ Not applicable

	1	2	3	4	5	6
A. Requires relevant information about the sustainability matter covered			X			
B. Requires information that is relevant for all sectors (sector-agnostic only information)				x		
C. Can be verified / assured					x	
D. Meets the other objectives of the CSRD in term of quality of information			x			
E. Reaches a reasonable cost / benefit balance				x		
F. Is sufficiently consistent with relevant EU policies and other EU legislation				x		
G. Is as aligned as possible to international sustainability standards given the CSRD requirements			x			
H. Represent information that must be prioritised in first year of implementation				x		
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities					x	

For part E, please explain why costs would be unreasonable and / or what particular benefit this disclosure requirement offers

For part F, please specify what existing European sustainability reporting obligation you think the disclosure requirements misses to address adequately

For part G, please explain how you think further alignment could be reached

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

Our main comment is that we do not understand the separation between governance-related disclosures in relation to sustainability matters contained in ESRS 2 and other governance disclosures in ESRS G1 and G2. We strongly advocate for consolidating these disclosures (especially 2-GOV 1 to 4 and ESRS G1), which must be read together to get a proper understanding of the company's governance and whether sustainability risks, opportunities and impacts are properly considered and managed by the company's administrative, management and supervisory bodies. Separating these disclosures would result in incomplete information in each section and missing context and / or unnecessary duplications.

Consolidating governance-related disclosures would improve user-friendliness of the standards both for the information users as well as for the preparers and increase the interoperability between ESRS and IFRS S1 and S2.

Disclosures should be a reflection of how things are done within companies. Sustainability-related considerations must be properly embedded into corporate strategies and the corporate governance to ensure they are adequately assessed and addressed. It would be counterproductive e.g., a separate risk management without considering sustainability risks and a separate sustainability-focused risk management. Governance-related disclosures in ESRS should reflect that. Otherwise, it may send a wrong signal to the companies that should not only report the information but increasingly integrate sustainability considerations into their strategies, governance and operations.

Following that logic, we suggest merging 2-GOV 1 on roles and responsibilities of administrative, management and supervisory bodies with regards to sustainability matters, G1-1 on governance structure and composition, G1-9 on the actual composition of the governance bodies, G1-4 on diversity (currently addressed with regards to sustainability matters in 2-GOV 1), and possibly also with G1-3 on nomination process (currently addressed with regards to sustainability matters in 2-GOV 1), and G1-5 on evaluation whereby sustainability considerations should also be addressed.

However, the description of this disclosure requirement should better reflect its contents (as well as the descriptive para 50). Otherwise, these aspects could be addressed by dedicated disclosure requirements however they should be logically grouped in one dedicated governance section and sustainability considerations should be always addressed in each of them. For instance, if it is decided to have a disclosure requirement on the nomination process, criteria concerning sustainability should be addressed there instead of 2-GOV 1.

DR G1-4 – Diversity policy

The undertaking shall provide information on the diversity policy applied in relation to its administrative, management and supervisory bodies.

The principle to be followed under this Disclosure Requirement is to provide information about the undertaking's diversity policy to promote a diversified composition of its administrative, management and supervisory bodies. This shall also include the diversity criteria adopted with the associated rationale on their prioritisation, and the mechanism adopted to foster diversity representation.

Q120: Please, rate to what extent do you think G1-4 – Diversity policy

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion 6/ Not applicable

	1	2	3	4	5	6
A. Requires relevant information about the sustainability matter covered			x			
B. Requires information that is relevant for all sectors (sector-agnostic only information)				x		
C. Can be verified / assured					x	
D. Meets the other objectives of the CSRD in term of quality of information			x			
E. Reaches a reasonable cost / benefit balance				x		
F. Is sufficiently consistent with relevant EU policies and other EU legislation				x		
G. Is as aligned as possible to international sustainability standards given the CSRD requirements			x			
H. Represent information that must be prioritised in first year of implementation				x		
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities					x	

For part E, please explain why costs would be unreasonable and / or what particular benefit this disclosure requirement offers

For part F, please specify what existing European sustainability reporting obligation you think the disclosure requirements misses to address adequately

For part G, please explain how you think further alignment could be reached

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

Our main comment is that we do not understand the separation between governance-related disclosures in relation to sustainability matters contained in ESRS 2 and other governance disclosures in ESRS G1 and G2. We strongly advocate for consolidating these disclosures (especially 2-GOV 1 to 4 and ESRS G1), which must be read together to get a proper understanding of the company's governance and whether sustainability risks, opportunities and impacts are properly considered and managed by the company's administrative, management and supervisory bodies. Separating these disclosures would result in incomplete information in each section and missing context and / or unnecessary duplications.

Consolidating governance-related disclosures would improve user-friendliness of the standards both for the information users as well as for the preparers and increase the interoperability between ESRS and IFRS S1 and S2.

Disclosures should be a reflection of how things are done within companies. Sustainability-related considerations must be properly embedded into corporate strategies and the corporate governance to ensure they are adequately assessed and addressed. It would be counterproductive e.g., a separate risk management without considering sustainability risks and a separate sustainability-focused risk management. Governance-related disclosures in ESRS should reflect that. Otherwise, it may send a wrong signal to the companies that should not only report the information but increasingly integrate sustainability considerations into their strategies, governance and operations.

Following that logic, we suggest merging 2-GOV 1 on roles and responsibilities of administrative, management and supervisory bodies with regards to sustainability matters, G1-1 on governance structure and composition, G1-9 on the actual composition of the governance bodies, G1-4 on diversity (currently addressed with regards to sustainability matters in 2-GOV 1), and possibly also with G1-3 on nomination process (currently addressed with regards to sustainability matters in 2-GOV 1), and G1-5 on evaluation whereby sustainability considerations should also be addressed.

However, the description of this disclosure requirement should better reflect its contents (as well as the descriptive para 50). Otherwise, these aspects could be addressed by dedicated disclosure requirements however they should be logically grouped in one dedicated governance section and sustainability considerations should be always addressed in each of them. For instance, if it is decided to have a disclosure requirement on the nomination process, criteria concerning sustainability should be addressed there instead of 2-GOV 1.

DR G1-5 – Evaluation process

The undertaking shall describe the process, if any, followed for evaluating the performance of its administrative, management and supervisory bodies in overseeing the management of the undertaking.

The principle to be followed under this Disclosure Requirement is to provide transparency on the process implemented by the undertaking for the evaluation of the performance of its administrative, management and supervisory bodies in supervising the management of the undertaking.

Q121: Please, rate to what extent do you think G1-5 – Evaluation process

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion 6/ Not applicable

	1	2	3	4	5	6
A. Requires relevant information about the sustainability matter covered			X			
B. Requires information that is relevant for all sectors (sector-agnostic only information)				X		
C. Can be verified / assured					X	
D. Meets the other objectives of the CSRD in term of quality of information			X			
E. Reaches a reasonable cost / benefit balance				X		
F. Is sufficiently consistent with relevant EU policies and other EU legislation				X		
G. Is as aligned as possible to international sustainability standards given the CSRD requirements			X			
H. Represent information that must be prioritised in first year of implementation				X		

I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities					x	

For part E, please explain why costs would be unreasonable and / or what particular benefit this disclosure requirement offers

For part F, please specify what existing European sustainability reporting obligation you think the disclosure requirements misses to address adequately

For part G, please explain how you think further alignment could be reached

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

Our main comment is that we do not understand the separation between governance-related disclosures in relation to sustainability matters contained in ESRS 2 and other governance disclosures in ESRS G1 and G2. We strongly advocate for consolidating these disclosures (especially 2-GOV 1 to 4 and ESRS G1), which must be read together to get a proper understanding of the company's governance and whether sustainability risks, opportunities and impacts are properly considered and managed by the company's administrative, management and supervisory bodies. Separating these disclosures would result in incomplete information in each section and missing context and / or unnecessary duplications.

Consolidating governance-related disclosures would improve user-friendliness of the standards both for the information users as well as for the preparers and increase the interoperability between ESRS and IFRS S1 and S2.

Disclosures should be a reflection of how things are done within companies. Sustainability-related considerations must be properly embedded into corporate strategies and the corporate governance to ensure they are adequately assessed and addressed. It would be counterproductive e.g., a separate risk management without considering sustainability risks and a separate sustainability-focused risk management. Governance-related disclosures in ESRS should reflect that. Otherwise, it may send a wrong signal to the companies that should not only report the information but increasingly integrate sustainability considerations into their strategies, governance and operations.

Following that logic, we suggest merging 2-GOV 1 on roles and responsibilities of administrative, management and supervisory bodies with regards to sustainability matters, G1-1 on governance structure and composition, G1-9 on the actual composition of the governance bodies, G1-4 on diversity (currently addressed with regards to sustainability matters in 2-GOV 1), and possibly also with G1-3 on nomination process (currently addressed with regards to sustainability matters in 2-GOV 1), and G1-5 on evaluation whereby sustainability considerations should also be addressed.

However, the description of this disclosure requirement should better reflect its contents (as well as the descriptive para 50). Otherwise, these aspects could be addressed by dedicated disclosure requirements however they should be logically grouped in one dedicated governance section and sustainability considerations should be always addressed in each of them. For instance, if it is decided to have a disclosure requirement on the nomination process, criteria concerning sustainability should be addressed there instead of 2-GOV 1.

DR G1-6 – Remuneration policy

The undertaking shall describe the policy used for the remuneration of its administrative, management and supervisory bodies.

The principle to be followed under this Disclosure Requirement is to provide information about the undertaking's policy for the remuneration of the administrative, management and supervisory bodies.

Q122: Please, rate to what extent do you think G1-6 – Remuneration policy

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion 6/ Not applicable

	1	2	3	4	5	6
A. Requires relevant information about the sustainability matter covered			x			

B. Requires information that is relevant for all sectors (sector-agnostic only information)				X		
C. Can be verified / assured					X	
D. Meets the other objectives of the CSRD in term of quality of information			X			
E. Reaches a reasonable cost / benefit balance				X		
F. Is sufficiently consistent with relevant EU policies and other EU legislation				X		
G. Is as aligned as possible to international sustainability standards given the CSRD requirements			X			
H. Represent information that must be prioritised in first year of implementation				X		
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities					X	

For part E, please explain why costs would be unreasonable and / or what particular benefit this disclosure requirement offers

For part F, please specify what existing European sustainability reporting obligation you think the disclosure requirements misses to address adequately

For part G, please explain how you think further alignment could be reached

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

Our main comment is that we do not understand the separation between governance-related disclosures in relation to sustainability matters contained in ESRS 2 and other governance disclosures in ESRS G1 and G2. We strongly advocate for consolidating these disclosures (especially 2-GOV 1 to 4 and ESRS G1), which must be read together to get a proper understanding of corporate governance and whether sustainability risks, opportunities and impacts are properly considered and managed by the company's administrative, management and supervisory bodies. Separating these disclosures would result in incomplete information in each section and missing context and / or unnecessary duplications.

Consolidating governance-related disclosures would improve user-friendliness of the standards both for the information users as well as for the preparers and increase the interoperability between ESRS and IFRS S1 and S2.

We would also like to note that ESRS is missing disclosures on **awarded remuneration (**in SRD II referred to as remuneration report) which can vary from the remuneration policy. This is particularly relevant for understanding whether and how company directors are incentivised to pursue sustainability-related goals, prescribed for in 2-GOV 4 which unfortunately is also focused on incentive schemes and not on reporting of the actual remuneration awarded and what proportion of that remuneration (in particular variable remuneration) is linked to sustainability-related objectives. Disclosing remuneration policy / incentive schemes only will not be sufficient to provide an understanding of how company directors are incentivized to properly manage the company's sustainability impacts, risks and opportunities, which para 63 of ESRS 2 states as objective of DR S-GOV 4. Moreover, DR G1-6 is not in line with the Shareholders Rights Directive which recognises companies must disclose not only remuneration policy but also the awarded remuneration of directors.

See also our response to earlier questions in this section.

DR G1-7 – Risk management processes

The undertaking shall provide information on its risk management processes, with regards to risk arising for the undertaking and for the stakeholders.

The principle to be followed under this Disclosure Requirement is to inform about the undertaking's risk management processes. This includes an understanding of the supervision and monitoring of risk management by the undertaking's administrative, management and supervisory bodies.

Q123: Please, rate to what extent do you think G1-7 – Risk management processes

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion 6/ Not applicable

	1	2	3	4	5	6
A. Requires relevant information about the sustainability matter covered			x			
B. Requires information that is relevant for all sectors (sector-agnostic only information)				x		
C. Can be verified / assured					x	
D. Meets the other objectives of the CSRD in term of quality of information			x			
E. Reaches a reasonable cost / benefit balance				x		
F. Is sufficiently consistent with relevant EU policies and other EU legislation				x		
G. Is as aligned as possible to international sustainability standards given the CSRD requirements			x			
H. Represent information that must be prioritised in first year of implementation				x		
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities					x	

For part E, please explain why costs would be unreasonable and / or what particular benefit this disclosure requirement offers

For part F, please specify what existing European sustainability reporting obligation you think the disclosure requirements misses to address adequately

For part G, please explain how you think further alignment could be reached

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

Our main comment is that we do not understand the separation between governance-related disclosures in relation to sustainability matters contained in ESRS 2 and other governance disclosures in ESRS G1 and G2. We strongly advocate for **consolidating these disclosures (especially 2-GOV 1 to 4 and ESRS G1), which must be read together** to get a proper understanding of corporate governance and whether sustainability risks, opportunities and impacts are properly considered and managed by the company's administrative, management and supervisory bodies. Separating these disclosures would result in incomplete information in each section and missing context and / or unnecessary duplications.

Consolidating governance-related disclosures would improve user-friendliness of the standards both for the information users as well as for the preparers and **increase the interoperability** between ESRS and IFRS S1 and S2.

Moreover, the **disclosure requirement on risk management in relation to sustainability matters are missing**. Risk management is covered in ESRS G1 however without any reference to sustainability. While ESRS 2-IRO 1 provides for a description of the processes to identify material sustainability impacts, risks and opportunities and 2-IRO 2 and 3 require a description of the outcome of the undertaking's assessment of material sustainability impacts, risks and opportunities, a disclosure requirement that would require a description of how risks, including stemming from sustainability factors, are managed seems absent.

Meanwhile, given the increasingly mounting risks posed to companies by sustainability-related events (including environmental and social events) appropriate integration of sustainability considerations into companies' risk management is of paramount importance.

DR G1-8 – Internal control processes

The undertaking shall provide information on its internal control processes, including in relation to the sustainability reporting process.

The principle to be followed under this Disclosure Requirement is to inform about the aspects related to the governance factors that affect the undertaking's internal control processes, including in relation to sustainability reporting. This also includes an understanding of the supervision and monitoring of those processes by the undertaking's administrative, management and supervisory bodies.

Q124: Please, rate to what extent do you think G1-8 – Internal control processes

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion 6/ Not applicable

	1	2	3	4	5	6
A. Requires relevant information about the sustainability matter covered			x			
B. Requires information that is relevant for all sectors (sector-agnostic only information)				x		
C. Can be verified / assured					x	
D. Meets the other objectives of the CSRD in term of quality of information			x			
E. Reaches a reasonable cost / benefit balance				x		
F. Is sufficiently consistent with relevant EU policies and other EU legislation				x		
G. Is as aligned as possible to international sustainability standards given the CSRD requirements			x			
H. Represent information that must be prioritised in first year of implementation				x		
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities					x	

For part E, please explain why costs would be unreasonable and / or what particular benefit this disclosure requirement offers

For part F, please specify what existing European sustainability reporting obligation you think the disclosure requirements misses to address adequately

For part G, please explain how you think further alignment could be reached

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

Our main comment is that we do not understand the separation between governance-related disclosures in relation to sustainability matters contained in ESRS 2 and other governance disclosures in ESRS G1 and G2. We strongly advocate for consolidating these disclosures (especially 2-GOV 1 to 4 and ESRS G1), which must be read together to get a proper understanding of corporate governance and whether sustainability risks, opportunities and impacts are properly considered and managed by the company's administrative, management and supervisory bodies. Separating these disclosures would result in incomplete information in each section and missing context and / or unnecessary duplications.

Consolidating governance-related disclosures would improve user-friendliness of the standards both for the information users as well as for the preparers and increase the interoperability between ESRS and IFRS S1 and S2.

Disclosures should be a reflection of how things are done within companies. Sustainability-related considerations must be properly embedded into corporate strategies and the corporate governance to ensure they are adequately assessed and addressed. It would be counterproductive e.g., a separate risk management without considering sustainability risks and a separate sustainability-focused risk management. Governance-related disclosures in ESRS should reflect that. Otherwise, it may send a wrong signal to the companies that should not only report the information but increasingly integrate sustainability considerations into their strategies, governance and operations.

DR G1-8 on internal controls is the only disclosure in ESRS G1 which is linked to sustainability matters. However, it's overly focused on the reporting and completely missing the controls of the risk management, which is one of the differences between governance-related disclosures in ESRS exposure drafts and IFRS S1 and S2.

DR G1-9 – Composition of the administrative, management and supervisory bodies

The undertaking shall provide information about the composition of its administrative, supervisory and management bodies.

The principle to be followed under this Disclosure Requirement is to provide information about the diversity of the members of its administrative, management and supervisory bodies and committees.

Q125: Please, rate to what extent do you think G1-9 – Composition of the administrative, management and supervisory

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion 6/ Not applicable

	1	2	3	4	5	6
A. Requires relevant information about the sustainability matter covered			x			
B. Requires information that is relevant for all sectors (sector-agnostic only information)				x		
C. Can be verified / assured					x	
D. Meets the other objectives of the CSRD in term of quality of information			x			
E. Reaches a reasonable cost / benefit balance				x		
F. Is sufficiently consistent with relevant EU policies and other EU legislation				x		
G. Is as aligned as possible to international sustainability standards given the CSRD requirements			x			
H. Represent information that must be prioritised in first year of implementation				x		
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities					x	

For part E, please explain why costs would be unreasonable and / or what particular benefit this disclosure requirement offers

For part F, please specify what existing European sustainability reporting obligation you think the disclosure requirements misses to address adequately

For part G, please explain how you think further alignment could be reached

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

Our main comment is that we do not understand the separation between governance-related disclosures in relation to sustainability matters contained in ESRS 2 and other governance disclosures in ESRS G1 and G2. We strongly advocate for consolidating these disclosures (especially 2-GOV 1 to 4 and ESRS

G1), which must be read together to get a proper understanding of the company's governance and whether sustainability risks, opportunities and impacts are properly considered and managed by the company's administrative, management and supervisory bodies. Separating these disclosures would result in incomplete information in each section and missing context and / or unnecessary duplications.

Consolidating governance-related disclosures would improve user-friendliness of the standards both for the information users as well as for the preparers and increase the interoperability between ESRS and IFRS S1 and S2.

Following that logic, we suggest merging 2-GOV 1 on roles and responsibilities of administrative, management and supervisory bodies with regards to sustainability matters, G1-1 on governance structure and composition, G1-9 on the actual composition of the governance bodies, G1-4 on diversity (currently addressed with regards to sustainability matters in 2-GOV 1), and possibly also with G1-3 on nomination process (currently addressed with regards to sustainability matters in 2-GOV 1), and G1-5 on evaluation whereby sustainability considerations should also be addressed.

However, the description of this disclosure requirement should better reflect its contents (as well as the descriptive para 50). Otherwise, these aspects could be addressed by dedicated disclosure requirements however they should be logically grouped in one dedicated governance section and sustainability considerations should be always addressed in each of them. For instance, if it is decided to have a disclosure requirement on the nomination process, criteria concerning sustainability should be addressed there instead of 2-GOV 1.

DR G1-10 – Meetings and attendance rate

The undertaking shall provide information about the number of meetings and the attendance rate for its administrative, management and supervisory bodies and committees.

The principle to be followed under this Disclosure Requirement is to provide information about the rate of participation in meetings of the members of the administrative, management and supervisory bodies and committees.

Q126: Please, rate to what extent do you think G1-10 – Meetings and attendance rate

1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion 6/ Not applicable

	1	2	3	4	5	6
A. Requires relevant information about the sustainability matter covered			X			
B. Requires information that is relevant for all sectors (sector-agnostic only information)				X		
C. Can be verified / assured					X	
D. Meets the other objectives of the CSRD in term of quality of information			X			
E. Reaches a reasonable cost / benefit balance			X			
F. Is sufficiently consistent with relevant EU policies and other EU legislation			X			
G. Is as aligned as possible to international sustainability standards given the CSRD requirements			X			
H. Represent information that must be prioritised in first year of implementation			X			
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities					X	

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

disclosure requirement offers

For part F, please specify what existing European sustainability reporting obligation you think the disclosure requirements misses to address adequately

For part G, please explain how you think further alignment could be reached

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

While it could be interesting that companies provide such disclosure, there is a possibility this would result in box ticking / compliance exercise. What matters is the efficiency of meetings and outcomes rather than a mere number of meetings which could well enough be counterproductive.

Moreover, our main comment is that we do not understand the separation between governance-related disclosures in relation to sustainability matters contained in ESRS 2 and other governance disclosures in ESRS G1 and G2. We strongly advocate for consolidating these disclosures (especially 2-GOV 1 to 4 and ESRS G1), which must be read together to get a proper understanding of the company's governance and whether sustainability risks, opportunities and impacts are properly considered and managed by the company's administrative, management and supervisory bodies. Separating these disclosures would result in incomplete information in each section and missing context and / or unnecessary duplications.

Consolidating governance-related disclosures would improve user-friendliness of the standards both for the information users as well as for the preparers and increase the interoperability between ESRS and IFRS S1 and S2.