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EFRAG Sustainability Reporting Board Consultation Survey 1

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

Consultation survey structure

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

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

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

3. Adequacy of Disclosure Requirements (Survey 2)

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

Respondent Profile

1. Personal details

* Organisation name

50 character(s) maximum

AFEP

* First name

50 character(s) maximum

Le Quang

* Surname

50 character(s) maximum

TRAN VAN

* Email (this information will not be published or made public)

50 character(s) maximum

lq.tranvan@afep.com

* Country of origin

50 character(s) maximum

FRANCE

*** 2. Type of respondent**

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

*** 3. Size**

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

* **4. User/Preparer perspective**

- User
- Preparer
- Both (selected)
- Neither

* **5. Subject to CSRD**

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

- Yes (selected)
- No

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

1A. Overall ESRS Exposure Drafts' relevance – Architecture

Cross-cutting and topical standards

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

• **Cross-cutting ESRS** which:

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

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

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

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

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

- Not at all

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

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

Generally speaking, we consider that the proposed organisation of the European sustainability reporting standards (“ESRS”), based on cross-cutting and topical standards, supports the coverage of the sustainability topics addressed by the CSRD proposal (“CSRD”) but is too complex and too granular.
Furthermore, we consider that the status of the application guidance should be clarified: if application guidance address disclosures required by the CSRD then these specific disclosure requirements should be included in the standards otherwise application guidance should be non-binding and should not add requirements (e.g. in ESRS 2, AG related to DR2 – GR2 on sectors of activity, AG 14 related to DR2 – GR3 regarding key features of the value chain, AG 25 related to DR2 – SBM1 which requires a concise description while at the same time listing a long and exhaustive list of topics to address and AG 32 and 33 related to DR2 – SBM3 on interaction of impacts).
As regards cross-cutting standards, we understand that:
- the purpose of Draft ESRS 1 is to lay down the principles that reporting entities will apply when reporting in accordance with the topical standards, and
- the purpose of Draft ESRS 2 is to provide stakeholders with an overview of the reporting entity’s business model, strategy and organisation related in particular to the governance and the materiality assessment of sustainability-related risks and opportunities which will be supplemented by topical disclosures (eg. outcome of the materiality assessment for environmental risks and opportunities, specific governance arrangements regarding the monitoring of social issues…).
In this regard, we consider that these cross-cutting standards should be amended and improved on several points:
- ESRS 1 and 2 should be merged and streamlined to facilitate reading and understanding.
- The disclosure requirements of ESRS 2 should be interpreted as an "executive summary" of the reporting in order to avoid overloading sustainability reports. Some elements could be provided to the auditors or the independent assurance service providers to support their due diligences but without being published in the final report (or available on request) for the purpose of clarity.
- Clarifications are needed regarding the definition of the terms “material” and “significant” in order to know if they refer to the same principle or not (See questions 18-23)
- There is also a need to specify the definitions of certain terms, which sometimes seem to vary throughout the different standards (e.g.: value chain, stakeholders, higher governance bodies, supervisory bodies, etc.)
- Mention of the “European public good” in ESRS 1 (paragraph 43) raises questions and needs to be clarified. The IAS Regulation (Regulation 1606/2002 of 19 July 2002 on the application of international accounting standards) refers also to the European public good but in a different context: the European Commission can adopt IFRS published by the IASB only if they meet certain conditions and are conducive to the European public good. Requiring the European Commission to take into account the European public good when adopting regulatory measures is conceivable but we don’t consider that it is appropriate to mandate companies to take into account the European public good when determining on which sustainability topics to report. Companies in particular should not have to make public confidential information that could negatively impact their competitive position.
- The boundary between disclosure requirements and implementation requirements needs to be clearly marked (e.g. on transition plans, for instance, the Corporate Sustainability Due Diligence Directive proposal requires the establishment of transition plans ; CSRD requires transition plans, if any, to be made public): CSRD only deals with disclosure requirements and the ESRS shall therefore not impose an obligation “to do” and shall be drafted accordingly.
- Also, the standards should not anticipate the future directive on due diligence.

Alignment and interoperability with international standards and frameworks

- Article 19b paragraph 3a of the CSRD requires that "When adopting delegated acts pursuant to paragraph 1, the Commission shall take account of the work of global standard-setting initiatives for sustainability reporting, and existing standards and frameworks for natural capital accounting, responsible business conduct, corporate social responsibility, and sustainable development."
- ESRS EDs were drafted accordingly, with the objective of fostering as much alignment as possible considering the constraints imposed by other provisions included in articles 19a and 19b as per the CSRD proposal. Details of these provisions and how they are covered by the ESRS EDs can be found in Appendix I.
- The structure and organisation of the reporting areas was one aspect of alignment to which particular attention was paid. Thus, the two categories of standards are organised to cover the reporting areas in relation to governance, strategy, assessment/management of impacts, risks and opportunities, and targets/metrics (as considered by the Task Force on Climate-Related Financial Disclosures - TCFD and source of inspiration for the IFRS Sustainability standards). A detailed mapping of the ESRS EDs disclosure requirements with TCFD recommendations and with IFRS Sustainability Exposure Drafts can be found in Appendices 5 and 6.

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

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

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

Overall, the structure of the TCFD framework and of the cross-cutting and climate-related ESRS are compatible. However, we would have put the question the other way round considering that:
- the TCFD framework was published before the drafting of the ESRS,
- many French companies are committed to comply with the TCFD recommendations, and
- the work of the International Sustainability Standards Board (ISSB) is based on the TCFD framework.

Therefore, the ESRS and in particular ESRS E1 should aim at ensuring compatibility or interoperability with the TCFD recommendations. In order to enhance compatibility or interoperability, the structure of cross-cutting standards could be improved by merging and streamlining ESRS 1 and ESRS 2 and reducing their content to align with IFRS S1:
- IFRS S1 for instance does not define time horizons and relies on companies to determine the most appropriate duration for short-, medium- and long-term horizons considering the characteristics of their activities.
- The definition of financial materiality between IFRS S1 and ESRS 1 slightly diverge.
- The principles defined by ESRS 1 include considerations regarding due diligence and we fail to understand how this topic can constitute a general principle and why it should be included in ESRS 1. We therefore recommend moving section 2.5 to ESRS 2 and maintaining only paragraphs 85 and 86. As a matter of fact, paragraph 87 and subsequent all refer to disclosure requirements already addressed by section 3 of ESRS 1 and ESRS 2.

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

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

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

> To ensure interoperability with the IFRS Sustainability Exposure Drafts the structure of ESRS cross-cutting standards should be improved by merging and streamlining ESRS 1 and ESRS 2 and reducing their content to converge to a standard similar in form and content to draft IFRS S1 (please refer to our answer to Question 2 above).

Consideration given to EU policies and legislation

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

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

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

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

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

Generally speaking, we consider that European legislations in force have been taken into account. However, we would like to highlight the following points:
- Consistency with the reporting requirements of Article 8 of the Taxonomy Regulation should be ensured by aligning the level of aggregation. For example, DR2-GR2 should clearly state that the description of activities should be consistent with information provided in the financial statements and under the Taxonomy Regulation.
- We consider that the additional indicators required by the SFDR to describe the principal adverse impacts (PAI) of investment decisions and related, on the one hand, to climate and other environment-related topics and, on the other hand, to social and employee, respect for human rights, anti-corruption and anti-bribery matters should be gradually phased-in focusing first on indicators already available and/or that can be produced without generating disproportionate burden for preparers. The optional PAI KPIs could be added over time after the review of CSRD and after taking stock of the needs of investors.
- The description of the due diligence process should be limited at this stage to the information explicitly required by CSRD. The scope and content of due diligence must not be anticipated by a transparency standard before the issue has been properly addressed by EU co-legislators in the framework of CSDDD currently under discussion. Due diligence on supply chains is a highly complex exercise for companies, potentially involving civil liability and sanctions from the competent authorities. It is not acceptable that level 2 delegated acts go beyond the general transparency requirement on due diligence processes, which companies do not contest in itself, before the adoption of the substantial rules in this respect.

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

No.

Coverage of sustainability topics

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

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

Also, article 19c of the CSRD proposal on sustainability reporting standards for SMEs requires the Commission to adopt SME-proportionate standards in a second set.

As a consequence, as per article 19b paragraph 1, are only included in this first set of ESRS Exposure Drafts:

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

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

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

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

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

The proposed coverage addresses the CSRD sustainability reporting requirements. However, we consider that ESRS 1 and 2 should be merged and their content streamlined to converge towards IFRS S1 (please refer also to our answer to Question 2). Furthermore, we consider that ESRS 2 on several occasions goes beyond what is necessary to comply with the CSRD, requires too many details and therefore departs from the requirement of the CSRD that the standards shall avoid disproportionate administrative burden. In addition, Article 1(3) of the CRSD amending Article 19a of Directive 2013/34/EU requires only “a brief description of the undertaking’s business model and strategy”. In this regard, we insist on the following points:

- The scope of sustainability reporting is not aligned with the scope of financial reporting under IFRS (see in particular paragraph 63 of ESRS 1). Clarifications in this regard are necessary:

the notion of “proportional consolidation” is mentioned in French GAAP but not, strictly speaking, under IFRS (in particular in IFRS 11 Joint arrangements paragraph 20) ; therefore clarifications regarding the implementation of proportional consolidation would be welcome to ensure consistency with IFRS 11;

clarifications are also necessary regarding the treatment of entities controlled by the reporting company under IFRS 10 Consolidated financial statements but that are not consolidated because not material;

finally the EFRAG should clarify whether the scope of sustainability reporting defined in ESRS 1 paragraph 63 applies to all ESRS (e.g. the number of employees to be reported under ESRS S1 would include 100% of employees from subsidiaries fully consolidated, 0% of entities accounted for under the equity method and the corresponding portion of employees from entities accounted for under proportional consolidation).

- the disclosures required by DR2-GR2 are too detailed (see Q2 of questionnaire 3)
- DR2-GR3 (Key features of the value chain), DR2-GR4 (Key drivers of the value creation) and DR2-SBM 1 (Overview of strategy and business model) should be merged into one single disclosure requirement and streamlined. (see Q3, Q4, Q11 of questionnaire 3).
- As regards specifically the value chain, companies question the feasibility/operability of the disclosure requirements which as a comparison go well beyond the boundaries set by the ISSB. Companies consider therefore that the value chain should be restricted to upstream suppliers representing the most salient risks

(which are generally tier 1 suppliers with whom the reporting entity has an established business relationship), and, downstream, should exclude end-users and customers, upon which the reporting entity has little to no leverage. Companies call on EFRAG to reconsider the relevance of all AG related to the value chain and the opportunity to maintain these guidance, in particular AG 14 which requires to disclose contractual terms.
- DR2-SBM2 does not meet the objectives of the CRSD which in our understanding are to describe the processes in place to consult with stakeholders and how the strategy and business model of the company have been impacted. (See Q12 of questionnaire 3)
- As regards DR2-IRO1, companies consider that the requirements are too detailed and go beyond the requirements of the CRSD which requires only « a description of: (i) the due diligence process implemented by the undertaking with regard to sustainability matters… ». Companies would also welcome a reference to materiality matrices they use to assess materiality and a statement that providing such matrices, including in a graphic format, suffice to meet the requirements of the CSRD. EFRAG should reconsider the relevance of all related AG and the opportunity to maintain these guidance, in particular AG 64.
- Finally, regarding DR2-IRO2 and IRO3 companies recommend to redraft or delete paragraphs 76 and 79 which are difficult to read and understand and are confusing (See Q21 and Q22 of questionnaire 3)
- The requirement to explain expected impacts on the company's financial performance, position and cash flows (para. 77(a)ii 2) and para. 80(a)iii 2)) also raises confidentiality and liability issues. Regarding in particular impacts on the company's financial performance, even if no quantitative information is provided, Delegated Regulation (EU) 2019/980 supplementing the "2017 Prospectus Regulation" defines profit forecast as "a statement that expressly or by implication indicates a figure or a minimum or maximum figure for the likely level of profits or losses for current or future financial periods, or contains data from which a calculation of such a figure for future profits or losses can be made, even if no particular figure is mentioned and the word 'profit' is not used". Companies should not have to disclose such information when they affect business secrecy and are detrimental to the reporting entities' competitive position.

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

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

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

Some of the proposed requirements in ESRS that relate to SFDR indicators are overly granular and demand more details than required to fulfil the SFDR requirements. For example, many SFDR Principal Adverse Impacts (PAI) are binary in nature while the ESRS disclosures require a detailed description of a policy, how it was developed, the considerations behind etc.
Narratives of this sort cannot be used by financial institutions to calculate aggregated figures. It is important to bear in mind that the SFDR disclosures provided by entities within the financial sector will be based on very wide populations of investments/exposures. To be able to provide those disclosures, financial companies will need well defined, simple and comparable quantitative indicators.
Furthermore, we note that even mandatory reporting on the 14 mandatory PAI indicators, for a number of preparers, will imply that they are required to report on non-material information and thus the reporting entity will bear costs associated with this reporting without necessarily providing to end-users any additional

information – except for ensuring the availability of the mandatory (non-material) reporting data for financial users.

Sustainability statements and the links with other parts of corporate reporting

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

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

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

- one separately identifiable part per ESRS in the MR.

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

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

Q8: Do you agree with the proposed three options?

- ○ Yes
- ◉ No
- ○ No opinion

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

The CSRD requires the information to be clearly identifiable through a dedicated section of the management report. This requirement however should not prevent companies to incorporate by reference information included in other documents and make cross-references to other parts of their report as is the case at the moment for large French companies in their Universal Registration Document (URD). This will not impair access to nor comparability of sustainability information especially once digitalisation requirements will be implemented.

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

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

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

Connectivity between non-financial and financial reporting is still work in progress and at an early stage although the issue is not new, and several initiatives have been taken to enhance connectivity (establishment of the IIRC Integrated Reporting Framework and educational material published by the IASB along with the Board’s Management Commentary project). Companies are currently reflecting on how to improve the disclosures in their financial statements related to the impacts of sustainability factors and in particular climate-related risks. However, to achieve connectivity further work needs to be achieved regarding for instance the treatment and reporting of intangible assets. Consistency between the assumptions included in the financial statements with the assumptions and scenarios used in non-financial statements, but also with commitments and targets made public by companies to reduce their GHG emissions and their environmental impacts, is a concern which has already been singled out by different authorities (e.g. ESMA and the French Competent Authority) through guidelines addressed to public companies. As regards the requirements of ESRS 1 we would like to raise the following issues:

- As envisaged, the scope of reporting under the ESRS differs from the scope of consolidated financial statements and of the disclosure requirements of Article 8 of the Taxonomy Regulation (proportion of revenue, CapEx and OpEx associated with activities that are Taxonomy eligible and aligned) which for instance exclude joint ventures. Accounting data should be required only on the scope of the financial statements, namely by excluding companies accounted for under the equity method, as well as companies controlled but not consolidated because not material. When an item involves a combination of financial and sustainability information, the accounting scope must take precedence for the sake of consistency. For the sustainability information relating to the elements of the value chain out of the control of the undertaking, it seems preferable to give nothing rather than to make approximations which can put the issuer at risk; a progressive approach across the entire value chain will enable companies to gradually implement processes allowing reliable collection of data.
- Similarly, the disaggregation by business sectors should be based on the information available to management and which allows it to monitor its performance and actions. These segments should therefore be those used today for segment reporting.
- The time horizons defined by ESRS 1 does not necessarily corresponds to the time horizons considered when establishing the financial statements (please refer also to our answer to Questions 31 and 33).
- Paragraphs 138 and 139 require a reconciliation with the financial statements and, paragraph 140, a “statement of consistency” when such reconciliation is not possible. These requirements applied to both quantitative and qualitative datapoints of each topical standards would result in an overload of information. We consider that consistency between sustainability reports and financial statements is already captured by paragraph 137 as a general principle that reporting entities must apply when drafting their sustainability reports and subject to verification by statutory auditors or independent assurance services providers. Therefore, we consider that paragraphs 138 and subs. should be deleted.

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

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

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

Cross-references and incorporation by reference are common practices used by French companies in their Universal Registration Documents. These practices should be allowed without restrictions as long as they do not impair access to information and understandability of reporting. The Prospectus Regulation in particular, allows companies to include information contained in a separate document or report as long as said document or report is included in the list under Article 19 of the regulation, publicly available and established in the same language. This provision helps to alleviate the volume of prospectuses and enhance their comprehensibility while ensuring that all information necessary for investors to take an informed decision is available. The same regime should apply to sustainability reports. Companies fear in particular that, if the ESRS are adopted and implemented as they stand, the length and complexity of sustainability reports will significantly increase to the detriment of clarity and understandability. Incorporation by reference and cross-references will be most instrumental in avoiding such outcome. We are therefore not in favour of forbidding the incorporation by reference in sustainability statements of information contained in reports other than the management report (eg.: to provide comparative data, companies should be allowed for instance to incorporate in their sustainability statements information included in sustainability reports previously published). This possibility seems all the more important for the elements contained in the financial statements in the logic of ensuring connectivity and insofar as several elements to be given are those designated by IFRS (Revenues, Capex, etc.). The fact that the CSRD requires that sustainability information shall be clearly identifiable through a dedicated section of the management report does not forbid cross-references and incorporation by reference.

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

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

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

Please refer to our answer to Question 10 above.
We understand the need to assure the reader of the reliability and connectivity of sustainability elements with financial elements. However, the required references to financial statements sometimes seem excessive and without added value (e.g. the case of training costs). Many indicators required for sustainability reporting have a granularity that goes well beyond the information given in the financial statements. The mandatory

reference could be limited only to the elements defined by the IFRS standards and whose disclosure is imposed in the financial statements / annexes and an optional reference could be encouraged for other cases. The general principle of "consistency" as presented in paragraph 137 also seems very broad without security for issuers.

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

Characteristics of information quality

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

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

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

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

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

The principle of relevance of sustainability information is adequately defined, however the definition and application of the materiality principle is not clear, disseminated in ESRS 1, and therefore does not allow a clear understanding of its application (see Questions 18 to 23). This could consequently undermine the principle of relevance of sustainability information.

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

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

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

> The definition of faithful representation of sustainability information in draft ESRS 1 and draft IFRS S1 are very similar. However, the definition of “accurate information”, differs between the two standards: ESRS 1 refers only to processes and controls in place to reduce errors or material misstatements whilst IFRS S1 is more principle-based and gives examples. We consider that the definition of “accurate information” under draft ESRS 1 should be aligned with the definition of draft IFRS S1.

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

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

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

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

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

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

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

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

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

> Sustainability information is defined as understandable when it is clear and concise.
> We agree with this principle, however we believe that it should be reiterated throughout the standards. In fact, in certain Disclosure Requirements (DR) the level of information requested is not clear and, given the number of DR, it is important to promote this principle of clarity and conciseness to not overload sustainability reports.

Double materiality

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

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

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

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

> We agree that the proposed definition of double materiality fosters the identification of sustainability information that meets the needs of stakeholders.
> However, there is a lack of clarity on what constitutes a "material" or "relevant" or "significant" information, due to the multiple concepts presented in paragraphs 26 to 28, 43 and 46 to 56, that could be simplified. In particular, paragraph 48 establishes that the terms significant and material have the same meaning, however paragraph 51 distinguishes between the materiality of an actual impact and the significance of a potential impact. In addition, a significant impact could be positive or negative.
> The use of threshold and/or criteria mentioned in paragraph 43 should also be clarified, e.g. by specifying that the undertaking can define these threshold/criteria based on their judgement and on the enterprise's experience. The draft IFRS S1 refers to the notion of "applying judgement to identify material sustainability-related financial information". This notion should be introduced in ESRS 1.

The definitions of relevance of sustainability information in draft ESRS 1 and draft IFRS S1 are very similar but the definition of "materiality", which is an enabling factor of relevance, differs between paragraph 28 of draft ESRS 1 and paragraph C8 of Appendix C of draft IFRS S1. In order to maximize interoperability between the two standards and since the concept of materiality is used in other parts of ESRS 1 (paragraph 30 regarding the definition of faithful representation for instance), we consider that the definition of materiality under draft ESRS 1 should be aligned with the definition of draft IFRS S1 as regards financial materiality.
Also, we consider that implementation of the double materiality principle does not require companies to address in their sustainability report the needs of all stakeholders. Double materiality requires an assessment of the impacts of a company's activities on its ecosystem and the environment and an assessment of the impacts of sustainability factors on the company's performance, financial situation and prospects, but it does not require the company to address the needs of every stakeholder. Such an objective, if achievable, would result in the publication of a disproportionate amount of information, many of which would not be material for the company and for most of its stakeholders. This would be detrimental to the implementation of the double materiality principle, but also to the relevance, verifiability and understandability of sustainability reporting. Therefore, it should be specified in paragraph 44 and 45 that the undertaking should define its principal stakeholders through its materiality assessment.

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

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

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

We understand that the purpose of ESRS 2-IRO 1 is to require a description of the organisation and processes in place and of the methodologies used to assess and identify material sustainability-related risks and opportunities. The outcome of this assessment is to be disclosed under IRO 2 and IRO 3 in combination with the relevant topical standards since said outcome – e.g. a specific sustainability-related risk or opportunity – needs to relate to a particular sustainability topic, be it environmental, social or governance. In this regard, we understand that under paragraph 74(b)iii, companies would be required to disclose for instance whether they have defined a materiality threshold or other criteria to assess materiality. The paragraph 74b(iii) itself is practically feasible, however the need of clarifications regarding the definition of material and of the stakeholders (cf. question 18) makes the implementation of double materiality practically difficult.
In practice, companies establish and implement materiality matrices. They would welcome an explicit reference in IRO 1 to materiality matrices and a clear statement that such matrices constitute the basis for materiality assessment and that the disclosure requirements of IRO 1 can be fulfilled by a presentation of a materiality matrix including in a graphic form. The level of granularity expected in IRO 1 is not clear as each thematic standard requires a materiality assessment and materiality matrices could serve as an executive summary of the materiality assessment.

Impact materiality

- A definition of impact materiality is given by ESRS 1 paragraph 49: “a sustainability matter is material from an impact perspective if the undertaking is connected to actual or potential significant impacts on people or the environment over the short, medium or long term. This includes impacts directly caused or contributed to by the undertaking and impacts which are otherwise directly linked to the undertaking’s upstream and downstream value chain.”
- A description of how to determine impact materiality and implement impact materiality assessment can be found in ESRS 1 *paragraph 51* and is complemented by ESRS 2 *Disclosure Requirement* 2-IRO 1, paragraph 74b(iii), AG 64 and AG 68.

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

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

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

Few international standards define impact materiality. The GRI provides guidance to determine material topics, using sector standards to understand the sectors’ context and engaging with relevant stakeholders and experts to identify actual and potential impacts and assess the significance of the impacts. The undertaking also has to prioritize the most significant impacts for reporting by testing the material topics with experts and information users. The definition of impact materiality in ESRS does not introduce any notion of stakeholder prioritization thereby jeopardising the feasibility of the double materiality, but also to the relevance, verifiability and understandability of sustainability reporting. (See question 18).

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

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

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

Please see question 18 on the need for clarifications on the definition of materiality.
Our reservations regarding the implementation of impact materiality mainly concern the fact that the ESRS do not seem to take into account the materiality assessment that could be performed by the reporting entity to determine the scope of the themes, actions, stakeholders and of the value chain. The definitions, the expected process, as well as the significance of the materiality assessment (IRO 1, 2 and 3) have to be clarified. Also, we disagree with the principle that in the case of a potential human rights impact, the severity of the impact takes precedence over its likelihood. Implementation of this principle could result in reporting on social risks with very low probability of occurrence and which would not be material for stakeholders thus impairing the quality of reporting.

Financial materiality

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

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

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

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

> The definition of financial materiality as per ESRS 1 paragraph 53 is overall aligned with the definition of the disclosure requirement under paragraph 22 of draft IFRS S1 related to the financial position, performance and cash flows of reporting entities : « An entity shall disclose information that enables users of general purpose financial reporting to understand the effects of significant sustainability-related risks and opportunities on its financial position, financial performance and cash flows for the reporting period, and the anticipated effects over the short, medium and long term—including how sustainability-related risks and opportunities are included in the entity's financial planning. » We consider however that, in order to ensure full interoperability, the scope of financial materiality under ESRS should be aligned with the scope of IFRS Sustainability Standards. The notion of « enterprise value » also needs to be defined precisely.

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

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

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

> The paragraph 77 of ESRS and the related AG 61 require disclosures that seem to come from the CDP questionnaire without further information being provided. We do not understand if the sole expected cash effects are required or if further effects on accounting KPIs would be mandatory? Companies consider that a

forward-looking analysis of potential impact on financial statements raises some issues for the following reasons:

- The perimeter is not fully aligned between financial statements and sustainability report.
- Accounting rules on recognition and evaluation which would be applied when the effective impact occurs could lead to a significantly different conclusion from the evaluation made at an early stage within the sustainability report.
- The distinction with a profit forecast according to the Prospectus regulation would put companies at risk.

(Materiality) Rebuttable presumption

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

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

The combination of the two is designed to make sure that the entity will report on its material impacts, risks and opportunities, but on all of them.

The assessment of materiality applies not just to a given sustainability matter covered by a given ESRS (like ESRS E3 on biodiversity for example), but also to each one of the specific disclosure requirements included in that ESRS. However, this excludes the cross-cutting standards and related disclosure requirements, which are always material and must be reported in all cases.

When a sustainability matter is deemed material as a result of its materiality assessment, the undertaking must apply the requirements in ESRS related to these material matters (except for the few optional requirements identified as such in ESRS). Conversely, disclosure requirements in ESRS that relate to matters that are not material for the undertaking are not to be reported.

The (materiality) rebuttable presumption mechanism described in ESRS 1 paragraphs 57 to 62 aims at supporting the implementation and documentation of the materiality assessment of the undertaking at a granular level.

ESRS 1 paragraphs 58 to 62 describe how to implement the rebuttable presumption principles. In particular, “The undertaking shall therefore assess for each ESRS and, when relevant, for a group of disclosure requirements related to a specific aspect covered by an ESRS if the presumption is rebutted for:

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

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

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

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

- (x) Not at all
- ( ) To a limited extent with strong reservations

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

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

We raised in questions 18 to 23 several practical difficulties related to the application of materiality as it is defined in these draft standards. More generally, we consider that the materiality assessment must be the cornerstone of the sustainability reporting as it ensures relevance and clarity. The CSRD also defines material information as follows : “sustainability information is relevant when it has substantive influence on the assessments and decisions of users of sustainability reports under a double materiality approach”. It is therefore difficult to envisage an application of materiality based on the justification of what is not material, resulting in a mechanism of “comply or explain”. Therefore, we consider that the concept of “materiality presumption” should be removed from the general principles defined by ESRS 1 : such a concept is contrary to the approach of the CSRD and the overarching principle of materiality laid down in the directive (“information necessary to understand”) and runs the risk to unnecessarily burden sustainability reports. Even though the proposed presumption would be rebuttable, we do not consider that it would ensure that the sustainability report is really focused on the material aspects for the undertaking. In order to guarantee a relevant application of the double materiality, it would be necessary above all:

- To review and precise the definition of materiality.
- To remove the materiality presumption, so that undertakings would be sole responsible for identifying their material risks and impacts, in particular, through the consultation of stakeholders. The topics addressed in the standards may serve as guidance for the assessment of materiality without all the indicators and disclosure requirements being automatically considered material for companies.
- Finally, regarding the PAI indicators:

o As an exemption to the materiality principle mentioned above, mandatory PAI indicators would always be considered material and their disclosure would always be required.

o As regards optional PAI indicators, reporting entities would be responsible for determining whether these indicators are material or not and either disclose the indicator or, if not material, disclose that said indicator equals to zero (in a similar way to the OpEx indicator exemption introduced by Delegated Regulation (EU) 2021/2178 supplementing the Taxonomy Regulation).

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

Please refer to our answer above to Question 24.

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

Please refer to our answer above to Question 24.

Q27: how would you suggest it can be improved?

Please refer to our answer above to Question 24. If the materiality presumption is maintained, companies stress the fact that they are not in favour of negative statements. The CSRD requires that an opinion on sustainability reporting is given by the statutory auditor or an independent assurance services provider on a company's sustainability reporting, including compliance of the sustainability report with the reporting standards, on the process carried out by the company to identify the information reported pursuant to the standards, on the mark-up of sustainability reporting and on the indicators reported pursuant to Article 8 of the Taxonomy Regulation. Although assurance standards are still to be defined, companies consider that the due diligences carried out by the statutory auditor or by the independent assurance services provider will ensure that there is no omission of any material information in a company's sustainability reporting which could influence decisions or assessments by stakeholders and users of sustainability reporting. Therefore, companies consider that a real improvement would be to allow omission of non-material disclosures, be it an entire ESRS or a specific disclosure requirement, without requiring a negative statement. If the requirement to include negative statements is maintained, companies consider that, in order to ensure that the rebuttable presumption is efficient and brings real relief:

- they should not have to disclose the thresholds and criteria established to assess materiality;
- they should not have to explain why an ESRS or a specific disclosure requirement is not material;
- they should be able to present in a single table the list of ESRS or disclosure requirements deemed not material, for instance at the end of the management or sustainability report, to avoid displaying "not material" mentions all over said report.

Reporting boundary and value chain

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

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

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

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

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

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

The approximation of information in the value chain that cannot be collected goes against the principle of verifiability and faithful representation as it may lead to largely wrong estimates due to the lack of delimitation of reporting boundaries. There should be a clearer acknowledgement that a company's ability to collect data and provide a description of sustainability-related issues on entities outside of its operational control and across its entire value chain is difficult, sometimes not possible and potentially inherently inaccurate. It will also often be impractical for a company with complex global supply and distribution chains to be able to evidence a link between the impact of an sustainability-related risk along its value chain and the undertaking's own operations. The standards should not risk providing information to stakeholders which could potentially be incomplete or misleading. Even where the standard accepts that undertakings may have to rely on approximations or external information, the current draft would require a firm to describe "the planned actions to reduce the missing data in the future". If the data simply does not exist it may not be possible to describe such a plan.

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

We consider that the extension of the reporting boundary to the value chain should not be required when the use of estimates or sector data does not allow to produce high-quality reporting (ie information meeting the characteristics of relevance, faithful representation, comparability, verifiability and understandability) or generates additional excessive costs.

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

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

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

Flexibility should be given to companies to determine the level of disaggregation as well as segment breakdown. We could agree that the reporting company should adopt a level of disaggregation consistent with the ESRS sector classification but in order to ensure connectivity, this level should also be consistent with information provided in accordance with Article 8 of the Taxonomy Regulation (reporting is made by economic activities according to the NACE classification) and in the financial statements. Therefore, we consider that ESRS 1 (see paragraph. 74) should not mandate a specific breakdown by country, by site or by significant asset. In their financial statements, companies can report in particular by geographical areas but not country by country.

Time horizon

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

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

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

- ( ) Yes
- (•) No
- ( ) I do not know

Please explain why

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

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

- ( ) Yes
- ( ) No
- ( ) I do not know

Please explain why

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

> We suggest not defining the different time horizons. ESRS 1 should leave flexibility to companies, as envisaged by the ISSB in its draft IFRS S1, to determine short-, medium- and long-term horizons depending on their activities and industry-specific characteristics (cash flow and business cycles, expected duration of capital investments, time horizons over which the users of general purpose financial reporting conduct their assessments, and the planning horizons typically used in an entity's industry for strategic decision-making).

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

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

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

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

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

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

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

> These three principles (DP 1-1, 1-2 and 1-3) provide a global framework. However, each of these three principles is included in every thematic standard. Therefore, the description of these principles as such is redundant with the thematic standards and can be confusing. As stated above, we consider that ESRS 1 and 2 should be merged and streamlined to facilitate reading and understanding.
> Furthermore, we consider that paragraphs 98, 101 and 101 should be deleted. When the reporting company has not set any targets, policies or action plans requiring disclosures would result in boiler plate statements and additional burden with limited informative value for stakeholders.

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

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

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

See our answer to Question 34.

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

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

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

See our answer to Question 34.

Bases for preparation

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

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

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

- ○ Yes
- ● No
- ○ I do not know

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

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

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

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

ESRS 1 – General Principles

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

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

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

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

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

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

Although draft ESRS 1 and draft IFRS S1 have common characteristics their objectives are different considering the double materiality principle laid down in the CRSD (and that governs the ESRS. This diverging approach between the ESRS and the IFRS Sustainability Standards cannot be resolved. We consider however that interoperability between the two sets of standards could be improved and that ESRS 1 could be amended in several ways to enhance interoperability:
- The requirement of ESRS 1 to perform back-testing of data should be removed ; IFRS S1 does not impose such a requirement.
- The definition of time horizons in ESRS 1 does not appear to be relevant and should be deleted ; IFRS S1 allows the reporting entity to determine short-, medium- and long-term horizons depending on industry-specific characteristics (cash flow and business cycles, expected duration of capital investments, time horizons over which the users of general purpose financial reporting conduct their assessments, and the planning horizons typically used in an entity's industry for strategic decision-making).
- IFRS 1 lays down the following principle in terms of understandability : "Disclosures are concise if they include only material information. Any immaterial information included shall be provided in a way that avoids obscuring". Providing this clarification in ESRS would avoid information overload and allow better consistency between ESRS and IFRS.

ESRS 2 – General, strategy, governance and materiality assessment

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

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

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

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

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

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

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

ESRS E1 – Climate change

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

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

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

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

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

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

For part H, please explain why costs would be unreasonable and / or what particular benefit ESRS E1 offers

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

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

B : In order to foster clarity, it would have been preferable to use the same structure as TCFD with 4 pillars, instead of the current presentation with 3 pillars.
The definition of climate adaptation is surprising: instead of only addressing only physical risks, it is supposed to address also transition risks.
In order to respect the proportionality principle of the CSRD, companies should be allowed to set up their short term, medium term and long term targets without using systematically the 5 year time period: adjustment the periodicity should be possible.
C : It is not possible to compare GHG and energy data through a ratio using turnover as a denominator given the different characteristics of activities. Such reporting is only relevant for comparison within same activities. Furthermore, the use of turnover is very much impacted for energy activities by the volatility of energy prices.
Furthermore, the need to define energy consumption by source of energy exceeds the requirement of the SFDR which is distinguishes only the split between renewable and non renewable energy.
The concept of locked-in emissions is very briefly defined in appendix A of this standard and is not mentioned in the SEC and ISSB draft standards. Either the standard should define the concept in much further details with reliable methodologies, or it should not remain with such level of imprecision in the text. In any case, the validation of locked-in GHG emissions in key activities by accredited independent third party organization would be very challenging as the assessment of those locked-in emissions would rely on expert judgment based on complex and non-public modelling.
Difficulty to have access to data to be collected outside EU : reliable data reporting is not always compulsory depending on the countries of settlement. Indications should be accepted when no reliable data is yet available and actions plans to make them accessible should be defined.
Transparency : indications should be given to access all the GHG emission factors that are used by the company.
Uncertainty : it is fundamental that EFRAG standard indicates the need to assess for each data to be released the level of uncertainty for instance in percentage (+/- x %). Indeed, the level of uncertainty can be very high especially for scope 3 assessment.
E : Highly sensitive information is difficult to disclose when relating to opportunities as they reveal the company's strategy which should remain confidential for competition issues.
The disclosure to calculate the share of assets at material physical risks should be based on thresholds and complementary methodologies should be defined.
F and J : GHG information across value chain is very difficult to obtain with a good level of certainty. The assessment of materiality methodology for scope 3 emissions should be precised: are they based on a percentage or an absolute value of emissions compared to the total emissions. The standard should refer to the 15 scope 3 categories of the GHG Protocol instead of creating 5 new intermediate categories.
H : In order to avoid excessive costs to gather the data in the value chain, it is necessary to apply annex H of ISO 14064-1 or equivalent measures in the GHG Protocol.
I : Until the recent CSRD final trilogue agreement, there were not any EU legislation directly obliging at company level to ensure that its transition plan was individually compatible with the 1.5°C objective. The European Climate Law setting up targets at EU level for Member States for 2030 and 2050 refers to the Paris Agreement and not only to the 1.5°C objective. This new direct obligation on companies created in the CSRD and mentioned in DR E1-1 is unique worldwide and it raises serious concern about its real feasibility. Indeed, the final CSRD text does not define rules and criteria to be applied when deciding upon the "compatibility" of the transition plan with the "1.5°C" target, nor the way the company should "ensure" this compatibility ; in particular, which experts may decide upon this compatibility and the way to "ensure" it,

given which criteria, applying which accreditation procedure ? Would this responsibility rest on verifiers only ? and in this latter case, based on which criteria defined in which regulations ?
This very complex issue is paramount to foster low carbon investment and must be dealt within EU Regulation and not left to private initiatives as those will not be considered as legally acceptable. EU must deal with the technicality of how to define the way company can ensure their transition is compatible with the 1.5°C objective. If the EU refuses to do so, then the CSRD wording should be changed by suppressing the word “ensure” and referring to the objectives of the Paris Agreement and not only the 1.5°C target.
J : EFRAG standard defines indicators beyond ISSB climate requirements and SEC requirements. Possible use of either GHG Protocol or ISO 14064-1 should be mentioned.

ESRS E2 – Pollution

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

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

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

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

	Not at all	To a limited extent with strong reservations	To a large extent with some reservations	Fully	No opinion
A. Covers sustainability information required by articles 19a and 19b of the					

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

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

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

B : This standard tackles the prevention, control and elimination of local pollution which has been at the heart of the IPPC Directive which then became the IED. Those pollutions are highly regulated by general principles which are then fully implemented by local authorities given the specific risk assessment on environment and human health to prevent and remediate pollution.
In this context, companies do not decide upon their installations' pollution reduction targets, unlike for greenhouse gases which are managed at company level, as emissions limit values are decided by the local authorities.
Local reporting at installation level is already implemented within the EU for each pollutant to be monitored following instructions of the local authority, using appropriate regulations such as the EPRTR at European level. Any consolidation in volume of emissions for each pollutant of each installation in a global company reporting is meaningless, as the risk can only be assessed at installation level and not at global level.
Local impacts do not correspond to a sum of authorized emissions for all installations. Setting up a global volume of emissions at group level and not installation by installation cannot provide any relevant information

about the potential impacts as those can only analyzed at local level given the specific risks for the environment and the human health.
The standard tends to assume that assessing the volume of emissions, even locally, is a good indicator of the level of pollution. This is questionable as the authorized level of emissions are defined by the local authority in order to avoid pollution.
C : It is not possible to provide simple indicators to enable comparisons across sectors as risks are directly linked to the specific local context of each installation.
D : Impacts cannot be assessed by the total volume of authorized emissions. Other impact indicators are more suitable.
When it comes to the identification of substances of concern, reporting should only focus on SVHC (substances of very high concern) which are the only ones to be very well defined, when relevant. Analyses can only be made at substance level but not at substances group level.
Confidentiality should be ensured for sensitive information about the market size of products/services at risk due to pollution-related issues, information on costs (E.2-2), provisions at lower scale than group level (E2-6)
E : Financial information will raise confidentiality issues when referring to actions associated to incidents /accidents, as well as OPEX and CAPEX.
F : As already mentioned, it would be a challenge for verifiers to approve indicators defined as the total volume of emissions for a pollutant at group level.
Companies find that identifying the specific pollutant emissions / impacts all along the value chain will be very difficult to implement as the number of data is very important for a single installation and given the usual important number of suppliers and their numerous installations. Availability of the upstream/downstream data would also be an issue. Progressivity should be ensured.
Application of environmental footprint method is not compulsory. It is a sheer recommendation by the European Commission.
Companies wonder how to report in a consistent way pollution impacts from installation in countries outside the EU where reporting regulations are often different.
G : Calculation in total volumes at group level would not create meaningful information in regard of local pollution impacts.
H : A local reporting of emissions is already available at group level in compliance with EU legislation such as the EPRTR. Duplicating such a reporting at group level would be very costly. An indication at group level on the way this local data can be accessible would seem much more preferable.
Companies find that identifying the specific impacts of pollutants all along the value chain will be very difficult to implement as the number of data is very important for a single installation and given the usual important number of suppliers and their numerous installations. Progressivity should be ensured.
I : The global objectives of EU legislation are respected but the way they are applied to companies through the application of BREFs and the setting up of emissions limit values by local authorities given the environment of each installation is not taken into account.
J : The standard should refer to ISO 14000 standard series which are a very common basis for setting up continuous improvement at installation level. It seems that during the preparation of the standard, some stakeholders have claimed the need to rely on EU companies to impose the EU environmental standards in all their countries of settlement. If EU companies may adopt willingful action towards equal environmental performance worldwide for their activities, state level action would remain essential to reach a level playing field.

ESRS E3 – Water and marine resources

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

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

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

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

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

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

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

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

B : The respect of environmental limits approach mentioned in section 1c) does not seem very pragmatic at company level, as it mainly addresses state level action. It would seem more pragmatic to mention the contribution of companies to respect those limits at global level.
This standard refers to local pollution, especially in the case of water; it should be made clear that reporting should mainly apply to zones of high water stress where the company conducts activities, and not to the global company level. Global water consumption volumes at company level do not seem meaningful in view of decision making.
C, D and H : Comparability across sectors will be difficult to ensure as the assessment of materiality will result in very different situations in terms of high water stress settlements. Furthermore, the access to information across the value chain will be difficult to obtain.
The intensity ratios based on turnover do not appear relevant as they do not enable meaningful comparisons between two different activities. Getting in information on total volumes is neither a good information at company level as water consumption is often regulated at local level through permits granted by the local authorities.
In this regard, it is difficult to assess the relevance of this sector agnostic standard as long as we do not have any information on more sectoral disclosure requirements which would seem more appropriate for many sectors including water services including water sanitation.
E : Some information will have to remain confidential (e.g. : potential financial effects, risks and opportunities).
F: Getting water consumption in volumes from suppliers and customers seem very difficult. It is therefore questionable to require from companies to obtain precise water volumes from upstream and downstream actors. Progressivity is needed to phase in this type of data.
J : reference to ISO standards could enhance further alignment with international standards such as WEI and AquiDuct data bases.

ESRS E4 – Biodiversity and ecosystems

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

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

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

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

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

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

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

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

A : The objective set up at company level is much too strong as mentioned in §1 d) : “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 in general ; 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 the latest”.
Furthermore, E4-1 defines that “The undertaking shall disclose its plans to ensure that its business model and strategy are compatible with the transition to achieve no net loss by 2030, net gain from 2030 and full recovery by 2050”.
Those objectives which are not yet adopted at international level, will be directly applicable at States level and not at company level.
The no net loss approach seems insufficiently defined in the standard.
The means to ensure any compatibility with those objectives are not defined in the CSRD are any other biodiversity EU legislation.
In this context, either additional legislation is added at EU level to define the procedure to be applied by companies in order to ensure the compatibility with the objective, or the ambition required from companies in E4-1 has to be adapted.
B : Some important definitions are missing in appendix A (full recovery, biodiversity friendly, ecological threshold, net gain, raw material of concern, at risk of extinction) and the no net loss approach seems

insufficiently defined in the standard.
D, F, H, I and J : The definition of relevant indicators for biodiversity is still not stabilized as this notion depends on very complex notions following the definition of biodiversity in Convention (CBD) at 3 levels: intraspecies diversity, interspecies diversity and diversity in the relations between species and their sites.
Efforts from the scientific and the business community to identify pragmatic indicators are acknowledged but there is still a very long way to go before ensuring a science based approach on this subject. The difficulty to collect data for the whole value chain has to be taken into account.
Furthermore, biodiversity is an area where scenarios are too complex to set up given the number of parameters to integrate. In this context, companies cannot refer to them unlike for climate issues.
The current EFRAG standard seems far more ambitious at this stage than the TNFD which is already based on front runner companies.
In this context, the application of this standard on biodiversity should be progressive and steady without overly detailed information.
At this stage, it seems important to let companies report on this issue following their own maturity and provide companies for progressivity.
A deep and regular dialogue between preparers and users should be enhanced on this issue of biodiversity to define the relevant granularity of date in order to foster pro biodiversity investment decisions.

ESRS E5 – Resource use and circular economy

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

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

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

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

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

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

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

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

B : The already existing definitions in the EU legislation have not been inserted in this standard and they would probably be reintroduced in the forthcoming sectoral standards. This sector-agnostic standard refers in appendix A mainly to private organisations views and not the EU legislation documents. This is misleading because circular economy has been tackled in the EU legislation for a long time and this legislation is at the heart of companies continuous improvement in this field. An integration of EU definitions in this sector-agnostic standard should be favored for the sake of consistency. Definitions should be given to “geographical scope “ (E5-2) and “materials (E5-3).
In view of setting priorities within this standard, companies consider it should shed a specific focus on critical raw materials which are of very high interest for the EU.
The objective of “decoupling economic activities from extraction of non-renewable resources” should be replaced by “optimizing the use of non renewable ressources” as it is clear that the decarbonization of the economy will lead to a much more intense use of minerals.
For some activities, very high security standards for products are compulsory and they may contradict up to now with circular economy solutions. In such a case, companies should mention those security requirements and explain their ongoing action plan to further integrate circular economy in the eco-conception of those

products.
In point 6 of the “objective” section, the last sentence indicating “It is underpinned by a transition to renewable energy” referring to the 3 principles (“eliminate”, “keep in use” and “regenerate ecosystems”) should be suppressed as renewable energies are characterized by an enhanced need of critical raw materials.
Finally, recycling of dangerous waste must be differentiated and prioritized over recycling of non dangerous waste.
C : For those same activities (cf B), criterias for circular economy integration, especially those the ratios using turnover, cannot be compared with those of other activities. They should not be favoured.
D : It will be difficult to obtain all characteristics of products from suppliers especially for those which are subject to industrial secret. Therefore, it will be difficult to assess the impact of those products in the whole value chain. Indeed, disclosing information in absolute and percentage data for circular products will be very hard to ensure. Therefore, progressivity should be ensured for the collection of this data along the value chain.
F : The respect of industrial secret will make it difficult to set up accurate verification.
H : Requiring too many details and information across the value chain will create excessive additional costs while a company may still be able to set up relevant waste recovery solutions. A progressive approach is needed.
I : Alignment with EU legislation could be much clearer in the sector-agnostic standard by using strictly official EU legislation definitions. Consistency should be ensured with the standard on biodiversity: the notion of nature regeneration in AG 1 should be defined in the biodiversity standard and not in this circular economy standard.
J : There is a lack of references to the forthcoming ISO TC 323 works on circular economy. This international standard seems better suited than private approaches to create a relevant level playing field and enable comparisons.

ESRS S1 – Own workforce

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

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

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

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

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

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

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

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

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

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

The Disclosure Requirements on Own workforce cumulatively reach an excessive level of complexity:
- It is not relevant to multiply indicators and consolidate social data as social policies are national competences, and some concepts are defined at State level.
- The information to be provided by companies in the 26 disclosure requirements are too detailed and sometimes not relevant.
- The scope of the ESRS S1 Own workforce is problematic: companies are not employers of non-employees. Furthermore, the information regarding the non-employees should be put altogether in the S1.8 DR. The specific mentions through the other DR are confusing and make it difficult for the undertaking to properly understand what is required. They can also be misleading for the reader as the level of quality of the information cannot be the same for own employees vs non-employees.
- We do not subscribe to certain definitions arbitrarily proposed by EFRAG and which are not currently used in European or international legislation (living wage, fair wage…).
- Disclosing the information required in all DR and AG can be very problematic for companies as some data can be sensitive.
We would like to draw attention to the administrative burden of this new reporting obligations, which will require companies – particularly the 250 and above employees companies - to adapt their data-collecting processes as well as their information system, for instance some KPI require the calculation of medians, which can be very burdensome as HR systems may not be interconnected on the global perimeter. Besides, the data consolidation lack of relevance for some KPIs. It is therefore essential that the requirements are clear, proportionate, progressive and allow a certain flexibility in order to maintain the right balance between the cost they represent for the companies and the relevance and usability of the information for the stakeholders.
The assessment of material sustainability impacts, risks and opportunities as required by IRO 1, 2 and 3 should be the cornerstone to select on which impacts the detailed aspects of each DR should be provided. Therefore, it should be stated in each DR that the required information should only concern those main impacts. This reasoning is not clearly enough settled in the S1 standard : there is a strong need to harmonize the vocabulary for an appropriate legal framework. To avoid ambiguity between disclosure requirements and implementation requirements on each ESG topic, every DR must be drafted with the unique form of “shall disclose”. The addition of “if any” or “where relevant” is necessary in the detailed DR and AG to clearly state that the description is due only if, policies or targets or actions are implemented by the undertaking.
In the social field, the distinction between material risks and non-material risks is difficult to assess because all the social issues are material when seen through a moral point of view.
Digital reporting taxonomy (For all the 26 DR of ESRS S1): All the questions related to digital taxonomy are very sensitive for the undertakings and the users. Moreover, many social information required won’t be easy

to collect and consolidate. At this stage, the draft standard proposes no practical indication on how the taxonomy will be implemented and as a consequence, we are not in a position to comment on it.
Finally, the application guidance should be better articulated with the European legislation, for instance on privacy rights (§AG 31 (f)). It is more accurate to require an undertaking to declare if its policies respect a specific directive than developing, in the EFRAG standards, additional norms which are not in the EFRAG's prerogatives and add complexity.

ESRS S2 – Workers in the value chain

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

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

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

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

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

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

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

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

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

The specific aspect of workers in the value chain are not mentioned at any point of the final version of the CSRD. It is specified in Article 1, Article 19a on Sustainability reporting, that the undertakings' reporting should contain information about principal actual or potential adverse impacts connected with the undertaking's value chain, including its products and services, its business relationships and its supply chain and actions taken to identify and track these impacts. More generally the directive requires that, where applicable, the reporting contain information about the undertaking's own operations, and about its value

chain, including products and services, its business relationships and its supply chain.
We thus consider that the value chain shall be considered, depending on the size and activity of the undertaking, in the corresponding DR, in ESRS 2, notably 2-GR3, 2-SBM2, 3 and 4, 2 GOV 5, and particularly, as stated by the directive, in the analysis of the principal actual or potential adverse impacts connected with the undertaking's own operations and with its value chain. The PAI regarding the value chain may concern the social aspects or environmental or governance topics. That's why it should be a transverse analysis.There is no justification to have a specific standard requiring information about workers in the value chain, as it is not intended in the CSRD to specifically target information about workers. Also, it should be made clear that the information requested is that relating to the value chain previously defined by the entity in its due diligence assessment analysis in ESRS 2 (DR 2 – IRO 1). The current wording of the AGs suggests that information is requested on the entity's entire value chain.
Indeed, it is also stated that the standards shall take account of the difficulties that undertakings may encounter in gathering information from actors throughout their value chain, especially from those which are not obliged to report sustainability and from suppliers in emerging markets and economies. Furthermore, standards shall not specify disclosures that would require undertakings to obtain information from small and medium-sized undertakings in their value chain that exceeds the information to be disclosed according to the sustainability reporting standards for small and medium-sized undertakings.
Therefore, the information required about the undertaking's value chain must be carefully measured, based on the materiality assessment of the undertaking, and requested in a relevant and balanced manner in the different thematic standards. The extent of the value chain over which the entity is required to disclose information remains a major problem in the draft ESRS S2. Entities do not have information on all subcontractors. It will be very difficult, if not impossible, to collect even descriptive information given the exhaustive approach of the value chain that the entity must disclose information about. The further away from the subcontractors with whom the company has a contractual relationship, the less access the company has to quality information. The information collected may be of poor quality and non-auditable, hence not very useful for the readers.
Finally, there should be no crossing of targets (e.g. the standards on Affected communities or Consumers /end users refer to the Value chain). The indicators on each of the stakeholders (customers, suppliers, communities affected) must be carefully calibrated to provide information on the value chain without creating duplication.

ESRS S3 – Affected communities

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

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

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

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

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

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

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

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

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

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

The mention of the communities affected by the activity of the undertaking in the CSRD is concentrated in Article 1, Article 29b defining the sustainability reporting standards and specifically focused on the management and the quality of relationships with communities affected.
Considering this article :
- The draft ESRS S3 is much overly detailed compared to what is expected in CSRD. Furthermore, it does not introduce any notion of stakeholder prioritization. The undertaking should only report on the significant impacts/risks/opportunities, it is therefore necessary to specify the selection of these risks as a filter prior to the implementation of the disclosure requirements. It is also necessary to clarify the reporting obligations so that the undertaking reports only on what it does. Some impact assessments of the actions implemented will not be verifiable, it is necessary to limit the DR on the presentation of the policies and actions implemented. For those reasons, we consider that the topic should be address in ESRS 2 and in the governance standards.
- The indicators on each of the stakeholders (customers, suppliers, communities affected) must be carefully calibrated to provide information on the value chain without creating duplication.
- The definition of “affected communities” is unclear and should be more precise. In Appendix A, the definition of “affected communities” mentions communities that can live near by the organization’s operations and also those living at a distance. Hence, it is quite impossible for entities to figure out who are the affected communities.
- Given the information that is requested, it does not seem necessary to have a dedicated standard to the affected communities. Specific information could be required in other parts of the reporting and be coupled with other specific stakeholders’ information (e.g. customers and suppliers) in the part related to governance factors as it is requested in CSRD.
- The focus of ESRS S3 is on presenting risks, not opportunities. From a social perspective, it would have been possible to ask the company for information on its impact on local economic activity, for example in the area of employment. Relations with the entity's stakeholders such as international NGOs and academics are not considered in this reporting.

ESRS S4 – Consumers and end-users

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

1. how the undertaking affects the consumers and end-users of its products and/or services (referred to in this [draft] Standard as “consumers and end-users”), in terms of material positive and negative actual or potential adverse impacts connected with the undertaking’s own operations and upstream and downstream value chain, including its business relationships and its supply chain;

2. any actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential adverse impacts;
3. the nature, type and extent of the undertaking's material risks and opportunities related to its impacts and dependencies on consumers and end-users, and how the undertaking manages them; and
4. the effects of risks and opportunities, related to their impacts and dependencies on consumers and end-users, on the undertaking's development, performance and position over the short-, medium- and long-term and therefore on its ability to create enterprise value.

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

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

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

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

	Not at all	To a limited extent with strong reservations	To a large extent with some reservations	Fully	No opinion
A. Covers sustainability information required by articles 19a and 19b of the CSRD proposal (see Appendix II for CSRD detailed requirements)	(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	●	○	○	○	○
H. Reaches a reasonable cost / benefit balance	●	○	○	○	○
I. Is sufficiently consistent with relevant EU policies and other EU legislation	●	○	○	○	○
J. Is as aligned as possible to international sustainability standards given the CSRD requirements	●	○	○	○	○

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

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

Consumers and end-users are not mentioned at any point of the final version of the CSRD. There is however a mention of the customers in the CSRD in Article 1, Article 29b defining the sustainability reporting standards and specifically focused on the management and the quality of relationships with customers. The draft ESRS S4 is much overly detailed compared to what is expected in CSRD. Furthermore, the distinction between consumer/end-user and customer is important, since the undertaking has less leverage on consumers/end-users than on customers. The indicators on each of the stakeholders (customers, suppliers, communities affected) must be carefully calibrated to provide information on the value chain without creating duplication.
The undertaking should only report on the significant impacts/risks/opportunities, it is therefore necessary to specify the selection of these risks as a filter prior to the implementation of the disclosure requirements. If the undertaking has any material risk or impact related to consumer or end-user, it shall be disclosed accordingly through the materiality assessment as stated by ESRS 2.
It is also necessary to clarify the reporting obligations so that the undertaking only on what it does. Some impact assessments of the actions implemented will not be verifiable, it is necessary to limit the DR on the presentation of the policies and actions implemented.
This draft standard would duplicate many regulations on consumer information (eg: digital passport, etc.). Given the information that is requested in CSRD, it does not seem necessary to have a dedicated standard to the customers. The disclosure requirements should be limited to the management and the quality of relationships with customers, as requested on CSRD, and could be merged to other DR related to the management and the quality of relationships with stakeholders mentioned in the directive (suppliers and communities affected).

ESRS G1 – Governance, risk management and internal control

The objective of this [draft] standard is to specify disclosure requirements which will enable users of the undertaking's sustainability report to understand the governance structure of the undertaking, and its internal control and risk management systems.

This [draft] standard derives from the [Draft Corporate Sustainability Reporting Directive] stating that the sustainability reporting standards shall specify information to disclose information about governance factors, including:

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

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

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

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

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

The description of the sustainability matters that were addressed by the administrative, management and supervisory body can only refer to public information. Otherwise, it would raise confidential issues and contradict for listed companies Market Abuse Regulation. For the same reason, it is not appropriate to give indication on how those sustainability matters where dealt with. This requirement must not lead to disclose the content of the minutes of the board of directors which have to be kept confidential.

ESRS G2 – Business conduct

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

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

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

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

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

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

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

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

The standards do not define the notion of business conduct. In addition they should not pre-empt European law such as the corporate sustainability due diligence proposal. Some indicators are not relevant such as the number of reported allegations which does not permit to assess the effectiveness of a plan to prevent corruption or details of ongoing legal proceedings which may contradict the principle of presumption of innocence. The definition of lobbying activities is too extensive . The requirement to provide information on payment practices is not feasible for international companies having activities in various countries. The beneficial ownership requirements should be aligned with the directive (EU) 2018/843 which has modified the directive (EU) 2015/848.

2. ESRS implementation prioritisation / phasing-in

Application provisions

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

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

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

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

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

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

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

We consider that the ESRS disclosures requirements should phased-in over a period of three years following their first implementation. During this phasing-in period, disclosure requirements would gradually be implemented starting with core information (restricted scope) before moving to non-core information (extended scope). Therefore, for each topical ESRS (sector agnostic standards first and then sector-specific standards) an implementation plan stretching over a period of 3 years should be determined, focusing first on the publication of information related to the restricted scope: only core data would be required the first year ; an additional set of data would be required the second year with a final set of data kicking in the third and last year to reach the extended scope of reporting. To determine, for each topical ESRS, the restricted scope, the EFRAG should focus on information investors need in order to be able to comply with their specific obligations. The following additional measures could also be considered to facilitate the application of the ESRS:

- As a first step, making sector-specific standards and entity-specific standards optional.
- Requiring first qualitative information before gradually mandating quantitative disclosures.

Please explain why

Implementation of the CSRD and related sustainability reporting requirements will represent a major challenge for all companies, large and small as well as listed and not listed. Implementation of sustainability reporting will have significant impacts on the organisation, reporting processes and IT systems of the reporting entities. In this regard, a preparation period should be introduced to allow sufficient time for companies to prepare compliance with their new disclosure requirements and to ensure effective implementation and high-quality reporting. In comparison, the implementation of IFRS standards adopted by the European Union usually allows a period of several years for companies to prepare to their first

application: more than 3 years for IFRS 15 Revenue from contracts with customers between publication of the standard by the IASB and its first application and 3 years for IFRS 16 Leases.
Postponing however the publication of an entire ESRS or of one pillar of sustainability reporting (E, S or G) does not seem compatible with the requirements of the CSRD which mandates disclosures related to environmental, social and governance factors. Furthermore, this would not be consistent with the fact that under the NFRD, some companies already report on the 3 pillars (E,S and G). We recommend therefore for each topical ESRS to determine a restricted reporting scope, including core information, and an extended scope with non-core information. The phasing-in of the ESRS would first focus on core information before moving to non-core information.

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?

ESRS 1 General Principles – 2.3 Boundaries and value chain: extending the reporting boundary to direct and indirect business relationships in the upstream and downstream value chain will be challenging for all companies. Collecting data to assess and to report impacts, risks and opportunities along the value chain will prove challenging – if feasible – especially when the reporting entity does not exert control over its business partners and will eventually be very expensive. In this regard, we consider that paragraphs 65 to 70 should be amended to clearly state that the extension of the reporting boundary to the value chain is not required when necessary information is not available or the costs to collect the necessary data is excessive and the use of estimates or sector data does not allow to produce high-quality reporting (ie information meeting the characteristics of relevance, faithful representation, comparability, verifiability and understandability).
ESRS 2 General, strategy, governance and materiality assessment – 2 Disclosing on strategy and business model:_ The disclosure requirements regarding SBM should be simplified to allow, for instance, a visual representation. In their current format they generate some issues regarding possible disclosure of confidential/strategic information.

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

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

ESRS 1 General Principles –2.3 Boundaries and value chain: as explained above (please refer also to our answer to Question 53), we recommend extending gradually the reporting on the value chain starting with a restricted perimeter before extending the reporting to a larger perimeter. This extension of the boundaries of reporting could be achieved over a period of 3 years. Still the reporting entity would be sole responsible for determining the boundary of reporting, based on its own assessment of impacts, risks and opportunities, availability of data and the costs incurred.

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

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

The costs incurred to produce the disclosures required by the CSRD and the ESRS should be taken into account as a criterion for implementation. As a matter of fact, whilst draft IFRS S1 asks on several occasions if disclosure requirements appropriately balance the costs of applying the requirements with the benefits of information (in particular Question 16 of the ISSB's Exposure Draft IFRS S1 related to costs, benefits and likely effects), draft ESRS 1 does not make any reference to the costs of reporting. Costs of reporting as well as administrative burden are nevertheless key concerns for companies. Therefore, we recommend introducing a principle that disclosure requirements under the ESRS should not impose excessive costs or burden on the preparers. As indicated in the recital 40 of the CSRD (June version) ("It should be ensured that the information reported by undertakings in accordance with the sustainability reporting standards meet the needs of users and do not place a disproportionate burden in effort and costs on those reporting and those that are indirectly effected as part of the value chain of those reporting.") and in paragraph 2 of new Article 29b introduced in the Accounting Directive by Article 1 (7b) of the CSRD.

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

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

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

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