



**European Banking Federation  
Response to the EFRAG consultation survey  
1C. Overall ESRS Exposure Drafts  
relevance – Exposure Drafts content**

*5 August 2022*

# CONSULTATION SURVEY

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## DRAFT EUROPEAN SUSTAINABILITY REPORTING STANDARDS

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

April 2022



Open for comments until 8 August 2022

**PTF-ESRS**

Project Task Force on European sustainability reporting standards

 **EFRAG**

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

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

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

### **ESRS 1 – General Principles**

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

It covers the applicable general principles:

- (a) when reporting under European Sustainability Reporting Standards;
- (b) on how to apply CSRD concepts;
- (c) when disclosing policies, targets, actions and action plans, and resources;
- (d) when preparing and presenting sustainability information;
- (e) on how sustainability reporting is linked to other parts of corporate reporting; and
- (f) specifying the structure of the sustainability statements building upon the disclosure requirements of all ESRS.

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

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

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

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

- We see many compatibilities between the general principles under ESRS 1 and the IFRS S1, including the characteristics and quality of information disclosed (relevant, comparable, verifiable, understandable, and faithful)
- Both standard are inspired to the TCFD in terms of content, which fosters alignment

- The time horizon for assessments: short, medium, and long term on the whole value chain
- The scope of the assessment, which includes the entire value chain

Our reservations with respect to interoperability focus more on the following:

- The ISSB Exposure Drafts are principle-based, while the ESRs are rule-based (although we support the latter)
- What is considered material: ESRs use impact materiality, while the ISSB links materiality to enterprise value
- Sustainability is defined quite vaguely so far by the ISSB beyond the climate topic (incl. local communities, own workers, water and biodiversity on top of climate) and is much more clearly defined under the ESRs
- How materiality is applied in deciding what to disclose: the ESRs use materiality to decide what not to disclose and the ISSB uses it to decide what should be disclosed
- the due diligence and the incorporation of the interests and opinions of all stakeholders. This is consistent with their investor-centric and financial materiality perspective which is part of the IFRS foundation's key principles.
- There is no back testing in the ISSB ED.
- In the ISSB standard there is no reference to the limiting of warming to around 1.5°C, contrary to the EFRAG EDs.
- The disclosure requirement of transition plans is more detailed under ESRs ED. For example, when disclosing their alignment with the 1,5°C objective, undertakings must disclose their use of carbon offsets separately, while they can be bundled in the ISSB disclosure requirement.
- the definition of value chain under the ISSB appears to be limited in comparison to the CSRD's definition and EFRAG's detailed interpretation (also incorporating indirect business relationships).
- The 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)
- The ISSB does not prescribe the description of materiality assessment
- The description of policies, targets, actions, action plans and resources
- Consistency and connectivity with other parts of corporate reporting
- Finally, the EFRAG covers more sustainability topics than the ISSB.

## ESRS 2 – General, strategy, governance and materiality assessment

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

- (a) of a general nature;
- (b) on the strategy and business model of the undertaking;
- (c) on its governance in relation to sustainability; and
- (d) on its materiality assessment of sustainability impacts, risks and opportunities.

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

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

	1	2	3	4	5
A. Covers sustainability information required by articles 19a and 19b of the CSRD proposal (see Appendix II for CSRD detailed requirements)				x	
B. Supports the production of relevant information about the sustainability matter covered			x		
C. Fosters comparability across sectors			x		
D. Covers information necessary for a faithful representation from an impact perspective			x		
E. Covers information necessary for a faithful representation from a financial perspective			x		
F. Prescribes information that can be verified / assured		x			
G. Meets the other objectives of the CSRD in term of quality of information			x		
H. Reaches a reasonable cost / benefit balance		x			
I. Is sufficiently consistent with relevant EU policies and other EU legislation			x		
J. Is as aligned as possible to international sustainability standards given the CSRD requirements		x			

#### For part H, please explain why costs would be unreasonable and / or what particular benefit ESRS 2 offers

The disclosure requirements are far reaching, and could therefore result in significant costs, especially for conducting assurance (some experiences suggest that the cost can amount to approximately 5k per indicator and this will disproportionately impact non-multinationals, particularly those that are mid-sized 250-1000 FTEs).

In the general principles, EFRAG should, moreover, explicitly refer to the principle of cost constraint on useful reporting. We believe that such notion, which is one of the European Public Good’s criteria considered by EFRAG when formulating opinions on the endorsement of IFRS accounting standards, should also apply – mutatis mutandis – to sustainability reporting. This will ensure that costs related to the production of information do not exceed - and are justified by - the benefits of publishing such information.

With regards to non-financial reporting entities, large corporates should be able to comply with the requirements deriving from the CSRD as they have been reporting on ESG information since the 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.

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

It is misaligned with the OECD Guidelines and UNGPs and to a certain degree the EU Taxonomy and the EBA's Pillar 3 ITS.

We welcome that the draft ESRS incorporate disclosure obligations which are consistent with EU financial institutions' needs as preparers and users. As preparers, financial institutions are facing specific challenges in reporting on material sustainability issues, the bulk of which is indirect via financing activities, mainly due to data collection challenges and calendar mismatches between the application date of financial institutions' disclosure obligations and the application date of the CSRD to the relevant counterparties.

The ESRS include a comprehensive set of disclosure requirements mirroring data needed by financial market participants to comply with the SFDR and for credit institutions to comply with their EBA Pillar 3 reporting obligations. In these regards, the ESRS ensure content consistency between needed and reported information. In addition, as users, the draft ESRS consider the interests of all stakeholders including financial institutions, which use data not just as preparers but also to make well-informed capital allocation consistent with ESG engagements as well as to appropriately identify, mitigate, and manage sustainability related risk factors linked to exposures to clients. A telling example of commitments is the one taken under 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°C scenario is highly welcomed from that perspective.

A sector-specific approach remains necessary, in particular for the data needs stemming from the EBA's Pillar 3 ITS reporting requirements. These include disclosures of GHG emissions (with a sufficient sectoral granularity), turn-over segregation per sector, and even NACE codes in certain cases, as well as countries of location to allow credit institutions to report on their exposures to companies vulnerable to physical risks with sectoral granularity.

The CSRD is welcome as it will help financial institutions retrieve the information needed from their counterparties. Nevertheless, the CSRD only envisions the production of sustainability reports in 2025, and only for some companies, while other regulations or directives (for example the SFDR or MiFID II) have already entered into application and will require the information that will only be available following the CSRD's application. Consequently, there will be a gap between the information that banks will need to conduct their reporting and the information that will be available.

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

Indication that ESG materiality and financial materiality are not the same thing would be appreciated. In addition, the use of the OECD/UNGP definition of responsibility would also be appreciated.

**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**

(With reference to point B) The purpose of the CSRD and the ESRS is to provide the market with relevant and comparable sustainability information. The materiality assessment prescribed allows undertakings to report information deemed relevant by them, although all mandatory requirements established by ESRS are to be presumed to be material. To facilitate comparability between undertakings, in particular those within the same sector, guidance on what should be considered significant for each sector should be provided, similar to the materiality maps provided by SASB per sector.

Issues related to data collection (i.e., due to the complexity of retrieving information throughout the entire value chain) will limit the quality of information. In this respect proxies and estimates can be considered as a solution, however, information is more likely to be faithful and comparable if the EU provides entities with common criteria for estimates and proxies. Finally, some of the information required by the EFRAG's EDs will be difficult to verify, especially qualitative information and information on the workforce. In particular, it is not likely that the auditor will verify information on the workforce if it is located in a non-EU country.

## ESRS E1 – Climate change

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

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

This [draft] standard derives from the [Draft] Corporate Sustainability Reporting Directive stating that the sustainability reporting standards shall specify which information to disclose about climate change mitigation and climate change adaptation.

This [draft] standard covers Disclosure Requirements related to ‘Climate change mitigation’, ‘Climate change adaptation’ and ‘Energy’.

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

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

	1	2	3	4	5
A. Covers sustainability information required by articles 19a and 19b of the CSRD proposal (see Appendix II for CSRD detailed requirements)			x		
B. Supports the production of relevant information against the intended objective of the sustainability matter covered			x		
C. Fosters comparability across sectors		x			
D. Covers information necessary for a faithful representation from an impact perspective			x		
E. Covers information necessary for a faithful representation from a financial perspective			x		
F. Prescribes information that can be verified and assured			x		
G. Meets the other objectives of the CSRD in term of quality of information			x		
H. Reaches a reasonable cost / benefit balance		x			
I. Is sufficiently consistent with relevant EU policies and other EU legislation			x		
J. Is as aligned as possible to international sustainability standards given the CSRD requirements			x		

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



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

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

Clarity would be appreciated regarding the definitions related to emissions. It should also be noted that all emissions reported currently are estimates – the only groups that have such data are the oil and gas sector, and businesses operating in the heavy industry.

**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 our view, there is a limit to how much comparability can be achieved through the sector-agnostic standards, which are by their nature more general. Comparability will be further enhanced with the sector-specific standards.

Moreover, the sector-agnostic standards may not be the suited destination for those requirements related to the downstream value chain, which carries a different meaning in relation to the financial industry (i.e., lending and investment portfolios). Such requirements should rather be elaborated in the future sector-specific standard for the financial sector.

## ESRS E2 – Pollution

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

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

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

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

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

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

	1	2	3	4	5
A. Covers sustainability information required by articles 19a and 19b of the CSRD proposal (see Appendix II for CSRD detailed requirements)			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					
F. Prescribes information that can be verified and assured			X		
G. Meets the other objectives of the CSRD in term of quality of information					X
H. Reaches a reasonable cost / benefit balance					X
I. Is sufficiently consistent with relevant EU policies and other EU legislation					X

J. Is as aligned as possible to international sustainability standards given the CSRD requirements					x
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**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 general nature of the standard without regard to the business sector to which it applies may result in skewed results that are difficult to compare and may prove to have limited value whilst the cost and effort expected may prove to be substantial. For relevant businesses however, this methodology may prove to be very useful.

Also see our comment related to downstream value chain requirement under Q40, which applies to this question as well.

### ESRS E3 – Water and marine resources

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

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

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

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

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

	1	2	3	4	5
A. Covers sustainability information required by articles 19a and 19b of the CSRD proposal (see Appendix II for CSRD detailed requirements)			x		
B. Supports the production of relevant information about the sustainability matter covered				x	
C. Fosters comparability across sectors		x			
D. Covers information necessary for a faithful representation from an impact perspective			x		
E. Covers information necessary for a faithful representation from a financial perspective		x			
F. Prescribes information that can be verified and assured			x		
G. Meets the other objectives of the CSRD in term of quality of information					x
H. Reaches a reasonable cost / benefit balance					x

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

**For part H, please explain why costs would be unreasonable and / or what particular benefit ESRS 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 general nature of the standard without regard to the business sector to which it applies may result in skewed results that are difficult to compare and may prove to have but limited value whilst the cost and effort expected may prove to be substantial. For relevant businesses however, this methodology may prove to be very useful

Also see our comment related to downstream value chain requirement under Q40, which applies to this question as well.

**ESRS E4 – Biodiversity and ecosystems**

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

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

This standard sets out Disclosure Requirements related to the undertaking’s relationship to terrestrial, freshwater and marine habitats, ecosystems and populations of related fauna and flora species, including diversity within species, between species and of ecosystems and their interrelation with many indigenous and local communities.

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

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

	1	2	3	4	5
A. Covers sustainability information required by articles 19a and 19b of the CSRD proposal (see Appendix II for CSRD detailed requirements)			x		
B. Supports the production of relevant information about the sustainability matter covered		x			
C. Fosters comparability across sectors		x			
D. Covers information necessary for a faithful representation from an impact perspective		x			
E. Covers information necessary for a faithful representation from a financial perspective	x				
F. Prescribes information that can be verified and assured	x				
G. Meets the other objectives of the CSRD in term of quality of information					x

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

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

Whilst there are many sectors to be considered for applicability of this standard and for which the contents may be very clear, there are equally many sectors for which applicability as well as methodology of this standard are still quite unclear so it might be necessary to first provide meaningful measurement tools before further developing the standard.

Also see our comment related to downstream value chain requirement under Q40, which applies to this question as well.

**ESRS E5 – Resource use and circular economy**

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

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

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

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

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

	1	2	3	4	5
A. Covers sustainability information required by articles 19a and 19b of the CSRD proposal (see Appendix II for CSRD detailed requirements)				X	
B. Supports the production of relevant information about the sustainability matter covered				X	
C. Fosters comparability across sectors		X			
D. Covers information necessary for a faithful representation from an impact perspective			X		
E. Covers information necessary for a faithful representation from a financial perspective		X			
F. Prescribes information that can be verified and assured		X			
G. Meets the other objectives of the CSRD in term of quality of information			X		
H. Reaches a reasonable cost / benefit balance			X		
I. Is sufficiently consistent with relevant EU policies and other EU legislation					X
J. Is as aligned as possible to international sustainability standards given the CSRD requirements					X

**For part H, please explain why costs would be unreasonable and / or what particular benefit ESRS E5 offers**

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



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

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

This information seems relevant for comparison within a sector and for sectors that market physical resources (for instance the car industry or development of commercial real estate) and less relevant for sectors in the professional services sector or financial sector (with respect to their own use of physical resources). In addition, verification seems to benefit from a reliable and publicly available admin of reusable resources.

Also see our comment related to downstream value chain requirement under Q40, which applies to this question as well.

**ESRS S1 – Own workforce**

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

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

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

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

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

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

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

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

	1	2	3	4	5
A. Covers sustainability information required by articles 19a and 19b of the CSRD proposal (see Appendix II for CSRD detailed requirements)				X	
B. Supports the production of relevant information about the sustainability matter covered				X	
C. Fosters comparability across sectors					X
D. Covers information necessary for a faithful representation from an impact perspective					X

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

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

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

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

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

**ESRS S2 – Workers in the value chain**

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

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

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

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

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

This [draft] standard covers all workers in the undertaking’s upstream and downstream value chain who are or can be materially impacted. This also includes all non-employee workers whose work and/or workplace is controlled by the undertaking but are not included in the scope of “own workforce” (“own workforce” includes: employees, individual contractors, i.e., self-employed workers, and workers provided by third party undertakings primarily engaged in ‘employment activities’). Own workforce is covered in ESRS S1 Own workforce.

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

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

	1	2	3	4	5
A. Covers sustainability information required by articles 19a and 19b of the CSRD proposal (see Appendix II for CSRD detailed requirements)				x	
B. Supports the production of relevant information about the sustainability matter covered				x	
C. Fosters comparability across sectors		x			
D. Covers information necessary for a faithful representation from an impact perspective		x			

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

**For part H, please explain why costs would be unreasonable and / or what particular benefit ESRS S2 offers**

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

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

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

A remaining concern is obtaining reliable and verifiable information underpinning the disclosures and the possibility to verify the correctness of the information in the value stream. Typically, the companies employing these workers are not transparent about possible inappropriate working conditions.

From a financial industry perspective, there is little visibility of indirect suppliers: disclosures on this group in the value chain is not currently feasible. Looking at the sheer number of disclosure requirements and the very detailed application guidance, we would like to stress that the rebuttable presumption concept that the ESRS introduces may not be feasible from a preparer's perspective.

### ESRS S3 – Affected communities

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

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

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

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

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

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

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

	1	2	3	4	5
A. Covers sustainability information required by articles 19a and 19b of the CSRD proposal (see Appendix II for CSRD detailed requirements)				x	
B. Supports the production of relevant information about the sustainability matter covered				x	
C. Fosters comparability across sectors			x		
D. Covers information necessary for a faithful representation from an impact perspective			x		
E. Covers information necessary for a faithful representation from a financial perspective			x		
F. Prescribes information that can be verified and assured			x		
G. Meets the other objectives of the CSRD in term of quality of information			x		
H. Reaches a reasonable cost / benefit balance			x		

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

**For part H, please explain why costs would be unreasonable and / or what particular benefit ESRS S3 offers**

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

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

Overall, we believe that the definitions provided in Appendix A of the social ESRS should be aligned to existing international standards/initiatives on affected communities and human rights, for example, the United Nations definition of Human Rights. This should improve consistency and comparability of international sustainability disclosures amongst undertakings.

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

A remaining concern is obtaining reliable and verifiable information underpinning the disclosures and the possibility to verify the correctness of the information. Typically, the companies that cause the impact on local communities may not be transparent with regards to their impact.

### **ESRS S4 – Consumers and end-users**

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

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

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

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

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

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

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

	1	2	3	4	5
A. Covers sustainability information required by articles 19a and 19b of the CSRD proposal (see Appendix II for CSRD detailed requirements)					X
B. Supports the production of relevant information about the sustainability matter covered					X
C. Fosters comparability across sectors					X
D. Covers information necessary for a faithful representation from an impact perspective					X
E. Covers information necessary for a faithful representation from a financial perspective					X
F. Prescribes information that can be verified and assured					X
G. Meets the other objectives of the CSRD in term of quality of information					X
H. Reaches a reasonable cost / benefit balance					X



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

**For part H, please explain why costs would be unreasonable and / or what particular benefit ESRS S4 offers**

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

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

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

**ESRS G1 – Governance, risk management and internal control**

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

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

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

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

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

	1	2	3	4	5
A. Covers sustainability information required by articles 19a and 19b of the CSRD proposal (see Appendix II for CSRD detailed requirements)			X		
B. Supports the production of relevant information about the sustainability matter covered			X		
C. Fosters comparability across sectors			X		
D. Covers information necessary for a faithful representation from an impact perspective			X		
E. Covers information necessary for a faithful representation from a financial perspective			X		
F. Prescribes information that can be verified and assured				X	
G. Meets the other objectives of the CSRD in term of quality of information					X
H. Reaches a reasonable cost / benefit balance				X	
I. Is sufficiently consistent with relevant EU policies and other EU legislation				X	
J. Is as aligned as possible to international sustainability standards given the CSRD requirements				X	

**For part H, please explain why costs would be unreasonable and / or what particular benefit ESRS G1 offers**

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

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

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

The G1 standard appears to be very much aligned with current corporate governance disclosure best practices. We do not expect incremental costs or difficulty in obtaining this information. We do, however, question how it links to sustainability objectives or fosters comparability. In general, this should be required only if it materially differs from other governance and internal controls within the company.

A lot of the requested disclosures on governance in the stricter sense are already reported and therefore it is crucial that the ESRS allow cross-referencing to other parts of corporate reporting. EFRAG must ensure that G1 does not unnecessarily deviate from the Corporate Sustainability Due Diligence Directive. If deviation from existing and upcoming governance standards is necessary, the deviation must be clear and useful for users.

## ESRS G2 – Business conduct

The objective of this [draft] standard is to specify disclosure requirements for the undertaking to provide information about its strategy and approach, processes and procedures as well as its performance in respect of business conduct.

This [draft] standard derives from the [Draft Corporate Sustainability Reporting Directive] stating that the sustainability reporting standards shall specify information to disclose about business ethics and corporate culture, including anti-corruption and anti-bribery.

In general, business conduct covers a wide range of behaviours that support transparent and sustainable business practices to the benefit of all stakeholders. This [draft] standard focusses on a limited number of practices as follows:

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

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

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

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

	1	2	3	4	5
A. Covers sustainability information required by articles 19a and 19b of the CSRD proposal (see Appendix II for CSRD detailed requirements)				X	
B. Supports the production of relevant information about the sustainability matter covered			X		
C. Fosters comparability across sectors			X		
D. Covers information necessary for a faithful representation from an impact perspective			X		
E. Covers information necessary for a faithful representation from a financial perspective			X		
F. Prescribes information that can be verified and assured			X		
G. Meets the other objectives of the CSRD in term of quality of information			X		
H. Reaches a reasonable cost / benefit balance			X		
I. Is sufficiently consistent with relevant EU policies and other EU legislation				X	
J. Is as aligned as possible to international sustainability standards given the CSRD requirements					X

**For part H, please explain why costs would be unreasonable and / or what particular benefit ESRG G2 offers**

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

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

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

We point out that some of the currently proposed disclosure requirements, especially those concerning current legal proceedings, can have unwarranted effect on the outcome of said legal proceedings.

Regarding Disclosure Requirement G2-7 - Anti-competitive behavior events (paragraphs 40-42), we would recommend that the phrasing is clarified to make it clear that the disclosure requirement relates to material publicly announced investigations into or litigation concerning possible anti-competitive behavior by the reporting entity. The preparer should not, in our view, have to disclose all information on publicly announced investigations or litigations by organization or individual. Some investigations or litigations might be confidential and disclosing information on these items might result in a breach of contract and/or fiduciary duty.