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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

European Association of Co-operative Banks

* First name

50 character(s) maximum

Maryia

* Surname

50 character(s) maximum

Sulik

* Email (this information will not be published or made public)

50 character(s) maximum

maryia.sulik@eacb.coop

* Country of origin

50 character(s) maximum

Belgium

*** 2. Type of respondent**

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

*** 3. Size**

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

* **4. User/Preparer perspective**

- User
- Preparer
- Both
- Neither

* **5. Subject to CSRD**

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

- Yes
- No

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

1A. Overall ESRS Exposure Drafts' relevance – Architecture

Cross-cutting and topical standards

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

• **Cross-cutting ESRS** which:

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

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

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

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

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

- Not at all

- ◯ To a limited extent with strong reservations
- ◉ To a large extent with some reservations
- ◯ Fully
- ◯ No opinion

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

We believe that the structure and articulation of EFRAG cross-cutting and topical standards adequately support the coverage of CSRD topics and reporting areas. However, EFRAG goes beyond the CSRD principles: the ESRS requirements are too numerous, granular and time-consuming for entities to fulfill.
We suggest that the technical quality, feasibility, and usability of the ESRS should be improved. At the same time, the complexity of the ESRS should be significantly reduced.
Greater clarity is needed around the relationship between key concepts/principles/definitions like materiality, relevance, significance, matters, topics, sub-topics, sub-sub-topics, and impacts/risks/opportunities. The proposed structure is complex and many of these terms are used interchangeably despite each having their own distinct meaning and definition. This makes the ESRS very hard to read and understand (from a structural point of view). And for important concepts as impact or due diligence - alignment with existing standards (such as the GRI) is necessary. In particular, EFRAG should make clear references to the GRI Standards within the ESRS whenever concepts, disclosures, guidance, and definitions have been taken over from the GRI Standards. It should also be well noted that the multiple terms should not be used for the same term e.g., material, relevant and significant.
We appreciate the attempt to link between the individual draft standards. However, we consider the structure to be too complex, difficult to understand and confusing. We are of the view that the structure of the standards needs to be revised - what is a principle, what is a heading to a topic, what is a definition of terms and what is mandatory to report, or a recommendation to report. It is impossible for the user of the standards to work with them efficiently if this is not done. For example, GRI has improved its structure of the years and might be a good model.
In addition, the disclosures required in the draft standards call for a fundamentally very cost-intensive restructuring of the internal reporting system. We would therefore welcome it if the required disclosures were limited to what is required by the CSRD.
Prioritisation of climate disclosures
Moreover, EFRAG requirements are very challenging to implement given the legislation timeline. We would encourage EFRAG prioritising the important requirements and making the other optional to avoid disproportionate administrative burden on undertakings. In our opinion, the important information to extract is the entity's improvement through its transition.
In particular, the inclusion of environmental standards beyond ESRS E1 “Climate change” may be too challenging to implement given the timeline and data availability issues. We would suggest keeping all the DR necessary for SFDR PAI (as tagged as such by EFRAG) from ESRS E2-E5 and either postponing the other DR of E or move them to the sector-specific standards. Focusing on climate disclosure first would also bring more convergence with international standards, as the ISSB only issued general and climate sustainability standards. Climate is today a universal acknowledged issue with common methodologies for calculation. These are the reasons why climate requirements might be easier for entities to fulfil.
We are further concerned that EFRAG requirements will lead European entities to disclose sensitive information that will disadvantage them against their international competitors not subjected to such requirements. For example, in France this major concern has been addressed in the French Association of Private Entities (AFEP) letter, emphasizing the business secrecy: enterprise strategy, knowledge and expertise should be protected to ensure company's competitiveness. Therefore, in nowadays context of economic war, such granular information on the enterprise strategy, governance, business plan, financial opportunities, and transition plan, to name a few, should not be made public since it will create an unfair disadvantage with regards to the international competition.

Alignment and interoperability with international standards and frameworks

- Article 19b paragraph 3a of the CSRD requires that “When adopting delegated acts pursuant to paragraph 1, the Commission shall take account of the work of global standard-setting initiatives for sustainability reporting, and existing standards and frameworks for natural capital accounting, responsible business conduct, corporate social responsibility, and sustainable development."

- ESRS EDs were drafted accordingly, with the objective of fostering as much alignment as possible considering the constraints imposed by other provisions included in articles 19a and 19b as per the CSRD proposal. Details of these provisions and how they are covered by the ESRS EDs can be found in Appendix I.
- The structure and organisation of the reporting areas was one aspect of alignment to which particular attention was paid. Thus, the two categories of standards are organised to cover the reporting areas in relation to governance, strategy, assessment/management of impacts, risks and opportunities, and targets/metrics (as considered by the Task Force on Climate-Related Financial Disclosures - TCFD and source of inspiration for the IFRS Sustainability standards). A detailed mapping of the ESRS EDs disclosure requirements with TCFD recommendations and with IFRS Sustainability Exposure Drafts can be found in Appendices 5 and 6.

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

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

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

We welcome the use of the TCFD framework which brings more international compatibility, considering it is also being used by ISSB disclosures. In particular, we welcome that EFRAG relied on the 2021 TCFD to develop its standard on climate-related disclosures.
However, while being compatible, it sets out in far greater detail and extent the non-financial information that entities should report. The TCFD framework focuses only on climate-related disclosures though the lens of governance, strategy, risk management, metrics and targets, while EFRAG explicitly dedicates drafts to social and governance.
We think that compatibility with the TCFD framework should be noted in the respective standards.

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

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

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

We welcome the compatibility and cooperation efforts between EFRAG and ISSB as it is of furthermore importance to avoid for entities the duplication of reporting on close topics. Apart from the reference to the taxonomy regulation, we believe that the ESRS and the IFRS Sustainability Exposure Drafts have a similar structure as they both built on the TCFD framework. ESRS and ISSB sustainability EDs converge on common concepts and definitions, which is crucial to ease the comparison between the two standards.
At the same time, the number of disclosure requirements in the ESRS exposure drafts significantly exceeds those proposed in IFRS. EFRAG is generally much more detailed and demanding on its requirements than ISSB, for instance, on the transition plan, scope of the resilience analysis, policies implemented to manage climate change mitigation and adaptation which is not explicitly covered by ISSB, financial materiality, etc.
While the overall structure of both exposure drafts is compatible, however, the content of the requirements differs:
• The definition of the materiality is different as the ISSB considers implicitly the impact materiality, but subject to jurisdictions and entities interpretation, whereas EFRAG considers it explicitly. Besides, ESRS EDs allow users to report in three different ways. Moreover, there is no materiality assessment and due diligence guidance in the ISSB ED.
• One of the key differences between EFRAG and ISSB is their targeted audience: ISSB reporting is designed to meet the needs of the primary users of general-purpose financial reporting to understand the potential value of an entity given its significant sustainability risks and opportunities, while EFRAG aims to provide information to both users and impacted stakeholders.
• The ESRS ED proposes disclosures standards on topic such as biodiversity, governance or social aspects while the ISSB ED only proposes standards on climate (but IFRS S1 requires disclosures beyond climate, using existing frameworks).
• Beside the Taxonomy reference, for some climate requirements EFRAG has taken a different approach than ISSB. On the transition plan, for example, EFRAG targets the alignment with limiting global warming to 1.5°C while ISSB leave the entity sets its own target.
Those differences might hamper the interoperability of the two standards and more importantly disadvantage EU entities compared to their international competitors. In particular, we would like to see better interoperability with regard to the definitions and the determination of materiality. We would like to also note that the management judgement should have a bigger weight in ESRS as it does in IFRS, both when referring to double materiality, the value chain or time horizons, for example. From our point of view, informing about the material impact of an activity (taking account of probabilities, etc.) in the long term and, as mentioned in the text, “not limited to direct contractual relationships” may sound too ambitious.

Consideration given to EU policies and legislation

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

1. the information that financial market participants need to comply with their disclosure obligations laid down in Regulation (EU) 2019/2088 and the delegated acts adopted pursuant to that Regulation - **Sustainable Finance Disclosure Requirements**;
2. the criteria set out in the delegated acts adopted pursuant to Regulation (EU) 2020/852 - **Taxonomy Regulation**;
3. the disclosure requirements applicable to benchmarks administrators in the benchmark statement and in the benchmark methodology and the minimum standards for the construction of EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks in accordance with Commission Delegated Regulations (EU) 2020/1816*8, (EU) 2020/1817 and (EU) 2020/1818 - **Benchmark Regulation**;

4. the disclosures specified in the implementing acts adopted pursuant to Article 434a of Regulation (EU) No 575/2013; **Prudential requirements for Credit Institutions and Investment Firms**;
5. Commission Recommendation 2013/179/EU; **European Commission recommendation on the life cycle environmental performance of products and services**;
6. Directive 2003/87/EC of the European Parliament and of the Council; **GHG allowance Directive**;
7. Regulation (EC) No 1221/2009 of the European Parliament and of the Council; **EMAS regulation**.

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

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

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

> In principle, the above-mentioned EU regulations have been incorporated, however, the scope of the drafts goes far beyond the mandate laid out in the CSRD. The only thing that matters is the compatibility with this, but not the repetition of already existing information and no additional information that is not absolutely necessary. Otherwise, data collections will be created for which there is no use. The standards must be practicable, focused on the essential goals and quickly implemented.

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

> We would encourage EFRAG to consider the 14 proposals of the Fit for 55 package that aim at reducing net greenhouse gas emissions by at least 55% by 2030.
> Furthermore, we believe that in due course the requirements of the future Corporate Sustainability Due Diligence Directive should also be taken into account. Article 15 of the Directive introduces the obligation for entities to adopt a "plan to ensure that the business model and strategy of the company are compatible with the transition to a sustainable economy and with the limiting of global warming to 1.5 °C in line with the Paris Agreement".

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.

> Basically, all CSRD sustainability topics have been taken into account in the ESRS EDs. However, they have been developed in much more detail than foreseen in the CSRD. At the same time, we think that a final judgement can only be made in conjunction with the sector-specific standards.

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

> Only practice will show whether the agreement has really succeeded. We would like to encourage EFRAG to gather practical experience and close gaps without delay.

The EACB proposes that the ESRS requirements are also aligned with the SFDR requirement for financial market participants to disclose the KPI of shares of revenue (percentage, %) that are Taxonomy-aligned in the underlying investee companies that are non-financial undertakings in Article 8 and 9 SFDR financial products (i.e., the degree to which the investments are in “environmentally sustainable economic activities” under the Taxonomy Regulation). ESRS G3 (unpublished and partly integrated to G2) was considering including this SFDR-aligned “sustainable revenue” disclosure (otherwise referred to as the ‘turnover’ method under the SFDR RTS). Eventually this was fully excluded from ESRS and postponed, and – as a result – the currently proposed ESRS EDs have left out an important SFDR element.
However, the Taxonomy-related disclosures under SFDR have already kicked in from January 2022 for the first two Taxonomy environmental objectives (Article 9 (a)-(b)) and will also launch for environmental objectives (Article 9(c)-(f) TR) as from January 2023. This is more so because there are currently issues in collecting the information on the investee companies due to various reasons such as (i) the difference in concept of “sustainable investment” and “environmentally sustainable economic activities” between the SFDR and Taxonomy respectively; and (ii) how this leads to different interpretations of application of the SFDR and Taxonomy when it comes to equity and debt (shares and bonds). In addition, there is also the challenge that “sustainable revenue” as disclosed under the SFDR is limited to environmental under the Taxonomy when in reality this should capture also social. Therefore, it is not justified to qualify “sustainable revenue” only based on the Taxonomy.
Therefore, EACB suggests that the current ESRS should already include the “sustainable revenue percentage” and that undertakings could in addition disclose, for example, the total percentage (%) of environmentally sustainable revenue, the total percentage (%) of socially sustainable revenue, and the total percentage (%) of revenue, which overlaps – is included in both disclosures (a) and (b), if such overlap exists.
However, it should be well noted that this would only apply to investee companies as part of Art. 8 or 9 SFDR portfolios as part of their materiality assessment. These figures would not be material/practical for non-capital market-oriented undertakings.

Sustainability statements and the links with other parts of corporate reporting

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

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

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

- one separately identifiable part per ESRS in the MR.

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

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

Q8: Do you agree with the proposed three options?

- (x) Yes
- ( ) No
- ( ) No opinion

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

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

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

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

> References should be avoided as far as possible in the interests of readability. However, there should also be no duplication of other reports in the sustainability report. This would lead to complications in the event of discrepancies between the original and the reproduction in the sustainability report.
> Overall, more detailed guidance should be given to avoid lack of cohesiveness and repetitions.

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

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

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

Indeed, the incorporation of information in the Sustainability section by reference to other parts of the management report (MR) supports the coherence within the report by avoiding repetition. As cohesiveness between the various parts of the management report and the sustainability section is key, we support the fact that:

- a disclosure can be incorporated by reference in the sustainability statements to another section of the management report, provided that such disclosure constitutes a separate element of information clearly identified in the other section of the management report;
- when the undertaking uses incorporation by reference, it must include an index listing the relevant disclosure requirements of the ESRS;
- incorporation by reference in the sustainability section from reports other than the management report is not allowed.

However, our reservations relate to the confusion that such references can cause on the reader of the report who will then rely on the reconciliation table. That is why we welcome EFRAG ESRS 1 par. 35 which forbid references "from reports other than the management report".

Further to that, we question banks' ability to reference separate documents such as Pillar 3 report covering information included in ESRS E1-5 or to the Annual Report on Corporate Governance. This does not seem to be allowed by ESRS 1 par. 135. The risk is for credit institutions to experiment duplicative reporting. It should be avoided that referencing the information actually causes the scope of audit to increase. It should be made clear that the link is informational and does not make Pillar 3 report a part of the sustainability reporting that is to be audited. Last but not least, given that in audit report it has to be reported which disclosures were audited and which were not audited, it should be avoided that we end up with a very long list of disclosures that were not audited.

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

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

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

We understand EFRAG ESRS 1 paragraph 5.2 connectivity with the financial statement as wanting to provide as much as possible reliable and verifiable information, however we believe that more effort should be put into describing the connectivity to the financial statements. Once again, we believe, like the EFRAG, that cohesiveness between the sustainability report and the financial statement is key and that financial data and assumptions presented in the sustainability report shall be consistent with the financial data and assumptions included in the undertaking's financial statements. Therefore, we do support the paragraphs 138 and 139 asking an entity to reference the monetary amount disclosed which its equivalent in the financial statement:

- when the sustainability report includes monetary amounts or other quantitative data points that are directly presented in financial statements, the undertaking shall include a reference to the relevant paragraph;

- when sustainability reporting includes monetary amounts or other quantitative data points that are either an aggregation of or a part of monetary amounts or quantitative data presented in the undertaking's financial statements, the undertaking shall explain how these relate to the most relevant amount(s) presented in the financial statements;
- where appropriate, a reconciliation, including in a tabular form, may be provided.

Moreover, we would appreciate similar details on section 6.1 (Q10).
However, EACB would also like to express our concerns as regards the paragraphs 140-142 that require an entity to explain its monetary amount disclosed, which might lead the entity to reveal monetary amount not included in the financial statement. Such publication should not be made public (but disclosed to regulators only) as it may disclose sensitive information that will put the entity at a disadvantage vis-à-vis its competitors.
We also think that long-term projections regarding sustainability-related impacts on the future cash flows and the enterprise value of the undertaking in the short-, medium- or long-term may be difficult to realise.

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

Characteristics of information quality

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

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

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

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

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

We are concerned by the EFRAG's "relevance of sustainability information" as it is very prescriptive and might lead corporates to disclosure sensible information. EFRAG definition should establish a clear distinction between public and private information, that should only be disclosed to CAC and regulators. We suggest limiting the definition by taking into account the business secrecy. EFRAG could align on ISSB definition which is less strict: as stated in ESRS 1, "Relevant sustainability-related financial information is capable of making a difference in the decisions made by the primary users".

Further to that, EACB thinks that the set of criteria are not sufficiently objective and there is too much room for interpretation. In our opinion, the small-scale reporting requirements will lead to a lack of focus on material information. Therefore, there is a clear need for guidance on the methodology for conducting an impact materiality analysis as this is a new concept. For example, as Chapter 4.3 points, ESG risks refer, broadly speaking, to estimations under conditions of uncertainty. “The undertaking shall consider the full range of possible outcomes considering all relevant facts and circumstances” is too ambitious / too general, given the limited available information and knowledge about those risks.

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

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

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

It is important to note that the definition for accuracy is too specifically focused on internal controls and estimates. We think that the description should be broader, as for example in C15 of the IFRS S1. Additionally, our main concern is that the principle of rebuttable presumption will, in our view, carry the risk that immaterial reporting will not respect the principle of faithful presentation.

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

Insofar, as the reporting requirements cover the value chains, comparability will not be ensured. We encourage EFRAG to be careful with value chain reporting. At present, we only see Scope 3 GHG reporting in the area of the environment as probably feasible in the long term.
We also demand that the possibility of making exceptions and/or changes in criteria should be expressly recognised if these are duly justified, as it is acknowledged in accounting regulations.

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

- ○ Not at all
- ○ To a limited extent with strong reservations
- ◉ To a large extent with some reservations
- ○ Fully

- ○ No opinion

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

> The qualitative requirements of EFRAG are often not (or not easily) verifiable. However, the information must be easily verifiable, as otherwise additional cost and personnel effort would arise for the entities within the scope of the audit or there are inherent audit obstacles that lead to limitations in the audit opinion.
> For sensitive information, in our opinion, the verification of the result by an external third party should exempt from corroboration.

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

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

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

> We would like to point out that the avoidance of duplicates as in ESRS 1 par. 40, should be more strictly observed in the draft standards.

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 welcome EFRAG's definition of double materiality as we believe covers a large kind of impacts that will foster the identification of sustainability information that would meet the needs of all stakeholders. However, the wording should be more precise and more stringently linked to the determination of the material report disclosures. Only if a common thread is recognisable will the principle be relevant in practice. Additionally, it should be well noted that it only fully applies when the definition is read in combination with ESRS 1 paragraphs 44 and 45. At the same time, we would like to point out that the review of the value chain makes it very difficult to fully comply with the required task.
In terms of international compatibility, we would like to bring the attention to the fact that under ISSB standards, the double materiality concept is more indirectly considered: double materiality is taken into account if it becomes a risk for the company (like for instance the scope 3).

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

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

EFRAG requirements are very prescriptive and will be very hard to put in practice in a short timeline. Indeed, EFRAG is asking for very specific data and methodologies that may be not reliable in the short term. Below are the EACB's strong reservations.
Value chain and boundaries
We think that the definitions of the "boundaries" and "value chain" given in paragraphs 63 to 70 are too broad by including also indirect business relationships on top of direct business relationships and need to be made clearer. The due diligence process as proposed by the level one text and recalled in paragraphs 85-91 may be impossible to implement in practice for an entity, as it is impossible in practice to require complete coverage of a single entity across its entire value chain. For example, the definition of "people connected with the undertaking" in ESRS 2-IRO 1, paragraph 74b(iii) needs clear boundaries. We suggest limiting this requirement to rank 1 supplier only, otherwise this due diligence exercise might be impossible to implement. Moreover, engaging with stakeholders that have no contractual relationship with the entity in order to "take actions to address those adverse impact" (paragraph 86 (a)) is complicated if not impossible.
As an alternative approach while respecting the framework of the CSRD, we would propose a phase-in for the application of the disclosure requirements on the value chain. For the first three years (i.e., until listed SMEs are obliged to report), the scope of the value chain would be limited to first-tier relationships and, for financial institutions, would exclude retail clients and SME clients (consistently with the proposed scope under the CSDDD).
Materiality assessment

According to paragraph 57 of ESRS 1, all mandatory disclosure requirements established by ESRS shall be presumed to be material and, therefore, to justify a full disclosure in accordance with the relevant ESRS.
From our point of view, not all mandatory disclosure requirements established by the ESRS shall be presumed to be material. It should be well considered that such presumption risks undermining organisations' own materiality assessments and considerably increases the reporting burden. We suggest that such a presumption in the ESRS only applies to those sustainability matters that are identified as material by an undertaking.
Furthermore, the measurement of impacts and risks (the relative severity and likelihood or based on a "probability of occurrence or impact magnitudes") takes an approach which is close to the one that the credit risk analysis has taken. Nevertheless, when it comes to the state of the art regarding ESG risks, as well as the available information and data, banks' expertise is very far from the one we may have on IRB, where PDs or PGDs can be calculated, etc. Financial institutions and especially smaller regional retail banks do not currently have the tools in place to reliably perform accurate assessments of the (financial) impact of ESG risks, especially not with the same rules and systems and to the degree of the more traditional banking risks (credit, market etc.).
Therefore, we strongly encourage EFRAG to propose Application Guidance for materiality assessments is needed to meet the principle of comparability between undertakings reporting under the CSRD, as well as a detailed example. This would help defining consistent, if not identical, materiality assessment processes across companies and therefore help comparability.
Finally, as previously mentioned, asking to the entity detailed information on the impact of materiality suitability related risk on cash flow and the adaptation of the entity strategy might disclose sensitive information to the competition.

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

Although we of course welcome the overall convergence effort between EFRAG and ISSB on common concepts and definitions, the definition of impact materiality given by the EFRAG goes beyond the exposure draft published by the ISSB. We see clear differences with the draft IFRS S1 of the ISSB. EFRAG definition

includes direct and indirect significant impacts on people or the environmental while ISSB definition seems to cover only impacts that have an effect on the enterprise value.
Indeed, ISSB IFRS S1 states that: “An entity’s sustainability-related risks and opportunities arise from its dependencies on resources and its impacts on resources, and from the relationships it maintains that may be positively or negatively affected by those impacts and dependencies. When such impacts, dependencies and relationships create risks or opportunities for an entity, they can affect the entity’s performance or prospects, create or erode the value of the enterprise and the financial returns to providers of financial capital, and the assessment of enterprise value by the primary user”.
EACB members are concerned that this divergence will lead to a concrete difference in term of reporting. We understand that if an entity reports under ISSB ED it will not have to report its impact on the environment if it will not affect “the entity’s performance or prospects, create or erode the value of the enterprise and the financial returns to providers of financial capital, and the assessment of enterprise value by the primary user”. In contrast, the undertaking will have to report these impacts if it uses the EFRAG standard.

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

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

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

The feasibility of this topic is highly dependent on the definition of the value chain of a bank, especially downstream determining impact material topics may not be feasible if the downstream value chain of a client in the portfolio is in scope for the banks’ assessment as this would dramatically increase data requirements. Additionally, the assessments named within the guidance become more complex as the portfolio of a bank diversifies and contains SMEs and entities from outside Europe, whereas gathering required data for the full materiality analysis does not necessarily follow from clients’ own reporting requirements.
The implementation of impact materiality seems very operationally challenging considering the difficulty of risk assessment. We have doubts in particular about who and how determines the likelihood of impacts. In addition, there is not forward-looking data for the climate, and it is not possible to do a back testing of the data. Overall, there is an urgent need for clarification with regards to the methodology to be used to conduct an impact materiality analysis in line with the ESRS.
Moreover, in our opinion, a more precise definition is crucial to improve the practical applicability.

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

> Firstly, it should be noted that the term "enterprise value" is used in the ISSB S1 and the term "financial materiality" is used in EFRAG ESRS 1. Convergence should be ensured here. Otherwise, deviations should be explained directly in the standard.

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

> Similar to our comments on Q21, the risk assessment of ESG matters is very challenging, thus assessing the financial effects is also very challenging. It should be considered that while determining ESG risks in terms of impact and likelihood is already complex, no generally accepted method exists to convert these risks to financial impacts. Further, we have reservations regarding who and how determines the probability of occurrence of, say, the inability to obtain natural or social resources. To this end, it would be beneficial to have further guidance on which methodology should be used.
> Overall, we consider that there is no clear basis for determining financial materiality. We propose to use the term of the enterprise value as provided in ISSB S1.

(Materiality) Rebuttable presumption

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

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

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

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

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

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

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

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

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

EACB members have concerns about the feasibility of the rebuttable presumption's definition which places the burden of proof on the undertaking. The concept of rebuttable materiality is similar to what auditors apply in auditing revenue, however there is an important distinction between the two underlying subjects that causes problems in implementing the rebuttability principle as described in the EFRAG standards. The criteria for rebutting a significant risk on revenue in a financial statements audit are relatively clear cut, which makes it clear what is required to apply the rebuttal. This is not the case for ESG topics, as performing a materiality assessment is in and of its own already very challenging. The requirement for "reasonable and supportable evidence" about the presumption without a clear norm makes the assessment excessively heavy, especially when applied to all topics. Given the number of information to be processed, this rebuttable presumption might not be feasible in practice given its burdensomeness.
Therefore, while we agree that it ensures that the information published is pertinent and relevant since it

would have been carefully selected by the undertaking and avoid unnecessary lengthy reporting, this introduces an excessive liability for the undertaking, which could have many opportunities to make a mistake and be easily prosecuted. We believe that the principle of rebuttable presumption can in practice lead to long and unfocused reports and a lot of additional work for preparers. The main reason for this is the lack of familiarity with the principle. This requires a lot of training and communicative support. We are further concerned that such systematic justification of non-materiality may impair the readability of the sustainability reporting. Therefore, we do not support the publication of all details as stated in the rebuttable presumption paragraph and believe that only auditable documentation should be required.
We suggest introducing at least a best effort basis for the entity to determine its materiality based on its own assessment, without introducing any tedious conditions or constraints. Our proposal is to limit the disclosure to information that the company deemed material without adding the proof that the other information was considered not material. EACB also encourages EFRAG to consider the idea of applying the rebuttable presumption per sector and not per topic in order to limit the scope, while not questioning the need to provide justification on the non-material assessment.
Regarding international compatibility, EFRAG has taken a different approach than ISSB. Indeed, IFRS 1 par. 59 leaves the entity judge itself if the information is material or not. It should be noted that ISSB does not include a rebuttable presumption principle. IFRS 1 par. 60 states: “An entity need not provide a specific disclosure that would otherwise be required by an IFRS Sustainability Disclosure Standard if the information resulting from that disclosure is not material”.

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

Materiality rebuttable presumption would allow entities to only disclose information deemed material or not for them thereby ensuring that the information published is pertinent and relevant. This would in turn allow sustainability reporting to be more adjusted/adapted to each entity their respective stakeholders’ expectations and ultimately help make the reporting clearer.

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

The fact that the burden of the proof of non-materiality falls on the company is the main disadvantage. Unlike the traditional process in finance, the undertaking must prove the non-materiality of each information to be able to exclude it. This introduces an excessive liability for the undertaking, which could have many opportunities to make a mistake and be easily prosecuted. Indeed, such systematic justification would be quite burdensome and impair the readability of the sustainability reporting. We would suggest instead to limit the disclosure to information that the company deemed material without adding the proof that the other information was considered not material as for financial statements.

Q27: how would you suggest it can be improved?

As mentioned previously, we suggest introducing a best effort basis for determining the materiality and deleting the rebuttable presumption principle: the entity should justify that the information included is material instead of having to having to prove that the information excluded is not material. We suggest more reliance on the entities’ own analysis for determining the materiality and furthermore placing reliance on the assurance mechanism to prevent the exclusion of material topics from sustainability reporting. It is the duty of an auditor to develop an understanding of the business model of the client and its key relations, following that concept an auditor could form a supported conclusion on whether the assessment performed by the entity leads to material omissions in reporting.

EFRAG could adopt ISSB approach, ensuring in addition international compatibility. Indeed, IFRS S1 par. 59 leaves the entity judge itself if the information is material or not. ISSB doesn't include a rebuttable presumption principle: as IFRS S1 par. 60 states, "An entity need not provide a specific disclosure that would otherwise be required by an IFRS Sustainability Disclosure Standard if the information resulting from that disclosure is not material".
EACB also encourages EFRAG to consider the idea of applying the rebuttable presumption per sector and not per topic in order to limit the scope, while not questioning the need to provide justification on the non-material assessment.

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 ESRS acknowledge that in some circumstances collecting the information about the undertaking's upstream and downstream value chain that is needed may be impracticable. In other words, the undertaking cannot collect the necessary information after making every reasonable effort. For these cases, according to par. 67 of ESRS 1, the undertaking should approximate the missing information about its upstream and downstream value chain, by using all reasonable and supportable information, including internal and external information. Given that in many value chains a sustainability reporting system is still in the process of being established, EFRAG should monitor this development and use the data points negotiated in the markets for reporting.
We would also like to reiterate our concern concerning the definitions of the value chain and reporting

boundaries. It is in practice impossible for one entity to collect information on its entire value chain as defined in the CSRD. As a result, the "reporting boundaries" defined by the EFRAG ED (paragraph 63) are too broad and include direct and indirect relationships in the upstream and downstream value chain (par. 64).
We furthermore disagree with the sentence in paragraph 66 "this is expected to occur in rare circumstances" and ask for this affirmation to be omitted.
While we welcome that the use of proxies and estimates is made possible under ESRS 1, but it does introduce a degree of subjectivity that can damage comparability. It is necessary to use the same proxies and have common methodology amongst undertakings in the same sectors, for example to calculate the carbon footprint of a value chain, otherwise the comparability of information will be impaired. Especially in the short term, there are no alternatives to utilizing proxies to be complete in assessing impacts. This is especially the case for banks, as most impacts made are indirect, whereas reporting requirements for clients may lag behind those of banks (for instance for SMEs) or the capability of clients to deliver required information may be limited. The PCAF initiative could be of great guidance as it helps financial institutions to assess and disclose greenhouse gas emissions of loans and investments.
We suggest allowing undertakings to omit some of the mandated requirements in legitimate and well justified cases. For example, information about the undertaking's upstream and downstream value chain when the information cannot be collected even after making every reasonable effort. The fact that some of the mandated requirements cannot be omitted in justified individual cases is impractical and not in tune with the real challenges of collecting data. In addition, requiring undertakings to approximate missing information in cases where data is unavailable for the upstream and downstream value chain goes against the objective of faithful representation.

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

Proxies may not be ideal but will be the only alternative at the beginning, since we believe sustainable information on the value chain will gain maturity over time. Sector averages proxies could be used is some cases, like the ones permitted under PCAF methodology for CO_2 emissions for instance.
The European Union should provide financial proxies that entities could use to give the information required by EFRAG. Thus, the information disclosed by entities would be more readily verifiable and comparable, as required by the CSRD: "2. The sustainability reporting standards referred to in paragraph 1 shall ensure the quality and relevance of reported information, by requiring that it is understandable, relevant, verifiable, comparable and is represented in a faithful manner. The standards shall avoid disproportionate administrative burden on undertakings, including by taking account to the greatest extent possible the work of global standard-setting initiatives for sustainability reporting".
We suggest introducing a best effort basis to avoid an excessive judicialization or penalisation for the entity.

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

We support the possibility of disaggregation by countries when relevant and we agree with EFRAG precision that aggregation of information should “avoid obscuring the specificity and context necessary to interpret the information”. We believe that the same principle should be taken into account for the disaggregation of information: indeed, the disaggregation might not be relevant for all disclosures requirements and information should not be disaggregated if doing so would drown and obscure information that would otherwise be clearer.
At the same time, we see a danger here for the comparability of sustainability reports. We would like to recall that the sustainability reporting published by an entity will be used by financial institutions to comply with their other reporting obligation, in particular under SFDR and the ESG risks Pillar III reporting. We believe that it is then necessary that the level of disaggregation to adopt does not only depend on the entity consideration but is also aligned with the information financial institutions need from their counterparties. For example, financial institutions will need information on biodiversity, as it is a principle adverse impact listed in the SFDR regulation. If the information is only published at country level and does not take into account the specific location of some of the entity’s production site (for example next to a high biodiversity area), then the information won’t be useful for the financial institution. Another example regards physical risks (Under Pillar III, financial institutions will have to assess the physical risks their counterparties are exposed to), the country level disclosure may not be sufficient.

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?

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

Please explain why

In our view, the definition will increase the comparability of reports and make it easier for users to produce them. It is necessary to define short medium- and long-term horizon, so that information given by entities in their sustainability report are reliable and credible. Time horizons are indeed relevant and necessary when it comes to the definition of targets, transition plan, strategy, KPIs and other metrics. In order to make a fully informed decision and assessment, investors and other stakeholders need to know the time horizons when the risk and opportunities may occur. It is especially important for banks, as they will have to report on the physical and transition risks of their counterparties (under pillar III). If the respective time horizons were different, it would be difficult to assess progress and credibility over time.

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

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

Please explain why

This is already a common practice in the financial industry. While it might be difficult to define strict boundaries that fit all sectors, objectives, and geographical areas, we believe that EFRAG's "time horizons" definitions are relevant and allow comparability between reporting.
In addition, it is important that the entity can adapt these time horizons to the material impacts that their transition plan and targets refer to. Therefore, we welcome paragraph 84 whereby "the undertaking shall adopt time horizons that reflect its strategic planning horizons and resource allocation plans" within the "time buckets" specified under paragraph 83.
In addition, while this split is common in accounting, however companies should be given the opportunity to set sector- or company-specific time horizons. In addition, we would like to point out that the reliability of the forecast decreases the longer the forecast period is. We suggest that this should be clearly addressed in the standards.

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

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

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

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
- (x) To a limited extent with strong reservations
- ( ) To a large extent with some reservations

- ○ Fully
- ○ No opinion

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

> ESRS 1 DP 1-1 contains all relevant information on the entity policies but is too detailed and prescriptive at this stage. It should simply state the main principles to let the entity some flexibility in its reporting.
> In our opinion, especially DP 1-1 par. 97 is too detailed. In particular, we see a contradiction here between par. 96 and par. 97, since a concise presentation is presumably rendered impossible by the disclosure requirements under par. 97.
> Also, we would like to point out that policy disclosures are required multiple times under the ESRS. In this regard, we believe that it would be beneficial to allow one or a few overall disclosures regarding policy and monitoring to be performed across policies as the requirements may lead to a lot of repetitive reporting, which inhibits conciseness and reduces stakeholder value.

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

> Again, as with DP 1-1, ESRS 1 DP 1-2 disclosure contain all relevant information on the entity policies but is too detailed and prescriptive at this stage. It should simply state the main principles to let the entity some flexibility in its reporting.
> It should also be noted that engagement with third parties, even if applicable, in many cases may be practically impossible or ineffective.

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

> We believe that DP 1-3 is clear and will contribute to the reporting of understandable, relevant, verifiable, comparable, and faithfully information on sustainability-related action plans and allocated resources.

However, the DP is too detailed and prescriptive, even at this level of defining concrete action. For example, reporting on investment plans can create competitive disadvantages compared to non-reporting companies. We feel that entities should be given more flexibility in defining how targets and policy objectives are aimed to be achieved. We suggest that it should simply state the main principles to let the entity some flexibility in its reporting. In addition, EACB considers that the "machine readable format" requirement can be useful in order to homogenize, capture and exploit data and information on an aggregated level.
At the same time, we are also concerned that the information entities will have to disclose may be too sensitive and could be detrimental vis a vis other non-EU companies not in the scope of the CSRD. European entities should not become less competitive because they disclose more sustainable information. Paragraph 105 may be the most problematic as it may constraint entities to disclose information such as its R&D or investment plans. As provided under recital 29a of the CSRD, Reporting requirements defined by this Directive are without prejudice to Directive (EU) 2016/943 of the European Parliament and of the Council of 8 June 2016 on the protection of undisclosed know-how and business information. Therefore, we welcome that Member States have the power to exempt undertakings from disclosing certain information that is commercially sensitive.
Reasons for omission according to CSRD Article 19(3) for reasons of confidentiality should be included in ESRS 1.
Finally, the requirements use the term "key policy" without describing its meaning.

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?

- (x) 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)

The principle of materiality should also be clearly presented or referred to in chapter 4 of ESRS 1.

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

We welcome the alignments efforts between EFRAG's ESRS 1 and ISSB's IFRS 1 as it is of furthermore importance to avoid for entities the duplication of reporting on close topics. However, EFRAG is much more prescriptive while ISSB offers guidelines and examples. The number of ESRS disclosure requirements significantly exceeds those proposed in IFRS Sustainability EDs, and the concept of materiality is clearly different.
We see many compatibilities between the general principles under ESRS 1 and the IFRS S1, which is crucial to ease the comparison between the two standards. These include:
- The characteristics of the information of quality to be published: relevant, comparable, verifiable, understandable, and faithful.
- The identification of material sustainability-related impacts, risks and opportunities on the short, medium and long term on the whole value chain, even if:
• ISSB endorses implicitly the double materiality while the CSRD and EFRAG are endorsing it explicitly;
• the definition of value chain from the ISSB seems more limited than the CSRD's definition and EFRAG's detailed interpretation (also incorporating indirect business relationships);
• sustainability is defined quite vaguely so far by the ISSB (incl. local communities, own workers, water and biodiversity on top of climate) and is much clearly defined under the CSRD and the ESRS;
• ISSB does not prescribe time horizons whereas EFRAG does (1 year for short term, 2-5 years for medium term and from 5 years for long term);
• ISSB does not prescribe the description of the materiality assessment.
- The description of policies, targets, actions, action plans and resources.
- Consistency and connectivity with other parts of corporate reporting.

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

For part H: Large corporates should be able to comply with all the requirements deriving from the CSRD. They have been reporting on ESG information since the entry into application of the NFRD. It will be more complicated for smaller companies that were not in the scope of the NFRD to comply with the CSRD. These companies will have to put in place due diligence policies and data collection methodologies. Besides, the publication requirements are too complex for large companies that are not capital market oriented.
An impact analysis, considering all the disclosures obligations should be conducted. It may be useful to introduce phase-in periods. In addition, we suggest that a cost/benefit analysis in the draft of the respective standards per reporting requirement and per reporting group (Financials; Non-Financials; PIEs; Non-PIES) should be carried out.
For part I: We welcome that the draft ESRS incorporate disclosure obligations which are consistent with EU financial institutions' needs as preparers and users. As preparers, we are facing specific challenges in reporting on material sustainability issues, the bulk of which is indirect via our financing activities, mainly due to data collection challenges and calendar mismatch between the application date of our disclosure obligations and the application date of the CSRD on our counterparties. The ESRS include a comprehensive set of disclosure requirements mirroring needed data for financial market participants to honor SFDR and for credit institutions to honor their ESG risks Pillar 3 reporting obligations. There the ESRS ensure a content consistency between needed and reported information. Also, as users, the draft ESRS consider the interests of all stakeholders including financial institutions. We use data not just as a preparer but also to make well-informed capital allocation, consistent with our ESG engagements as well as to appropriately identify, mitigate and manage sustainability related risk factors linked to our exposures to our clients. A telling example of commitments is the one taken within the Net-Zero Banking Alliance (NZBA) bringing together

109 banks from 40 countries with regards to the alignment of credit portfolios with trajectories compatible with a net zero emissions objective by 2050. The introduction in the draft ESRS E1 of standards on the publication of transition plans aligned with a 1.5-degree scenario is highly welcome from that perspective.
Now, we still consider that a sector-specific approach remains necessary, in particular for the needs of ESG risks Pillar 3 report. These include disclosures of GHG emissions with a sufficient sectoral granularity, turn-over segregation per sectors and even NACE codes in certain cases as well as countries of location to allow credit institutions to report on their exposure to company vulnerable to physical risks with a sectoral granularity.
For part J: Better alignment with IFRS and US GAAP is needed.
As regards question B, the data collection issue (complexity to get information from all relationships along the value chain) will limit the quality of information. When it comes to the points D and E, the question of proxies and estimates should be considered. Information is more likely to be faithful and comparable if the EU provides entities with common estimates and proxies.
Concerning the question F, some of the information required by the EFRAG ED will be difficult to verify, especially qualitative information and information on the workforce. Indeed, it is not likely that the auditor verifies the information on the workforce if the workforce is located in a non-EU country.
Regarding G, the quality will once again depend on the data availability and/or on the proxy used.

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

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

For part H: EFRAG disclosures will be costly to implement for two main reasons: the difficulty to collect the level of details required by EFRAG and the difficulty to collect the data on the value chain. EFRAG climate disclosure are very prescriptive and detailed (many breakdowns are required in the metrics) will certainly be very costly to implement considering many data are currently not reported. There are still significant challenges in obtaining the necessary information to calculate the KPIs and present the information required, the methodologies are not homogeneous or universally accepted and the sources are not always clear or

reliable. However, the cost generated to collect these missing data is justified by their stake. Indeed, scope 1, 2, 3 for instance are crucial to be able to identify the emissions hotspots and efficiently reduce them, achieving the CSRD objectives. Nonetheless, several disclosures (DR E1-2, DR E1-3, DR E1-4 etc.) are required on all the value chain, creating additional operational challenges to collect the information. The specificities of the value chain for financial institutions need to be considered: the value chain should be limited to rank 1 suppliers.
For part I: The information required by Pilar 3 and SFDR PAI are covered.
For part J: We support the work of convergence done by EFRAG on ESRS E1 to fit with IFRS 2. However, we believe more alignment could be reached on the energy intensity disclosure by disclosing it in GwH per net turnover amount in addition to MWh per net turnover to comply with the SFDR PAI. ESRS E1 requirements go beyond what is required by international standards. This might lead the entity to disclose sensitive information that may put the entity at a disadvantage vis-à-vis its competitors.
Further to that, we believe that better alignment with IFRS and US GAAP is necessary. The publication requirements are too complex for large companies that are not capital market oriented. A cost/benefit analysis in the draft of the respective standards per reporting requirement and per reporting group (Financials; Non-Financials; PIEs; Non-PIES) should be carried out. In particular, the disclosure of potential financial effects (DR E1-15, E1-16 and E1-17) is not explicitly required in the CSRD. As regards the supply chain, this goes far beyond of what is in the CSRD. Banks cannot do it for downstream value chains, i.e., for the customers.
Further, we consider that sector policies are relevant, not all required information fits for all sectors and go far beyond reasonable data collection. Many companies will be overwhelmed by the multiple tasks and, in any case, loop-in rules as well as the materiality approach is needed in every "E"-area. It should be well noted that materiality aspect is not sufficiently embedded in E-standards. More particularly, materiality is mentioned in the general standards (ESRS 1 and 2), but what is missing is the transfer of the results from the materiality assessment to E components. In all E standards it should be mentioned that that in case the materiality aspect shows E1-E5 is not relevant, then there does not have to follow a reporting according to these standards.
For point C, we believe that some disclosures requirements (like financial disclosure to transition risks and physical) are lacking methodologies, relevant metrics and sectoral information, needed for financial institutions to comply with Pilar 3. In our opinion, those disclosure requirements belong to the upcoming sector specific standards.
As for point D, the implementation of impact materiality as stated by EFRAG (severity and likelihood of the impact) seems very operationally challenging for ESRS E1. Risk assessment on quantified climate metrics still remains difficult due to the lack of depth of data and available empirical evidence on correlation between financial and environmental metrics (at sector or company level). For the materiality assessment on climate, we suggest using climate performances indicators based on carbon metrics and alignment scenarios which are more concrete and could be a first step to introduce quantity for the materiality assessment. Science Based Targets initiatives (SBTI) already use this approach and could be an example to observe. Using such climate performances metrics would also be consistent with EFRAG's double materiality basis as it monitors positive impact for the environment while avoiding transitional risk for the undertaking.
As regards point F, some information might not be available when ESRS E1 disclosures are implemented, either because they are forecasted (transition plan) or because they are on the value chain (scope 3). This will lead to the use of proxies which might affect the information quality and relevancy. We believe that in this case, it is crucial that the undertaking is very transparent on its use of proxies and their methodologies of calculation for them.

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

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

The publication requirements are too complex for large companies that are not capital market oriented. A cost/benefit analysis in the draft of the respective standards per reporting requirement and per reporting group (Financials; Non-Financials; PIEs; Non-PIES) should be carried out. In particular, the disclosure of potential financial effects (DR E2-7) is not explicitly required in the CSRD. In addition, reporting on the value chain should be limited to the most essential use cases.
In our opinion, the result of the materiality assessment should be applied if E2-E5 standards need to be reported or not. Risk and opportunities, as well as policies are mentioned in all E standards, but it is rather recommended to allow one policy for all "E" parts, as in reality companies will not have a separate pollution, biodiversity, circular economy policy etc.

- As regards AG 2 "When assessing its strategy to mitigate negative impacts arising from, and risks to, its business model(s), the undertaking shall include the value chain and identify: (a) both actual and future impacts, risks and opportunities; and (b) where in the value chain pollution-related impacts, risks and opportunities are concentrated.", clear guidance on future impacts is needed.
- AG6 "covers all sub-subtopics: pollution to air, pollution to water, pollution to soil and the production, distribution, commercialisation and use of substances of concern including most harmful substances;" does not seem possible for the value chain.
- AG 15 "The pollutants shall be grouped as follows: (a) ... i. SOx (sulphur oxides); ii. NOx (nitrogen oxides); iii. CO (carbon monoxide); iv. PM (particulate matter); v. Heavy metals; vi. POPs (persistent organic pollutants); ...” is also not feasible, especially not for banks (see comment on climate change).

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

The publication requirements are too complex for large companies that are not capital market oriented. In addition, the result of the materiality assessment should be applied if a E2-E5 standard needs to be reported or not.
As regards some specific disclosures, we have the following reservations:
• As regards E3.3 "The undertaking shall disclose its water and marine resources action plans and the resources allocated for their implementation to address its material impacts, risks and opportunities.", we think that it is hard to compare this information and extract qualitative meaningful information out of that.
• As for E3.7 "The undertaking shall disclose its potential financial effects of material risks and opportunities arising from water and marine resources-related impacts and dependencies.", this is too far-reaching, and it is not at all clear how this should be implemented (taking penalty payments from the past as a basis or assessing them). We suggest that clear guidelines should be developed.
• When it comes to E3.7 "The undertaking may include an assessment of the market size of related products and services at risk over the short-, medium-, and long-term, explaining how these are defined, how financial amounts are estimated and which critical assumptions are made.", we believe that critical assumptions should not be a basis for potential financial impact.
• AG 2 "The description of the process shall also include: (a) processes to identify suppliers in the value chain with material water quantity or water quality related impacts or risks; (b) processes to conduct an assessment of key suppliers" is only possible for the first supply chain.
Additionally, sectoral standards are relevant, not every company should have to reinvent that itself. Overall, we would like to emphasize that the standard goes far beyond CSRD requirements. In particular, the disclosure of potential financial effects (DR E3-7) is not explicitly required in the CSRD.

For part H: A cost/benefit analysis in the draft of the respective standards per reporting requirement and per reporting group (Financials; Non-Financials; PIEs; Non-PIEs) should be carried out.

ESRS E4 – Biodiversity and ecosystems

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

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

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

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

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

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

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

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

In general, office sites shall be excluded as they are located in cities with no biodiversity materiality issue. We also suggest that the result of the materiality assessment should be applied if a E2-E5 standard needs to be reported or not.
• As for N.24 "The disclosure required by paragraph 21(f) on policies regarding the social consequences of biodiversity and ecosystems related dependencies and impacts shall provide information in relation to: (a) the fair and equitable benefit-sharing from the benefits arising from the utilisation of genetic resources;", we lack guidance on how this should be calculated.
The publication requirements are too complex for large companies that are not capital market oriented. A cost/benefit analysis in the draft of the respective standards per reporting requirement and per reporting group (Financials; Non-Financials; PIEs; Non-PIES) should be carried out. In particular, the disclosure of potential financial effects (DR E4-10) is not explicitly required in the CSRD. In addition, reporting on the value chain should be limited to the most essential use cases.
For part H: It is a highly unexplored and unknown subject, and the requirements are very exhaustive and

only feasible for very large companies. Many companies do not have data available, and it will require a lot of resources, significant knowledge and effort. We fear that in many cases it will be almost impossible to obtain accurate information, as in the case of assessing the biodiversity impact of the value chain.

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

The publication requirements are too complex for large companies that are not capital market oriented. A cost/benefit analysis in the draft of the respective standards per reporting requirement and per reporting group (Financials; Non-Financials; PIEs; Non-PIES) should be carried out. In particular, the disclosure of potential financial effects (DR E5-9) is not explicitly required in the CSRD. In addition, reporting on the value chain should be limited to the most essential use cases.
We also have a specific comment regarding the terminology of E5: “regeneration” of renewable resources and ecosystems and “regeneration” of nature. It is not a commonly known term. There is a risk that companies skip it. Giving examples would be useful.
Please also see below EACBN comments on some specific disclosures.

- As regards E5, N17 "The undertaking shall disclose separately its policies (i) to decouple economic activity from extraction of non-renewable resources and (ii) for regeneration of renewable resources and ecosystems.", we believe that companies will not have separate policies for the two aspects, not practical and a not feasible extra-burden.
- E5.53 "The disclosure required by paragraph 31 shall include: (a) the overall total weight of materials used during the reporting period; (b) the weight in both absolute value (tons) and percentage of renewable input materials used to manufacture the undertaking’s products and services (including packaging); and (c) the weight in both absolute value (tons) and percentage, of reused or recycled input materials used to package the undertaking’s products.” This does not fit for all sectors, especially banks cannot report that data for value chain/financing (only for in-house ecology).
- E/5.5 “The principle to be followed under this Disclosure Requirement is to provide an understanding of how the undertaking is contributing to circular economy by increasing the durability, reparability, upgradability, reusability or recyclability of the products and materials.” For banks this is not relevant, rather EU Taxonomy Radar / Art. 8 & 9 should be used as reference.
- E5/AG 5 "The description of the process to identify and assess sustainability impacts, risks and opportunities shall cover: the five sub-subtopics of resource use and circular economy:“ (resource inflows, resource outflows, waste, resource use optimization, circular enabler) This is not realistic for financial institutions. For instance, some of our member banks signed the Principles for Responsible Banking with a huge responsibility on Risks, Opportunities and Impact. To cover all that should be enough for financial

institutions.
• E5/AG5 "negative, adverse and positive impacts associated with the linear or circular nature of the activities of the undertaking on its own operations and along its upstream and downstream value chain;" This is not feasible for the whole value chain. (The same applies to AG 4.c.)
• As regards E5.3 "When disclosing information required under paragraph 26, the undertaking shall disclose action plans: (a) based on the circular economy principles: elimination of waste, product and materials circulation at their highest value, and nature regeneration; and (b) subdivided into the sub-subtopics representing the five stages of circular economy: resource inflows, resource outflows, waste, resource use optimisation and circularity support.", a lot is demanded from the companies under this disclosure requirement. Such detailed knowledge will not be available.
• AG 30 “When reporting composition of the waste, the undertaking may describe: ... (c) the materials that are present in the waste (e.g., biomass, metals, non-metallic minerals, plastics, textiles)." is not feasible, due to the reason that many companies (as well as banks) will not be able to report this information.
Overall, the standard goes far beyond CSRD requirements.
For part H: There is still much progress needed, but a in the last decade there have been significant advances in waste management, and it is a common covenant in loans to large industrial corporates, so the effort might be less significant than in other chapters like E3 or E4.

ESRS S1 – Own workforce

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

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

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

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

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

This [draft] Standard covers an undertaking’s “own workforce”, which is understood to include both workers who are in an employment relationship with the undertaking (“employees”) and non-employee workers who are either individuals with contracts with the undertaking to supply labour (‘self-employed workers’) or workers provided by undertakings primarily engaged in ‘employment activities’ (NACE Code N78). This [draft] Standard does not cover (i) workers in the upstream or downstream undertaking’s value chain for whom neither work nor workplace are controlled by the undertaking; or (ii) workers whose work and/or workplace is controlled by the undertaking but are neither employees, nor individual contractors (“self-employed workers”), nor workers provided by undertakings primarily ,engaged in “employment activities” (NACE Code N78); these categories of workers are covered in ESRS S2 Workers in the Value Chain.

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

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

For part H, please explain why costs would be unreasonable and / or what particular benefit ESRS S1 offers

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

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

The publication requirements are too complex for large companies that are not capital market oriented. A cost/benefit analysis in the draft of the respective standards per reporting requirement and per reporting group (Financials; Non-Financials; PIEs; Non-PIES) should be carried out. In particular, the disclosure of some data, such as S1-17, is not explicitly required in the CSRD. In addition, explicit reference should be made to compliance with data protection legislation when collecting and publishing in the standard.
As for part H: This is internal data, so its availability is guaranteed, which significantly reduces the cost of obtaining and processing the information in order to prepare the reporting documents. Moreover, the workers' conditions are easy to elaborate and to compare. However, data protection legislation must also be observed, so we have doubts that not every data set can be used for reporting.

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

It may be hard for any undertaking to have a faithful control of what suppliers report about their employees working conditions, especially for banks; upstream or downstream, the chain of suppliers involved may be very complex. The obligation should fall on the companies/employers of this value chain workers.
Furthermore, this can result in inconsistencies in the data reported by a company and the contractor (for instance) and duplication of efforts. There are different sectors with different average conditions and characteristics, that can be hardly managed, controlled or even monitored by each undertaking without incurring severe costs. The existence of “suppliers of suppliers” may, in some cases, make comparability across sectors quite difficult or even misleading. For example, there may be several levels of companies (and workers) from a broker or a logistic services company, to a self-employed truck driver working for them.
Furthermore, the publication requirements are too complex for large companies that are not capital market oriented. In addition, explicit reference should be made to compliance with data protection legislation when collecting and publishing in the standard.
As regards part H, we suggest that a cost/benefit analysis in the draft of the respective standards per reporting requirement and per reporting group (Financials; Non-Financials; PIEs; Non-PIEs) should be carried out.

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

Economic activities have a significant effect traction effect and therefore a relevant socioeconomic impact. This is particularly important in the case of banks. However, it is still very difficult (and costly) to measure and demonstrate the impact objectively and accurately. In our opinion, the requirements should be modified to propose a more specific and objective framework for measuring and presenting the effect on communities. This will also enhance comparability across different companies and even sectors.
Further to that, the publication requirements are too complex for large companies that are not capital market oriented. Also, explicit reference should be made to compliance with data protection legislation when collecting and publishing in the standard.
For part H: A cost/benefit analysis in the draft of the respective standards per reporting requirement and per reporting group (Financials; Non-Financials; PIEs; Non-PIEs) should be carried out.

ESRS S4 – Consumers and end-users

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

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

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

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

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

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

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

A. Covers sustainability information required by articles 19a and 19b of the CSRD proposal (see Appendix II for CSRD detailed requirements)	○	○	○	●	○
B. Supports the production of relevant information about the sustainability matter covered	○	●	○	○	○
C. Fosters comparability across sectors	○	○	●	○	○
D. Covers information necessary for a faithful representation from an impact perspective	○	○	●	○	○
E. Covers information necessary for a faithful representation from a financial perspective	○	○	●	○	○
F. Prescribes information that can be verified / assured	○	○	●	○	○
G. Meets the other objectives of the CSRD in term of quality of information	○	○	●	○	○
H. Reaches a reasonable cost / benefit balance	○	●	○	○	○
I. Is sufficiently consistent with relevant EU policies and other EU legislation	○	○	●	○	○
J. Is as aligned as possible to international sustainability standards given the CSRD requirements	○	●	○	○	○

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

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

The publication requirements are too complex for large companies that are not capital market oriented. Also, explicit reference should be made to compliance with data protection legislation when collecting and publishing in the standard.
In addition, reporting on the value chain (S4-1, par. 9) should be limited to the most essential use cases.
For part H, we suggest that a cost/benefit analysis in the draft of the respective standards per reporting requirement and per reporting group (Financials; Non-Financials; PIEs; Non-PIEs) should be carried out.

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 majority of G1 requirements are already stated in other statements, and there should be no overlapping statements. In addition, there are many different definitions for governance, senior management, and management, which is very challenging as different authorities have different terms for the same concepts. Furthermore, the publication requirements are too complex for large companies that are not capital market oriented. A cost/benefit analysis in the draft of the respective standards per reporting requirement and per reporting group (Financials; Non-Financials; PIEs; Non-PIEs) should be carried out. Also, explicit reference should be made to compliance with data protection legislation when collecting and publishing in the standard.
For part H: This is a field in which banks have been worked extensively in the last few years and is widely regulated. Many of the information required is also internal and readily available, so the effort is proportionate.

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 publication requirements are too complex for large companies that are not capital market oriented. In addition, explicit reference should be made to compliance with data protection legislation when collecting and publishing in the standard.
As regards the part H, in some disclosure requirements, disclosures are expected to be of narrative nature; however, some other required disclosures impose quantitative explanations, which will be very difficult to obtain. Additionally, disclosures related to the value chain are too stringent and very little concise, what

makes comparability difficult and results in a cost/benefit imbalance. We suggest that a cost/benefit analysis in the draft of the respective standards per reporting requirement and per reporting group (Financials; Non-Financials; PIEs; Non-PIEs) should be carried out.

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?

Due to the scope and relevance of the changes and lack of available information and specialised and standardised knowledge and methodologies, a transition period/schedule would be necessary for all provisions (or at least the ones that impose dramatic changes or investments to gather the data). It should be considered that AP2 may be necessary for smaller entities that were not in the scope of the NFRD.

Please explain why

We suggest considering an initial period in which the most basic and fundamental provisions are applied, together with a progressive implementation schedule for the rest of the chapters/disclosure requirements. In addition, entities may limit their reporting boundaries and only report on the sustainable impacts, risks and opportunities of their direct relationship in their value chain, for example.

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?

We are very concerned by the lack of prioritisation and phasing-in provided by EFRAG. Sustainability reporting is a massive topic for which EFRAG has planned many disclosures requirements, and it is of furthermore importance that its implementation is made gradually or else it will not be done correctly and result in a major setback.
In our opinion, identification of material sustainability impacts, risks and opportunities is still very challenging because of the lack of methodologies and quantitative tools. Furthermore, the new concept of materiality is more challenging but still very vague and subject to interpretation.
In general, the obligation for entity to collect information on its entire value chain will prove very challenging because it can also lead to inconsistencies between the information reported by the undertaking about the value chain and the supplier/ client by itself. Therefore, we suggest that entities may limit their reporting boundaries and only report on the sustainable impacts, risks and opportunities of their direct relationship in their value chain, for example, at least for the first three years of application, until listed SMEs are required to report.

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

When it comes to the concrete ESRS EDs, we think that the following disclosure requirements will be very difficult to implement:
- Environmental ESRS E2-E5: Unlike climate, these environmental issues are less acknowledged and mature and don't have yet common calculation methods. In particular, disclosures related to water resources and biodiversity will involve significant efforts because very little work has been done by banks and non-financial companies in this field.
As regards the scope 3 GHG emissions, we are also concerned by the lack of information and difficulty to assess data about the value chain emissions (loans and investments). This information should be provided /reported by the clients, investee companies.
We believe that E1 "Climate change" disclosure should be the priority as international initiatives like ISSB only issued climate-related disclosure for now. Focusing on climate disclosure first will (i) reduce the regulatory pressure on entities, that already have to implement the Taxonomy requirements, and (ii) reduce the number of disclosure area ensuring that the ones that are covered are correctly disclosed.

- Social ESRS S1-S4.
- Governance ESRS G1 and G2. For these two requirements, we believe that they are already addressed through climate lens (e.g., how the governance manage climate-related risks and opportunities), thus should not be an implementation priority. In addition, the upcoming Corporate Sustainability Due Diligence proposal as well as the Due Diligence Act already address the social and governance issues.

Therefore, for all the ESRS drafts, EFRAG should prioritize the important disclosure and made the other ones optional. Entities should nevertheless report on those data that are needed for financial institutions' reporting requirements while the remainder would be phased in. They include for example some of the indicators contained in the ESRS S4 - Consumers and end-users Disclosure Requirements (Processes for engaging with consumers and end-users about impacts, Channels for consumers and end-users to raise concerns or Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities).

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

At least two years after the entry to application of reporting requirements, in order to have reliable information, homogeneous and universally accepted methodologies and have time to adapt technological systems and structures to new requirements.
We also advocate for the remaining value chain reporting requirements to be postponed one or two years after the EFRAG Standards will be in force. Otherwise, we have no data for the reporting.
It should be furthermore considered that in in line with the recital (18) of the final CSRD text, "SMEs listed on regulated markets should, in addition, be provided with sufficient time to prepare for the application of the requirement to report sustainability information, due to their smaller size and more limited resources, and taking account of the difficult economic circumstances created by the COVID-19 pandemic. Therefore, a later entry into application in 2026 should be provided. Following this date, for a transitional period of two years, these SMEs should have the possibility to opt-out from the reporting requirements, provided they briefly declare in their management report why the sustainability information has not been provided."

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?

We strongly recommend considering proportionality. The scope of application of the standard is very broad and - because of that – also the type and the size of companies/ banks affected, with very different resources and capabilities (and impact on society and sustainability at a general level), e.g., a company /bank with 500 employees and one of 50,000 employees.
Given that the EFRAG sustainability draft standards are too detailed and complex, there is clearly a risk of overburdening smaller companies and the SMEs. We would like to highlight that, in line with the recital (18) of the final CSRD text, "SMEs listed on regulated markets should be given the possibility to report according to standards that are proportionate to the capacities and resources of SMEs, and relevant to the scale and complexity of their activities. Non-listed SMEs can also choose to use these proportionate standards on a voluntary basis. The SME standards will set a reference for undertakings that are within the scope of the

Directive regarding the level of sustainability information that they could reasonably request from SME suppliers and clients in their value chains.”

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

EACB is of the view that certain disclosure requirements within the topical ESRS should be moved to the sector-specific standards. We believe that this would ease the implementation and operationalisation of these new disclosure requirements for entities at a time when they also have to manage the implementation of the taxonomy, SFDR and ESG pillar 3 disclosures. Moreover, the lack of a one-year delay between the reporting non-financial institutions and that of financial institutions in the Level 1 text complicates further its implementation from the perspective of data collection. Allowing financial sector to report with 1 year delay on indirect/ financed sustainability matters, compared to the timing of publication of sustainability information by the underlying entities which are being financed, was suggested in the EFRAG February 2021 report “Proposals for a relevant and dynamic EU sustainability reporting standard-setting”: https://www.efrag.org/Assets/Download?assetUrl=%2Fsites%2Fwebpublishing%2FSiteAssets%2FEFRAG%2520PTF-NFRS_MAIN_REPORT.pdf

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

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