European Banking Federation
Response to the EFRAG consultation survey
3A. Adequacy of Disclosure Requirements – Cross cutting standards

5 August 2022

CONSULTATION SURVEY

DRAFT EUROPEAN SUSTAINABILITY REPORTING STANDARDS

3A. Adequacy of Disclosure Requirements
- Cross cutting standards

April 2022

Open for comments until 8 August 2022

PTF-ESRS

Project Task Force on European sustainability reporting standards

EFRAG

3A. Adequacy of Disclosure Requirements – Cross cutting standards

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

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

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

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

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

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

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

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

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

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

We find that some disclosure requirements are prescriptive and in certain circumstances this could potentially be avoided: in the general part, governance is disclosed upon (as part of ESRS 2) however this is again repeated in G1 and G2. This could lead to overwhelming the user with information and diluting the impact of the more material topics. The cost of disclosing so much information results in inefficiencies for preparers but also additional information that may not be beneficial to the user of the financial statements.

Similarly, by breaking apart the E,S, and G components we risk considering them separately when in fact they are extremely inter-connected.

We propose this alternative approach:

Given the exhaustivity of the standard, the implementation cost can be expected to be high. The benefit will be different, depending on the sector. This is why it is important to define relevant performance measurement metrics per each sector. This is relevant for all the topics covered by the cross-cutting standards.

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

Regarding EBA Pillar 3 ITS reporting:

- The information needed by financial institutions to comply with their Pillar 3 reporting obligations are covered by the proposed ESRS. Nevertheless, financial institutions will need further sectoral information regarding their exposures subject to physical risk.
- We believe that this information should be added to the future sector specific standards with the same granularity as that required by the Pillar 3 templates, which requires information regarding the localization of the undertakings and the percentage of turnover by country.

Regarding the Accounting directive:

- No link with the Accounting Directive is made in the ESRS EDs although it could be particularly relevant in light of the link to the management report (covered by the Accounting Directive, which provides the financial materiality concept). It should be made clear that listed companies do not need to double report the issues already disclosed under the Accounting Directive but can use cross-referencing instead.

The ESRS should also consider and leave flexibility to integrate upcoming EU legislation introducing new sustainability reporting requirements, for instance the future Corporate Sustainability Due Diligence Directive, which the ESRS will have to be aligned with. This should also be the case when existing legislation is amended, such as the PAI indicators under the SFDR. Cross-referencing, as EFRAG did for instance by cross-referencing to the Taxonomy Regulation, could be considered.

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

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

It is important to consider the interplay between the different areas covered by the ESRS to provide a comprehensive view of the full narrative. In its present condition, the ESRS' level of categorization is very granular. By way of example, there are three ESRSs that deal with governance. In addition, E,S, and G are covered separately, however, there is a high level of interplay between the three for banks. If financial institutions decide to stop fossil fuel funding, there is also an impact on energy prices, and therefore social implications. By tagging these separately there is a risk of an incomplete narrative being communicated. There should also be a relevant area where the general holistic storyline is communicated to users.

While they diverge in structure, the ESRS and the IFRS Sustainability Exposure Drafts have similar reporting obligations as they both built on the TCFD framework. We also see compatibilities between the general principles under ESRS 1 and the IFRS S1, for example the characteristics of the information quality to be published: relevant, comparable, verifiable, understandable, and faithful.

The ESRS exposure drafts positively go beyond the ISSB exposure draft. In particular we noted the following main differences:

- The definition of materiality is different as the ISSB explicitly considers financial materiality and impact materiality implicitly (implicitly considered as a source of risks and opportunities, but subject to jurisdictions and undertakings interpretation), whereas EFRAG considers double materiality explicitly. Moreover, there is no materiality assessment proposed by the ISSB EDs.
- The ISSB EDs are only aimed at helping primary users of general-purpose financial reporting to understand how an entity's enterprise value can be affected by significant sustainability risks and opportunities. The ESRS EDs aim to provide information to both users and impacted stakeholders such as civil society. Consequently, these diverging approaches generate a difference in terms of standards (absence of due diligence related requirement in ISSB) and in terms of granularity that may impede comparability.
- Disclosure requirements of transition plans are 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 (carbon credits, carbon removal) separately and shall not include them as means to achieve their targets. They can be bundled in ISSB disclosure requirement. Moreover, on the contrary to the EFRAG standard, there is no obligation to report on locked-in GHG emissions under ISSB Moreover, under ISSB, the scenario used by an entity to assess is resilience and targets should be based on the "latest international agreement on climate change", while the EFRAG explicitly refers to a 1.5°C-scenario.
- Some KPIs are European Union specific (taxonomy)

Interoperability is important to maintain in order to avoid:

- Double reporting; and
- Unlevelled playing field

DR 2-GR 2 – Sector(s) of activity

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

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

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

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

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

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

Companies are required to report on their significant products and services, markets it operates in and the target market. For the most part this is included in IFRS 15 Revenue from contracts with customers and IFRS 8 operating segments, therefore this results in an inefficient duplication of disclosures.

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

The overlaps with IFRS disclosures result in the duplication of disclosure requirements.

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

The ISSB is intended to complement IFRS requirements, therefore we would not expect the duplication of disclosures stemming from ISSD DRs.

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

Regarding DR2 -GR2

- Paragraph 11 indicates that the information should “allow an understanding of the distribution of the undertaking’s activities by reference to a common sector definition”. The definition and classification of these sectors will be provided by ESRS SEC1. However, the NACE classification could be used without the need to create new classifications, which may increase compelxity

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

The undertaking shall describe its value chain.

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

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

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

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

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

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

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

We would propose limiting the disclosure requirements regarding the value chain to those that are instrumental in disclosing material sustainability matters along the value chain instead of describing the key features of the value chain itself.

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

AG 14 requires disclosure of contractual terms with main groups of business relationships, including relevant rights and obligations. This requirement will lead to granular instead of high-level information, that is also in part already covered by financial reporting.

AG 15 requires that the description of the value chain be directly linked to the undertaking's material impacts, risks and opportunities and to sustainability reporting boundaries. This may prove difficult to apply for prescribed material topics.

Regarding DR2 – GR3

- Paragraph 14 requires an undertaking to describe their value chain. The definition of value chain should be addressed with caution when it comes to financial institutions. In the case of credit institutions, material sustainability impacts, risks and opportunities are predominantly indirect in our mainstream value chain, at the level of the companies we are financing. However, the levels at which we are expected to identify and understand where the material impacts, risks and opportunities are in our mainstream value chain are not clear in the cross-cutting ESRS. It is unclear on which part of the clients' value chain credit institutions will be expected to perform our materiality assessment.

This is also a topic which is currently being discussed at the political level in the framework of the future Directive on corporate sustainability due diligence (CSDD) directive. The European Commission's proposal proposes that the mainstream value chain for financial institutions only "include the activities of the clients receiving such loan, credit, and other financial services". If a different approach is taken, similar to financial institutions' obligation to publish scope 1, scope 2 and scope 3 GHG emissions, this would result in an obligation for credit institutions to identify material issues and publish related information on clients' upstream and downstream value chain, meaning on clients' providers and on the clients of such clients. This is not operationally feasible.

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

The undertaking shall describe how it creates value.

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

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

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

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

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

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

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

A definition of “enterprise value creation”, including an explanation of the concepts of “investor-related value creation” and “other value creation” would be beneficial. A lack of clarification may render difficult the evaluation of alignment between ESRS enterprise value and IFRS enterprise value. AG18 explains that key drivers of investor-related value creation shall cover the shareholders perspective as well as the credit institutions’ and other lenders’ perspectives. This is likely meant to foster alignment with the concept of primary users of general-purpose financial reporting, which are investors, lenders and other creditors (n.b., creditors not credit institutions). However, how this links to financial materiality or impact materiality remains unclear.

Please share any comment and suggestion for improvement you might have relating to

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

AG 20 – in our view it in unclear how reconciliation itself can be based on accounting standards

To our understanding, undertakings should report what the main steps of the creation of a product along its value chain are. We consider that this DR may require undertakings to disclose sensitive information (key functions, transfer price, etc.). The link between the value creation and the impact that an undertaking may have along its value chain is unclear. We would suggest considering the removal of DR2-GR4.

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

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

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

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

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

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

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

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

The disclosure's benefit is that users gain more insight regarding the proxies used as this if often a section with limited comparability and therefore qualitative information is essential.

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

The use proxies or estimates is not permitted under the Article 8 Delegated Act of the Taxonomy Regulation, therefore approximated information disclosed in the sustainability report cannot be used to fulfil the requirements under such delegated act.

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

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

An essential element regarding paragraph 23(b) is that it assumes there will be a plan to reduce missing data in the future. It could very well be, that especially in the early stages there is no plan to obtain this missing data due to resource constraints, limited data availability in the market, etc. The way the regulation is worded does not give the flexibility to explain where data is not available. In addition, it will be difficult to audit future planned actions to obtain better data. In the first year of implementation, and according to current wording, preparers will need to have comprehensive action plans to retrieve more data, when in the future, the data may just not be available - for example, for scope 3 client emissions, the data is dependent on the disclosure of financial institutions' clients. We, therefore, suggest re-wording this section in such a manner that it does not presume an action plan to replace proxy data. Regarding proxies and estimates, information would be more likely to be reliable and comparable if a list of common estimates and proxies were defined at EU level.

DR 2-GR 6 – Disclosing on significant estimation uncertainty

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

(a) identify metrics it has disclosed that have a significant estimation uncertainty, disclose the sources and nature of the estimation uncertainties and the factors affecting the uncertainties, and
(b) identify and disclose the sources of significant uncertainty and the factors affecting these sources of uncertainty when explanations of possible effects of a sustainability factor relate to possible future events about which there is significant outcome uncertainty.

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

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

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

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

In consideration of how estimates are disclosed, it would increase efficiency and consistency if we could reference parts of the management report where this may already be disclosed, for example considering CER in IFRS 9 ECL in order to foster a more integrated view of the matter.

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

See the above response in relation to IFRS requirements.

Moreover, the use of proxies or estimates is not permitted under the Article 8 Delegated Act of the Taxonomy Regulation, therefore approximated information disclosed in the sustainability report cannot be used to fulfil the requirements under such delegated act

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

We would encourage the use of cross-referencing wherever possible.

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

There seems to be little difference between DR2 - GR 6 and DR2 -GR 5. We understand that DR2 - GR 6 deals with estimates that an entity could make for events that have not yet occurred, while DR2 - GR 5 deals with the estimates that an entity has used to estimate impacts, risks and opportunities.

As mentioned, it would be useful for the European Commission to publish a list of common estimates so that entities can assess their possible impacts, risks and opportunities using common references. This would make the information comparable and verifiable. We also note that no time horizon is given for the estimation.

DR 2-GR 7 – Changes in preparation and presentation

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

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

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

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

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

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

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

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

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

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

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

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

DR 2-GR 8 – Prior period errors

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

(a) the nature of prior period errors,

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

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

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

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

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

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

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

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

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

Regarding DR2-GR8 :

The difference between "errors" and "estimates" is positive. We believe that if the undertaking used an estimate in N1 it should not correct it in N2 as an estimate is only an interpretation of a situation at a given moment. The undertaking should only be required to update its estimation in N2.

We, moreover, suggest clarifying that only “material” errors should be corrected.

DR 2-GR 9 – On other sustainability reporting pronouncements

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

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

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

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

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

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

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

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

DR 2-GR 10 – General statement of compliance

The undertaking shall provide a statement of compliance with ESRS.

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

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

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

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

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

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

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

We consider DR2 -GR10 to be aligned with the ISSB ED. Nevertheless, the ISSB ED exempts an entity from disclosing information if local laws or regulations prohibit such disclosure while not being prevented from asserting compliance with the ISSB ED. The ESRS ED could make a similar clarification.

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

The information required by paragraph 30 (b) will already be disclosed as part of the materiality assessment for entity-specific topics. Also, by stating compliance with ESRS it is already acknowledged that aspects such as information quality have been considered. In order to avoid duplication, we would propose removing paragraph 30 (b) from this section.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We regret that ISSB takes into account stakeholders implicitly because it only refers to "primary users of general purpose financial reporting". Article 17 on impacts and dependencies is only an opening toward the integration of their views, interests and expectations.

We encourage the EFRAG to discuss this matter with the ISSB in order to ensure interoperability (in particular, clarity is lacking on what is expected under the ISSB EDs).

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

Please share any comment and suggestion for improvement you might have relating to

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

The requirements of AG30 may have the unintended consequence of overwhelming users with information. We would suggest closely measuring the potential benefits that would be derived from the users of sustainability statements as a result of being able to reperform the materiality assessment, which appears to be the objective of the proposed disclosures.

Concerning DR2 – SBM2,

- Article 36 requires an undertaking to describe how the views, interests and expectations of its stakeholders inform its strategy and business model. We believe that identifying and then taking into account the views, interests and expectations of all stakeholders may not always be possible, particularly for financial institutions. This should, in our view, be limited to stakeholders that the company has identified as relevant and material.
- Article 38(a) requires the undertaking to publish a summary of the view of the key stakeholders. This requirement could be burdensome for the undertaking and may not fully enable stakeholders to better understand how their views, interests and expectations inform the undertaking strategy and business model. While we strongly believe that the undertaking should take into account their stakeholders' views, they should not be required to provide this summary.

In general, we would propose merging DR2-SBM2 and DR2- SBM3 as follows:

"41. The disclosure shall include a summarized description of:

(a) actual and potential material sustainability impacts as identified in the materiality assessment (see chapter 4. Disclosing on material sustainability impacts, risks and opportunities) including a list of the stakeholders it has consulted during the materiality assessment and how their views, interests and expectations inform its strategy and business model"

Moreover, it appears that the information required by DR2-SBM1 resembles what is already required by DR2 – GR2 (Sectors of activities). In DR2-GR2 an undertaking must disclose its sector of activities and in DR2-SBM1 it must disclose its mission. The answer to these two DRs may be different but it may be interesting to merge them under the same DR as they are tightly interlinked.

Finally, paragraph 35(c) requires undertakings to describe their "mission, vision, purpose and values" related to sustainability matters. We believe that this paragraph could be clarified further to the benefit of reporting entities.

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

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

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

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

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

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

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

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

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

The definition of materiality is different as the ISSB considers financial materiality explicitly and impact materiality implicitly (implicitly considered as a source of risks and opportunities, but subject to jurisdictions and entities interpretation), whereas EFRAG considers double materiality explicitly.

For EFRAG's information, we have advised the ISSB to:

- provide more guidance on materiality assessment per each sector.

- consider the long-term time horizon under which the impact on the enterprise value should be considered. The horizon could vary based on the issue at hand. For example, a time horizon of 30 years could be considered for climate-related risk and opportunity.

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

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

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

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

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

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

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

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

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

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

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

Concerning DR2- SBM4 :

- We believe that some of the information required, by paragraph 47 (c) and (d) (and further complemented by AG 34, could be too sensitive to be disclosed. We believe that this information is useful for the undertaking's bankers (in particular to be able to assess the transition and physical risks, as required by EBA Pillar 3 disclosure requirements) but not for all stakeholders. This information should only be disclosed in the context of a bank-client relation. The main problem being international competition. Moreover, we recall that some of the investment CAPEX are already disclosed (taxonomy regulation).

We believe that paragraph 47(c) and (d) should be kept but part i. and ii. should be removed, so the undertaking would be able to disclose information about its risks and opportunities stemming from its business model without disclosing sensitive information.

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

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

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

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

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

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

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

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

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

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

There would be benefit in having a single standard that covers both sustainability governance and overall governance. Firstly, because it is not clear what information benefit is created by the split. Secondly, having two standards will likely result in having less concise disclosures.

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

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

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

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

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

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

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

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

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

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

Disclosure requirements in paragraph 56 may be too detailed.

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

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

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

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

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

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

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

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

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

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

To avoid an unnecessary level of detail, while still providing decision-useful information, we would suggest limiting these disclosures to a summary of the processes used to perform activities.

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

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

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

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

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

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

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

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

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

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

DR 2-GOV 5 – Statement on due diligence

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

Q19: Please, rate to what extent do you think DR 2- GOV 4 – Integration of sustainability strategies and performance in incentive schemes

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

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

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

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

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

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

We would see benefit in developing this requirement after the publication of the final Directive on corporate sustainability due diligence.

Concerning DR 2-GOV 5 :

The due diligence process, as proposed by the level one text and recalled in paragraph 85 to 91, would require an entity to have complete coverage of its entire supply chain, which is not always possible to implement in practice. Engaging with stakeholders that have no contractual relation with the entity in order to “take actions to address those adverse impact” (paragraph 86 (a)) can also be difficult to implement.

In any case, we understand that once negative impacts are identified, the company must “take actions to address those adverse impact”. However, it is important to keep in mind that these actions of mitigation can only be performed by the company if the negative impact occurs or are caused by its own activity or by the activity of its direct supplier.

Concerning the “value chain” that must be taken into account by companies to determine their impacts, risks and opportunities, we have the following reservations:

- The definition of “boundaries” and value chain” provided in paragraphs 63 to 70 are not clear especially in relation to credit institutions and risks being too broad given the inclusion of indirect business relationships on top of direct business relationships.

- In the case of credit institutions, material sustainability impacts, risks and opportunities are predominantly indirect in the mainstream value chain, at the level of the companies being financed. However, the levels at which credit institutions are expected to identify and understand where the material impacts, risks and opportunities are located in the mainstream value chain are not clear in the transversal ESRS. It is unclear on which part of the clients’ value chain credit institutions will be expected to perform a materiality assessment.

- This is also a topic which is currently being discussed at the political level on the future corporate sustainability due diligence directive (CSDDD) directive. The European Commission’s proposal for a CSDDD proposes that the mainstream value chain for financial institutions should only “include the activities of the clients receiving such loan, credit, and other financial services”. If we take a different approach, similar to financial institutions’ obligation to publish financed emissions scope 1, scope 2 and scope 3 GHG emissions, this could result in an obligation for financial institutions to identify material issues and publish related information on clients’ upstream and downstream value chain, meaning on the clients’ providers and also on the clients of the clients. This is often not operationally feasible. It will first be challenging to access the identity of all the main providers of all clients and of all their clients, and even if this were to be achieved, it would ensue a considerable amount of work to collect the necessary information from all relevant entities as to allow financial institutions to identify whether there is any material sustainability risks, impacts and opportunities.

- Facing this reality, we would recommend clarifying that the downstream value chain for credit institutions includes those corporate clients with which financial institutions have a contractual relationship and should not include retail and SME clients. The materiality assessment should be performed in the mainstream value chain only with regards to these clients’ own operations. The clients’ upstream and downstream value chain should be excluded.

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

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

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

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

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

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

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

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

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

We are sorry to see that the ISSB is not prescriptive enough with regards to identifying risks and opportunities that derive from the business model or strategy of the undertaking. Regarding impacts, the ISSB only considers impact materiality implicitly (implicitly considered as a source of risks and opportunities, but subject to jurisdictions and entities interpretation). Consequently, these diverging approaches generate a difference in terms of standards (absence of due diligence related requirement, locked in emissions, etc,.) and in terms of granularity this may impede comparability. We encourage the EFRAG to continue its cooperation with the ISSB to further clarify such differing approach and provide guidance to reporting entities.

Please share any comment and suggestion for improvement you might have relating to

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

The volume and complexity of the proposed disclosure requirements may create significant challenges for policymakers, the industry and investors alike. Indeed, as of now, the framework includes 136 disclosures requirements but at a closer look it covers over 620 datapoints out of which 440 are qualitative and 180 are quantitative. Moreover, some disclosure requirements may be too complex to implement in a short timeframe (first reporting in 2025 based on the 2024 fiscal year, for NFRD undertakings)

Also see response to Q13.

Nevertheless, as users of sustainability reporting, we recommend that all disclosure requirements requiring entities to publish information related to their Principal Adverse Impact indicators (PAI) remain sector-agnostic. Those indicators will be necessary for financial institutions to meet their own regulatory disclosure obligations.

Defining relevant performance measurement metrics by sector would allow undertakings to only report on performance metrics deemed material and avoid burdensome justification for those deemed not material.

Lastly, we believe that there is a need to develop common detailed and prescriptive methodologies to take into account impacts on the entire value chain of each sector, for example a common methodology should be defined to measure full value chain scope 3 emissions.

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

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

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

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

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

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

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

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

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

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

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

Paragraph 76(iii) and 77(c) and the rebuttable presumption, including related disclosure requirements, may detract from material topics and cause operational burden.

Moreover, the effects of sustainability risks and opportunities on medium- and long-term future cash flows may be difficult to measure. The difficulty stems from the fact that undertakings will have to identify a sustainability risk or opportunity in their entire value chain and estimate its financial impact on their own cash flow.

This is an area where the reconciliation with financial reporting at the reporting date will be very challenging.

Guidance will especially be useful because undertakings will have to perform two different materiality assessments (both for financial and impact materiality).

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

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

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

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

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

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

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

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

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

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

Regarding DR 2-IRO 3, our understanding is that there is no specific topic covered by this DR and that it is optional. It would be useful if this could be further clarified.