

Brussels, 29 September 2025

## EBF RESPONSE TO THE CONSULTATION ON THE REVISED ESRS EXPOSURE DRAFTS

We welcome the revised and simplified Exposure Drafts of the European Sustainability Reporting Standards (ESRS), in particular, significantly reducing the total number of mandatory datapoints, simplifying the double materiality assessment and improving interoperability with global standards, while also accommodating the need for a just green transition and robust and harmonized sustainability data for the financial sector.

The incorporation of the “undue cost or effort principle”, a clear possibility to perform a top-down materiality assessment, and greater flexibility in preparing sustainability reports are, among others, important improvements in the ESRS standards. However, we are concerned that some of the proposed simplifications are overly complex, which might not result in significant burden reductions in practice, and do not address financial-sector-specific issues related to absolute/intensity-based emission target setting and value chain reporting.

Therefore, there is room for further simplification. The final proposal should be more ambitious, incorporating more substantial simplifications and acknowledging the specificities of financial institutions, in particular banks, while preserving the most material data points corresponding to the information needs of the key users of non-financial information. In addition, we also believe there is room for a more principle-based approach. If solid and clear principles are established, the need for detailed rules will be reduced.

Please find below the key messages, answers to the public consultation survey and detailed recommendations per standard that we believe will contribute to further streamlining and simplifying sustainability reporting in the EU.

### KEY MESSAGES:

- **Aligning with market practice in how GHG emission reduction targets are set in the banking sector is essential to avoid creating wrong incentives.** In the banking industry, at this stage, absolute emission targets are only suitable for banks’ own-account activities (excluding financing and investment) and for financing activities in certain sectors, notably those where financing may be phased out due to a lack of transition. For banks, the conversion of intensity reduction targets to absolute emission targets would require multiple assumptions, making the results unreliable and not leading to meaningful disclosures. Emphasising the role of absolute targets in all sectors would also provide the wrong incentive, as high-emission sectors are those in need of transition financing. Therefore, it is essential that banks are allowed to use both intensity and absolute targets, and are not required to convert intensity targets to absolute ones when the latter are not suitable ([see also our answer to Question 26](#) and

additional explanation in [Annex B](#)).

- **Gross versus net assessment concept in the DMA.** We welcome the idea of giving more guidance and clarification on how to assess positive/negative impacts. However, the suggested “gross vs net” guidelines do not provide the necessary clarity and simplification, and therefore they should be deleted at this stage. We believe that the whole concept needs reworking, and the guidelines should be subsequently written more clearly to ensure that preparers of sustainability reports can take into account in their materiality assessment both prevention measures and the possibility of adapting the balance sheet. This will also give users of sustainability statements a more useful and realistic view of companies’ impacts and risks. ISSB leaves it to companies’ judgment as to whether or how to consider risk mitigation activities, and we believe that EFRAG should consider a similarly flexible approach. Specifically, preparers should be able to use the most meaningful and relevant assessment methodology for their company and explain it. If EFRAG wish to work on separate guidelines on this issue for the NMIG, we stand ready to contribute ([see also our answer to Question 12](#)).
- **Delete ESRS E1-6 GHG emissions exclusion in the relief for missing data.** This provision would require banks to calculate and publish GHG emissions across the entire scope, regardless of data quality and coverage. Banks calculate their own GHG emissions based on their clients’ data and do not always have sufficient data or sufficiently high-quality data to achieve a reliable calculation (especially on the upstream and downstream value chain in scope 3). The publication of inadequate data would be inconsistent with ESRS 1, Paragraph 18 on the qualitative characteristics of information. Thus, the relief for missing data should be applied consistently regardless of the disclosure type, including GHG emissions ([see also our answer to Question 18](#)).
- **Fair presentation principle.** While we are not opposed to the idea of the fair presentation principle, it is essential to ensure that its application leads to real and clear burden reduction for businesses and banks and more coherent sustainability reporting without the risk of imposing additional requirements in the reporting or auditing process. To this end, a clear and complete definition of the fair presentation principle – which could refer explicitly to the ISSB definition – is necessary ([see also our answer to Question 25](#)).
- **Anticipated financial effects.** While the long-term goal of more detailed quantitative data on anticipated financial effects is acknowledged, a phased approach is needed. Given the nascent stage of disclosing anticipated financial effects, Option 2 (qualitative information) provides a workable solution that supports transparency and comparability, without compromising the quality or credibility of disclosures at the moment. It also allows time for methodologies and data availability to mature, paving the way for more robust reporting in the future. Therefore, Option 2 (qualitative information) is preferable at the moment, while Option 1 (quantitative information) could be appropriate in the long run and only once both sustainability reporting and auditing practices have sufficiently matured ([see also our answer to Question 19](#)).
- **Solution for value chain reporting:** We acknowledge that EFRAG has deliberately not included any proposals in the draft standards to limit value chain reporting for

financial institutions, on the basis that this issue is subject to Level 1 discussions. However, if no solution is provided at Level 1, it is essential, at a minimum, to include a general provision in ESRS 1 that allows financial undertakings to adapt their sustainability reporting, including value chain reporting, to the specificities of financial institutions, so that their sustainability reporting according to ESRS meets the qualitative criteria of relevance and reliability. While we acknowledge that the financial industry as a whole is dependent on robust and harmonized ESG data to conduct risk assessments and abide by financial regulations, financial institutions have very broad and complex value chains. Financial institutions do not participate directly in the value chains of products or services, but act as financial intermediaries, financing thousands or even millions of customers, each having numerous value chains. Reporting qualitative information and metrics on the downstream value chain is particularly challenging due to varying degrees of proximity to counterparties and differing capacities to obtain and assess the tangible impact they have on sustainability matters.

- **Fewer data points do not automatically lead to fewer disclosures or reduced effort.** While we strongly welcome the significant reduction in the total number of mandatory data points, fewer data points might not lead to fewer disclosures and efforts, as the same information in deleted data points might have been provided via other remaining data points or was already assessed as not material. Some data points have also been merged without decreasing the amount of information that needs to be reported. Therefore, the actual burden of reporting may not be equal to the percentage of deleted data points and may remain higher than anticipated (see also [Annex A](#)).

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*\* The Drafts should be checked for consistency. There are some inconsistencies. For instance, Draft ESRS 1-AR 12 states that actions should include aspects of corresponding policies, which is inconsistent with ESRS 2, where a clear distinction between policies and actions is made, clarifying that actions are the mechanism to implement policies. In addition, the concept of indicating which DRs and ARs are new or existed before and are amended is not consistently followed within and between the draft ESRS.*

## ANSWERS TO THE PUBLIC CONSULTATION SURVEY<sup>1</sup>

Questions	Answer
<p><b>11. Do you agree that the proposed amendments have sufficiently simplified the DMA process, reinforced the information materiality filter and have succeeded in striking an acceptable balance between simplification and robustness of the DMA? Do you agree that the wording of Chapter 3 of ESRS 1 is sufficiently simplified?</b></p> <p>Explanation: To meet this objective, EFRAG has introduced the following changes, which aim to strike a balance between simplification and the necessary robustness of the Double Materiality Assessment (DMA):</p> <ul style="list-style-type: none"> <li>• A new section presenting practical considerations for the DMA has been drafted, including the option of implementing either a bottom-up or top-down approach (Chapter 3.6 of ESRS 1)</li> <li>• More prominence has been given to materiality of information as a general filter, and all the requirements are subject to it.</li> <li>• The relationship of impacts, risks and opportunities, and topics to be reported has been clarified (ESRS 1, paragraph 2 and 22)</li> <li>• It has been explicitly allowed to include information about non-material topics (ESRS 1, paragraph 108) if they are presented in a way that avoids obscuring material information</li> <li>• Emphasis is put on ESRS being a fair presentation framework, to reinforce the effectiveness of the materiality principle and avoid excessive documentation effort due to a compliance and checklist approach to the list of datapoints (DP); an explicit statement of compliance with ESRS is included in (ESRS 1, Chapter 2)</li> <li>• To avoid excessive detail in reported information, it has been clarified that all the disclosures can be produced either at topical level or at impacts, risks and opportunities (IRO) level, depending on the nature of the IROs and on how they are managed</li> <li>• The list of topics in AR 16 (now Appendix A) has been streamlined by eliminating the most detailed sub-sub-topic level and has now an illustrative only and non-mandatory status.</li> </ul>	<p><b>Answer: PARTIALLY</b></p> <p>Yes, the proposed amendments have partially simplified the DMA process, although there are areas that still require further clarification.</p> <p>The flexibility introduced by allowing disclosures at either the topical or IRO level is welcomed, though the phrasing is potentially confusing and could lead to less comparability among reporting entities. The shift from “reassess” to “update” (Paragraph 29) is also appreciated for introducing more flexibility into the process.</p> <p>Improvements include, but are not limited to, clearer treatment of non-material information (Paragraph 108), the streamlining of AR16 for environmental topics, and the illustrative nature of Appendix A. These changes are expected to facilitate discussions with auditors and improve the usability of the standards.</p> <p><b>However, there are also concerns.</b></p> <p>We believe more explicit guidance on the implications of “materiality of information” is needed (Paragraph 21). <b>We would suggest including an explicit provision in the ESRS, stating that all mandatory (“shall”) data points are subject to materiality assessment, only those “shall”</b></p>

<sup>1</sup> Important remarks:

- Questions 1 to 10 – These are questions about the respondent that we didn’t answer, as they are not relevant.
- Question 33 – This required giving overall feedback per standard. We have provided detailed feedback separately (please see further).
- Question 34 – This was a space for any other comments. We have not covered this. We don’t have other comments.

- More emphasis has been put on the aggregation and disaggregation criteria for reporting information at the right level. Explanations have been provided with respect to the consideration of sites for the DMA and reported information, so as to avoid long lists of sites being included in the sustainability statement.

Please do not comment here in “Gross versus Net” as it is covered by the next question.

**data points, which are material, must be disclosed in the report, and it is up to the preparer and not the auditor to assess if a specific data point meets the materiality requirement.** Such an explicit reference would improve consistency, reduce unnecessary burden, and support preparers in applying the ESRS in a proportionate and principle-based manner (also in discussions with auditors).

**We would also welcome a general statement in the standards that ESRS is meant for reporting purposes, not for auditing purposes, and that auditors should not intervene in the decision of what is material or not.** The materiality should be decided by the reporting company itself, making sure that only topics that are aligned with the strategy are included in the reports. In this respect, **clear auditing standards**, defining what constitutes the scope of reasonable assurance and the level of evidence that must be provided, would further alleviate the reporting burden and cost of audit.

To enhance comparability and practical implementation, examples to support consistent application of the materiality threshold across ESG topics would be welcome.

**We believe it is important to explicitly recognise financial sector firms' existing assessment framework as a valid basis for ESRS disclosure (both process and outcome)** and allow cross-references. We believe it is important to amend ESRS 1 and ESRS 2, or at least NMIG, to state explicitly that, for financial institutions, the DMA may be performed using the methodologies, models and governance already used in prudential and enterprise risk management, including ESG Pillar 3 disclosures.

To support consistent application of materiality thresholds, **there should be a homogeneous definition of materiality assessment across EU legislation.** Regarding the financial sector specifically, the EBA Risk Management Guidelines claim further alignment with EFRAG guidance on financial

materiality assessment, and say that “The materiality assessment of ESG risks should be consistent with other materiality assessments conducted by the institution, in particular those made for the purpose of disclosing material sustainability risks in accordance with Directive 2013/34/EU6 and Commission Delegated Regulation (EU) 2023/27727, where applicable”. **Close alignment between EBA’s concept of materiality and the new draft ESRS needs to be ensured to avoid discrepancies** between outcomes of financial companies’ materiality assessments for different exercises (ICAAP vs CSRD).

Considering the new par. 30, the definition of the scope of the value chain “not limited to direct contractual relationship” could be challenging for the financial sector, due to the complex structure and the width of the full value chain. **The limitation to direct contractual relationships could improve the quality of the analysis and the data availability.**

**Flexibility regarding Top-down or Bottom-up in the DMA is positive, but the last sentence of AR 17 for para. 48(a)** seems to impose a documentation burden on the issuer to prove that using a Top-down approach leads to the same result as the Bottom-up approach. It **is problematic** not only because it will be burdensome. A top-down approach may not lead to the same outcome. **Documentation should focus on why the identified IROs are material, rather than on why immaterial IROs are assessed immaterial. Such clarification would also ease the burden of the auditors’ involvement.**

**The user group for impact materiality remains overly broad, which may lead to extensive and unfocused sustainability reporting not of strategic importance to the business model of the preparer** (ESRS 1-4b and 1-21b). Although we understand that a broad range of stakeholders might use sustainability statements, it is essential to narrow down the user group for impact

materiality to streamline the reporting to strategically important matters.

**We disagree with this change: “It has been explicitly allowed to include information about non-material topics (ESRS 1, paragraph 108) if they are presented in a way that avoids obscuring material information”.** This could create a market practice where auditors may start to expect information that is included by one bank in the sustainability statement from their clients. In order to keep the sustainability statement concise and relevant, it should only include material information. All else can be addressed elsewhere.

Also, concerns remain about the consolidation of subtopics, which may dilute the relevance of certain issues – such as corruption and bribery – when grouped with unrelated topics. A separate subtopic on corruption and bribery would appear more appropriate.

Please also refer to the ESRS 1 reference below with more detailed questions. It would be good to clarify those, as the removal of certain elements and the introduction of new terminology would be good to make really explicit.

**12. Do you agree that the new guidelines clarify how to consider remediation, mitigation, and prevention implemented actions in the DMA, contributing to more relevant and comparable reporting?**

Explanation: Appendix C, which has the same authority as other parts of the Standard, illustrates how to perform the assessment, i.e. before or after the actions that have been taken and have reduced the severity of the impact. The new guidance specifies how to treat actions in DMA, differentiating ‘actual’ from ‘potential’ impacts. It also differentiates the current reporting period from the future reporting periods (the latter is relevant as impacts of previous years that are material are also to be reported in the current period). For impacts that are assessed as material, the respective actions are reported (which also include policies implemented through actions). Actual impacts are assessed for materiality before the remediation actions in the reporting period when they occur, while in future periods, they are

**In the interest of simplification and clarification, we advocate removal of these guidelines (ESRS 1 paragraphs 34-6 plus corresponding ARs and Appendix C).** We believe that the guidelines do not clarify, they complexify. They risk making the DMA more complicated. They also present a high risk in future discussions with auditors – they may give rise to different interpretations that could lead to endless debates.

**The “gross” and “net” concept needs reworking, and the guidelines should be subsequently written more clearly so that preparers can take into account in their materiality assessment both prevention measures and the possibility of adapting the balance sheet.** This will

<p>not reported if fully remediated. For potential impacts, when the undertaking must maintain significant ongoing actions to contain severity and/or likelihood below the materiality level, the impact is assessed before the actions are reported. This provision has been introduced to deal with cases such as health and safety negative impacts in highly regulated industries.</p>	<p>also give users of sustainability statements a more useful and realistic view of companies' impacts and risks. We note also that the proposal is limited to impact materiality, while risks and impacts should be treated consistently.</p> <p>EFRAG should overall consider a more flexible approach that focuses on whether impacts and risks, after considering management's response, remain material to stakeholder decision-making. Management should have the flexibility to use reasonable judgment in determining whether a gross, net or hybrid approach is most appropriate. This approach can then be explained transparently, facilitating user understanding. This would better align with the fundamental materiality principle while reducing implementation complexity.</p> <p>A more flexible approach would also better align with ISSB. IFRS S1 does not prescribe how entities should take mitigation activities into account when determining materiality and allows management to apply judgment – as per the staff meeting document that confirms “IFRS S1 does not specifically prescribe whether or how an entity is required to consider risk mitigation activities when identifying sustainability-related risks that could reasonably be expected to affect an entity’s prospects and judgement must be applied”.</p> <p>It could be helpful to develop guidance on this topic at a later date with further contributions from credit institutions. Any future guidance on the “gross vs. net” issue might be better placed in the NMIG.</p>
<p><b>13. Do you agree that the proposed Amendments, when combined with the other changes in the Amended ESRS, provide an appropriate level of flexibility to support more relevant and concise reporting, as well as to promote better connectivity with corporate reporting as a whole?</b></p>	<p><b>Answer: PARTIALLY</b></p> <p>Yes, we appreciate the increased level of flexibility given to preparers when producing their statement. The revised structure of the ESRS and the introduction of the Executive Summary are positive developments. The Executive</p>

Explanation: EFRAG has clarified the flexibility that preparers have in preparing their statements. The Amendments describe the possibility of including an 'executive summary' at the beginning of the sustainability statement and have put greater emphasis on the use of appendices to separate more detailed information from key messages. The amendments have also clarified the concept of 'connected information', discouraging fragmentation and/or repetition of information (ESRS 1, Chapter 8).

Summary helps reporters tell their story and makes it easier for users to understand key information. The option to move EU Taxonomy tables and other detailed content to appendices improves readability and flexibility, which is widely supported.

The ability to disclose policies only once also reduces repetition and helps streamline the report. These changes reflect a more practical and user-friendly approach to sustainability reporting.

**However, while the structure appears simpler, some concerns remain.**

- **Many requirements are still present, just summarised differently, which may lead to more complexity and less clarity, especially when discussing disclosures with external auditors. The issue wasn't necessarily the length of reports, but how clearly the requirements were presented.**
- **Also, it would be helpful to clarify how to deal with mandatory metrics as per the topical standard when internal steering is based on entity-specific metrics. Please refer to our detailed question raised under ESRS 2 Paragraph 40.**
- **For all ESRS requirements, which rely on an external standard, it would be helpful to include a reasonable implementation period (i.e. 18 months, 24 months) if an external standard is modified and to give companies a reasonable time to adjust their systems, processes, controls and disclosures. For instance, in relation to emissions for the GHG protocol, a standard which is not EU-governed.**

So, while the changes are helpful, further improvements may be needed to ensure clarity and ease of use.

**14. Do you agree that the proposed amendments strike an appropriate balance between (1) prescriptiveness of the requirements and preparation effort from the one hand, and (2) need for relevant and comparable information from the other?**

Explanation: To achieve this objective, EFRAG has implemented the following changes, which aim to strike an appropriate balance between (a) prescriptiveness of the requirements and preparation effort and (b) the users' need for relevant, faithful and comparable information:

- Minimum Disclosure Requirements in ESRS 2 (renamed "General Disclosure Requirements") have been simplified but retained as 'shall' disclose.
- A drastic reduction of 'shall' datapoints PAT has been achieved, sometimes reformulating them as Application Requirements ('Ars') to support more consistent application.
- Topical specifications to GOV, SBM and IRO (Appendix C of ESRS 2) have been deleted, with a few exceptions maintained as separate Disclosure Requirements in topical standards (e.g. resilience in ESRS E1).
- The requirement to disclose PAT for material IROs if adopted is maintained. But the requirement to disclose whether the undertaking plans to implement a PAT for material topics and timeline has been eliminated. The indication of which material topics are not covered by PAT is maintained.
- The amendments have improved the connectivity between the disclosure of PAT and the description of IROs (now in ESRS IRO 2) to which they relate. They have also improved the ability to disclose information at a higher aggregation level than the material IROs, if this reflects the way IROs are managed.

**Answer: PARTIALLY**

Overall, the changes are welcomed, but continued attention to clarity and consistency will be important as the standards are implemented. We understand and appreciate, in principle, that EFRAG provides additional detailed rules, for instance, regarding the impacts of leased assets, where uncertainty has prevailed. **However, we encourage EFRAG to consider adopting a more principle-based approach. If solid principles are established, the need for detailed rules will be reduced. Detailed rules cannot be established to cover all situations in any case.**

The simplification of the Minimum Disclosure Requirements (now General Disclosure Requirements) is a positive step. The changes make reporting more streamlined and reduce the effort needed for preparation, especially since many of the removed data points were qualitative and did not contribute significantly to comparability. As a result, no meaningful comparability has been lost.

The more focused structure is expected to improve transparency and make it easier to compare reports across companies. At the same time, it's important to maintain Policies, Actions and Targets (PATs) for material IROs, if adopted, as part of ESRS 2 to ensure meaningful reporting.

**It would also be necessary to include the new list of phased-in disclosure requirements. Although the recent publication provides a relief for the upcoming two years, it is unclear what will happen after these two years, or what the phased-in provisions will look like after the new ESRS enters into force.**

**15. Do you agree that these proposed amendments achieve the desired level of clarity and accessibility?**

Explanation: The Amendments have reorganised the content of the requirements, clearly separating the mandatory from the non-mandatory ones, and eliminating the “may” disclose provisions, which proved to be problematic to understand. These Amendments are described as Level 4 in the Basis for Conclusions (BfC) (Chapter 4).

The Explanatory Memorandum (page 5) identified the following objective for this lever: simplify the structure and presentation of the Standards.

To achieve this objective, EFRAG has implemented the following changes:

- “May disclose” datapoints have been all eliminated.
- All the “shall disclose” datapoints are now in the main body of the standard (no more datapoints in AR) and mandatory application requirements are relocated below the DR to which they belong (and below each Chapter in ESRS 1), covering ‘how to disclose’ guidelines.
- Language of the Standards has been improved for understandability, conciseness and consistency of ESRS.

**Answer: PARTIALLY**

- Placing Application Requirements (ARs) directly next to Disclosure Requirements (DRs) is an improvement that helps users understand what is expected more easily. The overall structure supports better accessibility and usability.
- However, while the changes are helpful, **the text can still be difficult to interpret in many places and may leave too much room for subjective judgment.** The extensive renumbering also creates extra work for implementation for those companies which have reported. These issues are especially noticeable in areas like E1 and the social standards.
- **We are concerned that some of the remaining ARs do not seem to be ‘how to disclose’ guidelines, such as methodological guidance or presentation options.** ARs should be easily applied to DRs in actual reporting – if not ‘how to disclose’ guidelines, ARs should be included in the NMIG.
- We also point out that it would be better to avoid instances where a paragraph contains multiple requirements (e.g. G1-4 par. 13). Clarity and understandability of the standards depend indeed on a coherent wording and structure of paragraphs that help identifying the required datapoints with ease and would not affect the overall goal of simplification which should focus on the extent of disclosure requirements rather than number of datapoints.
- At a general level, we noted that the Standards still lack enough consideration and guidance relating to specific features of financial undertakings that should be addressed in the absence of sector standards. **To solve the need for helpful guidance for financial institutions, we would propose integrating into the NMIG additional guidance and practical examples to support financial**

	<p><b>institutions when dealing with the disclosures that are designed for industrial entities (real economy companies)</b> (see question 16 below).</p> <ul style="list-style-type: none"> <li>• <b>We encourage EFRAG to add unambiguous definitions wherever possible.</b> For example, “credible proxies” (ESRS S2, paragraph 14, page 6) implies a judgment by someone on whether a proxy is credible or not. Example #2: “stranded assets” (ESRS E1 paragraph 41, page 21) also seems judgment-based. It would be good to make it clear that it can be based on the general judgment of the company.</li> <li>• <b>Assurance auditing standards for ESRS need to be elaborated as soon as possible. Key stakeholders, such as banks, should have a significant role in the consultation.</b></li> </ul>
<p><b>16. Usefulness and status of “Non-Mandatory Illustrative Guidance” (NMIG)</b></p> <p>As a result of the simplification process, part of the mandatory content in the 2023 Delegated Act has been moved to “Non-Mandatory Illustrative Guidance” (NMIG). NMIG does not address all the existing implementation questions on each standard. It simply gathers the content that: a) was in the Delegated Act, b) is now deleted; and c) contributes to the overall datapoints reduction. It contains ‘how to report’ guidelines (methodology) and examples of possible items to cover when disclosing in accordance with a mandatory datapoint, mainly for narrative PAT disclosures. Its content should not be understood as a list of items of information requiring justification when not reported, consistent with the fact that the previous data points are deleted. The legal status of the NMIG will be considered by the European Commission (EC) in due course. However, EFRAG recommends that the EC not include this content in the Delegated Act. On the one hand, NMIG contains helpful support material that may reduce the implementation questions. On the other hand, it could trigger additional efforts of analysis and/or have an ambiguous role as possible additional disclosure with entity-specific relevance if issued within the Delegated Act.</p>	<p>We welcome the removal of voluntary data points from the ESRS. This allows for better flow and reduction of unnecessary text in the standards. Moreover, we agree with EFRAG on the suggestion not to include NMIG in the delegated act. It is important to highlight that the NMIG is not binding, and its role should be clearly stated. Reporting entities cannot risk requirements stemming from the NMIG. <b>It would be useful to add an explicit statement clarifying that the NMIG cannot be used for auditing purposes and is intended solely to facilitate implementation.</b></p> <p>While we support EFRAG’s recommendation to publish the NMIG as guidance only, we seek further clarification on how the guidance included in the NMIG differs from certain Application Requirements (ARs). For example, ESRS S1 AR 8 does not appear to constitute either a methodological instruction for preparing disclosures or a presentation option. A more systemic approach is needed in this respect.</p> <p><b>The NMIG could be the tool to include additional guidance (always based on voluntary application) to support financial undertakings dealing with the</b></p>

**disclosures that are designed for industrial entities (real economy companies).**

**17. Do you agree that the Amendments provide sufficient relief and strike an acceptable balance between (a) responding to the stakeholders' demands for burden reliefs and (b) preserving the transparency needed to achieve the objectives of the EU Green Deal, as well as interoperability with the ISSB's IFRS S1 and S2?**

Explanation: EFRAG has implemented the following changes:

- The relief “undue cost or effort” has been introduced, including for the calculation of metrics.
- A relief for lack of data quality has been introduced for metrics (ESRS 1 Paragraph 91), allowing to report a partial scope and disclosing actions to improve the coverage in future periods.
- The systematic preference for direct data as input to the calculation of value chain metrics has been removed and undertakings may use direct data or estimates depending on practicability and reliability (ESRS 1, Paragraph 91).
- Undertakings may exclude from the calculation of metrics their activities that are not a significant driver of IROs (ESRS 1, Paragraph 90) and may exclude joint operations on which they do not have operational control when calculating environmental metrics other than climate (ESRS 1, paragraph 92).
- Disclosure about resilience is now limited to risks only and limited to qualitative information only (ESRS 2, Paragraph 24 and ESRS E1, Paragraph 21).
- When disclosing financial effects, the information on investments and plans is now limited to those that are already announced (ESRS 2, AR 16 Paragraph 23(b)).
- A new relief for acquisitions (disposals) of subsidiaries has been introduced (ESRS 2, Paragraph 5(k)) allowing to include (exclude) the subsidiary starting from the subsequent (from the beginning of the) period.

**Answer: PARTIALLY**

The reliefs introduced – such as the “undue cost or effort” provision – are helpful and support more practical and streamlined reporting. They acknowledge the data challenges faced by reporting entities and users of sustainability information. While direct data is preferred to foster comparability across companies and ensure they are protected against greenwashing claims, allowing for estimations where necessary is important, as long as there is transparency about data quality and sources.

**Guidance to auditors would be appreciated to make this principle useful. A more precise definition would be welcome.**

Clarification would be welcome regarding this change: *“Disclosure about resilience is now limited to risks only and limited to qualitative information only (ESRS 2, Paragraph 24 and ESRS E1, Paragraph 21)”*. Disclosures on resilience in ESRS 2 are explicit and clear on qualitative terms, while resilience disclosures on E1 can still be interpreted as quantitative. Hence, as the intention of the EFRAG is that both disclosures are qualitative, clarification would be welcome.

With respect to ESRS 1-90, preparers should be able to exclude from the calculation of metrics any subsidiaries that are not a significant driver of IROs.

<ul style="list-style-type: none"> <li>Several implementation issues identified in the EFRAG ESRS Q&amp;A implementation platform from October 2024 to February 2025 (Chapter of Basis for Conclusions (BfC)) have been addressed, clarifying the corresponding provisions.</li> </ul> <p>Following the EC representatives' recommendation, EFRAG did not include additional relief for commercial sensitive information, pending the changes of level 1 regulation, where this issue is being considered.</p>	
<p><b>18. Do you agree that the proposed “undue cost or effort” relief for lack of data quality on metrics strikes an acceptable balance between providing the necessary flexibility for preparers and avoiding undue loss of information?</b></p> <p>Explanation: Amended ESRS have introduced the ‘undue cost or effort’ relief for all the elements of the reporting, from the identification of material IROs to the calculation of metrics (paragraph 89 of ESRS 1), in line with IFRS S1 and S2, extending it to all metrics. In addition, paragraph 92 of ESRS 1 has introduced a provision applicable both to metrics in own operations and in upstream and downstream value chain. This allows an undertaking to report metrics with a partial scope of calculation, when there are no reliable direct or estimated data to be used in the calculation. This relief does not exempt an undertaking from providing a disclosure, but it allows to disclose a calculation that includes only a partial scope. When using this relief, the undertaking shall disclose actions undertaken to improve the coverage of its calculation in next periods. This transparency is expected to provide sufficient incentive to improve the data quality and achieve a more complete scope in the calculation of the metrics. Accordingly, no time limit is included for the use of the relief. Some EFRAG SRB members, while supporting the relief, considered it essential to include a time limit.</p>	<p>We support the introduction of the “undue cost or effort” relief, as it can help make sustainability reporting more practical. However, <b>there are concerns about how this concept will be understood and applied in practice.</b></p> <p><b>It's unclear where the line is drawn for what counts as “undue effort,” and more clarity is needed to ensure the relief is used appropriately.</b></p> <p>To support meaningful reporting and the development of sustainability practices in the EU, it's important that companies invest in data collection and that the standards provide clearer instructions on how to apply this relief.</p> <p><b>Paragraph 91 should include “undue cost or effort” partial scope reporting relief for GHG emissions (at least Scope 3). For financial institutions specifically, the current exclusion would mean they would be obliged to calculate and publish GHG emissions across the whole scope regardless of data quality and coverage.</b> Financial institutions calculate their own GHG emissions based on their clients' data and do not always have sufficient data or sufficiently high-quality data to achieve a reliable calculation (especially on the upstream and downstream value chain in scope 3). <b>This is not consistent with draft ESRS 1, Paragraph 18, which indicates that an undertaking shall</b></p>

	<p><b>apply the qualitative characteristics of information (relevance and faithful representation as well as comparability, verifiability and understandability).</b></p> <p><b>Given that the use of reliefs will be audited, the extension of the relief to GHG emissions would not lead to a decrease in the high-quality climate-related information needed by both banks and asset managers.</b> Alongside these reliefs, there is a need for incentives to be put in place for companies to find ways to publish more information in the future.</p>
<p><b>19. Do you support Option 1 or 2, or disagree with both Options?</b></p> <p>Explanation: The Amended ESRS currently includes two possible options, which would apply to all topics, including climate (DR E1-11):</p> <p>a) Option 1 requires an undertaking to disclose both qualitative and quantitative information but allows omission of quantitative information under certain conditions. Option 1 is substantially aligned with the IFRS relief, despite the fact that it includes some differences compared to it: under Option 1, as in the IFRS relief, the undertaking need not provide quantitative information when it is not able to measure separately the financial effect of a specific topic (or IRO) or when the level of uncertainty is so high that the resulting information would not be useful. Differently from the IFRS relief, Option 1 specifies that the undertaking may use the relief when there is no reasonable and supportable information derived from its business plans to be used as input in the calculation of anticipated long-term financial effects. Different from the IFRS relief, the undertaking cannot omit quantitative information when it does not have the skills, capabilities or resources to provide that quantitative information, as this part of the relief was considered not compatible with the entities that are expected to be in scope of the Amended ESRS.</p> <p>b) Option 2 limits the requirement to qualitative information only, and leaves companies to choose to report quantitative information on a voluntary basis, without having to meet any conditions. This option is not aligned with the treatment in IFRS S1 and S2.</p> <p>Some of the EFRAG SRB members noted that Option 2 would result in undue loss of information important for investors and would fail to provide the correct incentive to build more mature methodologies and reporting practices. Other members, on the contrary, supported the inclusion of Option 2.</p>	<p><b>As a way to maintain interoperability, Option 2 (qualitative information) is preferred.</b> Requiring quantification of anticipated financial effects under Option 1 would involve significant complexity, particularly for financial institutions. Estimating disaggregated impacts across time horizons and revenue streams demands extensive assumptions – such as static portfolio composition and future financial trajectories – which could result in imprecise and non-decision-useful information.</p> <p>Although in the long run, Option 1 would be preferable, the quality and level of reporting are not there yet. At the moment, Option 1 raises concerns about auditability and comparability. Quantitative disclosures would require detailed methodological explanations and assumptions, potentially leading to inconsistent interpretations and increased reporting burden. This could undermine the reliability of the information and complicate assurance processes.</p> <p>In contrast, Option 2 offers a more pragmatic and flexible approach, allowing for meaningful qualitative disclosures while avoiding the risks associated with premature quantification at the moment. Financial institutions already report extensive ESG-related financial data to supervisory</p>

	<p>authorities (e.g., under Pillar III), and duplicating this effort in a less mature reporting environment may not add value.</p> <p><b>Therefore, while the long-term goal of Option 1 (quantitative data) is acknowledged, a phased approach is needed. Option 2 provides a workable solution that supports transparency and comparability, without compromising the quality or credibility of disclosures at the moment. It also allows time for methodologies and data availability to mature, paving the way for more robust reporting in the future.</b></p>
<p><b>20. Do you agree that the amended paragraph 40, 41 and 42 of ESRS E1 have been sufficiently simplified and that they strike the right balance between reporting effort and users' needs?</b></p> <p>Explanation: The content of the disclosure requirements on Anticipated Financial Effects (formerly E1-9 now E1-11) has been significantly reduced. Several datapoints are still included, which are considered necessary for investors and lenders to be able to assess the undertaking's exposure to transition and physical risk, including for lenders to be able to meet either supervisory expectations or sector specific disclosure requirements. This question focuses on paragraphs 40 (a) to (d), 41 (a) to (f) and 42 of ESRS E1 and aims at collecting feedback on the feasibility of the remaining datapoints.</p> <p>If you intend to provide feedback also on Part 3 of this questionnaire, please note that by answering to this question, to avoid duplication of input, you will not be allowed to include comments on DR E1-11 or paragraphs 40, 41 and 42 of ESRS E1 in Part 3. Your comments on those provisions will only be provided here.</p>	<p><b>We do not support the current requirements outlined in paragraphs 40–42 regarding anticipated financial effects.</b> Specifically, paragraph 42, which asks for the percentage of assets or revenue derived from business activities aligned with climate-related opportunities and time horizons, is problematic. If an opportunity is only material in the long term, it becomes impossible to quantify, as the related revenue may not yet exist. This could lead to arbitrary figures that are not decision-useful for users of the sustainability statement.</p> <p>Similarly, paragraph 41(d), which refers to “potential liabilities,” overlaps with existing financial disclosures, such as those required under US GAAP in the 10-K commitments and contingencies footnote. Including this again in the sustainability statement adds no clear value and may introduce legal risks. Also, this is not a financial concept included in IFRS (not to be confused with contingent liabilities).</p> <p>There are also concerns with paragraph 40(b), where the interpretation and implementation for credit institutions remain unclear. These institutions already assess physical and transition risks at the portfolio level, and it is not defined how key assets should be delineated within that context. For paragraph 42, it is unclear how climate-related opportunities should be identified and calculated, especially for new</p>

business activities. Requiring disclosure of such opportunities could risk revealing sensitive strategic information.

Further concerns relate to paragraphs 40(d), 41(a), 41(d), 41(e), and 41(f), where the ambiguity between financial materiality and relevance under the ESRS framework could lead to inconsistent application. Disclosing risks before mitigation measures are considered may not provide meaningful insight and could misrepresent a company's actual risk profile. The complexity of implementing these requirements may result in sustainability statements that are less clear and potentially misleading to investors.

**Therefore, while the intention behind these disclosures is understood, the current approach is overly complex, lacks clarity, and may not produce reliable or useful information. We therefore do not support the proposed requirements in their current form.**

See also our answer to Question 19.

**21. Do you agree that Amendments achieve an appropriate balance between increasing interoperability and meeting the simplification objectives?**

Explanation: To enhance interoperability with the ISSB's standards IFRS S1 and S2, EFRAG implemented the following changes, which aim to achieve a higher level of interoperability while being compatible with the objectives of the Amendments.

- In line with IFRS S1, emphasis has been put on ESRS being a fair presentation framework; materiality of information is now a general filter for the reported information.
- To remove one of the main interoperability differences, the ESRS E1 GHG emission boundary has been replaced by the financial consolidation approach (ESRS E1 AR19), aligned with the financial control approach in the GHG protocol, while a separate disclosure based on operational control is now required (and aligned with the corresponding disclosure in the GHG protocol) only for entities with more complex ownership structures (ESRS E1, AR 20).
- The IFRS reliefs (undue cost or effort, disclosure of ranges for quantitative financial effects) have been implemented, with the exception of the one on omitting commercially sensitive information about opportunities (pending the outcome of Level 1 discussions),

We support the financial consolidation approach as a basis for sustainability reporting. However, to ensure consistency and simplify implementation, **the ESRS should clearly state that GHG emissions on assets that are under banks' financial control, but not under banks' operational control, should be reported as Scope 3 disclosure.** Auditors have very different approaches to this at the moment. Above all, the concept of "control" must be clearly defined.

Additionally, it would be helpful to include an illustrative example showing how emissions should be reported for real estate investments under different ownership structures – such as direct ownership, ownership through a subsidiary real estate company, or through investment funds. This

<p>the one allowing to omit Scope 3 GHG emissions when impracticable and the one allowing to omit quantitative financial effects when the undertaking does not have the necessary skills (please note that the relief on anticipated financial effects is treated in question 20).</p> <ul style="list-style-type: none"> <li>• The implementation of reliefs that go beyond the ones in IFRS S1 and S2 results in new interoperability differences (see question 16).</li> <li>• Language for requirements that are common to ESRS and IFRS S1 and S2 has been aligned whenever possible with the one in IFRS S1 and S2, in ESRS 1, 2 and E1.</li> <li>• The reference to SASB Standards and IFRS Industry-based Guidance as a source of possible (“may consider”) disclosure when reporting entity-specific sector information is now a permanent feature (before it was temporary, i.e. until the issuance of ESRS sector standards).</li> <li>• The datapoint reduction resulted in the elimination of 7 “shall” datapoints aligned with ISSB standards described in Basis for Conclusions (BfC) (Chapter4).</li> <li>• Several changes have been introduced to further advance interoperability in ESRS E1 (Basis for Conclusions (BfC), Chapter 4).</li> </ul>	<p>would improve clarity and support consistent application across entities.</p> <p>In particular, given ESRS requirements on GHG emissions reporting according to the financial control approach and the added provisions on leased assets, we would expect ESRS to clarify how to consider the following real estate categories:</p> <ul style="list-style-type: none"> <li>• own assets used by the undertaking for its business activities (i.e. Scope 1 and 2 in our view);</li> <li>• own assets leased to third parties (i.e. Scope 3 cat. 13 in our view);</li> <li>• leased assets used by the undertaking for its business activities (i.e. Scope 1 and 2 in our view);</li> <li>• leased assets used by the undertaking for reasons different from typical business activities (i.e. Scope 3 cat. 8 in our view).</li> </ul> <p><b>In terms of interoperability, the ESRS reporting requirements on financed emissions should include specific application requirements and guidelines for financial institutions. In particular, we suggest aligning CSRD disclosure with the provisions of other mandatory reporting frameworks applicable to financial institutions.</b></p>
<p><b>22. Do you agree that the reduction in “shall disclose” datapoints (under materiality) strike an acceptable balance between burden reduction and preserving the information that is necessary to fulfil the objectives of the EU Green Deal?</b></p> <p>Explanation: The Amendments have realised a substantial reduction in the number of mandatory (-57%) and voluntary (-100%) datapoints, described in the Basis for Conclusions (BfC), Appendix 3.</p> <p>The Explanatory Memorandum (page 6) specified that “the revision of the Delegated Act will substantially reduce the number of mandatory ESRS datapoints by (i) removing those deemed least important for general purpose sustainability reporting, (ii) prioritising quantitative datapoints over narrative text and (iii) further distinguishing between mandatory and voluntary datapoints, without undermining interoperability with global reporting standards and without prejudice to the materiality assessment of each undertaking.”</p>	<p>Yes, the revised structure of the standards is a clear improvement. The simplification of chapters and the practical clarifications – such as extending the materiality filter to ESRS 2 topics and allowing disclosures at the IRO level – are positive changes that enhance both the DMA process and the resulting reporting. The reduction in the number of Disclosure Requirements (DRs), especially in the Policy, Actions, and Targets (PAT) sections, is welcomed, as many of these were previously burdensome and repetitive.</p> <p>The General Disclosure Requirements (GDRs) now provide sufficient coverage for transparent reporting, and the overall structure strikes a better balance between effort and informational value. These changes are expected to make</p>

<p>To achieve this objective, EFRAG undertook a systematic review of the data points to eliminate the least relevant, i.e. those that are not strictly necessary to meet the disclosure objectives. Most of the deleted datapoints stem from the narrative PAT disclosures, where a less prescriptive and more principles-based approach has been implemented. Therefore, most of the deletions refer to narrative datapoints. In the context of such a systematic review, merging two distinct datapoints was not considered as a reduction.</p>	<p>reporting more focused, relevant, and easier to prepare and audit.</p> <p>However, some concerns remain. The removal of sub-sub-topics may have limited practical impact, as some have been elevated to sub-topic level or broadened in scope. Additionally, while the reduction of narrative PAT disclosures is seen as a relief, there are mixed views on whether all removed data points were appropriately considered – particularly in ESRS S1 and S4.</p> <p>Overall, the changes are broadly supported and represent a meaningful step toward more efficient and effective sustainability reporting. However, to fulfil the Green Deal objectives, much more is needed than reporting.</p>
<p><b>23. Do you agree with moving six datapoints from “may” to “shall”? Please find more information in the PDF file referred to above</b></p>	<p><b>Answer: PARTIALLY</b></p> <p><b>The proposed mandatory disclosure of the number and nature of confirmed incidents of corruption and bribery is concerning.</b> It risks impairing an undertaking’s and its parent company’s legal strategy, defence, and risk mitigation, for example, by effectively constituting an admission of violation or undermining eligibility for voluntary self-disclosure benefits in certain jurisdictions.</p> <p>Determinations as to whether a legal violation has occurred, and the appropriate enforcement response, are typically discretionary decisions made by competent authorities. Requiring disclosure of internally substantiated incidents – particularly those identified by compliance officers or similar functions before any supervisory agency has initiated or concluded an investigation – could be interpreted by authorities, both within and outside the EU, as an admission of wrongdoing. This risk is heightened in cases where investigations are confidential and not disclosed to the undertaking or its parent company, potentially biasing enforcement outcomes and causing undue harm.</p>

	<p><b>It is also concerning that certain data points proposed under the draft standards may lack materiality or relevance. Under G1, the requirement to report on procurement team training appears overstated.</b> Such training is typically limited to technical and process-related aspects aimed at implementing existing supplier policies. In this context, additional training requirements may be considered superfluous.</p> <p><b>Under E1, the proposed extension of the disaggregation of total energy consumption from fossil fuels may not be material for all undertakings.</b> While transparency on energy use is important, the additional granularity could impose unnecessary reporting burdens without delivering meaningful insights.</p> <p>Please refer to the detailed comments section for details on our position regarding G1-4 par. 14</p>
<p><b>24. Do you agree with the four new mandatory datapoints?</b></p>	<p>Yes</p>
<p><b>25. Do you agree that explicitly requiring to adopt fair presentation in preparing ESRS sustainability statements will support a more effective functioning of the materiality filter, therefore enabling more relevant reporting and reducing the risk of excessive reported information?</b></p> <p>Explanation: The Amendments clarify that ESRS is a fair presentation reporting framework, as it is for IFRS S1 and S2, with the expectation that this will support a more effective functioning of the materiality filter and reduce the check list mentality associated to the adoption of a compliance approach. Adopting fair presentation is expected to support a reduction in the unnecessary reported information and of the documentation needed to show that omitted datapoints are not material. The majority of the EFRAG SRB members consider that ESRS was already conceived as a fair presentation framework and interpret the CSRD as requiring it. A minority of the EFRAG SRB members think that the CSRD does not require fair presentation. They think that adopting fair presentation is not a simplification, due to the difficulty of exercising judgement of what is needed to fulfil the requirement, in particular for</p>	<p><b>While we are not opposed to the idea of the fair presentation principle, it is essential to ensure that its application leads to real and clear burden reduction for businesses and banks and more coherent sustainability reporting without the risk of imposing additional requirements in the reporting or auditing process. To this end, a clear and complete definition of the fair presentation principle – which could refer explicitly to the ISSB definition – is necessary.</b></p>

<p>impact materiality where there are less established reporting practices. They think that the Amendments may result in increased legal risks and audit costs.</p>	
<p><b>26. Do you agree or disagree that financial institutions should be exempted from disclosing climate absolute GHG emission values targets when they have only set intensity targets?</b></p> <p>Explanation: One of the implementation challenges noted by financial institutions relates to the requirement in ESRS E1 paragraph 26(a). This requires, when the undertaking has adopted GHG emissions intensity targets in conjunction with AR12 (“when only setting intensity targets”), to disclose also the associated absolute values” (refer also to Basis for Conclusions (BfC) Chapter 8). EFRAG SRB and SR TEG discussed whether an exception would be needed for insurance, banking and asset management sectors, but they decided that it would be appropriate to receive specific feedback before concluding. Those that support the exception argue that this information is not useful. They think that while for fossil fuel sectors gradual de-commissioning is foreseen, emphasising the role of absolute targets for lenders and investors in all sectors would provide the wrong incentive, as high-emission sectors are those in need of transition financing. They also consider that estimating the absolute targets would require multiple assumptions (such as about the composition of the portfolios, the production capacity, the market shares and the level of emission intensity), making results unreliable and thus not leading to meaningful disclosures. Those who oppose this exception note that complex estimates are common to all sectors. They also note also that both the information types of intensity and absolute targets are needed for a proper understanding of the undertaking’s progress on climate and banks are no exception in this case. Intensity targets, while capturing efficiency, may mask rising emission levels. Absolute targets capture the total impact but fail to take into account the effect of business growth. They finally note that an exception only for financial institutions would result in an unlevel playing position for the other sectors.</p>	<p><b>Financial institutions should be explicitly allowed to disclose intensity-based GHG emission targets without being required to convert them into absolute values.</b></p> <p>Translating intensity targets into absolute emissions values would require extensive and speculative assumptions, including static portfolio composition, future client production volumes, sales mix, and enterprise value-to-capital ratios. These assumptions would undermine the reliability, comparability, and decision-usefulness of the resulting disclosures and would not meet the qualitative requirements of the ESRS. Assumptions for absolute targets, when they are suitable (for the financial sector, this would basically be for disinvestment), are different from assumptions for translating intensity-based targets to absolute targets.</p> <p><b>Requiring financial institutions to set absolute reduction targets where only intensity targets exist would not enhance the quality of reporting.</b> Instead, it would introduce complexity and reduce comparability. <b>A tailored approach to target disclosure – recognising the specific role and structure of financial institutions – is therefore recommended. Therefore, banks should have a chance to use one of both options – to set and disclose intensity-based targets, when they are suitable, and set and disclose absolute targets, when they are suitable.</b></p> <p>Please see Annex B for more explanation. It should also be clarified whether the absolute emissions reduction of a long-term net zero target for FIs (e.g., 90% absolute emissions reduction for Category 15) would satisfy this requirement.</p> <p><b>We also believe that ESRS 1 Paragraph 33 (<i>in force</i>) may be interpreted as not requiring banks to set and disclose</b></p>

	<p><b>absolute targets if such targets have not been set.</b> The wording clearly provides: “<i>If the undertaking cannot disclose the information [...] on [...] targets, because it has not [...] set the respective targets, it shall disclose this to be the case [...].</i>”. In this respect, please confirm such interpretation and provide an explicit exemption in the ESRS, allowing banks not to disclose absolute targets if such targets are not set.</p>
<p><b>27. Do you agree with the change to the threshold for country-by-country disclosure for the DRs ESRS S1-5 and ESRS S1-7?</b></p> <p>Explanation: Amended ESRS S1 changes the threshold for the requirement to disaggregate the metrics for Characteristics of the undertaking’s employees, collective bargaining coverage and social dialogue in the European Economic Area (S1-5 and S1-7 of Amended ESRS S1). Refer also to Basis for Conclusions (BfC) Chapter 8. Instead of being defined based on at least 50 employees by head count representing at least 10% of the total number of employees, the requirement is now to disaggregate the metrics for the top 10 largest countries by employee headcount, to the extent that there are more than 50 employees in those countries. A minority of EFRAG SRB members noted that this change could trigger, in some cases, an increase in the number of countries to report on for these two disclosures, and so an increased burden to prepare the information. The majority of EFRAG SRB members supported the change because the current requirement has led to limited information available by country. In addition, the information is usually easily accessible, so the burden to prepare the information per the new requirement is estimated to be limited.</p>	<p><b>We do not support the new threshold proposed for reporting metrics disaggregated at the country level in draft ESRS S1-5 and S1-7 (S1-23 (a), S1-27 (b) and S1-28(a)). The changes lead to disclosures which are not material.</b></p> <p>The new threshold (10 largest countries in terms of employee numbers) contradicts/dilutes the principle of only reporting material information. We recommend maintaining the current threshold of 10% of the total number of employees. The updated/new definition in draft ESRS S1-5 and S1-7 would expand the data gathering efforts for the disclosure, with minimal value added because the new threshold would entail that countries with a relatively low percentage of the total workforce would need to be disclosed, despite their relatively little effect on the undertaking.</p> <p><b>The revised threshold will trigger broader reporting requirements, expanding data collection efforts with limited added value.</b> Countries previously excluded due to low workforce percentages will now be included, despite having minimal relevance to others. This is a simplification process, and this would constitute a new requirement.</p>

**28. Do you agree with the proposed change to the methodology for the calculation of non-EU adequate wages in ESRS S1?**

Explanation: The Amended ESRS S1 reflects an amended methodology for the calculation of non-EU adequate wages set out in the Application Requirements (ESRS S1 AR 22). This change draws on language from different parts of the agreement on the issue of wage policies, including living wages, adopted by the ILO Governing Body in 2024, after the ESRS Delegated Act was adopted. A minority of EFRAG SRB members flagged three interrelated concerns: (1) the reference to wage-setting principles risks disclosures of minimum wages that fall well-below an adequate wage standard, (2) the hierarchy requires companies to only assess relevant living wage data sets as a last resort, and (3) the DR/AR does not require companies to disclose which prong of the methodology is used, which leads to lack of comparability.

The revised disclosure requirement on adequate wages in ESRS S1 introduces a reference to the methodology for calculating living wages in non-EU countries, linked to ILO principles. **This addition is concerning due to the lack of clarity and specificity in the text. It is not clear what constitutes a living wage under ILO principles, and the absence of a defined methodology creates uncertainty for preparers.** The distinction between EU and non-EU countries adds further complexity and may result in inconsistent application across jurisdictions.

If this reference is retained, **it is important to introduce flexibility for companies that already apply a consistent and relevant benchmark across all countries, including those where no statutory minimum wage exists.** For example, an exception could be added to AR 22 stating: *“unless the company has already used homogenously a relevant benchmark for all countries, including those where a minimum wage does not exist.”* This would allow companies to maintain consistency in their wage reporting practices without being forced to adopt a new, undefined methodology.

Robust and comparable information on living wages is essential for assessing social sustainability. However, the current formulation risks reducing transparency due to the lack of a requirement to disclose which methodology is used. To ensure meaningful and comparable reporting, it should be explicitly required that companies describe the methodology applied for non-EU countries.

**While the intention to strengthen disclosures on adequate wages is supported, the current approach introduces ambiguity and complexity.** Clear guidance and flexibility are needed to ensure consistent, transparent, and decision-useful reporting.

**29. Do you agree with the way the SFDR PAI have been incorporated in the Amended ESRS?**

Explanation: The Omnibus proposals have not changed the general objective of supporting the creation of the data infrastructure necessary for implementing the Sustainable Finance Disclosure Regulation (SFDR). Input from investors confirms the need to implement the correct flow of information from their investee. However, evidence also suggests some of the Principal Adverse Indicators (PAI) are not considered relevant in practice. As part of the systematic review of the datapoints for their reduction, EFRAG has assessed the relevance of the SFDR PAIs, as well as the level of coverage of them resulting from the general datapoint reduction.

Appendix 4 of the Basis for Conclusions (BfC) illustrates how the EU datapoints in Appendix B of ESRS 2 (now Appendix A of Amended ESRS 2) have been modified.

The key changes for Environmental standards (ESRS E1-E5) are:

- 8 SFDR PAI sensitive DPs have been deleted but they were either overlapping with other DPs or can be derived from other information (E1-5, para.38, 40-43; E1-6 para44, 53-55; E3-1, para 14; E3-4, para 29; E5-5 para 37 (d) and 39);
- 1 SFDR PAI sensitive DPs in Appendix B (indicator number 12 Table #2 of Annex) was removed, following EFRAG's approach of reducing the content provisions related to PAT under topical standards. This refers to the topic of marine resources, which is not in scope of ESRS E3.

The key changes for Social standards (ESRS S1-S4) are:

- This was a consolidation exercise. Firstly, for the policies related to human rights and for the alignment with UNGP and OECD MNE Guidelines (two SFDR PAI number 9 Table #3 and Indicator number 11 Table #1 of Annex 1), eight datapoints from the four Social standards have been merged into a "human rights policy" in ESRS 2 GDPR-P, for the four affected stakeholder groups. Secondly, the indicator in relation to severe human rights cases (SFDR PAI number 14 of Table #3 and number 10 of Table #1 of Annex 1) have been merged into one and it is maintained across the four Social standards.
- A small number of amendments on the scope has taken place for SFDR PAI Indicator 3 of Table #3 in relation to days lost. Fatalities (ESRS S1-13) has been deleted from its scope. The scope of revised human rights incidents datapoint (ESRS S1-16, S2-3, S3-3, S4-3) is now clarified.

**The EBF position for the SFDR revision is to delete the annual PAI statement (entity-level), as it is overly complex, burdensome and not useful for stakeholders.** At least, it must be significantly simplified. We recommend using PAIs only at the product level and reducing them to the most meaningful indicators for investors. Reducing and simplifying PAIs is essential to ensure that retail investors understand them, which is currently not the case" (see the EBF position here: [EBF Calls for Pragmatic Simplification of Sustainable Finance Disclosure Regulation - EBF](#)).

**In any case, the integration of mandatory and useful SFDR Principal Adverse Impact indicators (PAIs) into the ESRS remains essential for product-level disclosures.**

**As for the proposed changes to SFDR-related datapoints:**

- Further clarification is needed on several aspects of the revised ESRS S1 disclosures related to human rights and adequate wages.
- First, the requirement in S1-1 paragraph 12 for undertakings to state whether their workforce-related policies explicitly address trafficking in human beings, forced labour, compulsory labour, and child labour appears misaligned with the structure of the standard. These issues are typically addressed within overarching human rights policies, and it would be more appropriate to consolidate this requirement under ESRS 2, specifically within the General Disclosure Requirement for policies (GDR-P, paragraph 35). This would improve coherence and avoid duplication across standards.
- Second, while the addition of a definition for "human rights incidents" represents a step forward, the international frameworks referenced provide broad

There were no changes in the ESRS G1.

and varied guidance, and the lack of harmonised interpretation may create implementation challenges. To ensure consistent application, further clarification is needed on how to operationalise this definition, including illustrative examples.

- It remains unclear how the definition in the ESRS Glossary relates to AR 38: are the examples presented there the only possible instances of substantiated incidents, or should undertakings identify additional relevant cases?
- In this regard, we support having a clear and precise definition of circumstances that constitute a human rights incident, but we believe it would be more effective to focus on confirmed incidents, such as final decisions issued by a court of law or competent authorities (see also our answer to question 34 of the survey).
- Third, it is positive that reporting on forced labour and child labour has been moved to ESRS 2, which may improve the usability and accessibility of sustainability information, as well as ensuring relevant information for SFDR.

**There are also some voluntary SFDR PAI indicators beyond indicators in Table #1 of Annex 1 included in the ESRS that should be considered for removal from ESRS, given that financial institutions are largely not using these datapoints in their SFDR entity reporting. Specifically:**

- Some of these tend to be sector-specific (e.g. S1-13 metric on number of days lost to injuries, accidents, fatalities or illness), and such selection of entity-specific disclosures should be guided by ESRS 1-1, paragraph 11, rather than being included by default.
- Therefore, only ESRS datapoints which overlap with SFDR PAI indicators in Table #1 of Annex I and/or

	<p>other regulators such as Pillar 3 should remain, and those that overlap with voluntary PAI indicators in other tables of Annex I should be removed from respective standards or moved to NMIG.</p>
<p><b>30. Do you agree with the review of AR 26 in Amended ESRS E4?</b></p> <p>Explanation: As part of the simplification process, E4-4 (targets) disclosure specifications and application requirements have been mostly removed. In this context, methodological guidance for companies to what biodiversity and ecosystems-related targets can cover would be helpful. ESRS SET 1, E4 AR 26) outlines aspects that targets can address, including in relation to the size of areas protected or restored, the recreation of natural surfaces or the number of company sites whose ecological integrity has been approved. While this AR could be kept in the revised ESRS E4, some stakeholders highlighted that it could be further reviewed to better reflect latest trends in the evolving methodological landscape related to biodiversity and a stronger alignment with relevant content from science-based frameworks such as SBTN.</p>	<p><b>The review on alignment with SBTN is important. However, the field is evolving rapidly. It would be more effective to enforce the application of a widely recognised industry standard rather than introducing prescriptive mandatory guidance.</b></p> <p>Also, EFRAG should consider removing ESRS E4 AR5 associated with paragraph 17, as this undermines EFRAG's simplification goals and is an exception to the revised approach to GDR-T frameworks. AR5 also introduces problematic scope creep by embedding social governance mechanisms with an environmental disclosure requirement. S3 already addresses indigenous people.</p>
<p><b>31. Do you agree with the deletion of the voluntary datapoint on adjusted gender pay gap?</b></p> <p>Explanation: Some of the feedback obtained during the public outreach on the Remuneration metrics (ESRS S1-15), which are derived from the SFDR PAI, was to revisit the gender pay gap ratios and consider replacing it by the adjusted gender pay by employee category or, in some cases, by country. The gender pay gap metric in set 1 is aligned with the Pay Transparency Directive, (EU) 2023/970, where the unadjusted ratio is required as a global percentage and the adjusted gender pay gap by employee category is a voluntary ("may") datapoint.</p> <p>The voluntary datapoint of adjusted gender pay gap by employee ratio has not been included in Amended ESRS S1, following careful analysis and consideration of the EFRAG SRB where the pros and cons of changing the basis for gender pay gap were weighted. The conclusion reached was to maintain the global unadjusted pay gap and delete the adjusted gender pay gap by employee ratio that is a voluntary datapoint in set 1. The deletion of voluntary datapoints obey to the general approach in the revised architecture.</p>	<p>Overall, we agree. <b>However, the unadjusted pay gap metric is often of limited relevance and can easily lead to misleading conclusions. It is important to clarify that the unadjusted KPI is not the most accurate or faithful representation.</b></p> <p>Missing the clarification and explicit statement of alignment with the Pay Transparency directive.</p>

<p><b>32. Is the current replacement/formulation sufficient to meet the objectives of the CSRD in respect to the protection of SMEs?</b></p> <p>Explanation: The revision of ESRS G1 has led -among others - to the deletion of former paragraphs 14 and 33(a), addressing "payment practices" (within the context of management of relationship with suppliers). These datapoints have been replaced by the PAT provisions and an additional specification for SMEs in paragraph 33(b). However, this deletion may still reduce visibility on how undertakings engage with and support SMEs.</p>	<p>We support the deletion of previous datapoint G1-6.33(a).</p> <p><b>Regarding new datapoint G1-6.20(a), we believe that the new formulation of the requirement is not particularly clear in relation to how it considers and discloses information on SMEs, and it does not help reach the goal of simplification.</b> In general, we think disclosure on standard payment terms does not bring much added value for the users of the statement; also, the distinction between SMEs and non-SMEs would not have significant relevance. If an undertaking applies specific conditions to SMEs, it should be described in the PAT sections.</p> <p><b>We suggest focusing only on the overall percentage of payments aligned with contractual terms. Finally, we suggest confirming the existing option to adopt a representative sampling to calculate the information required by G1-6, in addition to what is already expressed in ESRS 1, par. 90.</b></p>
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## Detailed Comments and Suggestions per Standard

### ESRS 1 “GENERAL REQUIREMENTS”

Text (Paragraph)	Problem	Suggestion
<p style="text-align: center;"><b>Objective</b></p> <p><b>Paragraph 3, Third sentence</b></p>	<p>Paragraph 3, Third sentence provides:</p> <p><i>“An ESRS sustainability statement covers governance, strategy, policies, actions, targets and metrics for topics related to material impacts, risks and opportunities”.</i></p> <p>This wording is inconsistent with the reporting areas mentioned in other sections of ESRS 1 and ESRS 2 and should be made consistent across all ESRS. The sustainability statement covers governance, strategy, policies, actions, targets and metrics for topics related to material impacts, risks and opportunities.</p>	<p>Rephrase Paragraph 3, Third sentence as follows:</p> <p><i>“An ESRS sustainability statement covers <u>the reporting areas of governance, strategy, impact, risk and opportunity management (i.e., policies, actions), targets and metrics for topics related to material sustainability-related impacts, risks and opportunities</u>”.</i></p>
<p style="text-align: center;"><b>Objective</b></p> <p><b>Paragraph 4 (b), Second sentence</b></p>	<p>Paragraph 4(b) provides:</p> <p><i>“4. The ESRS require the undertaking to disclose information that is useful to the users of general purpose sustainability statements, which are:</i></p> <p><i>[..]</i></p> <p><i>(b) other users of general purpose sustainability statements, such as the undertaking’s business partners, trade unions and social partners, civil society and non-governmental organisations, governments, analysts and academics. <u>Civil society, non-governmental organisations and trade unions as users are proxies for affected stakeholders</u>”</i></p> <p>The second sentence (as underlined) is redundant, because the first sentence already states that trade unions, civil society, and non-governmental organisations are affected stakeholders.</p>	<p>Delete Paragraph 4(b), Second Sentence</p>

<p><b>1.1 ESRS standards, reporting areas and entity-specific disclosures</b></p> <p><b>Paragraph 8</b></p>	<p>Paragraph 8 provides:</p> <p><i>“Amended ESRS 2 General disclosures establishes Disclosure Requirements (DRs) on the information that the undertaking shall provide for topics related to material impacts, risks and opportunities on the reporting areas of (i) governance, strategy, impact, risk and opportunity management, as well as (ii) policies, actions, targets and metrics”</i></p> <p>However, the wording is inconsistent in comparison to other paragraphs in ESRS. Therefore, it should be amended.</p>	<p>Rephrase Paragraph 8 as follows:</p> <p><i>“Amended ESRS 2 General disclosures establishes Disclosure Requirements (DRs) on the information that the undertaking shall provide for topics related to material <u>sustainability-related</u> impacts, risks and opportunities on the reporting areas of (i) governance, (ii) strategy, (iii) impact, risk and opportunity management (<u>i.e., policies, actions</u>), as well as (ii) <u>targets and metrics”</u></i></p>
<p><b>1.1 ESRS standards, reporting areas and entity-specific disclosures</b></p> <p><b>Paragraph 10</b></p>	<p>Paragraph 10, Third sentence provides:</p> <p><i>“If the undertaking concludes that a topic related to one or more material impacts, risks or opportunities is not covered, or not covered with sufficient granularity by an ESRS, it shall provide additional entity-specific disclosures on that topic. This may be the case due to sectorial specificities and/or other facts and circumstances relevant to the undertaking itself. <u>Depending on the undertaking’s facts and circumstances, there may be topics other than those covered in ESRS topical requirements that the undertaking shall cover, following its materiality assessment, such as where its business model and strategy are associated with material impacts, risks and opportunities that do not correspond to the ESRS topics”</u>.</i></p> <p>The third sentence is redundant. Therefore, it should be deleted. Also, it should be clarified in the text that we are talking about sustainability-related impacts.</p>	<p>Rephrase Paragraph 10 as follows:</p> <p><i>“If the undertaking concludes that a topic related to one or more material <u>sustainability-related</u> impacts, risks or opportunities is not covered, or not covered with sufficient granularity by an ESRS, it shall provide additional entity-specific disclosures on that topic. This may be the case due to sectorial specificities and/or other facts and circumstances relevant to the undertaking itself.</i></p>
<p><b>1.1 ESRS standards, reporting areas and entity-specific disclosures</b></p> <p><b>Paragraph 11, Second sentence</b></p>	<p>Paragraph 11, Second sentence provides:</p> <p><i>“For this purpose, it may use available best practices and/or available frameworks or reporting standards, such as IFRS industry-based guidance and GRI Sector Standards”.</i></p>	<p>Move Paragraph 11, Second sentence to NMIG</p>

	<p>Considering that this is a recommendation, it can be moved to NMIG to reduce the risk that it becomes mandatory. Otherwise, the blending of "may" and "shall" in this DR is slightly concerning, as it merges a compulsory action with a voluntary outcome and risks becoming a compliance exercise.</p>	
<p><b>1.1 ESRS standards, reporting areas and entity-specific disclosures</b></p> <p><b>AR 1 for para. 11 (Entity-Specific Disclosures)</b></p>	<p>Redundant information that is sufficiently covered in ESRS 1 regarding qualitative characteristics and in ESRS 2 regarding reporting areas.</p>	<p>Delete AR 1 for para. 11</p>
<p><b>1.2 Drafting conventions</b></p> <p><b>Paragraph 12</b></p>	<p>If all terms are defined in the Glossary as explained by Paragraph 13, Paragraph 12 could be deleted. Furthermore, the content in Paragraph 12 does not have anything to do with drafting conventions</p>	<p>Delete Paragraph 12</p>
<p><b>1.2 Drafting conventions</b></p> <p><b>Paragraph 14</b></p>	<p>Paragraph 14 provides:</p> <p><i>"The structure of information in ESRS is based on DRs, which consists of one or more distinct datapoints. They are introduced by the term 'shall disclose' to indicate that the provision is prescribed, subject to the materiality of information"</i></p> <p>"Subject to materiality" could be formulated clearer, namely, whether all data points shall be disclosed or only when they are considered to be material. In the log of amendments (ESRS 1 "General Requirements", page 18 of 101, the text is super clear:</p> <p><i>"To respond to the feedback that the filter of materiality should be universally applied to all datapoints, ESRS 2 is now also subject to the filter of materiality, and only datapoints that are material are to be reported. For some preparers, it was not always clear that the "materiality of information" principle of ESRS 1 paragraph 31 also applies to the "shall always disclose" (mandatory) ESRS 2 datapoints.</i></p> <p>We understand that all data points are subject to materiality, which means that not all "shall" data points have to be disclosed.</p>	<p>We would suggest including an explicit provision in the ESRS, stating that all mandatory ("shall") data points are subject to materiality assessment, only those "shall" data points, which are material, must be disclosed in the report, and it is up to the preparer and not the auditor to assess if a specific data point meets the materiality requirement. We believe the explicit reference would improve consistency, reduce unnecessary burden, and support preparers in applying the ESRS in a proportionate and principle-based manner.</p>

<p style="text-align: center;"><b>1.2 Drafting conventions</b></p> <p style="text-align: center;"><b>Paragraph 15</b></p>	<p>Paragraph 15 provides:</p> <p><i>“In addition to DRs per se, [Draft] Amended ESRS 2 General disclosures and topical standards contain mandatory ‘Application Requirements’ relating to DRs, included within boxed text. Its content supports the preparation of information and/or disclosures that meet the qualitative characteristics of information (see Appendix B) and has the same authority as other parts of a standard. ARs also include text where the term ‘shall consider’ is used to indicate issues, resources or methodologies that the undertaking is expected to take into account or to use in the preparation of a given disclosure. They also include presentation options, indicating that a given piece of information may be provided in a tabular form or in narrative text, or other types of options”</i></p> <p>First, “shall consider” is explained as “is expected to take into account”, which is confusing, as all voluntary requirements have been removed, but still wording “is expected” is still used in the DR. This is especially confusing in the topical standards, where it seems to be forcing the adoption of industry standards, adding therefore a 3 (or 4th) layer of legally binding regulation coming from sources not formally empowered to provide binding rules.</p> <p>There are two problems: 1) the meaning of "shall consider" is unclear; 2) industry standards shall not be made binding (or presumed binding).</p>	<p>Clarify what “shall consider” and “is expected” entail or remove this part from the standard.</p>
<p style="text-align: center;"><b>2. Fair presentation and qualitative characteristics of information</b></p> <p style="text-align: center;"><b>Paragraph 19</b></p>	<p>Paragraph 19 provides:</p> <p><i>“To achieve faithful presentation, the undertaking shall provide information that meets [...]”</i></p>	<p>Change the words “Faithful presentation” to “faithful representation” to align with terms in paragraph 16 about “fair presentation” and “faithful representation”.</p>
<p style="text-align: center;"><b>3.1 Materiality of information as a general filter for reported information</b></p> <p style="text-align: center;"><b>AR 4 for para. 21, Second sentence</b></p>	<p>AR 4 for para. 21 provides:</p> <p><i>“Material impacts, risks and opportunities identified under the double materiality principle and therefore reported on in the sustainability statement are understood to be the same as the undertaking’s principal impacts, risks and opportunities referred to in the CSRD (Directive (EU) 2022/2464).</i></p>	<p>Delete AR 4 for para. 21, Second sentence</p>

	<p><u>Some existing standards and frameworks also use the term 'most significant impacts' when referring to the threshold used to identify the impacts that are described in the ESRS as 'material impacts'.</u></p> <p>Second sentence in AR 4 for para. 21 is misleading and should be deleted.</p>	
<p><b>3.2. Interaction between topics to be reported and material impacts, risks and opportunities</b></p> <p><b>Paragraph 22</b></p>	<p>Too complex, as evident by a comment in the log of amendments longer than paragraph 22 itself</p>	<p>Simplify the wording and make it clearer</p>
<p><b>3.2. Interaction between topics to be reported and material impacts, risks and opportunities</b></p> <p><b>Paragraph 23</b></p>	<p>The paragraph provides clarification on entity-specific topics and refers to AR21, which, however, refers to subtopics within a standard and not to entity-specific IRO.</p>	<p>Use a broader formulation of AR21 to better cover the entity-specific IROs, which may be broadly understood as belonging to one standard.</p>
<p><b>3.3. Double materiality assessment</b></p> <p><b>Paragraph 26</b></p>	<p>Paragraph 26 provides:</p> <p><u>"In general, the starting point is the assessment of impacts, although there may also be material risks and opportunities that are not related to the undertaking's impacts".</u></p> <p>This underlined wording is unclear. For instance, it is unclear how opportunities can be material if they are not related to the undertaking's positive impacts.</p>	<p>Clarify how risks and opportunities that are not linked to the undertaking's sustainability impacts can still be considered material. Specifically, explain here or in NMIG how a sustainability-related opportunity can be material even if it doesn't stem from a positive sustainability impact by the undertaking.</p>

<p><b>3.3. Double materiality assessment</b></p> <p><b>Paragraph 28</b></p>	<p>Paragraph 28 provides:  <i>“When applying the criteria set under Chapters 3.3.1 and 3.3.2, the undertaking shall set appropriate qualitative and/or quantitative thresholds to determine which impacts, risks and opportunities are identified and assessed by the undertaking as material and, as a result, to determine the topics to be reported (refer to AR 17 for the option to adopt a top-down approach in performing the double materiality assessment)”</i></p> <p>Paragraph 46 provides:  <i>“The undertaking is not required to assess every possible impact, risk and opportunity across all areas of its operations and upstream and downstream value chains to identify the topics to be reported”</i></p>	<p>Considering Paragraph 46, and the top-down approach as referred to in AR 17, please clarify in which circumstances Paragraph 46 would apply.</p>
<p><b>3.3.1 Impact materiality assessment</b></p> <p><b>Paragraphs 30 to 36</b></p>	<p>The draft paragraphs do not seem to sufficiently address the challenge that materialised when looking at 2024 Sustainability Statements, i.e., the large diversity in practice, whether an impact is positive or negative.</p> <p>The content of Paragraph 46, when adopting the top-down approach, is unclear.</p>	<p>Provide additional guidance that makes the distinction between positive and negative impacts much more pronounced, so that the concept is applied consistently by all undertakings that need to report under ESRS.</p>
<p><b>3.3.1 Impact materiality assessment</b></p> <p><b>AR 6 for para. 30</b></p>	<p>AR 6 for para. 30 provides:  <i>“The following are two examples of impacts that are connected with the undertaking:</i></p> <p><i>(a) if the undertaking uses cobalt in its products, which is mined by using children labour, the negative impact that arises from child labour (i.e. impact on the health and well-being of children) is connected with the undertaking’s products through the tiers of business relationships in its upstream value chain. These business relationships include the undertaking’s suppliers and their workers, smelter and minerals trader and the mining enterprise that uses child labour; and</i></p> <p><i>(b) if the undertaking provides financial loans to an undertaking for business activities that, in breach of agreed environmental standards, result in the contamination of water and land surrounding the operations, this negative impact is connected</i></p>	<p>Point “a” – assess the necessity for such a specific example. If necessary, move it to the NMIG.</p> <p>Point “b” – delete it, as it conflicts with the banking regulations.</p>

	<p><i>with the undertaking through its relationship with the undertaking it provides the loans to”</i></p> <p>First, the example provided in point “a” is quite extreme. The ARs should not be used to give such specific examples.</p> <p>Second. The example provided in AR6(b) conflicts with banking regulations, which prohibit banks from publicly commenting on individual customer relationships. In addition, it would be in clear conflict with the introduced principle of undue costs and efforts. A bank should not be held responsible for reporting on its customers’ breaches of environmental standards unless it has itself violated its policies when financing those customers (p. 10, AR6b).</p> <p>Second, the examples do not really add a new perspective to the disclosure requirements. Therefore, they should not be in the ESRS but should be moved to NMIG when clarified.</p>	
<p><b>3.3.1 Impact materiality assessment</b></p> <p><b>AR 10 for para. 33 and AR 11 for para. 33</b></p>	<p>The statement in AR 10 for para. 33 is inconsistent with the one in AR 11 for para. 33. Either representatives are considered affected stakeholders, or they are separate from affected stakeholders. This should be clarified in the draft.</p> <p>Also, AR 11 for para. 33, Sentences 4 and 5 do not deal with the materiality assessment but relate to Governance procedures. Fourth and Fifth sentences must be deleted here.</p> <p>AR 11 for para 33, Fourth and Fifth Sentence:</p> <p><i>“Under the CSRD, the management of the undertaking shall inform the workers’ representatives at the appropriate level and discuss with them the relevant information and the means of obtaining and verifying sustainability information. The workers’ representatives’ opinion shall be communicated, where applicable, to the relevant administrative, management or supervisory bodies”</i></p>	<p>In AR11 for para. 33, Fourth and Fifth Sentences, we suggest explaining more clearly what is meant by the following: <i>“discuss with them the relevant information and the means of obtaining and verifying sustainability information”</i>. Please clarify what exactly needs to be discussed with workers’ representatives and what the objective of this requirement is.</p>

<p><b>3.3.1. Impact materiality assessment</b></p> <p><b>AR 12 for paras. 34/35</b></p>	<p>AR 12 provides:</p> <p><i>“In this context, the reference to actions taken shall be understood to also include aspects of the corresponding implemented policies, as policies are implemented through actions”</i></p>	<p>The wording can be made clearer. A policy prescribes a certain behaviour (or actions) and therefore the policy itself can be considered an “action”. In this case, there is no need to describe the expected actions under a policy twice (in the GDR P and GDR A)</p>
<p><b>3.3.1. Impact materiality assessment</b></p> <p><b>Paragraph 34</b></p>	<p>Paragraph 34 provides:</p> <p><i>“When assessing the materiality of actual negative impacts—those that occurred during the reporting year or in prior years—the severity of the impact shall be evaluated considering the outcomes of any mitigation or prevention measures implemented before the impact occurred. Actual impacts in the reporting period include both newly arisen impacts and those persisting from previous periods. If the undertaking has taken remediation actions during the reporting period to address actual negative impacts, these actions shall not be considered when assessing the materiality of the impact. Where the impact is deemed material based on this assessment, the undertaking shall disclose the remediation actions undertaken and their expected or actual outcomes”</i></p> <p>This paragraph is confusing and unclear. The idea “those that occurred during the reporting year or in prior years—the severity of the impact shall be evaluated considering the outcomes of any mitigation or prevention measures implemented before the impact occurred” is not reflected in Appendix C.</p>	<p>Simplify and clarify the wording and make it consistent with Appendix C if Appendix C remains in the ESRS.</p>
<p><b>3.3.1. Impact materiality assessment</b></p> <p><b>AR 12 for para. 34/35</b></p>	<p>AR 12 for para. 34/35 provides:</p> <p><i>“In this context, the reference to actions taken shall be understood to also include aspects of the corresponding implemented policies, as policies are implemented through actions”</i></p>	<p>Rephrase AR 12 for para. 34/35 as follows:  <i>“In this context, the reference to actions taken shall be understood as described in ESRS 2 GDR-A”</i></p>

<p><b>3.3.2. Financial materiality assessment</b></p> <p><b>Paragraph 37</b></p>	<p>See our comment related to Paragraph 21, i.e., consistency check required</p>	
<p><b>3.3.2. Financial materiality assessment</b></p> <p><b>Paragraph 38, Second sentence</b></p>	<p>Paragraph 38, Second sentence provides:</p> <p><i>“The financial materiality of a topic is not constrained to topics <u>that are within the control of the undertaking</u>, but includes information on material risks and opportunities attributable to business relationships <u>beyond the scope of consolidation</u> used in the preparation of financial statements”</i></p> <p>This sentence is misleading in light of the clarification that the scope of consolidation for the sustainability statement is the same as for the financial statement. It should be clarified.</p>	<p>Rephrase Paragraph 38, Second sentence as follows:</p> <p><i>“The financial materiality of a topic is not constrained to material risks and opportunities in the undertaking’s own operations and includes information on material risk and opportunities attributable to business relationships in the upstream and downstream value chain”</i></p>
<p><b>3.3.2. Financial materiality assessment</b></p> <p><b>Paragraph 40</b></p>	<p>Paragraph 40 provides:</p> <p><i>“Material risks and opportunities derive from the undertaking’s:</i>  <i>(a) material impacts, as identified through the impact materiality assessment;</i>  <i>(b) dependencies on natural, human and social resources; and</i>  <i>(c) other factors, such as exposure to climate hazards or changes in regulation that address systemic risks”</i></p> <p>It is unclear what the difference is between (b) dependencies and (c) other factors. Are exposures to climate hazards not, in essence, a result of the dependency on natural resources in a certain condition? Are regulation changes not actually a dependency on complying with regulations?</p>	<p>Please either explain what “other factors” means more clearly (not just by giving examples) or consider removing point “c” if it turns out these factors are actually part of point “b”</p>
<p><b>3.5. Practical considerations in determining the material impacts, risks and opportunities and their associated topics to be reported</b></p> <p><b>Paragraph 46</b></p>	<p>Paragraph 46 provides:</p> <p><i>“The undertaking is not required to assess every possible impact, risk and opportunity across all areas of its operations and upstream and downstream value chains to identify the topics to be reported”</i></p>	<p>Merge Paragraphs 46 and 47, as the idea reflected in the former paragraph is incomplete and explained in the latter one. Both of these paragraphs should be read together to understand the underlying idea.</p>

<p><b>3.5. Practical considerations in determining the material impacts, risks and opportunities and their associated topics to be reported</b></p> <p><b>Paragraph 47</b></p>	<p>Paragraph 47 provides:</p> <p><i>“To identify material impacts, risks and opportunities, the undertaking shall use reasonable and supportable information that is available without undue cost or effort (see Chapter 7.3). Information that is used by the undertaking in preparing its financial statements, operating its business model, setting its strategy, conducting its sustainability due diligence, and managing its impacts, risks and opportunities is considered available to the undertaking without undue cost or effort”</i></p> <p>We welcome the idea of incorporating the “undue cost and effort” principle in the ESRS. This principle is a positive element that recognises the challenges companies face when compiling and preparing all the necessary information to comply with reporting standards. However, the concept of “undue effort” is unclear:</p> <ul style="list-style-type: none"> <li>• While it is defined as going beyond regular business processes, sustainability due diligence is itself part of such processes, creating circular reasoning. Paragraph 47, which links materiality assessment to due diligence, does not clarify this issue.</li> <li>• In practice, external auditors may expect due diligence to cover indirect value chain relationships (e.g., suppliers of suppliers or financed counterparts). If these are not assessed, companies are asked to document “reasonable effort,” often by showing outreach to direct business partners (e.g., email requests) as proof. This makes the boundary between reasonable and undue effort highly debatable, while Paragraph 47 offers no guidance.</li> </ul>	<p>Clarify that tier 2+ value chain relationships should be logically considered under AR5(a) and AR5(b), but direct outreach to such entities remains optional (“may”) unless required by law. This clarification should be introduced in a new paragraph, while Paragraph 47 should be revised to remove its reference to due diligence.</p>
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<p><b>3.5. Practical considerations in determining the material impacts, risks and opportunities and their associated topics to be reported</b></p> <p><b>AR 19 for para. 48</b></p>	<p>AR 19 provides:</p> <p><i>“The use of quantitative information or quantitative scoring is not required in all cases. <u>A qualitative analysis may be sufficient</u> for the undertaking to reasonably conclude that the impacts, risks and opportunities related to a given topic are material or not material”</i></p> <p>The underlined words are not consistent with the general approach of supportable information.</p>	<p>More appropriate would have been allowing for a clear top-down decision from management. Alternatively, explicitly indicating that a competitor's benchmarking of a published sustainability report is an example of acceptable qualitative analysis.</p>
<p><b>3.6. Determining the information to be reported in accordance with [Draft] Amended ESRS 2 and topical standards</b></p> <p><b>Paragraph 50, point “a”</b></p>	<p>Paragraph 50, point “a” provides:</p> <p><i>“In addition, in accordance with paragraph 22, it shall include topical material information by: (a) applying the provisions in [Draft] Amended ESRS 2 GDR-P, GDR-A, GDR-M, and GDR-T when reporting on material information about policies, actions, metrics and targets”</i></p> <p>Unclear what is meant by “material information”. E.g. is “material information” on the IRO level, topic or sub-topic level?</p>	<p>Clarify the concept of “material information” in Paragraph 50, point “a”</p>
<p><b>5.1 Reporting undertaking and own operations</b></p> <p><b>Paragraph 59</b></p>	<p>First, this does not fit with the general statement that the scope of consolidation for the Sustainability Statement should be the same as for Financial Statements.</p> <p>Second, the statement gives the impression that a re-assessment of the DMA is necessary. According to paragraph ESRS 1-58, the consolidation scope is to align with the consolidation scope of the financial statements. However, ESRS 1-59 stipulates that the consolidation scope for the sustainability report must be reviewed annually, with paragraphs 60–73 serving as guidance. Nevertheless, this guidance, particularly regarding the treatment of joint ventures, associated companies, and SPVs, still leaves it unclear how the sustainability consolidation scope is to be determined.</p>	<p>Incorporate this idea in the paragraph:  <i>“If a subsidiary is deemed financially immaterial, it should also be excluded from the consolidation scope of the sustainability reporting, without any additional assessment”</i></p>

<p><b>5.1 Reporting undertaking and own operations</b></p> <p><b>AR 27 for para. 59</b></p>	<p>AR 27 for para. 59:</p> <p><i>“The undertaking <u>may</u> include subsidiaries with different reporting periods in the consolidated report, by adopting the applicable accounting provisions <u>providing relief in those circumstances</u>”</i></p> <p>The statement is incorrect. Subsidiaries must be included in reporting, but specific provisions apply to how to deal with the situation if the reporting period of a subsidiary deviates from the reporting period of the group</p>	<p>Rephrase AR 27 for para. 59 as follows:</p> <p><i>“The undertaking <u>must</u> include subsidiaries with different reporting periods in the consolidated report, by adopting the applicable <u>accounting provisions</u>”</i></p>
<p><b>5.2 Inclusion of upstream and downstream value chain information</b></p> <p><b>Paragraph 62</b></p>	<p>We welcome the specifications in ESRS 1-64 on actors to be included within the material value chain, as it strengthens consistency in sustainability reporting. However, the key challenge remains the definition of “material” information, which is not sufficiently clear and may lead to inconsistent application.</p> <p>For financial institutions, further clarification is essential. In particular, the value chain should not be interpreted as covering all activities of financed or insured clients where the institution does not bear ownership-related risks and opportunities. This delineation would provide much-needed legal certainty.</p> <p>We therefore propose adding to section 5.3 a new paragraph 72.</p>	<p>Add to section 5.3, para. 72:</p> <p><i>“Impacts, risks and opportunities from financial services (e.g., financing, leasing, insurance) should be limited to processes within the company or assets (e.g., build/buy, use/produce, recycling/scrap) that are directly supported during their lifecycle. Institutions should not be required to assess the entire value chain of financed products and services. Instead, they should qualitatively evaluate broader impacts linked to the supported processes or assets and disclose these – or explain why they are not relevant or add no value to sustainability management”</i></p>
<p><b>5.2 Inclusion of upstream and downstream value chain information</b></p> <p><b>Paragraph 63</b></p>	<p>Paragraph 63 provides:</p> <p><i>“In this context, the information required by the ESRS to be obtained from undertakings in the upstream <u>and/or</u> downstream value chain shall not exceed the limit set by the relevant EU law and regulation. This limitation also applies to non-EU undertakings”</i></p>	<p>Delete “or” because this limitation should apply to both the upstream and downstream value chain. In addition, it should be clarified what is meant by the relevant EU law and regulations.</p>
<p><b>5.2 Inclusion of upstream and downstream value chain information</b></p> <p><b>Paragraph 64</b></p>	<p>Paragraph 64, The First sentence provides: <i>“Paragraph 60 does not require information on each and every actor in the value chain, but <u>only the inclusion of material upstream and downstream value chain information</u>”</i></p> <p>The wording “only the inclusion of material upstream and downstream value chain information” is clear, but problematic at</p>	<p>Clarify how to determine “material information”</p>

	the same time due to the unclarity how materiality is defined. How materiality is defined is itself the problem.	
<p><b>5.2 Inclusion of upstream and downstream value chain information</b></p> <p><b>Paragraph 67</b></p>	Seems to be redundant to Paragraphs 62, 65 and 67 when talking about estimates and proxies	Delete Paragraph
<p><b>5.2 Inclusion of upstream and downstream value chain information</b></p> <p><b>Paragraph 68</b></p>	<p>Paragraph 68 provides:</p> <p><i>“Business relationships include shareholding positions in associates or joint ventures, as well as other investments”</i></p> <p>The term “business relationship” was already used various times beforehand, but it is only explained further (with a focus on associates or joint ventures). The correct practice: the term should be defined in the glossary.</p>	Provide an all-encompassing definition in the glossary, and then paragraph 68 can be deleted
<p><b>5.2 Inclusion of upstream and downstream value chain information</b></p> <p><b>AR 28 for para. 67</b></p>	This application requirement is wrong, or at least confusing. Example is S1-13, Paragraph 40 (b), i.e. death cases are to be reported for workers on the undertaking’s premises. Moreover, it would make sense to explicitly mention that metrics for company-specific topics may include value chain if deemed material, comply with the “undue cost or effort” principle and so on.	Clarify the AR and make it consistent with the requirements in the ESRS, or delete it.
<p><b>5.3 Provisions and exceptions for determining the respective reporting boundaries of own operations and value chain</b></p> <p><b>Paragraph 70</b></p>	<p>Paragraph 70 provides:</p> <p><i>“Impacts, risks and opportunities arising from the use of a leased asset do not depend on whether the asset is legally owned or leased. The lessee is causing and contributing to the impacts of the leased asset, therefore reports the impacts and related risks and opportunities in its own operations, during the lease period. The lessor is directly connected with the impacts of the leased asset; therefore, it reports the impacts and related risks and opportunities as part of its downstream value chain”</i></p>	We therefore recommend explicitly including the rental perspective in ESRS 1-70 to ensure consistent and transparent reporting along the entire value chain

	<p>In principle, we agree with the position set out in ESRS 1-70, which states that the impacts, risks, and opportunities arising from the use of a leased asset exist regardless of whether the asset is legally owned by the company or leased. The lessee causes and contributes to the impact of the leased asset and must therefore report this within the scope of its own business activities during the lease term (e.g., Scope 1 &amp; 2 emissions). However, we would like to point out that, from our perspective, the lessor's or leasing perspective has so far been insufficiently taken into account in this paragraph. In practice, the distinction between leasing and renting is often blurred, particularly in the case of operating leases with short terms or limited control.</p>	
<p><b>5.3 Provisions and exceptions for determining the respective reporting boundaries of own operations and value chain</b></p> <p><b>Paragraph 71</b></p>	<p>Paragraph 71 provides:</p> <p><i>"The impacts, risks or opportunities arising from assets that are held by an undertaking's long-term employee benefit fund are connected with the undertaking through its business relationship in the upstream value chain"</i></p> <p>Unclear wording. For instance, does it refer only to pension funds owned by the company or also those owned by beneficiaries but consolidated in the company? In other words, how is a trust structure to be considered when administration is done by the company, but ownership and instructions are with the beneficiaries? In this case, since the company has no voice in the administration choices, it would not be proper to include them in the supply chain.</p>	<p>Clarify the wording.</p>
<p><b>6.1 Reporting period and base year</b></p> <p><b>Paragraph 74</b></p>	<p>The reference to the calculation of metrics is unclear.</p>	<p>For some metrics (e.g., environmental), the information is not available for the period consistent with that of its financial statements. Please clarify how the disclosure of this reporting period inconsistency, in combination with the GDR-M, can be considered and disclosed.</p>

<p><b>7.1 Presenting comparative information</b></p> <p><b>Paragraph 82</b></p>	<p>Paragraph 82 provides:</p> <p><i>“When it is impracticable to adjust comparative information for one or more prior periods, the undertaking shall disclose this fact.”</i></p> <p>This disclosure shall be required only when the data for the prior period is not reported. Otherwise, if reported, it must be assumed that it is comparable. However, if the prior period was not reported, then it is because of a lack of comparable data.</p> <p>If it is meant that when the data is not comparable, it must be disclosed, then this disclosure shall be supported by a “materiality level”. A comparability error of 5-10% can still be acceptable for certain metrics.</p>	<p>This disclosure shall be required only when the data for the prior period is not reported.</p>
<p><b>7.2 Judgment, measurement uncertainty and outcome uncertainty</b></p> <p><b>Paragraph 85, point “b”</b></p>	<p>Paragraph 85, point “b” provides:</p> <p><i>“The undertaking shall disclose information to enable users to understand:</i></p> <p><i>[..];</i></p> <p><i>(b) the significant uncertainties affecting the qualitative information, quantitative information, metrics and monetary amounts presented, including whether they rely on estimates”</i></p> <p>The standard does not address the issue where, due to high uncertainty, the estimated information is useless</p>	<p>Address the issue where, due to high uncertainty, the estimated information is useless</p>

<p><b>7.3. Use of reasonable and supportable information that is available without undue cost or effort</b></p> <p><b>Paragraph 89</b></p>	<p>Paragraph 89 provides:</p> <p><i>“The assessment of what constitutes undue cost or effort depends on the undertaking’s specific circumstances and requires a balanced consideration of the costs and efforts for the undertaking and the benefits of the resulting information for users. That assessment can change over time as circumstances change”</i></p> <p>The wording leaves too much uncertainty. A company particularly efficient for cost-income could deem anything above 0 an undue cost (for example, for external datasets).</p>	<p>Some more guidance would be appreciated here to ensure comparability within the industry</p>
<p><b>7.4 Relief for metrics</b></p> <p><b>Paragraph 91</b></p>	<p>The incorporation of this relief is clearly positive, but it should be acknowledged that some data may be permanently unavailable, especially given the expected significantly reduced CSRD scope due to the omnibus (ESRS 1-91). The standards clearly state that they do not impose behavioral – or conduct requirements, only disclosure requirements. Hence, there is no requirement to cease cooperation if the counterparty cannot or will not provide data ESRS 1-55).</p> <p>Furthermore, E1-6 exclusion is not justified and should be deleted. The relief for missing data should be applied consistently regardless of the disclosure type. Companies should not be obliged to calculate and publish GHG emissions disclosures across the entire scope regardless of data quality. For financial institutions this is particularly risky, as they calculate their GHG emissions based on client data. Disclosure of GHG data with inadequate coverage and of inadequate quality would conflict with ESRS 1 para 18 regarding the qualitative characteristics of information (relevance and faithful representation, as well as comparability, verifiability and understandability)</p>	<p>Delete words “Except for [Draft] Amended ESRS E1-6 GHG Emissions” in Paragraph 91</p> <p>Suggested wording: <i>“When the undertaking is able to use reliable direct or estimated data for only part of the scope of the relevant reporting boundary (or part of the value chain), it shall specify, when relevant, that it has identified material impacts, risks and opportunities in its own operations or value chain, but that the corresponding metric can currently only be partially estimated”</i>.</p> <p>We removed reference to “without undue cost and effort” as this is already determined earlier, and it complexifies the phrase.</p>
<p><b>7.4 Relief for metrics</b></p> <p><b>Paragraph 92</b></p>	<p>Paragraph 92 provides:</p> <p><i>“The undertaking may exclude joint operations over which it does not have operational control from the calculation scope of environmental metrics reported in accordance with [Draft] Amended ESRS E2 Pollution, [Draft] Amended ESRS E3 Water,</i></p>	<p>Clarify the concept</p>

	<p><i>[Draft] Amended ESRS E4 Biodiversity and ecosystems, and [Draft] Amended ESRS E5 Resource use and circular economy"</i></p> <p>This paragraph seems not to be aligned with the new concept that the focus should be on financial control, not operational one.</p>	
<p><b>7.8 Classified and sensitive information, and information on intellectual property, know-how or results of innovation</b></p> <p><b>Paragraph 98</b></p>	<p>Paragraph 98 provides:</p> <p><i>"The undertaking is not required to disclose classified information or sensitive information even if such information is considered material"</i></p> <p>This paragraph and Paragraph 99 remain weak in their boundaries. In the financial industry, some information may not qualify as intellectual property but still has value and should not be disclosed. Discussions with auditors during the first CSRD report highlighted a very different opinion of what sensitive information can be hidden. Especially with targets, a group can decide to retain flexibility to reallocate local targets by not publishing them. This is information valuable not in the sense of Paragraph 99a or 99b, nonetheless held secret. The current ESRS1 would not protect the decision not to disclose it. In that context, when targets or metrics are available, but the company decides not to disclose, it would be better to force an explanation and not limit the right of confidentiality to business secrets only.</p>	<p>Clarify the wording to make the practice more consistent and comparable</p>
<p><b>7.9 Reporting on opportunities</b></p> <p><b>Paragraph 102</b></p>	<p>Paragraph 102 provides:</p> <p><i>"When reporting on opportunities, the disclosure shall consist of descriptive information allowing the reader to understand the opportunity. The undertaking shall not report general opportunities for the sector but only opportunities that are currently being pursued or incorporated in its general strategy. The provisions on financial effects in [Draft] Amended ESRS 2 apply when reporting on material opportunities"</i></p> <p>This paragraph seems redundant. The concept that disclosures must be specific to the undertaking and not boilerplate is covered in Appendix B, QC 17</p>	<p>Delete Paragraph 102</p>

<p><b>8.1 General presentation requirement, structure and content of the sustainability statement</b></p> <p><b>Paragraph 105</b></p>	<p>Paragraph 105 provides:</p> <p><i>“The undertaking shall structure its sustainability statement in four parts in the following order: general information, environmental information, social information and governance information. It may use appendices or separate sub-parts in accordance with paragraphs 107 – 110”</i></p>	<p>Shall be deleted or rephrased so that it is clear that the structure of the Sustainability Statement fits with the concept of fair presentation and allows an undertaking to tell the story of its material sustainability-related impacts, risks and opportunities and how it manages them.</p>
<p><b>8.1 General presentation requirement, structure and content of the sustainability statement</b></p> <p><b>Paragraph 106</b></p>	<p>Paragraph 106 provides:</p> <p><i>“If the undertaking prepares disclosures pursuant to Article 8 of Regulation (EU) 2020/852 of the European Parliament and the Council and to the Commission Delegated Regulations, it <u>shall include them in its sustainability statement</u>, and it may include them in a separate appendix”</i></p>	<p>The disclosure of the information according to EU 2020/852 is regulated in other legislative texts. We would suggest changing the words “shall include them in its sustainability statement” to “may include them in its sustainability statement”.</p>
<p><b>8.2 Presentation of additional information included in the sustainability statement</b></p> <p><b>Paragraph 107 (a)</b></p>	<p>The underlying concept of the NMIG is understandable. However, the implementation and integration of the NMIG into the sustainability report are not clearly described.</p>	<p>Clarify the implementation and integration of the NMIG into the sustainability report.</p>
<p><b>9.2 Direct/indirect connectivity with financial statements and consistency of assumptions</b></p> <p><b>Paragraph 116; second half</b></p>	<p>Paragraph 116 provides:</p> <p><i>“Data and assumptions used in preparing the sustainability statements shall be consistent to the extent possible with the corresponding data and assumptions used in preparing the financial statements; <u>to support the understanding of significant data and assumptions, the undertaking shall explain the level of consistency</u>”</i></p> <p>If data and assumptions used in preparing the sustainability statement shall be consistent with those used in preparing the financial statements, there is no need to explain the level of consistency.</p>	<p>Rephrase Paragraph 116 as follows:</p> <p><i>“Data and assumptions used in preparing the sustainability statements shall be consistent to the extent possible with the corresponding data and assumptions used in preparing the financial statements”</i></p>
<p><b>9.3 Incorporation by reference</b></p> <p><b>Paragraph 117</b></p>	<p>We support the provision inserted to clarify that only the information specifically incorporated by reference is subject to assurance and not the entire referenced document. However,</p>	<p>The simplest solution is to incorporate by reference CSRD-reported data of the subsidiary into the parent CSRD report to outline delineations (which is not</p>

	<p>the provided wording does not allow incorporation by reference from the subsidiary CSRD reports.</p> <p>Specifically:</p> <ul style="list-style-type: none"> <li>• Parent companies that have subsidiary undertakings in scope of CSRD and which are unable to rely on an exemption from CSRD reporting, are restricted from incorporating data by reference (from the subsidiary’s CSRD report) into the parent consolidated CSRD report due to the restrictive nature of the ESRS “incorporation by reference” provisions which envisage only being able to incorporate from a specific selection of the parent undertaking’s own documents.</li> <li>• This creates frictions where differences in reporting approach on particular DRs (between the parent and a subsidiary) arise.</li> </ul>	<p>presently permitted and therefore leads to duplicative reporting of data in the parent CSRD report).</p>
<p><b>9.3 Incorporation by reference</b></p> <p><b>Paragraph 118</b></p>	<p>Paragraph 118 “d” and “e” provides:</p> <p><i>“The undertaking may incorporate information by reference to the documents, or part of the documents, listed in paragraph 117, provided that the information incorporated by reference:</i></p> <p><i>[..]</i></p> <p><i>(d) is subject to at least the same level of assurance as the sustainability statement (i.e. the information incorporated by reference is considered as part of the ESRS sustainability statement subject to assurance, not to the entire document referred to); and</i></p> <p><i>(e) meets the same technical digitalisation requirements as the sustainability statement.</i></p> <p>Information by reference to another document is only possible if that document is audited (118(d)) and is published in iXBRL based on the ESEF requirements (118(e)). As such, reference to Pillar III Risk Report, including ESG risk qualitative information</p>	<p>Reference to the Pillar III Risk Report, including ESG risk qualitative information and tables (449a CRR), may be incorporated as information by reference.</p> <p>Suggestion: This possibility could be explicitly mentioned in the Application Requirements – ARs.</p>

	and tables (449a CRR), is, in practice, not possible (not audited and not ESEF-based).	
<b>APPENDIX A: List of topics</b>	<p>First, not all sub-topics have clear definitions of what they mean.</p> <p>Second, if an organisation originally assessed its double materiality assessment on a sub-sub-topic level rather than a sub-topic level, how should an organisation account for this update, considering the changed Appendix A: List of topics, in light of ESRS 2 Paragraph 26 (h)? E.g., sub-sub-topic land-use change falls under the sub-topic direct impact drivers of biodiversity loss in the original ESRS. However, in the amended ESRS, only the sub-topic drivers of biodiversity and ecosystem change are identified.</p>	<p>Provide a clearer explanation of what each sub-topic entails, e.g. reasoning for the level of aggregation.</p> <p>Please clarify how to treat changes due to the updated Appendix A: List of topics.</p>
<b>APPENDIX C: Assessing actual and potential negative impacts for materiality</b>	While useful to provide visual examples and guidance, we find this is difficult to follow.	Delete for now. For future – we suggest illustrating the logic with the help of a decision tree or flow-chart.

## ESRS 2 “GENERAL DISCLOSURES”

Text (Paragraph)	Problem	Suggestion
<p align="center"><b>Objective</b></p> <p><b>Paragraph 2, Second sentence</b></p>	<p>This notion about disaggregation gives the impression that meaningful aggregations of IROs do not apply. Looking at 2024 Sustainability Statements, the important thing is that IROs should be meaningfully aggregated so that the reader is not lost in translation.</p>	<p>Delete the second sentence of Paragraph 2</p>
<p><b>BP-2 Specific information if the undertaking uses phasing-in options</b></p> <p><b>Paragraph 7, Introductory sentence</b></p>	<p>First, the words “In addition” in the introductory sentence is confusing. Second, since this paragraph is related to paragraph 6, it would make sense to make this more transparent.</p>	<p>Rephrase the introductory sentence as follows: <i>“In addition, for each topic that relates to material impacts, risks and opportunities, the undertaking shall”</i></p>
<p><b>BP-2 Specific information if the undertaking uses phasing-in options</b></p> <p><b>Paragraph 7 (b)</b></p>	<p>The wording suggests that time-bound targets must be set. However, it should be clear that this provision applies only if it is applicable.</p>	<p>Rephrase Paragraph 7(b) as follows: <i>“(b) briefly describe, if applicable, any time-bound targets it has set related to the topics in question, the progress it has made towards achieving those targets, and whether its targets related to biodiversity and ecosystems are based on conclusive scientific evidence”</i></p>
<p><b>BP-2 Specific information if the undertaking uses phasing-in options</b></p> <p><b>Paragraph 7 (d)</b></p>	<p>The wording “potential adverse impacts” creates confusion as if only adverse impacts should be addressed and disclosed.</p>	<p>Consider replacing “potential adverse impacts” with “potential positive or negative impacts”.</p>
<p><b>BP-2 Specific information if the undertaking uses phasing-in options</b></p> <p><b>AR1 for BP-1</b></p>	<p>Move AR1 after Paragraph 5 to improve the clarity and the flow of the text.</p>	

<p style="text-align: center;"><b>GOV-1 - The role of the administrative, management and supervisory bodies in relation to sustainability</b></p> <p style="text-align: center;"><b>Paragraph 9</b></p>	<p>Wording generally assumes the AMSB (such as a firm's board) or a committee of the Board are responsible for oversight of impacts, risks and opportunities (IROs), that this is reflected in their terms of reference and that they oversee the setting of targets for sustainability matters.</p> <p>It is more appropriate that these DRs are changed to "<i>whether and, if so how</i>" - type questions rather than just "how" the AMSB does all the things, as a firm may not be managed by reference to their IROs.</p>	<p>Still assumes firms are managed by reference to IROs; DR should be changed to "whether and if so" questions, as they would be more appropriate.</p> <p>We suggest emphasising the concept of overseeing/managing sustainability strategy rather than material IROs.</p>
<p style="text-align: center;"><b>GOV-1 The role of the administrative, management and supervisory bodies in relation to sustainability</b></p> <p style="text-align: center;"><b>Paragraph 9 (a)</b></p>	<p>Paragraph 9(a) provides:</p> <p><i>"The undertaking shall disclose:</i></p> <p style="padding-left: 40px;"><i>(a) (21(d), (e) and (b)) with respect to specific aspects of the composition of its administrative, management and supervisory bodies, the percentage of independent board members, where it exists, the representation of employees and other workers, and the percentage by gender and by <u>other aspects of diversity that the undertaking takes into account</u>"</i></p> <p>If disclosure of "other aspects of diversity" is mandatory, then this could create legal problems, because it could be overly private information that needs to be gathered from persons.</p>	<p>Delete "other aspects of diversity that the undertaking takes into account"</p> <p>Also, former paragraph 21(e) should be kept as AR to provide guidance in the disclosure of the percentage of independent board members.</p>

<p style="text-align: center;"><b>GOV-1 The role of the administrative, management and supervisory bodies in relation to sustainability</b></p> <p style="text-align: center;"><b>Paragraph 9 (b)</b></p>	<p>Paragraph 9(b) provides:</p> <p><i>“The undertaking shall disclose:</i></p> <p style="padding-left: 40px;"><i>(b) How the administrative, management and supervisory bodies <u>determine whether</u> appropriate skills and expertise are available or will be developed to <u>oversee</u> strategies and other measures designed to respond to <u>material impacts</u>, risks and opportunities (or groups of them / related topics”</i></p> <p>This sentence reads a bit strangely in the context of providing information about sustainability governance. The other challenge is that the paragraph refers to several governance bodies and then uses the word “oversee”. While the word “oversee” would be appropriate in relation to supervisory bodies, it would not be appropriate in relation to management bodies because they determine strategies and other measures</p>	<p>Rephrase Paragraph 9(b) as follows</p> <p><i>“(b) How the administrative, management and supervisory bodies <u>ensure that</u> appropriate skills and expertise are available or will be developed to <u>determine strategies and other measures designed to respond to material sustainability-related impacts</u>, risks and opportunities (or groups of them / related topics)</i></p>
<p style="text-align: center;"><b>GOV-1 The role of the administrative, management and supervisory bodies in relation to sustainability</b></p> <p style="text-align: center;"><b>Paragraph 9 (c)</b></p>	<p>As indicated for paragraph 9(b), the term “oversight” only seems appropriate in conjunction with supervisory bodies, not management bodies. The correct word would be “management”.</p>	<p>Rephrase Paragraph 9(c) as follows:</p> <p><i>“(c) the identity and responsibilities of the individuals, board committee or similar body within the administrative, management and supervisory bodies which are responsible for the <u>management</u> of material impacts, risks and opportunities (or groups of them / related topics), with an indication, if relevant, of those for which the administrative, management and supervisory bodies have not delegated the key decisions to another body”</i></p>
<p style="text-align: center;"><b>GOV-1 The role of the administrative, management and supervisory bodies in relation to sustainability</b></p> <p style="text-align: center;"><b>Paragraph 9 (d)</b></p>	<p>As indicated for paragraph 9(b), the term “oversight” only seems appropriate in conjunction with supervisory bodies, not management bodies. Therefore, the word “determine” is more suitable.</p>	<p>Rephrase Paragraph 9(d) as follows:</p> <p><i>“(d) how the administrative, management and supervisory bodies <u>determine</u> the setting of targets related to material impacts, risks and opportunities (or groups of them / related topics), and how they monitor progress towards them; and”</i></p>

<p><b>GOV-1 The role of the administrative, management and supervisory bodies in relation to sustainability</b></p> <p><b>Paragraph 9 (e)</b></p>	<p>As indicated for paragraph 9(b), the term “oversight” only seems appropriate in conjunction with supervisory bodies, not management bodies. Therefore, the word “determine” is more suitable.</p>	<p>Rephrase Paragraph 9(e) as follows:  <i>“e) how the administrative, management and supervisory bodies take into account material impacts, risks and opportunities (or groups of them / related topics) when determining the undertaking’s strategy, its decisions on major transactions, and its risk management process and related policies, including whether the body(ies) or individual(s) have considered trade-offs associated with those impacts, risks and opportunities”</i></p>
<p><b>GOV-2 Integration of sustainability-related performance in incentive schemes</b></p> <p><b>Paragraph 11 (b)</b></p>	<p>Paragraph 11(b) provides:  <i>“(b) when performance is assessed against specific sustainability-related targets and/or <u>impacts</u>, the targets or metrics used; and”</i></p> <p>There seems to be a typo.</p>	<p>Rephrase Paragraph 11(b) as follows:  “(b) when performance is assessed against specific sustainability-related targets and/or <u>metrics</u>, the targets or metrics used; and</p>
<p><b>GOV-3 Statement on due diligence</b></p> <p><b>Paragraph 13</b></p>	<p>Paragraph 13 provides:  <i>“The undertaking shall explain where its application of the main aspects and steps of the due diligence process are reflected in its sustainability statement”</i></p> <p>The mapping of reporting requirements to the due diligence process has been moved to the NMIG. The proposed table for reporting requirements from the “old” ESRS has been deleted without replacement. As a result, it remains unclear how this reporting requirement is to be fulfilled.</p>	<p>Clarify further the requirement. The statement on due diligence requirements appears still to be very generic and does not allow for a clear understanding of the required information. We consider the current ESRS version to be clearer in light of the table presented in Application Requirement 10.</p>
<p><b>SBM-1 Strategy, business model and value chain (Paragraphs 16-18 and ARs)</b></p> <p><i>and</i></p> <p><b>SBM-3 Interaction of material impacts risks and opportunities with strategy and business model, and financial effects (Paragraphs 21-24 and ARs)</b></p>	<p>SBM-1 and SBM-3 are very similar and may risk leading to similar/identical reporting. SBM-2 is not as related, and thus the natural flow will be disrupted if undertakings choose to report in chronological order of ESRS. Specifically, SBM-1 is centred around disclosure requirements regarding strategy in relation to IROs, which is the same as what SBM-3 is about.</p>	<p>Merge SBM-1 and SBM-3</p>

<p><b>SBM-1 Strategy, business model and value chain</b></p> <p><b>Paragraph 18</b></p>	<p>Move this paragraph ahead of other paragraphs in ESRS SBM-1 to streamline the logic flow of the DR.</p>	
<p><b>SMB-2 Interests and views of stakeholders</b></p> <p><b>Paragraph 20 (c)</b></p>	<p>We do not see any reasonable explanation as to why it would be necessary to call out workers' representatives. Therefore, we would suggest deleting the respective wording. This would then also align with AR 11 for para. 20 (a).</p>	<p>Rephrase Paragraph 20(c) as follows:  <i>“c) whether and how the administrative, management and supervisory bodies are informed about the views and interests of <u>key affected stakeholders</u> with regard to its material impacts, risks and opportunities, either individually or at a higher level (i.e. groups of impacts, risks and opportunities or related topics)”.</i></p>
<p><b>SMB-2 Interests and views of stakeholders</b></p> <p><b>AR 11 for para. 20(a)</b></p>	<p>According to ESRS 1 AR 10, relevant stakeholders must be reported within defined categories: employees and/or workers' representatives, suppliers, consumers or end-users, affected communities, and persons in vulnerable situations; nature may also be considered a silent stakeholder.</p> <p>This requirement creates two main challenges. First, stakeholders previously identified as relevant may not align with these prescribed categories, reducing flexibility in reporting. Second, the category “persons in vulnerable situations” is not further defined, leaving significant uncertainty and a need for clarification.</p> <p style="text-align: center;">Clarify AR 11 for para. 20(a)</p>	
<p><b>Paragraph 21</b></p>	<p>Paragraph 21 provides as follows:</p> <p><i>“The objective of this DR is to provide an understanding of the interactions between the undertaking’s material impacts, risks and opportunities, and its strategy and business model, at the appropriate level of aggregation, i.e. individually, aggregated or at topic level, including financial effects”</i></p> <p>The former content of SBM 3 is now split into two: the part that regards the interaction between IROs and strategy/business model is kept in SBM 3 (to allow for more focused disclosure at the strategy level), and the list of IROs with their descriptions is moved to IRO 2. IRO 2 is now the “outcome of DMA”.</p> <p style="text-align: center;">This would mean that the IRO section would need to come before the SBM DR, since the IROs are referenced in the SBM. They therefore need to be presented before.</p>	

<p><b>SBM-3 Interaction of material impacts, risks and opportunities with strategy and business model, and financial effects</b></p> <p><b>AR 14 for para. 22</b></p>	<p>The term “metrics” should be used instead of “other measures”. Wording should be consistent with other paragraphs</p>	<p>Rephrase AR 14 for para. 22 as follows:  <i>“Information on how the undertaking addresses or plans to address its material impacts, risks and opportunities, which interact with its business model or strategy, includes a clear reference to the specific policies, actions, targets and <u>metrics</u> it implemented during the reporting period to manage them, as disclosed in line with the GDRs and the relevant topical standards”</i></p>
<p><b>SBM-3 Interaction of material impacts, risks and opportunities with strategy and business model, and financial effects</b></p> <p><b>AR 15 for para. 23</b></p>	<p>This is an overarching principle in ESRS 1 that applies to all disclosures. There is no reason to repeat this principle here.</p>	<p>Delete AR 15 for para. 23</p>
<p><b>SBM-3 Interaction of material impacts, risks and opportunities with strategy and business model, and financial effects</b></p> <p><b>AR 17 for para. 23 (b)</b></p>	<p>No value added. AR 17 should be deleted.</p>	
<p><b>IRO-1 Description of the process to identify and assess material impacts, risks and opportunities and material information to be reported</b></p> <p><b>Paragraph 26 (b)</b></p>	<p>Paragraph 26(b) provides:  <i>“(b) the scope of operations and value chain covered, with an indication of whether it focuses on specific activities, business relationships, geographies or other factors <u>that give rise to heightened risk of adverse impacts</u>”</i></p> <p>Inconsistent wording: use the term negative impacts instead of adverse impacts. In addition, the term “risk” should be used carefully – it has a very specific meaning in ESRS. It is also questionable why, in this context, the adverse/negative impacts are emphasised.</p>	<p>Rephrase Paragraph 26(b) as follows:  <i>“(b) the scope of operations and value chain covered, with an indication of whether it focuses on specific activities, business relationships, geographies or other factors”</i></p>

<p><b>IRO-1 Description of the process to identify and assess material impacts, risks and opportunities and material information to be reported</b></p> <p><b>Paragraph 26 (c) to (h)</b></p>	<p>First, consider the necessity to disclose all information referred to in paragraphs 26(c) to (h). We do not see compelling reasons. Second, if paragraphs 26(c) to (h) are kept, they should be streamlined, for instance, they are sub-components of (a).</p>	<p>Consider streamlining Paragraph 26(c) to (h)</p>
<p><b>AR 20 for paragraphs 26(b)–(g)</b></p>	<p>Unclear and not proper in terminology (boilerplate), resulting in no value added.</p>	<p>Either this should be clarified or deleted.</p>
<p><b>AR 21. for para. 26(d)</b></p>	<p>Referring to the workers’ representative is not appropriate. Workers themselves are stakeholders, not their representatives. While consulting representatives may be part of the process, it does not replace the requirement for the DMA to gather the views from workers directly.</p>	<p>Delete words “including workers’ representatives”</p>
<p><b>AR 22 for para. 26 (a) to (e), Sentences 2 and 3</b></p>	<p>Sentences 2 and 3 are redundant. Seems to be very detailed and only focused on certain aspects, and therefore not reflective of the general nature of ESRS 2-related disclosures.</p>	<p>Delete Sentences 2 and 3</p>

<p><b>IRO-2 Material impacts, risks and opportunities and disclosure requirements included in the sustainability statement</b></p>	<p>The header does not correspond to what is described further. Consider splitting up the IRO-2 into two sub-components.</p>	<p>Change wording to reflect the split proposed:</p> <ul style="list-style-type: none"> <li>• DR IRO-2: Description of Material impacts, risks and opportunities included in the sustainability statement</li> <li>• Under DR IRO-2, the objective in Paragraph 27 would have to be amended: The objective of this DR is to provide an understanding of the outcome of the materiality assessment, in terms of material impacts, risks and opportunities.</li> <li>• Paragraphs 28 (a), (b), (c) and (e) would then have to be allocated to IRO-2; see separate comment for Paragraph 28 (e)</li> <li>• DR IRO-3: Disclosure requirements included in the Sustainability Statement</li> <li>• Paragraphs (28) (d) and (f) would then have to be allocated to IRO-3 and would have to be renumbered</li> </ul>
<p><b>Paragraph 28 (e)</b></p>	<p>This should not be reflected in ESRS 2, but in topical standards, specifically ESRS S1 and S2.</p>	
<p><b>Paragraph 28 (f)</b></p>	<p>Paragraph 28(f) provides:  <i>“(f) a table of all the datapoints that derive from other EU legislation as listed in Appendix A of this Standard, indicating where they can be found in the sustainability statement or, for those that the undertaking has assessed as not material, that they are ‘Not material’”</i></p> <p>The table of all the data points that derive from other EU legislation should be restricted to those that the undertaking has assessed as material. From a user perspective, it is well understood that things not being disclosed are not material.</p>	<p>Rephrase Paragraph 28(f) as follows:  <i>“(f) a table of all the datapoints that derive from other EU legislation as listed in Appendix A of this Standard, if material and indicating where they can be found in the sustainability statement”</i></p>

<p><b>GDR-P General disclosure requirement for policies</b></p>	<p>All paragraphs in this section need to be reworked to be consistent with ESRS 2 and with any other ESRS</p> <p>Similar to GRD-A, the focus should be on key policies.</p>	<p>Clarify the paragraphs</p>
<p><b>General Disclosure Requirements for policies, actions, metrics and targets</b></p> <p><b>Paragraph 29</b></p>	<p>The term “metrics” is missing</p>	<p>Rephrase Paragraph 29 as follows:  <i>“Information about policies, actions, <u>metrics</u> and targets shall enable an understanding of the level at which the undertaking is addressing its material impacts, risks and opportunities, i.e. at the topic or sub-topic level. In instances where the undertaking has adopted policies or put in place actions or set <u>metrics</u> or targets for certain aspects only, this shall be reflected in the way the disclosure is prepared and presented, enabling an understanding of how the covered aspects relate to the corresponding material impacts, risks and opportunities”</i></p>
<p><b>Paragraph 30</b></p>	<p>The term “metrics” is missing</p>	<p>Rephrase Paragraph 30 as follows:  <i>“If the undertaking has not adopted policies, actions, <u>metrics</u> and targets with reference to a topic related to material impacts, risks and opportunities, it shall disclose this fact”</i></p>
<p><b>Paragraph 31</b></p>	<p>Not a DR, more like AR.</p>	<p>Should be moved from DR to AR.</p>
<p><b>Paragraph 32, The introductory part</b></p>	<p>The order of metrics and targets does not follow the way it is described later in ESRS 2</p>	<p>Rephrase Paragraph 32, the introductory part as follows:  <i>“The undertaking shall apply the requirements provided in this section, when it discloses either in accordance with a topical standard or on an entity-specific basis, on policies, actions, <u>metrics and targets</u> related to material impacts, risks and opportunities, either individually or at a higher level (i.e. groups of impacts, risks and opportunities or related topics), covering”</i></p>
<p><b>Paragraph 32 (a) and (b)</b></p>	<p>Inconsistency within ESRS. In addition, bolding of words should be re-assessed, as it does not seem useful to bold “remediation” and “potential”. Furthermore, the terms prevention, mitigation</p>	<p>Rephrase Paragraph 32(a) and (b) as follows:    (a) its policies, <u>and</u> actions <u>which</u> address the prevention, mitigation and remediation of actual</p>

	and remediation are related to negative impacts, i.e., a word corresponding to positive impacts is missing.	and potential material <u>negative impacts and material risks</u> and/or to pursue <u>actual and potential material positive impacts and material opportunities</u> ; or (b) <u>the targets and metrics</u> to assess progress over time in relation to its material impacts, risks and opportunities
<b>GDR-A General disclosure requirement for actions and resources</b>	If GDR-P is changed to focus on key policies, GDR-A would have to follow suit. The use of the term resources is inconsistent within this section. On the one hand, there is mention of CapEx and OpEx. On the other hand, there is mention of financial and other resources.	Wording should be made consistent. Consider using the term resources in this section and add the definition of resources to the Appendix with acronyms and defined terms.
<b>GDR-A General disclosure requirement for actions and resources</b>  <b>Paragraph 38</b>	First, this is often sensitive information, even if they don't meet all the criteria to be classified as business secrets. In general, resource data does not reflect actual commitment or outcomes. Disclosing it can mislead users and harm the company's position. Therefore, this requirement is problematic and should not be a mandatory ("shall") disclosure.  Second, an unclear interpretation of the term "significant".  Third, the disclosure requirements concerning the quantification, even as an indicative range, of the financial resources supporting action plans defined by the undertaking are difficult to apply to financial institutions, and potentially complex to interpret for users of the Sustainability Statement, especially in the context of environmental standards where actions do not consist in significant investments but are connected to relationships with clients in the undertakings' portfolio.	Delete this datapoint.  We disagree with the mandatory nature of these requirements and suggest maintaining only a qualitative description of the resources allocated for the implementation of action plans or other key actions.
<b>GDR-M General Disclosure Requirement for metrics</b>  <b>Paragraph 40</b>	Paragraph 40 provides: <i>"Paragraph 40. The undertaking shall disclose the metrics that it uses to evaluate its performance, as well as those required by topical ESRS, in relation to material impacts, risks and opportunities, including those defined on an entity-specific basis".</i>	Please clarify the linkage between the topical ESRS metrics and the entity-specific metrics in case the topical ESRS metrics are not relevant for an organisation, and the entity-specific metrics are the sole metrics to evaluate the performance.

	<p>For some metrics, the information required by topical ESRS is not specifically defined or relevant for financial institutions (e.g., banks). In those situations, we have already considered those metrics that are used to evaluate our performance. Please clarify how the disclosure of these metrics on an entity-specific basis should be dealt with in combination with those metrics on a topical ESRS basis, in the situation where you cannot disclose the topical ESRS metrics.</p> <p>Based on the amended paragraph, it is not clear if solely disclosing entity-specific metrics, in case the topical ESRS metrics are not relevant, is possible.</p>	
<b>Paragraph 41 (a)</b>	<p>Paragraph 41(a) provides:  <i>“(a) the metric itself, its unit of measurement, the calculation methodology, data types and sources used as input to the calculation, and where relevant, the estimation methodology, including significant assumptions and limitations”</i></p>	<p>We propose the following wording:  <i>“(a) the metric itself, its unit of measurement, data types and, where relevant, the calculation methodology, sources used as input to the calculation and the estimation methodology, including significant assumptions and limitations”</i></p>
<b>GDR-M General disclosure requirement for metrics</b> <b>Paragraph 41 (b) and (c)</b>	<p>Paragraphs 41 (b) and (c) are redundant because (b) is already implicitly covered in ESRS 2 [Paragraph 41 (a)] and (c) is already covered in ESRS 1.</p>	<p>Delete Paragraphs 41 (b) and (c)</p>
<b>AR 37 for para. 41</b>	<p>AR 37 for para. 41 provides:  <i>“The metrics include those defined in the ESRS, as well as metrics identified on an entity-specific basis, whether taken from other sources or developed by the undertaking itself, such as for [Draft] Amended ESRS S2-S4 topical standards that do not contain metrics at sector sector-agnostic level”</i></p> <p>Example is redundant</p>	<p>Rephrase AR 37 as follows:  <i>“The metrics include those defined in the ESRS, as well as metrics identified on an entity-specific basis, whether taken from other sources or developed by the undertaking itself”.</i></p>

<p><b>Paragraph 43, Introductory sentence</b></p>	<p>The term “material” is missing</p>	<p>Rephrase Paragraph 43 as follows:  <i>“The undertaking shall disclose the measurable, time-bound, outcome-oriented qualitative or quantitative targets it has set related to its <u>material</u> impacts, risks and opportunities, either individually or at a higher level (i.e. groups of impacts, risks and opportunities or related topics). For each target, the undertaking shall disclose:”</i></p>
<p><b>Paragraph 43(a)</b></p>	<p>The relationship between “Targets” and “Actions” is usually vice versa. Specifically, Actions are guided by the Target.</p>	<p>The relationship between the Action and Target should be disclosed in GDR-A rather than GDR-T.</p>
<p><b>Paragraph 43(g)</b></p>	<p>Paragraph 43(g) provides:  <i>“Whether the undertaking’s targets related to environmental topics are based on conclusive scientific evidence and, if this is the case, how the target considers ecological thresholds”</i>  This should not be covered in a separate bullet point. It is already sufficiently covered in bullet (f) and does not warrant a separate paragraph.</p>	<p>Delete Paragraph 43(g). If considered necessary, incorporate appropriately in bullet (f) and provide appropriate guidance as to what constitutes “conclusive scientific evidence” for the basis of targets.</p>
<p><b>Paragraph 43(f)</b></p>	<p>Paragraph 43(f) provides:  <i>“The methodologies, significant assumptions used to define targets, whether the target is required by law, the selected scenarios on which it is based, the key data sources and the level of compatibility with national, EU or international policy goals; and”</i>  The paragraph is too wide in terms of the number of requirements, and it does not serve the purpose of simplification.</p>	<p>Delete paragraph</p>

<p><b>GDR-T General Disclosure Requirements for targets</b></p> <p><b>Paragraphs 42-44 and AR 39 for para. 43</b></p> <p><b>and</b></p> <p><b>ESRS E1-6 Targets related to climate change</b></p> <p><b>Paragraphs 25-26</b></p>	<p>The objective of this GDR is to provide an understanding of how the undertaking sets targets, as defined in terms of expected results for people, the environment or the undertaking, and of how it tracks the effectiveness of its policies and actions in relation to its material impacts, risks and opportunities.</p> <p>However, these disclosures are burdensome, and it is not practicable to meet all GDR-T and E1-6 disclosures for long-term (usually 2050) Net Zero Commitments or Targets. These are typically managed through a focus on the relevant interim targets along the pathway to Net Zero. Items expected by GDR-T and E1-6 will not be available for the target set 25 years out, resulting in non-decision useful information that is unlikely to meet the Quality of information requirements of ESRS 1.</p>	<p>Undertakings that have made long-term Net Zero commitments should be able to limit disclosure to their interim targets, which corresponds to how this is managed. This should be clarified either in the standards or the NMIG, since the Glossary definition of "target" will still pick up firms' 2050 net-zero commitments.</p>
<p><b>This is removed from ESRS 2:</b></p> <p><del>30. The undertaking shall disclose a mapping of the information provided in its sustainability statement about the due diligence process.</del></p> <p><del>32. 13. (32) The main aspects and steps of due diligence referred to under ESRS 1 chapter 4 Due diligence are related to a number of crosscutting and topical Disclosure Requirements under the ESRS. The undertaking shall provide a mapping that explains how and explain where its application of the main aspects and steps of the due diligence process are reflected in its sustainability statement)., to allow a depiction of the actual practices of the undertaking with regard to due diligence (15).</del></p>	<p>This change doesn't simplify the reporting since a mapping of where info on DD is in the report is easier to present instead of a full explanation of where the main aspects of the DD process are.</p>	<p>Keep the option to disclose a mapping of the information provided in the sustainability statement about the DD process.</p>

## ESRS E1 “CLIMATE CHANGE”

Text (Paragraph)	Problem	Suggestion
<p><b>Objective</b></p> <p><b>Paragraph 1</b></p>	<p>Paragraph 1 provides:  <i>“When reporting in accordance with the ESRS, the sustainability statement shall cover information in relation to [Draft] Amended ESRS E1 Climate change, when this topic relates to material impacts, risks and opportunities. The disclosure on the material impacts, risks and opportunities is expected to cover policies, actions, and targets (if in place), <u>dependencies when relevant, metrics and financial effects</u>”</i></p> <p>The objective described in para. 1 of each draft topic ESRS is inconsistent with Draft ESRS 1. The statement about “dependencies when relevant” and “financial effects” should be deleted to make it consistent with ESRS 1.</p>	<p>Rephrase Paragraph 1 as follows:  <i>When reporting in accordance with the ESRS, the sustainability statement shall cover information in relation to [Draft] Amended ESRS E1 Climate change, when this topic relates to material impacts, risks and opportunities. The disclosure on the material impacts, risks and opportunities is expected to cover policies, actions, <u>metrics and targets (if in place).</u></i></p>
<p><b>Objective</b></p> <p><b>Paragraph 9</b></p>	<p>Point “a” and “b” is unnecessary duplication. Therefore, they should be deleted.</p>	<p>Rephrase Paragraph 9 as follows:  <i>“The undertaking shall apply the provisions of [Draft] Amended ESRS 2 paragraphs 29 to 32 and GDR-P, GDR-A, GDR-T and GDR-M”</i></p>
<p><b>E1-1 Transition plan for climate change mitigation</b></p> <p><b>Paragraph 14</b></p>	<p>First, transition plans are an essential element to understand the company’s ambitions and measures in moving towards sustainable business practices. However, simplification of transition planning requirements is necessary to ensure that they are not overly prescriptive and remain a strategic planning tool. The requirements for transition plans to be “compatible” with the limiting of global warming to 1.5°C are unclear and give rise to concerns for companies. Achieving such compatibility is dependent upon many external factors outside of a company’s control. Rather than prescribing that the plan must be compatible with a particular temperature increase, transition plans should explain how the entity will contribute to decarbonization objectives based on what is feasible for the company and how it can and intends to progress, including an explanation of the external factors beyond the company’s control and a reference to the local markets in which the company operates. It is necessary to reflect different decarbonisation trajectories in different regions across global operations. For banks, their progress is intrinsically linked to the</p>	<p>Simplify and clarify Paragraph 14.</p> <p>Despite the simplification of the transition plan section, this section is still quite heavy in prescribed information. We feel this could be further simplified so that firms can give simple responses to what they have disclosed in their transition plans.</p> <p>The requirement to disclose how the plan is compatible with 1.5 °C feels challenging, given that the world economy isn’t aligned with a 1.5 °C pathway.</p> <p>For better clarity, we suggest maintaining the representation of the requirement in sub-paragraphs as in the current standards.</p> <p>Take into account the specificities of the banking sector.</p>

	progress of the decarbonisation of the economy in every jurisdiction that they finance.	
<b>E1-1 Transition plan for climate change mitigation</b> <b>Paragraph 14 (a)</b>	Requirement for explanation of TP “decarbonization levers identified and key actions planned” (by reference to E1-3) is not feasible for FIs for whom Scope 3 Cat 15 is most relevant, given the lack of direct control and inability to quantify the amount of client decarbonization directly resulting from bank decarbonization “actions”.	Recognise the inability (e.g., in ARs) of FIs to quantify expected GHG reductions as part of TP and permit disclosure of TPs without this detail.  Guidance around how a FI would measure ‘locked in emissions’ and their impact on the plan  Guidance on whether financed emissions are to be disaggregated by Scope, country, segment, activity, GHG type, and source type.
<b>E1-1 Transition plan for climate change mitigation</b> <b>Paragraph 15</b>	Undertakings which do not have a TP need to indicate whether and, if so, when they will adopt a TP. TPs meeting ESRS requirements may be a new concept and also something guided by applicable law. Therefore, it is hard for firms to give a precise date for when an ESRS-compliant TP will be adopted.	To not lead to imprecise answers given the shifting nature of mandatory transition plans, it would be more appropriate for this DR to not ask when firms will adopt TPs (particularly when legislative regimes requiring TPs have had their application dates delayed).
<b>E1-1 Transition plan for climate change mitigation</b> <b>AR 2 for para. 14(a)</b>	First, ESRS E1-AR2 introduces cross-referencing within transition plans for policies, actions, resources and targets to reduce duplication. While this aims to create a coherent narrative of strategic alignment, separate disclosure requirements for these elements still apply. In practice, it remains unclear how consolidation should be achieved without duplicating content.  Second, the disclosure requirements concerning the quantification, even as an indicative range, of the financial resources supporting transition plans defined by the undertaking are difficult to apply to financial institutions, and potentially complex to interpret for users of the Sustainability Statement, because actions typically do not consist of significant investments but are connected to relationships with clients in the undertakings' portfolio.	First, a clearer approach would be to permit non-disclosure of internal details while requiring a defined set of minimum information. This would provide comparability without forcing arbitrary or overly generic reporting.  Second, we therefore disagree with the mandatory nature of these requirements and suggest maintaining only a qualitative description of the resources allocated for the implementation of action plans or other key actions
<b>E1-2 Climate-related risks and scenario analysis</b> <b>Paragraph 16</b>	Overlapping with DMA, potentially resulting in duplicated information without the focus on climate risks and scenarios as E1-2 requires. Deleting sub-paragraphs does not add to clarity in the implementation. In general, this comment applies to all similar DRs. The reference to SBM3 and IRO analysis is not adding value.	Delete or clarify Paragraph 16, addressing the duplication

<p><b>E1-2 Climate-related risks and scenario analysis</b></p> <p><b>Paragraph 18</b></p>	<p>We welcome the simplified disclosure requirements and the clear focus on exposure to climate-related hazards, transition events, and trends. We recommend using more general language in 18b) since transition risk scenarios may not be event-based (e.g. NGFS scenarios) and more narrative-driven: (b) to transition risk factors (over the short,- medium- and long-term). Must allow flexibility for different type of transition risk scenarios used by banks. We would also ask to reconsider the FI-specific definitions for upstream and downstream value chains.</p>	<p>Allow flexibility for different types of transition risk scenarios and provide specific upstream and downstream value chain definitions for banks.</p> <p>We believe there should be better guidance on what constitutes the "upstream and downstream value chain" in paragraph 18, as this is a very broad statement and, for a global bank, can include an enormous number of components in our value chain. Have included a change on this.</p>
<p><b>AR5 for para. 18 (Climate-related physical risk)</b></p>	<p>The amended text (b) expects undertakings to <i>“assess the extent” of exposure and sensitivity to climate-related hazards, “taking into consideration the likelihood, magnitude and duration of the hazards as well as the geospatial coordinates ... specific to its locations and supply chains.”</i></p> <p>For a global bank with highly diversified geographies, industries and products, a comprehensive, granular geospatial assessment at the level suggested is aspirational; it is especially challenging for our own supply chains. This creates unrealistic and overly burdensome requirements.</p>	<p>Clarify that use of location-specific (including geospatial) information is on a best-efforts basis, subject to data availability and proportionality. We suggest adding at the end of AR5(c): “on a best-efforts basis, where reasonably obtainable, and using appropriate proxies where necessary.”</p>
<p><b>AR6 for para. 19 (Climate-related transition risk)</b></p>	<p>The amended text (b) requires undertakings to <i>“assess the extent” of exposure and sensitivity to identified transition events, “taking into account the likelihood, magnitude and duration of the transition events.”</i></p> <p>For policy, market and behavioural shifts, forward-looking likelihood/duration judgements are highly uncertain. There is a meaningful risk of misleading precision or comparability issues across reporters.</p>	<p>Delete the clause “taking into account the likelihood, magnitude and duration of the transition events,” or qualify it as “high-level, qualitative judgements on a best-efforts basis.” This keeps the focus on identifying relevant transition events and describing potential exposure pathways without requiring point estimates that would not be decision-useful.</p>

<p><b>E1-2 Climate-related risks and scenario analysis</b></p> <p><b>Paragraph 19, First Sentence</b></p>	<p>Paragraph 19, First sentence provides:  <i>“The key elements of the methodology include: the scope of the analysis, the methodologies and/or tools used for the analysis, the range of scenarios used, the time period when it was carried out and how the undertaking has used climate-related scenario analysis”</i></p> <p>In the original ESRS E1 IRO-1, we suggest changing “When disclosing the information required under paragraphs 20 (b) and 20 (c), the undertaking shall explain how it has used climate-related scenario analysis....” to “... how or if...” as it should not be implied that the identification of E1 IROs be restricted to the use of scenario analysis. This has not been changed in the exposure draft.</p> <p>Also, the value added of indicating the “tools” used for analysis is unclear, as important methodology is not the technical tool. Additionally, the “and/or” leaves open the possibility of calling a tool, disregarding any info on the methodology.</p>	<p>Rephrase paragraph 19, First sentence as follows:  <i>“The key elements of the methodology include: the scope of the analysis, <u>the methodologies</u>, the range of scenarios used (if used), the time period when it was carried out and how the undertaking has used climate-related scenario analysis”</i></p>
<p><b>E1-2 Climate-related risks and scenario analysis</b></p> <p><b>Paragraph 19, Second Sentence</b></p>	<p>Paragraph 19, Second Sentence provides:  <i>“In addition, for paragraph 18 (a) the undertaking shall include the spatial resolution of the analysis and for paragraph 18(b) it shall include the type of transition events analysed”</i></p>	<p>Please clarify the following aspects regarding Paragraph 19:</p> <p>Q1: Does this DR require the disclosure of information regarding spatial resolution?</p> <p>Q2: What is the disclosure requirement: the processes in regard to spatial resolution or the results of the spatial resolution analysis?</p> <p>Q3: The framework references ‘transition events.’ Need some further guidance on this, and if they mean transition risk events, or if this also encapsulates transition opportunities. There are statements made which could be open to interpretation, such as in the example we have identified, clear definitions are required to ensure we report the desired information.</p>

<p><b>E1-3 Resilience in relation to climate change</b></p> <p><b>Paragraph 21</b></p>	<p>We believe E1-21(b), which asks to identify significant areas of uncertainty in the assessment of climate resilience, should be removed. It is very challenging to identify areas of uncertainty given the lack of guidance on interpretation of this term. Moreover, 21(c) should be excluded or combined with 21(a) as they both refer to strategy. We see this has been covered in this section.</p>	
<p><b>E1-3 Resilience in relation to climate change</b></p> <p><b>Paragraph 21</b></p>	<p>The proposed text asks undertakings to explain how “current and planned mitigation and adaptation actions (as per DR E1-5) and transition plans (as per DR E1-1) support, strengthen or impact resilience,” which reads as if a transition plan is mandatory. Elsewhere, ESRS E1 acknowledges that transition plans are not mandatory (if none exist, the undertaking indicates whether and when it will adopt one). The drafting should not imply a de facto requirement.</p>	<p>Clarify that this disclosure is conditional on the undertaking having adopted a transition plan. Suggested wording: “and, where a transition plan has been adopted in accordance with DR E1-1, how that plan supports...” This would also align with the non-mandatory guidance that frames transition-plan disclosures as “if and when adopted.”</p>
<p><b>AR9 for para. 21(a)</b></p>	<p>AR9 for para. 21(a) provides:  <i>“When disclosing the results and implications of its resilience analysis according to paragraph 21(a), the undertaking shall provide its assessment of its climate resilience as at the reporting date”</i></p>	<p>It would be helpful to know whether this is seen to be the same CRA as is mentioned in EBA ESG Risk Guidelines/draft EBA ESG stress testing, or whether a separate CRA (i.e. ESRS thresholds and materiality as basis) is required.</p>
<p><b>AR 10 for 21 (c)</b></p>	<p>We suggest modifying AR 10 for 21 (c), which requires disclosure of the availability and flexibility of existing resources to manage the financial impact of climate-related risk, to a more qualitative approach by not specifying financial resources and financial impacts--these are very difficult to ascertain at this juncture. Similarly, AR 10(b), as it relates to redeployment, repurpose, upgrade or decommissioning of assets, is very difficult to calculate with precision at this time and should be modified to reduce burden.</p>	

<p><b>E1-5 Actions and resources in relation to climate change</b></p> <p><b>Paragraph 24</b></p>	<p>We see many duplications of information with the transition plan's requirements (e.g. levers of action, financial resources). It should be clarified that undertakings have to report on this information only if it has not already been done in the context of E1-1</p>	<p>Clarify Paragraph</p>
<p><b>E1-5 Actions and resources in relation to climate change</b></p> <p><b>Paragraph 24(b)</b></p>	<p>Paragraph 24(b) provides:  <i>"In addition to [Draft] Amended ESRS 2 GDR-A, when disclosing current and planned actions, the undertaking shall: [...] (b) in relation to the outcome of the key climate change mitigation actions, include the achieved and expected GHG emission reduction; and"</i></p> <p>Bank actions for climate change mitigation will not result in direct and calculable GHG reductions. While it can show achieved reductions, it is not possible to attribute those to specific bank actions/decarbonization levers since reductions stem from client activity. Paragraph 29(b) should recognize the impracticability described above, and disclosure of achieved/expected GHG reductions should be required only "where reasonably calculable". The revised drafts retain largely the same language as before, without any qualification language.</p>	<p>Do not apply Paragraph 24(b) to banks, as its application to banks is impractical, or add wording "where reasonably calculable".</p>
<p><b>E1-6 Targets related to climate change</b></p> <p><b>Paragraph 26</b></p>	<p>The disclosure requirements concerning the quantification, even as an indicative range, of the financial resources supporting climate change mitigation actions defined by the undertaking are difficult to apply to financial institutions, and potentially complex to interpret for users of the Sustainability Statement, because actions typically do not consist of significant investments but are connected to relationships with clients in the undertakings' portfolio.</p> <p>Duplications of information with transition plan's requirements (e.g. targets compatible with 1,5° scenario) are still present.</p>	<p>We therefore disagree with the mandatory nature of these requirements and suggest maintaining only a qualitative description of the resources allocated for climate change mitigation.</p> <p>It should be clarified that undertakings have to report on this information only if it has not already been done in the context of E1-1.</p>

<p><b>E1-6 Targets related to climate change</b></p> <p><b>Paragraph 26(b)</b></p>	<p>Previous ESRS E1 Paragraph 34(b) required that disclosed GHG reduction targets be gross targets not including removal, credits or avoided emissions. But Net Zero targets assume a certain number of residual emissions will be neutralised by these means, as was recognised in E1-7, Paragraph 60.</p>	<p>It should be clarified if Net Zero targets are NOT subject to E1-4 and only MDR-Ts. This should be clarified, and we understand that previous Paragraph 34(b) and Paragraph 60 should reconcile better. However, this has not been clarified in the exposure draft, moved the requirement to report gross into AR 11, and deleted the prior E1-7, Paragraph 60.</p>
<p><b>E1-6 Targets related to climate change</b></p> <p><b>Paragraph 26(c)</b></p>	<p>For the previous ESRS 1, Paragraph 34(e), we sought guidance on what’s needed to show targets are “science-based and compatible with limiting global warming to 1.5 °C. Guidance on this does not seem to have been provided in the exposure drafts.</p> <p>Simplification of transition planning requirements is necessary to ensure that they are not overly prescriptive and remain a strategic planning tool. The requirements for transition plans to be “compatible” with the limiting of global warming to 1.5°C are unclear and give rise to concerns for companies. Achieving such compatibility is dependent upon many external factors outside of a company’s control. Rather than prescribing that the plan must be compatible with a particular temperature increase, transition plans should explain how the entity will contribute to decarbonization objectives based on what is feasible for the company and how it can and intends to progress, including an explanation of the external factors beyond the company’s control and a reference to the local markets in which the company operates. It is necessary to reflect different decarbonisation trajectories in different regions across global operations. For banks, their progress is intrinsically linked to the progress of the decarbonisation of the economy in every jurisdiction that they finance.</p>	<p>Although we agree that it is a political question (and we are also asking for a respective Level 1 change), please clarify when a transition plan is science-based and delete the reference to 1.5 °C.</p>
<p><b>AR 14 for para. 25</b></p>	<p>Illustrative examples included in the mandatory ESRS</p>	<p>We would recommend moving all illustrative examples (i.e., AR 14, pages 11-12) to guidance unless they are obligatory. Otherwise, auditors will interpret them as obligatory even though they are worded as illustrative, namely, as “may”, not “must”.</p>
<p><b>E1-7 Energy consumption and mix</b></p> <p><b>Paragraph 29</b></p>	<p>First, the simplification of energy consumption reporting is welcome. However, the requirements in paragraph ESRS E1-29 still appear overly granular. The relevance of this information to</p>	<p>Simplify Paragraph 29</p>

	<p>credit institutions remains unclear. A simplification for credit institutions would be desirable.</p> <p>Second, previously, companies operating in high-climate-impact sectors were required to provide a further breakdown of their total fossil fuel-based energy consumption. The revised draft extends this requirement to all companies, regardless of sector. For entities outside those sectors, this clearly constitutes a new requirement rather than a simplification. Therefore, this should be deleted.</p>	
<p><b>E1-7 Energy consumption and mix</b> <b>Paragraph 30</b></p>	<p>The application requirements do not provide additional guidance on how to report energy production metrics. Practical examples would be useful in NMIG, in particular concerning the inclusion of thermal energy produced by cogeneration.</p>	<p>Please provide supplementary guidance through the inclusion of specific application requirements.</p>
<p><b>E1-8 Gross Scopes 1, 2, 3 emissions</b> <b>Paragraph 31</b></p>	<p>No value added, potential confusions and complexity derived from the value chain remain untouched by the simplification.</p>	
<p><b>E1-8 Gross Scopes 1, 2, 3 emissions</b> <b>Paragraph 32 (a)</b></p>	<p>We suggest reformulating the wording of G1-8 32(a) to clarify that the disclosure of Scope 1 GHG emissions from regulated emission trading schemes is intended to be mandatory only for undertakings having such emissions.</p>	
<p><b>E1-8 Gross Scopes 1, 2, 3 emissions</b> <b>AR 18 for para. 32</b></p>	<p>Concerning new application requirements 18-19 on reporting boundary for GHG emissions, we propose the insertion of a specific guidance to explain the approach to be used and outline the most critical cases through concrete examples. In particular, given ESRS requirements on GHG emissions reporting according to the financial control approach and the added provisions on leased assets, we would expect ESRS to clarify how to consider the following real estate categories:</p> <ul style="list-style-type: none"> <li>- own assets used by the undertaking for its business activities (i.e. Scope 1 and 2 in our view)</li> <li>- own assets leased to third parties (i.e. Scope 3 cat. 13 in our view)</li> <li>- leased assets used by the undertaking for its business activities (i.e. Scope 1 and 2 in our view)</li> <li>- leased assets used by the undertaking for reasons different than typical business activities (i.e. Scope 3 cat. 8 in our view)</li> </ul>	

<p><b>E1-8 Gross Scopes 1, 2, 3 emissions</b></p> <p><b>AR 21 for para. 31 and 32</b></p>	<p>The wording needs to be clarified.</p>	<p>We suggest rewording the application requirement 21(b) to clarify that the mentioned gases should be included in the calculation of GHG “where relevant”.</p>
<p><b>E1-8 Gross Scopes 1, 2, 3 emissions</b></p> <p><b>AR 24 for para. 32 (b)</b></p>	<p>In relation to the new AR 24(b) on shares and types of contractual instruments, we see an inconsistency with EFRAG’s stated approach that application requirements should serve as guidance rather than as content requirements. If EFRAG expects companies to disclose information on contractual instruments, it should move such a paragraph among disclosure requirements. Also on this AR, the wording remains unclear with a reference to “share” that is not accompanied by any indications on the calculation formula.</p>	<p>Clarify the AR</p>
<p><b>AR 25 for para. 32 (f) (Scope 3 emissions reporting)</b></p>	<p>The paragraph provides: <i>“When preparing the information on gross Scope 3 GHG emissions required under paragraph 32, the undertaking shall adopt the following calculation approaches:</i></p> <p>...</p> <p><i>(f) ...if it reports financed emissions, consider the GHG Accounting and Reporting Standard for the Financial Industry from the Partnership for Carbon Accounting Financial (PCAF), specifically Part A Financed Emissions”.</i></p> <p>It cannot and should not be a requirement to apply PCAF. The EU cannot outsource legislation. The current wording could be interpreted by auditors as a mandatory requirement, leading to significant documentation burdens.</p>	<p>“shall adopt” should be changed to “may consider”</p>
<p><b>E1-8 Gross Scopes 1, 2, 3 GHG emissions</b></p> <p><b>Paragraph 33</b></p>	<p>Paragraph 33 provides: <i>“The undertaking shall disclose its biogenic CO2 emissions from the combustion or biodegradation of biomass separately from the emission scopes”</i></p> <p>It is an overly specific datapoint that is not common enough to justify its inclusion in a generic standard. Also, there is no indication of which Scopes are included.</p>	<p>Delete the datapoint.</p> <p>If it is kept, first, clarify if this regards Scope 1, 2, and/or 3. Include the template in AR. Second, we suggest limiting the disclosure requirement to undertakings with significant exposure to biogenic emissions or making it voluntary.</p>

<p><b>E1-8 Targets related to climate change</b></p> <p><b>AR 25 for para. 32(c) (Scope 3 emissions reporting)</b></p>	<p>The wording “shall adopt” in AR25 is significantly more stringent than the “shall consider” proposed in AR21 concerning the GHG Protocol. AR25 and AR31 should be better aligned, using consistent terminology. If the GHG Protocol is intended as the mandatory standard, this should be explicitly stated with “shall adopt”; otherwise, it should be clarified that the reference is only a recommendation.</p> <p>ESRS 1 (AR25.f) allows undertakings to define their own methodologies and explain their quality. Against this background, the implied “shall adopt” in AR25 seems excessive. Considering that the ESRS will carry legal force, restricting the reference to Part A of the December 2022 version of the GHG Protocol also introduces unnecessary rigidity, especially in light of future updates.</p> <p>Finally, AR25.d remains unclear: is it to be understood as an alternative to the GHG Protocol and the two other listed options, or as a complementary requirement? This ambiguity should be resolved to ensure consistent application and to avoid legal uncertainty.</p>	
<p><b>E1-9 GHG removals and GHG mitigation projects financed through carbon credits</b></p> <p><b>Paragraph 36</b></p>	<p>Limited sense, especially considering that disclosure is about projects both “financed” and “intended to be financed”. Also, the added sentence “if it has financed” does not correspond to the one before “intends to finance”. Deletion or alignment would be needed.</p>	
<p><b>E1-9 GHG removals and GHG mitigation projects financed through carbon credits</b></p> <p><b>Paragraph 37</b></p>	<p>Limited to cases where the undertaking made public claims. However, the required disclosures regarding carbon credits are important even if the usage of carbon credits is not part of claims of GHG neutrality. Especially considering the widespread need to use carbon credits for the hard-to-abate GHG by 2050.</p>	<p>Clarify Paragraph 37</p>
<p><b>E1-10 Internal carbon pricing</b></p> <p><b>Paragraph 38 (a)</b></p>	<p>The additional requirement regarding consistency of the carbon prices used with the prices used in the financial statement for impairment tests is not aligned with the simplification purposes.</p>	<p>Delete this part</p>

<p><b>E1-11 Anticipated financial effects from material physical and transition risks and potential climate-related opportunities</b></p> <p><b>Paragraph 40</b></p>	<p>The amendment [Paragraph 40(b)] requires disclosure of “the location of key assets at material physical risk.” For banks, if “assets” is read to include client exposures (e.g., loans), pinpointing locations could reveal client-confidential information or be impracticable at granular levels.</p>	<p>Clarify that it refers to the undertaking’s own physical assets. If EFRAG intends banks to report on financial exposures, specify that disclosures should be provided on an appropriately aggregated basis (e.g., by geography/region) that avoids revealing client-confidential information.</p>
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## ESRS E2 “POLLUTION”

Text (Paragraph)	Problem	Suggestion
<p align="center"><b>Objective</b></p> <p align="center"><b>Paragraph 1</b></p>	<p>Paragraph 1 provides:  <i>“When reporting in accordance with the ESRS, the sustainability statement shall cover information in relation to [Draft] Amended ESRS E2 Pollution, when this topic relates to material impacts, risks and opportunities. The disclosure on the material impacts, risks and opportunities is expected to cover policies, actions, and targets (if in place), <u>dependencies when relevant, metrics and financial effects</u>”</i></p> <p>The objective described in para. 1 of each draft topic ESRS is inconsistent with Draft ESRS 1. The statement about “dependencies when relevant” and “financial effects” should be deleted to make it consistent with ESRS 1.</p>	<p>Rephrase Paragraph 1 as follows:  <i>“When reporting in accordance with the ESRS, the sustainability statement shall cover information in relation to [Draft] Amended ESRS E2 Pollution, when this topic relates to material impacts, risks and opportunities. The disclosure on the material impacts, risks and opportunities is expected to cover policies, actions, <u>metrics and targets (if in place).</u>”</i></p>
<p align="center"><b>Objective</b></p> <p align="center"><b>Paragraph 5</b></p>	<p>Paragraph 5 provides:  <i>“The undertaking shall apply the provisions of [Draft] Amended ESRS 2 paragraphs 29 to 32 and GDR-P, GDR-A, GDR-T and GDR-M. In particular:</i></p> <ul style="list-style-type: none"> <li><i>(a) if the undertaking has not adopted policies, actions and targets with reference to a topic related to material impacts, risks and opportunities, it shall disclose this fact;</i></li> <li><i>(b) the undertaking may present the description of its material impacts, risks and opportunities, in accordance with [Draft] Amended ESRS 2 IRO-2, alongside information about its policies, actions, targets and metrics through which it addresses them, to avoid duplication and support a coherent narrative.”</i></li> </ul> <p>ESRS 2 is a cross-cutting standard, and ‘paragraphs 29 to 32 and GDR-P, GDR-A, GDR-T and GDR-M’ shall already apply for all topical standards”. This is a duplication – it is not necessary to mention that ESRS 2 applies, because it applies in all cases.</p>	<p>Delete Paragraph 5</p>

## ESRS E3 “WATER”

Text (Paragraph)	Problem	Suggestion
<p><b>Objective</b></p> <p><b>Paragraph 1</b></p>	<p>Paragraph 1 provides:  <i>“When reporting in accordance with the ESRS, the sustainability statement shall cover information in relation to [Draft] Amended ESRS E3 Water, when this topic relates to material impacts, risks and opportunities. The disclosure on the material impacts, risks and opportunities is expected to cover policies, actions, and targets (if in place), dependencies when relevant, metrics and financial effects”</i></p> <p>The objective described in para. 1 of each draft topic ESRS is inconsistent with Draft ESRS 1. The statement about “dependencies when relevant” and “financial effects” should be deleted to make it consistent with ESRS 1.</p>	<p>Rephrase Paragraph 1 as follows:  <i>“When reporting in accordance with the ESRS, the sustainability statement shall cover information in relation to [Draft] Amended ESRS E3 Water, when this topic relates to material impacts, risks and opportunities. The disclosure on the material impacts, risks and opportunities is expected to cover policies, actions, <u>metrics and targets (if in place)</u>.</i></p>
<p><b>Objective</b></p> <p><b>Paragraph 5</b></p>	<p>Paragraph 5 provides:  <i>“The undertaking shall apply the provisions of [Draft] Amended ESRS 2 paragraphs 29 to 32 and GDR-P, GDR-A, GDR-T and GDR-M. In particular:</i></p> <ul style="list-style-type: none"> <li><i>(a) if the undertaking has not adopted policies, actions and targets with reference to a topic related to material impacts, risks and opportunities, it shall disclose this fact;</i></li> <li><i>(b) the undertaking may present the description of its material impacts, risks and opportunities, in accordance with [Draft] Amended ESRS 2 IRO-2, alongside information about its policies, actions, targets and metrics through which it addresses them, to avoid duplication and support a coherent narrative”.</i></li> </ul> <p>ESRS 2 is a cross-cutting standard, and ‘paragraphs 29 to 32 and GDR-P, GDR-A, GDR-T and GDR-M’ shall already apply for all topical standards”. This is a duplication – it is not necessary to mention that ESRS 2 applies, because it applies in all cases.</p>	<p>Delete Paragraph 5</p>

## ESRS E4 “BIODIVERSITY AND ECOSYSTEMS”

Text (Paragraph)	Problem	Suggestion
<p><b>Objective</b></p> <p><b>Paragraph 1</b></p>	<p>Paragraph 1 provides:</p> <p><i>“When reporting in accordance with the ESRS, the sustainability statement shall cover information in relation to [Draft] Amended ESRS E4 Biodiversity and Ecosystems, when this topic relates to material impacts, risks and opportunities. The disclosure on the material impacts, risks and opportunities is expected to cover policies, actions, and targets (if in place), <u>dependencies when relevant</u>, metrics and financial effects”</i></p> <p>The objective described in para. 1 of each draft topic ESRS is inconsistent with Draft ESRS 1. The statement about “dependencies when relevant” and “financial effects” should be deleted to make it consistent with ESRS 1.</p>	<p>Rephrase Paragraph 1 as follows:</p> <p><i>“When reporting in accordance with the ESRS, the sustainability statement shall cover information in relation to [Draft] Amended ESRS E4 Biodiversity and Ecosystems, when this topic relates to material impacts, risks and opportunities. The disclosure on the material impacts, risks and opportunities is expected to cover policies, actions, <u>metrics and targets (if in place)</u>.</i></p>
<p><b>Objective</b></p> <p><b>Paragraph 5</b></p>	<p>Paragraph 5 provides:</p> <p><i>“The undertaking shall apply the provisions of [Draft] Amended ESRS 2 paragraphs 29 to 32 and GDR-P, GDR-A, GDR-T and GDR-M. In particular:</i></p> <p><i>(a) if the undertaking has not adopted policies, actions and targets with reference to a topic related to material impacts, risks and opportunities, it shall disclose this fact;</i></p> <p><i>(b) the undertaking may present the description of its material impacts, risks and opportunities, in accordance with [Draft] Amended ESRS 2 IRO-2, alongside information about its policies, actions, targets and metrics through which it addresses them, to avoid duplication and support a coherent narrative”</i></p> <p>ESRS 2 is a cross-cutting standard, and ‘paragraphs 29 to 32 and GDR-P, GDR-A, GDR-T and GDR-M’ shall already apply for all topical standards”. This is a duplication – it is not necessary to mention that ESRS 2 applies, because it applies in all cases.</p>	<p>Delete Paragraph 5</p>

## ESRS E5 “RESOURCE USE & CIRCULAR ECONOMY”

Text (Paragraph)	Problem	Suggestion
<p><b>Objective</b></p> <p><b>Paragraph 1</b></p>	<p>Paragraph 1 provides:</p> <p><i>“When reporting in accordance with the ESRS, the sustainability statement shall cover information in relation to [Draft] Amended ESRS E5 Resource Use &amp; Circular Economy, when this topic relates to material impacts, risks and opportunities. The disclosure on the material impacts, risks and opportunities is expected to cover policies, actions, and targets (if in place), <u>dependencies when relevant, metrics and financial effects</u>”</i></p> <p>The objective described in para. 1 of each draft topic ESRS is inconsistent with Draft ESRS 1. The statement about “dependencies when relevant” and “financial effects” should be deleted to make it consistent with ESRS 1.</p>	<p>Rephrase Paragraph 1 as follows:</p> <p><i>“When reporting in accordance with the ESRS, the sustainability statement shall cover information in relation to [Draft] Amended ESRS E5 Resource Use &amp; Circular Economy, when this topic relates to material impacts, risks and opportunities. The disclosure on the material impacts, risks and opportunities is expected to cover policies, actions, <u>metrics and targets (if in place)</u>.</i></p>
<p><b>Objective</b></p> <p><b>Paragraph 5</b></p>	<p>Paragraph 5 provides:</p> <p><i>“The undertaking shall apply the provisions of [Draft] Amended ESRS 2 paragraphs 29 to 32 and GDR-P, GDR-A, GDR-T and GDR-M. In particular:</i></p> <ul style="list-style-type: none"> <li><i>(a) if the undertaking has not adopted policies, actions and targets with reference to a topic related to material impacts, risks and opportunities, it shall disclose this fact;</i></li> <li><i>(b) the undertaking may present the description of its material impacts, risks and opportunities, in accordance with [Draft] Amended ESRS 2 IRO-2, alongside information about its policies, actions, targets and metrics through which it addresses them, to avoid duplication and support a coherent narrative”</i></li> </ul> <p>ESRS 2 is a cross-cutting standard, and ‘paragraphs 29 to 32 and GDR-P, GDR-A, GDR-T and GDR-M’ shall already apply for all topical standards”. This is a duplication – it is not necessary to mention that ESRS 2 applies, because it applies in all cases.</p>	<p>Delete Paragraph 5</p>

## ESRS S1 “OWN WORKFORCE”

Text (Paragraph)	Problem	Suggestion
<p><b>Objective</b></p> <p><b>Paragraph 1</b></p>	<p>Paragraph 1 provides:  <i>“When reporting in accordance with the ESRS, the sustainability statement shall cover information in relation to [Draft] Amended ESRS S1 Own workforce when this topic relates to material impacts, risks and opportunities. The disclosure on the material impacts, risks and opportunities is expected to cover policies, actions and targets (if in place), dependencies when relevant, metrics and financial effects.”</i></p> <p>The objective described in para. 1 of each draft topic ESRS is inconsistent with Draft ESRS 1. The statement about “dependencies when relevant” and “financial effects” should be deleted to make it consistent with ESRS 1.</p>	<p>Rephrase Paragraph 1 as follows:  <i>“When reporting in accordance with the ESRS, the sustainability statement shall cover information in relation to [Draft] Amended ESRS S1 Own workforce when this topic relates to material impacts, risks and opportunities. The disclosure on the material impacts, risks and opportunities is expected to cover policies, actions, metrics and targets (if in place)”</i></p>
<p><b>Objective</b></p> <p><b>Paragraph 5</b></p>	<p>Paragraph 5 provides:  <i>“The undertaking shall apply the provisions of [Draft] Amended ESRS 2 paragraphs 29 to 32 and GDR-P, GDR-A, GDR-T and GDR-M. In particular:</i></p> <ul style="list-style-type: none"> <li><i>(a) if the undertaking has not adopted policies, actions and targets with reference to a topic related to material impacts, risks and opportunities, it shall disclose this fact;</i></li> <li><i>(b) the undertaking may present the description of its material impacts, risks and opportunities, in accordance with [Draft] Amended ESRS 2 IRO-2, alongside information about its policies, actions, targets and metrics through which it addresses them, to avoid duplication and support a coherent narrative”</i></li> </ul> <p>ESRS 2 is a cross-cutting standard, and ‘paragraphs 29 to 32 and GDR-P, GDR-A, GDR-T and GDR-M’ shall already apply for all topical standards”. This is a duplication – it is not necessary to mention that ESRS 2 applies, because it applies in all cases.</p>	<p>Delete Paragraph 5</p>
<p><b>Objective</b></p> <p><b>Paragraph 9</b></p>	<p>The statement about value chain workers does not belong to S1 “Own Workforce”.</p>	<p>The paragraph should be moved to S2 “Workers in the Value Chain”</p>

<p><b>Interaction with other topical ESRS</b></p> <p><b>Paragraph 10</b></p>	<p>Paragraph 10 provides:  <i>“The reporting under this Standard shall be consistent, coherent and, where relevant, clearly linked with reporting on the undertaking’s value chain workers under [Draft] Amended ESRS S2 Workers in the value chain”</i></p> <p>The statement does not belong here and is inconsistent with all other topical standards</p>	<p>Delete Paragraph 10</p>
<p><b>S1-1 Policies related to own workforce</b></p> <p><b>Paragraph 13</b></p>	<p>In the NMIG's "Mapping of sub-topics to disclosures in topical standards", S1-1 has been mapped to 'any sub-topic' under all the S standards (S1, S2, S3 and S4). However, ESRS S1-1 paragraph 13 is specifically related to policy for safeguarding the health and safety of its own workforce, and hence does not seem to be related to, e.g. subtopics under S3 Affected communities.</p>	<p>We appreciate more guidance on when the disclosure under paragraph 13 of S1-1 is required - whether it is required when the sub-topic "Health and safety" is deemed material and/or the other sub-topics under S standards.</p> <p>In general, despite the non-mandatory status, some guidance provided in the NMIG may cause more confusion than clarity for preparers. In view of this example, we would appreciate EFRAG providing more clarifications on the use of the mapping provided in NMIG, and more broadly on circumstances where preparers have challenges applying the guidance in the NMIG.</p>
<p><b>S1-3 Actions and resources related to own workforce</b></p> <p><b>Paragraph 19 (b)</b></p>	<p>Paragraph 19(b) provides:  <i>“In relation to material impacts related to its own workforce, the undertaking shall describe:</i>  [.]  <i>(b) how it tracks and assesses the effectiveness of these actions and initiatives in delivering outcomes for its own workforce. This disclosure can be <u>omitted</u> if the undertaking discloses how it tracks the effectiveness of its actions in accordance with [Draft] Amended ESRS 2 GDR-T or GDR-M. <u>In that case, a reference to that disclosure is sufficient.</u></i></p>	<p>Paragraph 19(b) provides:  <i>“In relation to material impacts related to its own workforce, the undertaking shall describe:</i>  [.]  <i>(b) how it tracks and assesses the effectiveness of these actions and initiatives in delivering outcomes for its own workforce. This disclosure can be <u>referenced</u> if the undertaking discloses how it tracks the effectiveness of its actions in accordance with [Draft] Amended ESRS 2 GDR-T or GDR-M”</i></p>
<p><b>AR 6 for para. 19 (Key actions)</b></p>	<p>Redundant to GDR-A</p>	<p>Delete AR 6 for para. 19</p>
<p><b>AR 7 for para.19 (Climate transition)</b></p>	<p>Redundant to GDR-A</p>	<p>Delete AR 7 for para.19</p>
<p><b>S1-4 Targets related to own workforce</b></p> <p><b>Paragraph 21</b></p>	<p>Not simplification</p>	<p>To align with the simplification approach, we suggest reformulating as follows: <i>“if the undertaking engaged directly with its own workforce or workers’ representatives for the</i></p>

		<i>purpose of target-setting and/or tracking performance against those targets, it shall disclose this fact when disclosing in accordance with [Draft] Amended ESRS 2 GDR-T</i>
<b>AR13 for para. 23(c) (Calculation employee turnover)</b>	AR13 for para. 23(c) provides: <i>“(AR 59 amended) For the employee turnover calculation, the undertaking shall divide the number of employees who leave voluntarily or due to dismissal, retirement or death in service by average employee head count”</i>	We suggest either: (1) maintain the previous formulation, letting the undertaking decide which denominator to use, or (2) require referring to the number of total employees as calculated for par. 23(a)
<b>S1-6 Characteristics of non-employees in the undertaking’s own workforce  Paragraph 24</b>	Paragraph 24 provides: <i>“The objective of this DR is to provide an understanding of how much the undertaking relies on non-employees as part of its own workforce”</i>  Disclosure has been oversimplified and does not really fulfil the objective stated in Paragraph 24. At this point, it would have been more meaningful to merge it organically with S1-5 as “workforce”, keeping in S1-5 disclosure the distinction between employees and non-employees.	Merge S1-4 and S1-5, keeping the distinction between employees and non-employees
<b>S1-7 Collective bargaining coverage and social dialogue  Paragraph 27(b)</b>	Paragraph 27(b) provides: <i>“The undertaking shall disclose: [.] b) in the European Economic Area (‘EEA’), whether it has one or more collective bargaining agreements and, if so, the overall percentage of its employees covered by such agreement(s) for each country in which it has significant employment, defined as at 50 or more employees by head count and that are the 10 largest countries in terms of employee numbers for the undertaking, as calculated in paragraph 23(a) above; and”</i>  Overly granular disclosure and confusion on how this should be calculated, namely, are the Top 10 countries restricted to the EEA? Also, the representation is not consistent.	The same suggestion as for ESRS S1-23(a).

<p><b>Collective bargaining coverage and social dialogue</b></p> <p><b>ESRS S1 - 27(c)</b></p>	<p>The presentation of these percentages should also follow criteria based on occupational relevance</p>	
<p><b>Collective bargaining coverage and social dialogue</b></p> <p><b>ESRS S1 – AR 17</b></p>	<p>The presentation of these percentages should also follow criteria based on occupational relevance</p>	
<p><b>S1-10 Social Protection</b></p> <p><b>Paragraphs 33 and 34</b></p>	<p>We have the following concerns:</p> <ul style="list-style-type: none"> <li>• We do not understand why “retirement” has been deleted from the definition of major life event because it represents a true advantage proposed by the company to the employee, and the data is easy to collect.</li> <li>• We do not understand the maintenance of “unemployment” as a major life event – this is only covered by public programs (so consistent for all companies in the same country), and it is complex for companies to collect related data</li> <li>• We would like to have more clarity on the reason “Granularity reduced” indicated in the log on Amendments. It is confusing.</li> </ul> <p>If we have to disclose the list of countries where employees lack protection for one or more major life events, it would be interesting to know which of the four major life events the protection is not in place.</p>	<p>Clarify the paragraphs and consider reintroducing “retirement” in the definition of major life event</p>
<p><b>AR 23 for para. 36 (Data collection for persons with disabilities)</b></p>	<p>The amendment that limits reporting to data that can be “lawfully collected” is sensible and addresses privacy constraints across jurisdictions. However, legal regimes often restrict not only the collection but also the disclosure of sensitive data. To avoid creating pressure to publish data that cannot be released under local law—even if collected internally—the constraint should extend to lawful disclosure.</p>	<p>Amend AR 23 to: “This DR requires the undertaking to report only data that can be lawfully collected and lawfully disclosed.”</p>

<p><b>S1-13 Health and Safety metrics</b></p> <p><b>Paragraph 40</b></p>	<p>DR not aligned to DR S1-6</p>	<p>We suggest aligning this DR to new DR S1-6, meaning the disclosure of data regarding non-employees should be required only if such categories are material.</p>
<p><b>S1-13 Health and Safety metrics</b></p> <p><b>Paragraph 40(b)</b></p>	<p>Adding own workforce and other workers on the premises is kind of confusing, especially considering that point (i) uses “workforce”, therefore intending also non-employees, while point (ii) is limited to employees. So, these KPIs add 2 types of events across 3 different types of workers</p>	<p>Clarify the datapoint</p>
<p><b>AR 30 for para. 40(e)</b></p> <p><b>(Days lost)</b></p>	<p>AR 30 defines “days lost” on a calendar-day basis (including weekends and public holidays), which overstates time lost for five-day workers and reduces comparability with entities that measure only scheduled workdays. While EFRAG has improved the metric elsewhere (e.g., removing days lost to fatalities), the weekend counting issue remains unaddressed.</p>	<p>Revise AR 30 to require scheduled working days as the basis and require the inclusion of weekends/holidays only if they form part of the individual’s contracted schedule.</p>
<p><b>S1-14 Work-life balance metrics</b></p>	<p>The disclosure requirement to provide a percentage of employees entitled to take family-related leave during the period is not representative of employees’ work-life balance.</p>	<p>Ensure the mapping of subtopics to disclosure requirements and their titles does not lead to misleading disclosures or metrics not representative of the matter purported to be reported. Rename the Disclosure Requirement to “Employees entitled to family-related leave”.</p>
<p><b>S1-15 Remuneration metrics (gender pay gap and total remuneration)</b></p> <p><b>Paragraph 43</b></p>	<p>Paragraph 43 now refers to “the global ... gap,” which creates confusion. The goal remains to understand the gap in pay between women and men, and Set 1 already required an unadjusted (aggregate) gender pay gap; adding “global” could lead to this requirement being misinterpreted.</p>	<p>Edit paragraph 43: “to allow an understanding of any gap in pay between women and men among the undertaking’s employees, and to provide insight into remuneration inequality.” Keep the calculation text unchanged and place optional contextual disaggregation (e.g., by category or country) in NMIG.</p>

<p><b>ESRS S1 – AR 36</b></p>	<p>Definitions from the ESRS glossary and/or application requirements in relation to pay and annual total remuneration should be streamlined to avoid generating confusion in the identification of remuneration items to be considered. In particular:</p> <ul style="list-style-type: none"> <li>• The concept of pay includes basic salary and any other form of remuneration (including variable components), just like the definition of total annual remuneration</li> <li>• It is not clear why annual total remuneration is defined both in the application requirement and the glossary</li> </ul>	<p>Clarify AR</p>
<p><b>S1-16 Incidents of discrimination and other human rights incidents</b></p> <p><b>Paragraphs 45 and 46</b></p>	<p>We would like to understand what the new term “human rights incidents” covers and to have more clarity on the information that we will need to gather (in comparison with the number of the complaints previously), because this change to “incidents” from “complaints” and the removal of “severe” are not clear enough to understand what kind of data should be disclosed.</p> <p>Paragraph 46.b reference to privacy regulations is unnecessary. Of course, when a regulation prohibits a disclosure, that cannot be overwritten by a reporting standard; adding a dedicated reference could lead to “abuse” by companies to hide some relevant cases.</p> <p>Paragraph 46.c for sake of clarity it helps to specify if also provisions for risks are in scope or only asserted amounts.</p> <p>It is not clear how the definition of human rights incidents in the ESRS Glossary is linked with AR 38. The examples presented in the AR are the only possible instances of substantiated incidents? If not, how is an undertaking supposed to identify other incidents relevant for this metric?</p> <p>In general, we support having a clear definition of which circumstances constitute a human rights incident. Also, we still believe it would be better to focus on confirmed incidents (i.e. final decisions issued by a court of law or relevant authorities). See answer to question 34 of the survey for general comments on the need for a better definition of incidents.</p>	<p>Clarify the datapoint</p>

<b>ESRS S1 – AR 38</b>	It is not clear how the definition of human rights incidents in the ESRS Glossary is linked with AR 38.	Clarify AR
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## ESRS S2 “WORKERS IN THE VALUE CHAIN”

Text (Paragraph)	Problem	Suggestion
<p><b>Overarching comment</b></p>	<p>First, A potential concern is that the reduction in narrative disclosure could reduce the quality and effectiveness of banks’ due diligence processes – especially in sensitive areas within Human Rights. This would then misalign with efforts to improve the robustness of human rights risk management across the industry and through other regulatory pressure.</p> <p>Second, across sustainability, but especially true for human rights, there is a heavy weighting of qualitative indicators that can be used to evidence metrics, actions, etc. However, as more thought is still needed around how to use these as an effectiveness measure, some further guidance is needed at this stage around how effectiveness can be evidenced.</p>	
<p><b>Objective Paragraph 1</b></p>	<p>Paragraph 1 provides:  <i>“When reporting in accordance with the ESRS, the sustainability statement shall cover information in relation to [Draft] Amended ESRS S2 Workers in the Value Chain when this topic relates to material impacts, risks and opportunities. The disclosure on the material impacts, risks and opportunities is expected to cover policies, actions and targets (if in place), <u>dependencies when relevant, metrics and financial effects</u>”</i></p> <p>The objective described in para. 1 of each draft topic ESRS is inconsistent with Draft ESRS 1. The statement about “dependencies when relevant” and “financial effects” should be deleted to make it consistent with ESRS 1.</p>	<p>Rephrase Paragraph 1 as follows:  <i>“When reporting in accordance with the ESRS, the sustainability statement shall cover information in relation to [Draft] Amended ESRS S2 Workers in the Value Chain when this topic relates to material impacts, risks and opportunities. The disclosure on the material impacts, risks and opportunities is expected to cover policies, actions, <u>metrics and targets (if in place)</u>”</i></p>
<p><b>Objective Paragraph 5</b></p>	<p>Paragraph 5 provides:  <i>“The undertaking shall apply the provisions of [Draft] Amended ESRS 2 paragraphs 29 to 32 and GDR-P, GDR-A, GDR-T and GDR-M. In particular:                      (a) if the undertaking has not adopted policies, actions and targets with reference to a topic related to material impacts, risks and opportunities, it shall disclose this fact;                      (b) the undertaking may present the description of its material impacts, risks and opportunities, in accordance with [Draft] Amended ESRS 2 IRO-2, alongside information about its policies, actions, targets and metrics through which it addresses them, to avoid duplication and support a coherent narrative”</i></p>	<p>Delete Paragraph 5</p>

	<p>ESRS 2 is a cross-cutting standard, and ‘paragraphs 29 to 32 and GDR-P, GDR-A, GDR-T and GDR-M’ shall already apply for all topical standards”. This is a duplication – it is not necessary to mention that ESRS 2 applies, because it applies in all cases.</p>	
<p><b>S2-1 - Policies related to value chain workers</b></p> <p><b>and</b></p> <p><b>S2-2 - Engagement with value chain workers, existence of channels for value chain workers to raise concerns or needs and approaches to remedy.</b></p>	<p>Consider merging these two topics and clarifying ARs – they are difficult to understand.</p>	
<p><b>S2-2 Engagement with value chain workers, the existence of channels for value chain workers to raise concerns or needs and approaches to remedy</b></p> <p><b>Paragraph 14</b></p>	<p>Paragraph 14, the Introduction provides:  <i>“The undertaking shall disclose how it engages, as part of its ongoing due diligence process, directly with value chain workers or their legitimate representatives or with credible proxies, and how the perspectives of its value chain workers inform its decisions or activities aimed at managing”</i></p> <p>This datapoint requires the undertaking to disclose how it engages with its value chain workers. Previously, if the undertaking did not have respective policies to engage with value chain workers, it had to publish a negative statement under ESRS S1-24 to avoid unnecessary burden, namely, the publication of a negative statement if the undertaking could not disclose how it engages with workers. This raises a question of the interpretation of ESRS S1-14 – whether the undertaking has to disclose something if it does not have such policies.</p>	<p>Clarify the application of Paragraph 14, considering that ESRS S1-24 (previous numbering) is deleted.</p>

<p><b>This paragraph is deleted:</b></p> <p><del>“27. The undertaking shall describe:</del></p> <p><del>[.]</del></p> <p><del>e) the processes through which it supports or requires the availability of such channels in the workplace of value chain workers; and”</del></p>	<p>This paragraph required the undertaking to disclose the processes through which it supports or requires the availability of channels whereby value chain workers can bring their concerns or needs. We believe this is valuable information.</p>	<p>Consider keeping this datapoint</p>
<p><b>S2-3 Actions and resources related to value chain workers</b></p> <p><b>Paragraph 19</b></p>	<p>Paragraph 19 provides:</p> <p><i>“Subject to the relevant privacy regulation, the undertaking shall also disclose whether human rights incidents connected to workers in its upstream and downstream value chain have been reported and, if applicable, disclose these”</i></p> <p>The words “subject to the relevant privacy regulation” are confusing and could lead to different interpretations and not disclosing severe human rights incidents.</p> <p>Even in the presence of a definition for human rights incidents, it is not clear how and when an undertaking could identify substantiated incidents. Also, more guidance would be welcome on how the undertaking might confirm if an incident that is reported is genuine or not, if it relates to undertakings in its value chain</p>	<p>Clarify the datapoint.</p> <p>Consider clarifying or removing “Subject to the relevant privacy regulation”.</p>
<p><b>S2-4 Targets related to value chain workers</b></p> <p><b>Paragraph 21</b></p>		<p>To align with the simplification approach, we suggest reformulating as follows: “if the undertaking engaged directly with workers in the value chain, their legitimate representatives, or with credible proxies that have insight into their situation for the purpose of target-setting and/or tracking performance against those targets, it shall disclose this fact when disclosing in accordance with [Draft] Amended ESRS 2 GDR-T”</p>

## ESRS S3 “AFFECTED COMMUNITIES”

Text (Paragraph)	Problem	Suggestion
<b>Overarching comment</b>	<p>First, an ongoing concern is around the need to report on human rights incidents connected to affect communities. This raises confidentiality and reputational sensitivities – maybe further guidance around thresholds for reporting would support better alignment with the requirement.</p> <p>Second, further clarity on expectation around remediation obligations, which vary under the UNGPs (based on the type of connection (i.e. cause, contribution, directly linked) would be beneficial.</p> <p>Third, one of the positive outcomes is that the UNGPs' effectiveness criteria are now better embedded into the reporting requirements of grievance mechanisms.</p>	
<b>Objective Paragraph 1</b>	<p>Paragraph 1 provides:  <i>“When reporting in accordance with the ESRS, the sustainability statement shall cover information in relation to [Draft] Amended ESRS S3 Affected Communities when this topic relates to material impacts, risks and opportunities. The disclosure on the material impacts, risks and opportunities is expected to cover policies, actions and targets (if in place), dependencies when relevant, metrics and financial effects”</i></p> <p>The objective described in para. 1 of each draft topic ESRS is inconsistent with Draft ESRS 1. The statement about “dependencies when relevant” and “financial effects” should be deleted to make it consistent with ESRS 1.</p>	<p>Rephrase Paragraph 1 as follows:  <i>“When reporting in accordance with the ESRS, the sustainability statement shall cover information in relation to [Draft] Amended ESRS S3 Affected Communities when this topic relates to material impacts, risks and opportunities. The disclosure on the material impacts, risks and opportunities is expected to cover policies, actions, <u>metrics and targets (if in place)</u>”</i></p>
<b>Objective Paragraph 5</b>	<p>Paragraph 5 provides:  <i>“The undertaking shall apply the provisions of [Draft] Amended ESRS 2 paragraphs 29 to 32 and GDR-P, GDR-A, GDR-T and GDR-M. In particular:</i></p> <ul style="list-style-type: none"> <li><i>(a) if the undertaking has not adopted policies, actions and targets with reference to a topic related to material impacts, risks and opportunities, it shall disclose this fact;</i></li> <li><i>(b) the undertaking may present the description of its material impacts, risks and opportunities, in accordance with [Draft] Amended ESRS 2 IRO-2, alongside information about its policies, actions,</i></li> </ul>	<p>Delete Paragraph 5</p>

	<p><i>targets and metrics through which it addresses them, to avoid duplication and support a coherent narrative”</i></p> <p>ESRS 2 is a cross-cutting standard, and ‘paragraphs 29 to 32 and GDR-P, GDR-A, GDR-T and GDR-M’ shall already apply for all topical standards”. This is a duplication – it is not necessary to mention that ESRS 2 applies, because it applies in all cases.</p>	
<p><b>S3-2 Engagement with affected communities, existence of channels for affected communities to raise concerns or needs and approaches to remedy</b></p> <p><b>Paragraph 11</b></p>	<p>Paragraph 11 provides:  <i>“The undertaking shall disclose how it engages directly with affected communities, their legitimate representatives, or with credible proxies, and how the perspectives of affected communities inform its decisions or activities aimed at managing the actual and potential impacts on affected communities <u>during the reporting year</u>. This shall include, where relevant, how it gains insight into the perspectives of affected communities who may be particularly vulnerable to impacts and/or are marginalised (for example, women, girls, migrants, persons with disabilities)”.</i></p> <p>First, the provided list (especially women and girls) is a bit prejudiced. This depends on specific circumstances, whether concrete groups are vulnerable.</p> <p>Second, the limitation to the reporting year can obscure long-term relations. Engagement, decisions and impacts are all developing on a multi-year perspective.</p>	<p>Delete words “during the reporting year” and “(for example, women, girls, migrants, persons with disabilities”.</p>
<p><b>S3-3 Actions and resources related to affected communities</b></p> <p><b>Paragraph 15 to 18</b></p>	<p>The focus is entirely on negative impacts, without noting that many initiatives can have positive impacts without a remediation effort of any sort. In general, in the entire standard, the main focus is shifted to the negative side and not to promoting the well-being of communities.</p>	<p>Consider rewording ESRS S3 – 15 to 18 to reflect positive impacts as well. Disclosures should not be only about negative impacts. There are positive impacts on affected communities.</p>

<p><b>S3-3 Actions and resources related to affected communities</b></p> <p><b>Paragraph 19</b></p>	<p>Paragraph 19 provides:  <i>“Subject to the relevant privacy regulation, the undertaking shall also disclose whether human rights incidents connected with affected communities have been reported and, if applicable, disclose these”</i></p> <p>The words “subject to the relevant privacy regulation” are confusing and could lead to different interpretations and not disclosing severe human rights incidents.</p> <p><i>Even in the presence of a definition for human rights incidents, it is not clear how and when an undertaking could identify substantiated incidents.</i></p>	<p>Consider clarifying or removing “Subject to the relevant privacy regulation”</p>
<p><b>S3-4 Targets related to affected communities</b></p> <p><b>Paragraph 21</b></p>	<p>To align with the simplification approach, we suggest reformulating as follows: “if the undertaking engaged directly with affected communities, their legitimate representatives, or with credible proxies that have insight into their situation for the purpose of target-setting and/or tracking performance against those targets, it shall disclose this fact when disclosing in accordance with [Draft] Amended ESRS 2 GDR-T”</p>	

## ESRS S4 “CONSUMERS AND END-USERS”

Text (Paragraph)	Problem	Suggestion
<p align="center"><b>Objective Paragraph 1</b></p>	<p>Paragraph 1 provides:  <i>“When reporting in accordance with the ESRS, the sustainability statement shall cover information in relation to [Draft] Amended ESRS S4 Consumers and end-users, when this topic relates to material impacts, risks and opportunities. The disclosure on the material impacts, risks and opportunities is expected to cover policies, actions and targets (if in place), dependencies when relevant, metrics and financial effects”</i></p> <p>The objective described in para. 1 of each draft topic ESRS is inconsistent with Draft ESRS 1. The statement about “dependencies when relevant” and “financial effects” should be deleted to make it consistent with ESRS 1.</p>	<p><i>Rephrase Paragraph 1 as follows:  When reporting in accordance with the ESRS, the sustainability statement shall cover information in relation to [Draft] Amended ESRS S4 Consumers and end-users, when this topic relates to material impacts, risks and opportunities. The disclosure on the material impacts, risks and opportunities is expected to cover policies, actions, <u>metrics and targets (if in place)</u>.</i></p>
<p align="center"><b>Objective Paragraph 5</b></p>	<p>Paragraph 5 provides:  <i>“The undertaking shall apply the provisions of [Draft] Amended ESRS 2, paragraphs 29 to 32, and GDR-P, GDR-A, GDR-T and GDR-M. In particular:  (a) if the undertaking has not adopted policies, actions and targets with regard to a topic related to material impacts, risks and opportunities, it shall disclose this fact; and  (b) the undertaking may present the description of its material impacts, risks and opportunities, in accordance with [Draft] Amended ESRS 2 IRO-2, alongside information about its policies, actions, targets and metrics through which it addresses them, to avoid duplication and support a coherent narrative”</i></p> <p>ESRS 2 is a cross-cutting standard, and ‘paragraphs 29 to 32 and GDR-P, GDR-A, GDR-T and GDR-M’ shall already apply for all topical standards”. This is a duplication – it is not necessary to mention that ESRS 2 applies, because it applies in all cases.</p>	<p>Delete Paragraph 5</p>
<p align="center"><b>S4-4 Targets related to consumers and end-users Paragraph 16</b></p>	<p>Even in the presence of a definition for human rights incidents, it is not clear how and when an undertaking could identify substantiated incidents.</p>	<p>Clarification is needed</p>

<p><b>AR 7 for para. 18 (Tracking performance against targets)</b></p>	<p>Not simplification</p>	<p>To align with the simplification approach, we suggest reformulating as follows: <i>“if the undertaking engaged directly with consumers and/or end-users, their legitimate representatives, or with credible proxies that have insight into their situation for the purpose of target-setting and/or tracking performance against those targets, it shall disclose this fact when disclosing in accordance with [Draft] Amended ESRS 2 GDR-T”</i></p>
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## ESRS G1 “BUSINESS CONDUCT”

Text (Paragraph)	Problem	Suggestion
<p><b>General comment</b></p>	<p>There is a risk of double reporting and a lack of clarity regarding where whistleblowing and supplier follow-up topics should be addressed. In practice, these topics have been reported inconsistently – sometimes appearing across three different standards: S1, S3, and G1. This fragmented approach creates confusion for preparers and undermines the coherence of disclosures.</p> <p>Paragraph numbering is flawed. Starting with DR G1-2, the numbering of paragraphs starts with 1 again instead of continuing the count of the paragraph, which should read 9 and then the numbering should be continued.</p> <p>Animal welfare in general should be moved to E4. For the vast majority of companies, i.e. all other than those directly active in food &amp; agriculture, this is a biodiversity issue and is mentioned in environmental and biodiversity policies (not a business conduct issue).</p>	<p>While the structural changes to the PATs address this issue to some extent, it may be worth considering whether certain topics from G1 – particularly those related to whistleblowing and supplier follow-up – should be reallocated to ESRS 2 for greater coherence and clarity.</p> <p>Revise paragraph numbering.</p>
<p><b>Objective Paragraph 1</b></p>	<p>Paragraph 1 provides:  <i>“When reporting in accordance with the ESRS, the sustainability statement shall cover information in relation to [Draft] Amended ESRS S4 Consumers and end-users, when this topic relates to material impacts, risks and opportunities. The disclosure on the material impacts, risks and opportunities is expected to cover policies, actions and targets (if in place), dependencies when relevant, metrics and financial effects”</i></p> <p>The objective described in para. 1 of each draft topic ESRS is inconsistent with Draft ESRS 1. The statement about “dependencies when relevant” and “financial effects” should be deleted to make it consistent with ESRS 1.</p>	<p>Rephrase Paragraph 1 as follows:  <i>“When reporting in accordance with the ESRS, the sustainability statement shall cover information in relation to [Draft] Amended ESRS S4 Consumers and end-users, when this topic relates to material impacts, risks and opportunities. The disclosure on the material impacts, risks and opportunities is expected to cover policies, actions, <u>metrics and targets (if in place)</u>”</i></p>

<p><b>Objective</b></p> <p><b>Paragraph 4(b)</b></p>	<p>Paragraph 4(b) provides:  <i>“b) the management of relationships with suppliers, including (unfair) payment practices; and”</i></p> <p>The use of brackets around 'unfair' is unclear. Depending on the intended meaning, either remove the brackets or omit the word entirely.</p>	<p>Delete either the brackets “(unfair)” or take out these words from the brackets</p>
<p><b>Objective</b></p> <p><b>Paragraph 5</b></p>	<p>Paragraph 5 provides:  <i>“The undertaking shall apply the provisions of [Draft] Amended ESRS 2, paragraphs 29 to 32, and GDR-P, GDR-A, GDR-T and GDR-M. In particular:  (a) if the undertaking has not adopted policies, actions and targets with regard to a topic related to material impacts, risks and opportunities, it shall disclose this fact; and  (b) the undertaking may present the description of its material impacts, risks and opportunities, in accordance with [Draft] Amended ESRS 2 IRO-2, alongside information about its policies, actions, targets and metrics through which it addresses them, to avoid duplication and support a coherent narrative”</i></p> <p>ESRS 2 is a cross-cutting standard, and ‘paragraphs 29 to 32 and GDR-P, GDR-A, GDR-T and GDR-M’ shall already apply for all topical standards”. This is a duplication – it is not necessary to mention that ESRS 2 applies, because it applies in all cases.</p>	<p>Delete Paragraph 5</p>
<p><b>G1-2 Actions related to business conduct</b></p> <p><b>Paragraph 10</b></p>	<p>These issues are already sufficiently covered in ESRS 2, Paragraph 30</p>	<p>Delete this Paragraph</p>
<p><b>G1-2 Actions related to business conduct</b></p> <p><b>Paragraph 10(c)</b></p>	<p>First, we believe the whole approach to supply chain management requires reconsideration. On the one hand, supply chain components are inherent in each of the E, S and G standards, whereas ESRS G1 seems to suggest that this is a component of G. It could also be argued that it is most appropriate to reflect supply chain management in the section on General information because the supply chain is often managed across E, S and G in which case it would be most</p>	<p>First, consider removing Paragraph 10(c).</p> <p>Second, if Paragraph 10(c) is kept, for reasons of consistency, it would seem appropriate to introduce a separate metrics chapter for the topic of supplier management. In addition, more background information would be desirable as to why the new topic of training on supplier engagement is to be included.</p>

	<p>appropriate to reflect this in the General information section. If fair presentation should be the overarching principle, it should be considered if the last sentence in Paragraph 2(c) actually belongs here.</p> <p>Second, it is planned to amend the data point as follows:  <i>“It shall also disclose [...] whether the procurement team is involved in training related to its engagement with suppliers for the improvement of their sustainability performance”</i></p>	
<p><b>Paragraph 10(c)</b></p>	<p>In the NMIG's "Mapping of sub-topics to disclosures in topical standards", G1-2 has been mapped to all three sub-topics under G1. However, it does not seem all data points within G1-2 are related to all the sub-topics under G1. In particular, it is unclear if paragraph 10(c) is only required when the sub-topic "Management of relationships with suppliers" is deemed material, or not.</p>	<p>We appreciate more guidance on when the disclosure of 'whether the procurement team is involved in training related to its engagement with suppliers for the improvement of their sustainability performance' within paragraph 10(c) is required - whether it is required when the sub-topic "Management of relationships with suppliers" is deemed material and/or the other sub-topics under G1.</p> <p>In general, despite the non-mandatory status, some guidance provided in the NMIG may cause more confusion than clarity for preparers. In view of the above example, we would appreciate EFRAG providing more clarifications on the use of the mapping provided in NMIG, and more broadly on circumstances where preparers have challenges applying the guidance in the NMIG.</p>
<p><b>G1-4 Metrics related to incidents of corruption or bribery</b></p> <p><b>Paragraphs 12 to 14</b></p>	<p>The addition of "during the reporting period" is not needed, as ESRS 2 already makes it clear that all disclosures refer to the reporting period; however, all ESRS should be checked to ensure consistency in this respect.</p>	<p>Consider removing the words “during the reporting period” in Paragraphs 12 to 14 (see the next comment).</p> <p>In relation to the new G1-6 paragraph 13, we suggest splitting the two requirements (i.e. number of convictions and total amount of fines) into different paragraphs for better clarity, given that the scopes of such metrics are indeed different.</p>

<p style="text-align: center;"><b>G1-4 Metrics related to incidents of corruption or bribery</b></p> <p style="text-align: center;"><b>Paragraph 14</b></p>	<p>Paragraph 14 provides:  <i>“The undertaking shall disclose the number and nature of the confirmed incidents of corruption or bribery that occurred during the reporting period”</i></p> <p>The proposed mandatory disclosure of the number and nature of confirmed incidents of corruption and bribery is concerning. It risks impairing an undertaking’s and its parent company’s legal strategy, defence, and risk mitigation, for example, by effectively constituting an admission of violation or undermining eligibility for voluntary self-disclosure benefits in certain jurisdictions.</p> <p>Determinations as to whether a legal violation has occurred, and the appropriate enforcement response, are typically discretionary decisions made by competent authorities. Requiring disclosure of internally substantiated incidents – particularly those identified by compliance officers or similar functions before any supervisory agency has initiated or concluded an investigation – could be interpreted by authorities, both within and outside the EU, as an admission of wrongdoing. This risk is heightened in cases where investigations are confidential and not disclosed to the undertaking or its parent company, potentially biasing enforcement outcomes and causing undue harm.</p> <p>For the above reasons, we strongly oppose the inclusion of the new mandatory datapoint on the number of confirmed incidents (G1-4 par. 14). This requirement is not aligned with the goal of simplification. Also, determinations as to whether or not a violation has occurred are discretionary decisions by competent authorities. Disclosure of “confirmed incidents” risks being interpreted as an admission of violation by authorities or other actors (e.g., NGOs, civil society), potentially biasing investigations and enforcement responses.</p>	<p style="text-align: center;">Delete Paragraph 14</p>
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<p><b>AR4 for para. 13 (Corruption and bribery-convictions)</b></p>	<p>The application requirements should specify that reporting on G1-4 should focus on convictions of legal entities, not individual persons.</p>	
<p><b>AR 5 for para. 13 (Corruption and bribery-fines)</b></p>	<p>It is not precise enough, namely, it does not state that these are final fines (i.e., not subject to appeal).</p>	<p>To keep coherence with the definition of "conviction", fines to be reported should be those that are definitive (i.e. not subject to appeal judicially).</p>
<p><b>G1-5 Metrics related to political influence and lobbying activities</b>  <b>Paragraphs 15 to 18</b></p>	<p>The requirements of G1-5 lack clarity regarding their intended jurisdictional scope. They appear to extend beyond the EU Transparency Register framework and could impose significant burdens on companies operating in non-EU jurisdictions, where similar regulatory structures may not exist. The broad definitions—particularly the reference to “indirectly” in the former paragraph 29(b)(i)—could be interpreted to include payments to trade organisations that engage with political officials in ways that are not materially linked to ESG issues. This creates uncertainty and potential overreach in disclosure expectations.</p>	<p>Clarify that the disclosure requirements under G1-5 are intended to apply specifically to activities associated with the EU and its member states. Remove or revise the reference to “indirectly” to avoid capturing immaterial or incidental interactions, such as trade association events. Ensure alignment with the scope and intent of the existing EU Transparency Register to avoid unnecessary compliance burdens and maintain relevance to material ESG concerns.</p>
<p><b>G1-6 Metrics in relation to payment practices</b>  <b>Paragraphs 19 and 20</b></p>	<p>There is an inconsistency between Paragraph 19 and 20. If the objective is to understand late payments to SMEs as indicated in Paragraph the disclosure requirements in Paragraph 20 do not achieve this objective</p>	<p>Clarify Paragraph 19 and 20</p>

<p><b>Log of Amendments for G1</b></p> <p><b>AR 4 for para. 13</b></p>	<p>The following issue is not in the draft of ESRS G1 but in the <b>log of amendments</b>.</p> <p>Regarding Application Requirement 4 for paragraph 13 (Corruption and bribery convictions), it is stated that convictions "<i>refer to final decisions issued by a criminal court against an individual or undertaking in respect of a criminal offence related to corruption and bribery, where these court decisions are entered in the criminal record of the convicting European Union Member State. This interpretation is aligned with the concept of a "conviction" under the European Criminal Records Information System (ECRIS)</i>".</p> <p>However, the document named "Log of Amendments" adds to the wording contained in AR4 for par. 13 G1-4 the following sentence: <u><i>In this context, final decisions include all the decisions in the reporting year while awaiting the outcome of a possible appeal. The reporting undertaking may provide additional information if an appeal is considered, has been lodged or was successful. This interpretation is aligned with the concept of a "conviction" under the European Criminal Records Information System (ECRIS)</i></u>.</p> <p><b>It is essential that, to avoid any misinterpretation, the concept of conviction in AR 4 re paragraph 13 refers to final decisions <u>not subject to appeals</u>, and therefore the underlined paragraph is deleted, as it is incorrect pursuant to Regulation ECRIS.</b></p>
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## NON-MANDATORY ILLUSTRATIVE GUIDANCE

Text (Paragraph)	Problem	Suggestion
<p style="text-align: center;"><b>General Comment</b></p>	<p style="text-align: center;">It is not stated that NMIG cannot be used for auditing purposes</p>	<p>We welcome the removal of voluntary data points from the NMIG. This allows for better flow and reduction of unnecessary text in the standards themselves. Moreover, we agree with EFRAG on the suggestion not to include NMIG as a delegated act. It is important to highlight that the NMIG is voluntary and for inspiration, and its role should be clearly stated, also for auditing. Reporting entities cannot risk requirements stemming from the NMIG. It would be useful to add an explicit statement clarifying that the NMIG cannot be used for auditing purposes and is intended solely to facilitate implementation.</p>
<p style="text-align: center;"><b>General Comment</b></p>	<p style="text-align: center;">Differentiation between Application Requirements and the Non-Mandatory Illustrative Guidance</p>	<p>While we support EFRAG's recommendation to publish the NMIG as guidance only, we seek further clarification on how the guidance included in the NMIG differs from certain Application Requirements (ARs). For example, ESRS S1 AR 8 does not appear to constitute either a methodological instruction for preparing disclosures or a presentation option. A more systemic approach is needed in this respect.</p>

## ANNEX A “EXAMPLES”

### Examples of the datapoints merged/deleted without reducing the extent of reported information:

- Human rights-related datapoints that are repeated in the current ESRS and that, even if the review will aggregate in ESRS 2 (GDR-P 35), will entail almost the same amount of effort in the disclosure.
- The same applies to IRO-related information that will be transferred from topical standards to ESRS 2, leaving more or less the same burden.
- Also, specific cases can be found where the deletion of a datapoint does not entail a reduction in disclosure effort (E1, Paragraph 33). The justification for deletion: *“This paragraph has been deleted as it is redundant with ESRS 2 GDR-T (which is mentioned in paragraph 25)”*.
- E1, Paragraph 32 (amended 44) – deleting the requirement to disclose total GHG emissions. Companies are still required to disclose GHG emissions broken down by scope 1, 2 and 3. Previously, disclosure of the overall total (as the sum of the three scopes) was also required, but this is no longer the case in the current draft. Merely removing the total does not constitute a reduction in reporting requirements.
- E1, Paragraph 32(a) [amended 44 (a)] – if one requirement requested a figure (*“Scope 1 GHG emissions”*) and another required a breakdown of that same figure (*“the gross Scope 1 GHG emissions in metric tonnes of CO2”*), and following the review process both have been merged to avoid duplication, this should not be considered an elimination of requirements, but rather a consolidation. We believe this is a redrafting exercise, not a reduction of the original obligations. E1, Paragraph 48 was deleted because it was redundant with new 32(a), as stated in the log of amendments.

### Examples of new requirements, increasing the disclosure efforts and the extent of reported information:

- In ESRS E1, Paragraph 38, companies operating in high-climate-impact sectors were previously required to provide a further breakdown of their total fossil fuel-based energy consumption. The revised draft (Paragraph 29) extends this requirement to all companies, regardless of sector. For entities outside those sectors, this clearly constitutes a new requirement rather than a simplification.
- In ESRS E1, Paragraph 21(b) [amended 19(b)], the requirement is expanded to align with IFRS S2.22. It should not be treated as a modification, but rather as new requirements.

## **ANNEX B “ABSOLUTE GHG REDUCTION TARGETS”**

### **1. Introduction of the issue**

As banks have published their first sustainability reports in accordance with the Corporate Sustainability Reporting Directive (“CSRD”) and its implementing regulation on the cross-sectoral reporting standards under the European Sustainability Reporting Standards “ESRS” (“sector-agnostic”), certain ESRS disclosure requirements are proving to be **unsuitable for the banking sector**.

This is particularly true for the obligation to publish GHG emission reduction targets in absolute terms (Article 34 of the ESRS E1 and Application Requirements paragraph 23). While CSRD Article 19 a 2 (b) and 29 a 2 (b) respectively foresee publication of absolute greenhouse gas emission reduction targets **where appropriate**, the ESRS go beyond the CSRD, making such publication mandatory (see Article 34 of the ESRS E1 in the appendix and Application Requirements para 23).

The **reliability and usefulness of such disclosure significantly differ between a non-financial company and a credit institution**. Absolute emissions make it possible to identify all the GHG emissions on which a company depends throughout its value chain. Publication of absolute targets by industrial companies that need to reduce their emissions from their production equipment and industrial processes would provide meaningful information (also given the limited number of assumptions a company needs to take). For a financial institution (while it is also not in line with how targets are set for most portfolios), the conversion of intensity reduction targets to absolute emission targets would require **multiple assumptions that would make the results unreliable, not leading to meaningful disclosures**. In the banking industry, at this stage, absolute emission targets are only suitable for banks’ own-account activities (scope 1, 2 and 3 excluding financing and investment) and for financing activities in certain sectors.

We therefore call for **urgent clarification regarding the obligation to publish corresponding/associated absolute values for targets for financial institutions**, in cases where the undertaking has only set a GHG reduction target on an intensity basis. We believe a wording that will be aligned with CSRD (where appropriate) or other clarification to the extent that the obligation does not apply to financial institutions, or a financial institution can disclose that the associated value in absolute terms in relation to their emissions intensity target is not applicable, is urgently needed.

### **2. Justification**

#### **Setting targets on an intensity basis**

For most of their portfolios, **banks have set GHG emission reduction targets on an intensity basis** (e.g. emissions per unit of revenue or production) for their sectoral ambitions since it allows banks to account for business growth while still working toward climate goals. This approach helps banks to align their strategies with sector-specific, science-based pathways, and at the same time allows banks to track emissions performance relative to economic activity, rather than imposing absolute limits, as it does not take into consideration business expansion, nor the current state of the methodology to calculate GHG emissions which lead for example to volatility of GHG emissions of counterparty solely driven by EVIC rather than improvement of GHG emissions.

Intensity-based targets also provide more flexibility in managing diverse portfolios with varying emissions profiles. Setting intensity targets is also in line with the European Banking Authority (“EBA”) disclosure requirements **on Pillar III, where banks are required to disclose intensity-based targets without the requirement of having to disclose a corresponding absolute value for a future target.**

In terms of their funding portfolios, banks have worked for several years to identify, sector-by-sector, how best to set targets to support the transition of the most emitting sectors. Each sector has its challenges and its levers for transition. For example, for the automotive sector, the challenge is to finance the electrification of fleets, but also to finance more battery factories and new charging infrastructure. For electricity, the challenge is to switch from "carbon-based" electricity to low-carbon electricity, and therefore, among other things, to finance new renewable energy capacity.

The easiest and most direct way to reduce emissions in absolute terms is to reduce financing to the companies concerned. This is the approach adopted by many banks to achieve their objectives in the fossil fuel sector. In the case of industrial or transport sectors, such as the automotive sector, the rationale of this method in absolute value is not appropriate, as it could encourage institutions to simply reduce their financing to these sectors. However, the role of banks is precisely to increase their financing to these sectors to enable them to invest in their decarbonization, and absolute targets may also create wrong incentives, as high-emission sectors are those in need of transition financing. In other words, it should not be a question of reducing the financed emissions of these sectors at all costs, at least in the short or medium term.

The approach adopted by financial institutions makes it possible to reconcile the two objectives by distinguishing between financing fossil fuel sectors, which require gradual decommissioning, and supporting sectors currently reliant on fossil fuels, whose challenge is to invest in their technological transformation and thus reduce this dependence (e.g. electrification of vehicles). Setting targets in terms of GHG emissions intensity of each physical unit produced by the sector encourages banks to allocate their financing to companies committed to their decarbonization (in line with recognized scenarios), without being held back by a sectoral financing limit that would have resulted in an absolute target. **This approach is much more precise and scientific than a reduction in absolute value,** which does not correspond to the role expected of banks during this decade, during which a huge amount of investment flows needs to be financed to implement the transition of companies.

**Publication of absolute emission targets would not result in useful information and would create wrong incentives in terms of decarbonization of high-emitting sectors.** In addition, as already mentioned, the conversion of intensity reduction targets to absolute emission targets **would require multiple assumptions that would make the results unreliable, not leading to meaningful disclosures.**

The ESRS provides rules and general requirements to be applied when preparing and presenting sustainability information. In terms of the data quality requirements, the CSRD requires companies to ensure that the disclosures meet the qualitative characteristics of information on (i) relevance, (ii) faithful representation, (iii) comparability, (iv) verifiability and (v) understandability. The use of assumptions and estimates, including scenario or sensitivity analysis, is an essential part of preparing sustainability-related information and should not undermine the usefulness of that information, provided that the assumptions and estimates are accurately described and explained.

However, for the required disclosure of absolute value in absolute terms in relation to emissions intensity targets (conversion), banks will have to set many assumptions that will not be feasible to explain, and even if banks succeed, such information would not be comparable within banks due to the lack of guidance.

**Key assumptions that banks would need to use to convert intensity targets to absolute values:**

➤ **To calculate associated absolute values for intensity targets, future absolute emissions for clients should be calculated for portfolios. This calculation will be made according to the PCAF methodology and based on several assumptions.**

For banks with emissions intensity targets per sector, translating these emissions intensity targets into associated financed emissions requires a different methodology than doing so for a corporation. Financed emissions for banks related to their corporate lending are measured following PCAF's GHG Accounting and Reporting Standard, which is endorsed by the GHG Protocol (Annexe-1). Furthermore, banks often measure their climate performance for sectors based on the weighted-average emissions intensity of their clients (at company or asset-level) over the outstanding amount.

To translate these weighted-average emissions intensities in a target year (e.g., 2030 or 2050) into the associated absolute emissions, several key assumptions must be made for each sector:

- **Absolute values can only be calculated with the assumption that a portfolio composition will not significantly change over time.** In order to calculate their weighted-average emissions intensity target at the sector level for 2030 or 2050, banks are required to assume that such a portfolio will not significantly change over time. In reality, a portfolio composition will change over time due to changes in outstanding per client/asset, changes in the number of clients/assets, as well as the need to potentially offboard some clients to meet certain commitments. A monitoring mechanism is therefore implemented to reassess the feasibility of targets each time the portfolio composition is altered. However, it is not feasible to accurately extrapolate portfolio composition for medium-term (2030) and long-term (2050) targets. In addition, portfolio composition assumptions for medium-term to long-term are not something that banks can predict.

- Furthermore, a bank needs to determine, per each client, the potential changes in production capacity and process (potentially improving the emissions intensity), share of the market (differentiated per market/region), to calculate the corresponding absolute values for each of its clients. The use of IEA global projections as an assumption to extrapolate the production capacity and progress would not be factually correct. Furthermore, it would be required for a bank to obtain the current production/activity data of their clients (tonne of cement, tonne of steel, kWh, etc.), which is not widely available at this stage.

- **Banks have to assume that for the emissions intensity target of their portfolios, all clients/assets in a portfolio will decarbonise at the same speed required by the pathways of the portfolios.** However, in practice, this will not be the case as some clients will decarbonise faster than others.

- **Calculation of financed emissions at the client level requires the total equity + debt or EVIC for each client in 2030 and 2050.** To develop an accurate calculation of the financed emissions at the client level, banks would be required to predict the exposure of

the banks to each client in 2030 / 2050, as well as the total equity + debt or EVIC for each client in 2030 and 2050. The accuracy of such data cannot be achieved via internal assumptions of banks.

**We therefore strongly believe that at this stage, the outcome of such calculation would not meet the qualitative requirements of information as per ESRS 1, when preparing its sustainability statements and urgent clarification exempting financial institutions from the ESRS requirement is needed (as it is proposed in [Option 1 of Question 26](#) of the current EFRAG's consultation on revised ESRS).**

**\*\*\* THANK YOU! \*\*\***