EFRAG-Konsultation „European Sustainability Reporting Standards“

Fragebogen

1C Exposure Drafts content

VORLÄUFIGER ARBEITSSTAND der BEURTEILUNG der ED ESRS durch das DRSC

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

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

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

ESRS 1 – General principles

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

It covers the applicable general principles:

(a) when reporting under European Sustainability Reporting Standards;

(b) on how to apply CSRD concepts;

(c) when disclosing policies, targets, actions and action plans, and resources;

(d) when preparing and presenting sustainability information;

(e) on how sustainability reporting is linked to other parts of corporate reporting; and

(f) specifying the structure of the sustainability statements building upon the disclosure requirements of all ESRS.

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

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

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

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

Regarding alignment with IFRS S1 EDs IFRS S1 and ESRS 1 follow different approaches regarding the purpose of sustainability information reported under these standards;

- they focus on different user groups and prescribe different ways to determine the sustainability information to be reported (financial materiality only vs. double materiality);

- therefore, overall alignment is neither achievable nor desirable;
- however, it’s crucial for undertakings that the requirements within all ESRS are aligned as much as possible with IFRS Sustainability Disclosure Standards (current and future standards);
- it is crucial that an alignment with the global baseline is achieved; to this end we support the general approach to align the characteristics of sustainability information (qualitative characteristics of information), but suggests clarifying possible differences within the concepts; we also suggest including “timeliness” as one enhancing characteristics;
- to achieve the alignment, it is also crucial to align other terms used, most importantly: financial materiality. There should be a common understanding across IFRS Sustainable Disclosure Standards and ESRS with regard to financial materiality.

We would like to additionally comment on the important principles in ED ESRS 1:

- ED ESRS 1 needs to clarify the concept and practical implications of **double materiality**. We concur with EFRAGs approach to consider both, impacts as well as risks and opportunities. However, the ED ESRS are not clear on the relationship / difference between materiality and relevance. ESRS define materiality as an enabling factor for relevance. The common understanding however is (as also laid out in the IFRS S1 or IASB Framework) that materiality is an entity-specific aspect of relevance. The conceptual weakness of the concept is most apparent when it results in a different understanding of financial materiality for sustainability information on the one side and of financial materiality for financial information on the other side.
- We support the approach taken in defining the **qualitative characteristics** of sustainability information (i.e., alignment IASB Framework and IFRS Sustainability Disclosure Standards). However, we expect EFRAG to clarify potential differences compared to financial information by explaining the qualitative characteristics with regard to specific aspects of sustainability reporting (e.g., trade-off between relevance and faithful representation). Also, EFRAG should delete **reference to immaterial information** within the qualitative characteristics. These are neither necessary to complete a sustainability report nor are they necessary to understand a sustainability report. They do, however, add to the information volume, resulting in information overload. EFRAG should further include “**timeliness”** as one of the enhancing characteristics. Despite EU regulations on the timing of the publication, the characteristic “timing” addresses the question of when (i.e. as early as possible) information should be included in the sustainability report.
- ED ESRS 1 lays out **presentation options**. We acknowledge that the CSRD requires sustainability information to be presented in a clearly identifiable dedicated section of the management report. We nevertheless believe that – contrary to the CSRD and to ED ESRS 1 – **the integrated reporting approach should be an option for undertakings as it is the most advantageous approach with regard to the objectives of sustainability reporting**. It will foster the integration of sustainability matters throughout an organization and allows integration of sustainability and financial information.
- We do **not support** the **rebuttable presumption** mechanism laid out in ED ESRS 1. Since ED ESRS comprise disclosure requirements that are not sector-agnostic we believe this mechanism to result in extensive lists and explanations on non-material items. We understand there are information that EFRAG as well as many stakeholders have identified as essential/key core indicators. These shall be reported by all undertakings without exception. EFRAG should clearly identify these. These core key indicators should not be subject to a rebuttable presumption. For all other disclosure requirements undertakings should not have to provide a non-material-items lists and explanations. If stakeholder find non-material information informative EFRAG should specify this information need.
- EFRAG needs to clarify the boundaries concept**,** incl. the value chain, of the sustainability reports. An alternative would be a risk-based approach on including the value chain.
- **Time horizon** should be defined for specific sectors to leave room for flexibility to reflect undertakings / sector specific business models.

ESRS 2 – General, strategy, governance and materiality assessement

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

(a) of a general nature;

(b) on the strategy and business model of the undertaking; (c) on its governance in relation to sustainability; and

(d) on its materiality assessment of sustainability impacts, risks and opportunities.

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

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

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

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

- Regarding the ED ESRS 2 DR IRO1 and IRO2 materiality assessment: The general inclusion of the value chain for sustainability reporting results in high burden for undertakings that we doubt justifies the benefits of that approach. EFRAG should be aware of the fact that many undertakings' supply chain involve up to a five-digit number of (only first-tier) suppliers. As the complete value chain might comprise even more parties, we strongly urge to reconsider such a general requirement as we believe it can hardly be complied with by undertakings.
- Collecting data on the value chain is a major challenge.
- As addressed in ESRS 1 we ask EFRAG to consider a **risk-based-approach** regarding information

that should be collected throughout the value chain. Such a risk-based approach is already inherent in the proposal for a Directive on corporate sustainability due diligence.

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

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

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

- ED ESRS 2 addresses many different aspects of sustainability reporting and includes various different concepts. An overall assessment is therefore difficult as a differentiated view is necessary.

The main points of critique are:

- ED ESRS 2 requires information on the **presentation option** chosen. We acknowledge that the CSRD requires the sustainability information to be presented in a clearly identifiable dedicated section of the management report. We nevertheless believe that – contrary to the CSRD and to ED ESRS 1 – **the integrated reporting approach should be an option for undertakings as it is the most advantageous approach with regard to the objectives of sustainability reporting**. It will foster the integration of sustainability matters on all levels of an undertaking's organization and allows the integration of sustainability and financial information.
- The options provided in ED ESRS 1 and reported on under ED ESRS 2 limit such an approach. This will result in duplications of information in the management report and financial statements; it will also result in numerous references within the management report and even within the sustainability report. This approach will make the sustainability report less concise, less clear, and less understandable.
- For example, all ED ESRS require disclosures on stakeholder involvement, stakeholders' views and expectations and the effects on the undertaking's strategy, business model etc. with regards to various aspects of sustainability reporting. As of now, undertakings might reference to these different disclosures across the ESRS, they may not, however, integrate these information in one or few disclosures within the sustainability report. Another example are information required in ED ESRS 2 SBM 3 on the interaction of impacts and the undertaking's strategy and business model. Throughout the ED ESRS undertakings will report on their impacts with regard to the relevant aspects of sustainability reporting. ED ESRS 2 SBM 3 seems to duplicate reporting on impacts and requires presenting information on impacts out of context. **We do not support the rigid reporting regime which follows from the limited reporting options.**
- While we believe it is essential to enhance the sustainability reporting to the value chain we support a **risk-based approach to value chain reporting** (see comment above for part H).
- Many undertakings have not dedicated their action plans to one single sustainability matter exclusively; in contrast, actions plans may be taken and planned for a combination of different sustainability aspects (for example climate and social aspects). In case of such a combined action plan, an undertaking needs clarity on how to allocate the resources to the (example continued) climate related leg and the social related leg of the action plan. There is no such guidance contained in the ED.
- ED ESRS 2.27 requires undertakings to disclose whether they fully or in part report "in accordance with" other internationally accepted sustainability standards: it is crucial to understand that this **wording implies additional auditing/assurance procedures** (in addition to verifying ESRS-alignment further auditing procedures are necessary with regard to other standards that the undertaking adhered to). EFRAG should reconsider the wording to avoid addition of audit/assurance procedures.

- We acknowledge that the final CSRD refers to **governance matters** “with regard to sustainability”. We therefore understand that ED ESRS 2 includes governance aspects with respect to sustainability matters only. However, we support a more general approach to reporting about governance matters as we do not believe that “general governance” should be considered separately from “sustainability” governance. We therefore suggest allowing undertakings to report about general and sustainability governance matters in an integrated fashion. We therefore **ask to include in the final ESRS the disclosures on general governance that undertakings can follow on a voluntary basis**. Furthermore, the governance disclosure requirements / disclosure guidance should be combined in one ESRS to avoid duplication and to allow for a concise report on governance including all aspects of governance. See comments on G1.

Re/ part F: In general, we think the proposed disclosures can be verified and assured, considered individually. However, since the requirements in the ED ESRS are numerous, detailed, and very specific, we have doubts on the verifiability of all new disclosures given the timetable of the European Commission. Furthermore, this question cannot be answered for the entire standard, but only for the specific disclosure requirements.

We would like to point out that the auditor will not make a statement on the accuracy of the sustainability disclosures, but on the audited process regarding the collection and monitoring of these disclosures. This understanding is important to prevent the possible expectation gap.

ESRS E1 – Climate change

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

(a) how the undertaking affects climate change, in terms of positive and negative material actual or potential adverse impact;

(b) its past, current, and future mitigation efforts in line with the Paris Agreement (or an updated international agreement on climate change) and limiting global warming to 1.5°C;

(c) the plans and capacity of the undertaking to adapt its business model(s) and operations in line with the transition to a sustainable economy and to contribute to limiting global warming to 1.5°C;

(d) any other actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential adverse impacts;

(e) the nature, type and extent of the undertaking's material risks and opportunities related to the undertaking's impacts and dependencies on climate change, and how the undertaking manages them; and

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

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

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

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

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

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

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

benefit ESRS E1 offers

Firstly, we note that a **cost-benefit-analysis has not yet been provided** by EFRAG to be assessed by constituents of that consultation. We point out to the fact that the answers collected on question H cannot make up for a sufficient a cost-benefit-analysis by EFRAG itself. Therefore, cost-benefit-balance seems questionable, per se.

In addition, for answering that question we distinguish between (1) undertakings that already have gained experience with climate reporting and (2) those that have not. The first group undertakings have either been in the scope of the NFRD or are already preparing sustainability reports on a voluntary basis. Probably, these undertakings will be better prepared (although not "well prepared" in absolute terms) to comply with the enhanced disclosure requirements, than undertakings of the second group. However, as the second group of undertakings will have the much greater share of all undertakings in scope, **the cost-benefit-aspect appears highly questionable in entirety**, given the high amount of new reporting requirements to be complied with at the same time under the EU Commission's time schedule.

The general inclusion of the value chain for sustainability reporting results in high burden for undertakings that we doubt justifies the benefits of that exercise. EFRAG should be aware of the fact that many companies' supply chain involve up to a five-digit number suppliers that are only first-tier ones. As the complete value chain might comprise even more parties, we strongly urge to reconsider such a general requirement as we believe it can hardly be complied with by undertakings.

Collecting data on the value chain is a major challenge. As addressed in ESRS 1 as well we ask EFRAG to consider a risk-based-approach regarding information that should be collected throughout the value chain. Such a risk-based approach is already inherent in the proposal for a Directive on corporate sustainability due diligence.

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

The reference table in the Basis for Conclusions to the Exposure draft on ESRS E1 presents relevant sources the PTF-ESRS has considered for the development of the disclosure requirements. The ASCG notes that the PTF-ESRS has identified **four sources of EU policies** and legislation as the basis for developing the requirements proposed. These are (1) the **draft CSRD** as of April 2021, (2) the Commission **Guidelines on non-financial reporting**, (3) the Regulation (EC) No 1221/2009 (**EMAS**), and (4) the **SFDR**. The ASCG further notes that the Basis for Conclusions has been published late in the consultation process, and that the **CSRD was not yet finally adopted** at the time of preparing the feedback on ESRS E1 through this survey (the text of the political agreement between the Council and the European Parliament was published on 30 June, i.e., two months after EFRAG PTF-ESRS had issued the Exposure drafts but five weeks before the end of that consultation). The ASCG has not been in the position to conclusively assess whether or not the requirements proposed are "sufficiently consistent" with the sources used as mentioned above. Furthermore, the ASCG was not in the position to assess whether or not the proposed requirements are consistent with **other relevant EU policies/legislation** in addition to those mentioned above.

However, we **recommend EFRAG to consider all relevant EU policies** and other EU legislation for the development of the disclosure requirements within the ESRS. ESRS should represent a complete European set of rules for sustainability reporting, which should bundle all European sustainability-related disclosure requirements. The existence of several policies and legislations containing redundant or supplementary sustainability-related disclosure requirements should be avoided. In the further development of sustainability reporting, it is necessary to ensure that new disclosure requirements are covered within the ESRS and not in separate EU policies and EU directives.

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

Our reasoning is based on the view that **alignment of ESRS with the ISSB standards** should **take priority** when aligning with international standards. In general, we believe that the difference in the underlying principles for ESRS and IFRS SDS, i.e., **the double materiality concept and the enterprise value perspective**, and the different set of stakeholder groups assumed, may give rise to

doubts as to whether sufficient alignment of the standards can be achieved at all. Therefore, a further detailed analysis would be needed. However, we note the basis for conclusions on ED ESRS E1 contains a high-level discussion on the sources that have been considered for the development of the Disclosure Requirements, including IFRS S2. Our response to part J (as well as to part G in questions 23 to 39) is based on that high-level discussion including the EFRAG PTF's reference table in the BfC on ESRS E1, showing the extent that IFRS S2 has been considered. Our response to J (or G) is based on whether IFRS S2 is flagged "considered", or "partly considered", or whether it is not flagged as considered.

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

On Q40.B, C, D, E:
We have strong concerns on the depth and granularity of the disclosure requirements. Climate is certainly one of the most pressing sustainability aspects, but we doubt that undertakings will be in the position to comply with the requirements properly in time. We think this is true even for those who have gained experience in sustainability reporting. The dialogue with our constituency has revealed that undertakings will need significant more time for the implementation of the complete package of requirements. In any other case, many undertakings will not be able to comply with the standards once they become effective. EFRAG and the Commission should consider that requirements that cannot be complied with in time are meaningless and without substance. Because of the timetable directed by the Commission and our concerns, we have reservations as to whether the standards (including ESRS E1) will support the production of relevant, understandable, representative, comparable disclosures.
On Q40.C:
We note that the Global GHG Accounting and Reporting Standard for the Financial Industry by the PCAF requires financial institutions to include "facilitated" emissions in the Scope 3 category 15 (Investments). In contrast, the GHG protocol is not clear on that. In our comment letter to the ISSB on the ED IFRS S2 we support the ISSB proposal to consider the concept of facilitated emissions for the financial industries, and we urge EFRAG to do so as well when developing sector specific standards.
On Q40.F
(1) Quantitative disclosures on items with regards to the last reporting period are considered easily verifiable/auditable. However, the proposed disclosure requirements also contain forward-looking statements which are in part subject to significant judgments. Basically, auditors are already familiar with such challenges when auditing non-financial reports and also "classic" IFRS financial statements (e.g. IAS 36, CF models based on management planning incl. perpetuity). EFRAG should closely work with professional audit firms to further ensure auditability of the disclosure requirements. (2) In general, we think the proposed disclosures can be verified and assured, considered individually. However, since the requirements in ESRS E1 (and the other standards likewise) are numerous, detailed, and very specific, we have doubts on the verifiability of all new disclosures given the timetable of the European Commission. (3) It should be noted that the auditor will not make a statement on the accuracy of the sustainability disclosures, but on the audited process regarding the collection and monitoring of these disclosures. This understanding is important to prevent the possible expectation gap.
On GHG Protocol:
The references to the GHGP in ESRS E1 are appropriate, as the GHGP is a globally accepted framework on measuring, managing, and reporting GHG emissions. However, we note the GHGP has remained unamended since 2016 and might, therefore, need to be reviewed/updated. As an example, negative emissions are gaining in importance and are even addressed in ED ESRS E1, but not in the GHGP. Also, the GHGP does not discuss in detail on how to calculate emission factors to quantify emissions in CO2 equivalents from the combustion of fuels. Therefore, EFRAG should make sure that future amendments to the GHGP are still consistent with the requirements of ESRS E1; i.a.w., EFRAG might be required to amend ESRS E1 in case of amendments to the GHG-Protocol.
On AG re ESRS 2 GOV4 on carbon pricing schemes:
Carbon pricing schemes are used in practice for managing an undertaking's greenhouse gas

emissions. However, there are a variety of other instruments used by undertakings in this regard. In our opinion, undertakings should be required to disclose their schemes for monitoring and managing GHG emissions, in general. The requirements may point to carbon pricing schemes as an example amongst others. However, we believe that a dedicated and exclusive requirement on carbon pricing schemes is not meaningful as ignores the variety of other schemes.

On AG14 re ESRS 2 IRO 1 and 2

Use of climate scenarios is an important prerequisite for undertakings to assess whether or not climate related risks are material for their business model and their strategy. It can also be observed that the use of climate scenarios by undertakings is increasing. Nevertheless, use of scenario analyses is still very or even too burdensome and complex for most undertakings. Also, a long learning phase is needed. The requirements to use climate scenarios, e.g., in para AG14, should be worded as a recommendation, for a certain transition period.

On digitisation

In order to achieve an alignment with the ISSBs global baseline we think “alignment” should not just comprise the content but also the digital taxonomy for reporting. Therefore, we urge EFRAG to closely cooperate with the IFRS Foundation also on this regard.

ESRS E2 – Pollution

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

(b) how the undertaking affects pollution of air (both indoor and outdoor), water (including groundwater) and soil, living organisms and food resources (referred to in this [draft] Standard as “pollution”), in terms of positive and negative material actual or potential adverse impacts;

(c) any actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential adverse impacts;

(d) the plans and capacity of the undertaking to adapt its strategy, business model(s) and operations in line with the transition to a sustainable economy concurring with the needs for prevention, control and elimination of pollution across air (both indoor and outdoor), water (including groundwater), soil, living organisms and food resources, thereby creating a toxic-free environment with zero pollution also in support of the EU Action Plan ‘Towards a Zero Pollution for Air, Water and Soil’;

(e) the nature, type and extent of the undertaking’s material risks and opportunities related to the undertaking’s impacts and dependencies arising from pollution, as well as from the prevention, control, elimination or reduction of pollution (including from regulations) and how the undertaking manages them; and

(f) The effects of risks and opportunities, related to the undertaking’s impacts and dependencies on pollution, on the undertaking’s development, performance and position over the short, medium and long term and therefore on its ability to create enterprise value.

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

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

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

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

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

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

For part H, please explain why costs would be unreasonable and / or what particular benefit ESRS E2 offers

Firstly, we note that a **cost-benefit-analysis has not yet been provided** by EFRAG to be assessed by constituents of that consultation. We point out to the fact that the answers collected on question H cannot make up for a sufficient a cost-benefit-analysis by EFRAG itself. Therefore, cost-benefit-balance seems questionable, per se.
In addition, for answering that question we distinguish between (1) undertakings that already have gained experience with climate reporting and (2) those that have not. The first group undertakings have either been in the scope of the NFRD or are already preparing sustainability reports on a voluntary basis. Probably, these undertakings will be better prepared (although not “well prepared” in absolute terms) to comply with the enhanced disclosure requirements, than undertakings of the second group. However, as the second group of undertakings will have the much greater share of all undertakings in scope, **the cost-benefit-aspect appears highly questionable in entirety**, given the high amount of new reporting requirements to be complied with at the same time under the EU Commission’s time schedule.
The general inclusion of the value chain for sustainability reporting results in high burden for undertakings that we doubt justifies the benefits of that exercise. EFRAG should be aware of the fact that many companies’ supply chain involve up to a five-digit number suppliers that are only first-tier ones. As the complete value chain might comprise even more parties, we strongly urge to reconsider such a general requirement as we believe it can hardly be complied with by undertakings.
Collecting data on the value chain is a major challenge. As addressed in ESRS 1 as well we ask EFRAG to consider a risk-based-approach regarding information that should be collected throughout the value chain. Such a risk-based approach is already inherent in the proposal for a Directive on corporate sustainability due diligence.

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

F: In general, we think the proposed disclosures can be verified and assured, considered individually. However, since the requirements in this standard (and the other standards likewise) are numerous, detailed, and very specific, we have doubts on the verifiability of all new disclosures given the timetable of the European Commission. Furthermore, this question cannot be answered for the entire standard, but only for the specific disclosure requirements.
We would like to point out that the auditor will not make a statement on the accuracy of the sustainability disclosures, but on the audited process regarding the collection and monitoring of these disclosures. This understanding is important to prevent the possible expectation gap.

ESRS E3 Water and marine resources

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

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

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

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

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

	1	2	3	4	5
A. Covers sustainability information required by articles 19a and 19b of the CSRD proposal (see Appendix II for CSRD detailed requirements)				X	

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

For part H, please explain why costs would be unreasonable and / or what particular benefit ESRS E3 offers

Firstly, we note that a **cost-benefit-analysis has not yet been provided** by EFRAG to be assessed by constituents of that consultation. We point out to the fact that the answers collected on question H cannot make up for a sufficient a cost-benefit-analysis by EFRAG itself. Therefore, cost-benefit-balance seems questionable, per se.
In addition, for answering that question we distinguish between (1) undertakings that already have gained experience with climate reporting and (2) those that have not. The first group undertakings have either been in the scope of the NFRD or are already preparing sustainability reports on a voluntary basis. Probably, these undertakings will be better prepared (although not "well prepared" in absolute terms) to comply with the enhanced disclosure requirements, than undertakings of the second group. However, as the second group of undertakings will have the much greater share of all undertakings in scope, **the cost-benefit-aspect appears highly questionable in entirety**, given the high amount of new reporting requirements to be complied with at the same time under the EU Commission's time schedule.
The general inclusion of the value chain for sustainability reporting results in high burden for undertakings that we doubt justifies the benefits of that exercise. EFRAG should be aware of the fact that many companies' supply chain involve up to a five-digit number suppliers that are only first-tier ones. As the complete value chain might comprise even more parties, we strongly urge to reconsider such a general requirement as we believe it can hardly be complied with by undertakings.
Collecting data on the value chain is a major challenge. As addressed in ESRS 1 as well we ask EFRAG to consider a risk-based-approach regarding information that should be collected throughout the value chain. Such a risk-based approach is already inherent in the proposal for a Directive on corporate sustainability due diligence.

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

F: In general, we think the proposed disclosures can be verified and assured, considered individually. However, since the requirements in this standard (and the other standards likewise) are numerous, detailed, and very specific, we have doubts on the verifiability of all new disclosures given the timetable of the European Commission. Furthermore, this question cannot be answered for the entire standard, but

only for the specific disclosure requirements.
We would like to point out that the auditor will not make a statement on the accuracy of the sustainability disclosures, but on the audited process regarding the collection and monitoring of these disclosures. This understanding is important to prevent the possible expectation gap.

ESRS E4 Biodiversity and ecosystems

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

a) how the undertaking affects biodiversity and ecosystems, in terms of positive and negative material actual or potential adverse impacts;

b) any actions taken, and the result of such actions, to prevent, mitigate or remediate, actual or potential adverse impacts and to protect and restore biodiversity and ecosystems;

c) to what extent the undertaking contributes to (i) the European Green Deal's ambitions for protecting the biodiversity and ecosystems, the EU Biodiversity Strategy for 2030, the SDGs 2 Zero Hunger, 6 Clean water and sanitation, 12 Responsible consumption, 14 Life below water and 15 Life on land, the Post-2020 Global Biodiversity Framework and (ii) the respect of global environmental limits (e.g. the biosphere integrity and land-system change planetary boundaries);

d) and the plans and capacity of the undertaking to adapt its business model and operations in line with the transition to a sustainable economy and with the preservation and restoration of biodiversity and ecosystems globally in general; and in particular in line with the objective of (i) ensuring that by 2050 all of the world's ecosystems and their services are restored to a good ecological condition, resilient, and adequately protected and (ii) contributing to achieving the objectives of the EU Biodiversity Strategy at latest by 2030;

e) the nature, type and extent of the undertaking's material risks and opportunities related to the undertaking's impacts and dependencies on biodiversity and ecosystems, and how the undertaking manages them;

f) the effects of risks and opportunities, related to the undertaking's impacts and dependencies on biodiversity and ecosystems, on the undertaking's development, performance and position over the short, medium and ling term and therefore on its ability to create enterprise value.

This standard derives from the [Draft Corporate Sustainability Reporting Directive] stating that the sustainability reporting standards shall specify information to disclose about 'biodiversity and ecosystems'.

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

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

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

	1	2	3	4	5
A. Covers sustainability information required by articles 19a and 19b of the CSRD proposal (see Appendix II for CSRD detailed requirements)				X	

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

For part H, please explain why costs would be unreasonable and / or what particular benefit ESRS E4 offers

Firstly, we note that a **cost-benefit-analysis has not yet been provided** by EFRAG to be assessed by constituents of that consultation. We point out to the fact that the answers collected on question H cannot make up for a sufficient a cost-benefit-analysis by EFRAG itself. Therefore, cost-benefit-balance seems questionable, per se.
In addition, for answering that question we distinguish between (1) undertakings that already have gained experience with climate reporting and (2) those that have not. The first group undertakings have either been in the scope of the NFRD or are already preparing sustainability reports on a voluntary basis. Probably, these undertakings will be better prepared (although not “well prepared” in absolute terms) to comply with the enhanced disclosure requirements, than undertakings of the second group. However, as the second group of undertakings will have the much greater share of all undertakings in scope, **the cost-benefit-aspect appears highly questionable in entirety**, given the high amount of new reporting requirements to be complied with at the same time under the EU Commission’s time schedule.
The general inclusion of the value chain for sustainability reporting results in high burden for undertakings that we doubt justifies the benefits of that exercise. EFRAG should be aware of the fact that many companies’ supply chain involve up to a five-digit number suppliers that are only first-tier ones. As the complete value chain might comprise even more parties, we strongly urge to reconsider such a general requirement as we believe it can hardly be complied with by undertakings.
Collecting data on the value chain is a major challenge. As addressed in ESRS 1 as well we ask EFRAG to consider a risk-based-approach regarding information that should be collected throughout the value chain. Such a risk-based approach is already inherent in the proposal for a Directive on corporate sustainability due diligence.

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

The fundamental problem in reporting on biodiversity lies in the fact that, on the one hand, there is great ecological pressure to address the topic appropriately (i.e. intensively), but on the other hand, neither science nor capital market players and companies currently have suitable measurement methods and tools to meet the ecological requirement of data transparency. The fact that reporting on biodiversity is new territory can be seen, for example, in the fact that a mapping of the Draft Disclosure Requirements to existing (voluntary) standards reveals numerous "white spots", i.e. very little matching to existing standards such as GRI or TNFD can be observed. Biodiversity reporting thus needs to be rethought. The first working paper on biodiversity (Working Paper) attempted to address this situation by providing information that would have been almost impossible to obtain based on current knowledge (e.g. scenario analysis for biodiversity). Due to the very high complexity and the estimated low feasibility in the implementation of the Working Paper Draft, the Consultation Draft is significantly simplified, but according to the first assessment still not suitable to generate comparable, standardized information. That is, companies run the risk of spending a lot of time applying a biodiversity standard that nevertheless cannot provide the information that is relevant for risk assessments and investment decisions. A major misunderstanding in the design of the standard is also the assumption that biodiversity can be treated analogously to climate.

Thesis-like requirement for the future:

(a) The biodiversity standard is a start, but not the target picture.

b) The target picture should be more ambitious and take into account findings from COP15 (in Dec. 22).

c) I.e. science and rapporteurs have to grow in parallel to the task.

d) A roadmap should be defined on how to move from reporting 1.0 to reporting 2.0.

1) Standard in its current version fails to achieve the goal of creating transparency and addressing biodiversity risks in a stakeholder-oriented way (financial market, politics/society), as queried information is difficult or limited to evaluate (standardize and aggregate): The biodiversity standard is very important to understand the "outside in" and "inside out" relationship networks of companies and biodiversity (and "natural capital"). The current standard as it is formulated can only be a starting point but not the destination of the regulatory journey. To make the information generated by the standard effectively useful to investors and regulators, information needs to be disclosed in a standardized and quantifiable format in the medium and long term. Appropriate information and data are needed to avert biodiversity collapse, and this data must become available as soon as possible in an aggregable and analyzable form to enable the financial sector and policymakers to act effectively. This standard is the most important means to that end. At the moment, the standard fails to achieve this objective.

2) Since the standard does not fulfill its target purpose (assumption: helpful information for stakeholders and especially for politics and the economy/capital market), the effort of disclosure is significant in comparison. This effort is mainly driven by the lack of standardization. For example, companies must be able to understand, compare and select the various standards in the annex in order to disclose meaningfully.

3) The standard still does not define consistent targets and biodiversity KPIs, although COP15 may provide an opportunity for this. There has been a failure to bring global and international targets into the Annex (over 20 pages) into a unified understanding/make a quality assessment of the various standards. Targets are to be set at the UN Biodiversity Conference (COP15) in Canada in December 2022. The standard could be specifically based on these targets, as these targets have at least "democratically" emerged in collaboration with the Global South.

4) the fundamental misconception that biodiversity can be treated like climate still runs through the standard. This is particularly evident in the example of offsets. Although in comparison to the first draft it is defined in more detail in which cases off-sets can be used, the location specificity of biodiversity loss is ignored. GHGs spread globally and it "does not matter" where they are emitted. Biodiversity loss can destroy local ecosystems. ED ESRS E5 Resource use and circular economy

F: In general, we think the proposed disclosures can be verified and assured, considered individually. However, since the requirements in this standard (and the other standards likewise) are numerous, detailed, and very specific, we have doubts on the verifiability of all new disclosures given the timetable of the European Commission. Furthermore, this question cannot be answered for the entire standard, but only for the specific disclosure requirements.

ESRS E5: Resource use and Circular economy

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

(a) the impact of the undertaking on resource use considering the depletion of non-renewable resources and the regeneration of renewable resources and its past, current and future measures to decouple its growth from extraction of natural resources;

(b) the nature, type and extent of risks and opportunities arising from the resource use and the transition to a circular economy including potential negative externalities;

(c) the effects of circular economy-related risks and opportunities on the undertaking’s development, performance and position over the short-, medium- and long-term and therefore on its ability to create enterprise value in;

(d) the plans and capacity of the undertaking to adapt its business model and operations in line with circular economy principles including the elimination of waste, the circulation of products and materials at their highest value, and the nature’s regeneration.

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

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

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

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

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

ESRS 53 offers

Firstly, we note that a **cost-benefit-analysis has not yet been provided** by EFRAG to be assessed by constituents of that consultation. We point out to the fact that the answers collected on question H cannot make up for a sufficient a cost-benefit-analysis by EFRAG itself. Therefore, cost-benefit-balance seems questionable, per se.
In addition, for answering that question we distinguish between (1) undertakings that already have gained experience with climate reporting and (2) those that have not. The first group undertakings have either been in the scope of the NFRD or are already preparing sustainability reports on a voluntary basis. Probably, these undertakings will be better prepared (although not "well prepared" in absolute terms) to comply with the enhanced disclosure requirements, than undertakings of the second group. However, as the second group of undertakings will have the much greater share of all undertakings in scope, **the cost-benefit-aspect appears highly questionable in entirety**, given the high amount of new reporting requirements to be complied with at the same time under the EU Commission's time schedule.
The general inclusion of the value chain for sustainability reporting results in high burden for undertakings that we doubt justifies the benefits of that exercise. EFRAG should be aware of the fact that many companies' supply chain involve up to a five-digit number suppliers that are only first-tier ones. As the complete value chain might comprise even more parties, we strongly urge to reconsider such a general requirement as we believe it can hardly be complied with by undertakings.
Collecting data on the value chain is a major challenge. As addressed in ESRS 1 as well we ask EFRAG to consider a risk-based-approach regarding information that should be collected throughout the value chain. Such a risk-based approach is already inherent in the proposal for a Directive on corporate sustainability due diligence.

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

It should be reviewed where resource flow issues are already covered in E2, E3 and other Topical Standards.

It is very demanding to determine the impacts, risks and opportunities of resource use and the circular economy without established procedures. The (initial) review of the entire (!) business model, the entire value chain is very time-consuming. It makes sense to first examine resource-intensive business areas and check where there is potential in the further development from a linear to a circular economy. Here, the link to E2 should be seen in particular, where all wastes related to air, water and earth are generally

F: In general, we think the proposed disclosures can be verified and assured, considered individually. However, since the requirements in this standard (and the other standards likewise) are numerous, detailed, and very specific, we have doubts on the verifiability of all new disclosures given the timetable of the European Commission. Furthermore, this question cannot be answered for the entire standard, but only for the specific disclosure requirements.

We would like to point out that the auditor will not make a statement on the accuracy of the sustainability disclosures, but on the audited process regarding the collection and monitoring of these disclosures. This understanding is important to prevent the possible expectation gap.

ESRS S1 – Own workforce

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

(a) how they affect the undertaking affects own workforce, in terms of positive and negative material impacts;

(b) any actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential adverse impacts;

(c) the nature, type and extent of the undertaking's material risks and opportunities related to its

impacts and dependencies on own workforce, and how the undertaking manages them; and

(d) the effects of risks and opportunities, related to the undertaking's impacts and dependencies on own workforce, on the undertaking's development, performance and position over the short, medium and long term and therefore on its ability to create enterprise value.

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

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

(b) access to equal opportunities (impacts related to e.g. discrimination, including on the rights of workers with disabilities or on women workers, as well as impacts related to issues of equality in pay and work-life balance, precarious work);

(c) other work-related rights, (impacts related to e.g. trade union rights, freedom of association and collective bargaining, child labour, forced labour, privacy, adequate housing).

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

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

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

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

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

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

Firstly, we note that a cost-benefit-analysis has not yet been provided by EFRAG to be assessed by constituents of that consultation. We point out to the fact that the answers collected on question H cannot make up for a sufficient a cost-benefit-analysis by EFRAG itself. Therefore, cost-benefit-balance seems questionable, per se.

In addition, for answering that question we distinguish between (1) undertakings that already have gained experience with sustainability reporting and (2) those that have not. The first group undertakings have either been in the scope of the NFRD or are already preparing sustainability reports on a voluntary basis. Probably, these undertakings will be better prepared (although not "well prepared" in absolute terms) to comply with the enhanced disclosure requirements, than undertakings of the second group. However, as the second group of undertakings will have the much greater share of all undertakings in scope, the cost-benefit-aspect appears highly questionable in entirety, given the high amount of new reporting requirements to be complied with at the same time under the EU Commission's time schedule. Please see also our answer in the textbox for general comments on Q45.

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

The reference table in the Basis for Conclusions to the Exposure draft on ESRS S1 presents relevant sources the PTF-ESRS has considered for the development of the disclosure requirements. The ASCG notes that the Basis for Conclusions has been published late in the consultation process, and that the CSRD was not yet finally adopted at the time of preparing the feedback on ESRS S1 through this survey. Therefore, the ASCG has not been in the position to conclusively assess whether or not the requirements proposed are "sufficiently consistent" with the sources used as mentioned above. Furthermore, the ASCG was not in the position to assess whether or not the proposed requirements are consistent with other relevant EU policies/legislation in addition to those mentioned above.

However, we recommend EFRAG to consider all relevant EU policies and other EU legislation for the development of the disclosure requirements within the ESRS. ESRS should represent a complete European set of rules for sustainability reporting, which should bundle all European sustainability-related disclosure requirements. The existence of several policies and legislations containing redundant or supplementary sustainability-related disclosure requirements should be avoided. In the further development of sustainability reporting, it is imperative to ensure that new disclosure requirements are covered within the ESRS and not in separate EU policies and EU directives.

Further, the requirements of the ESRS should be aligned with the requirements of the proposal for a Directive on corporate sustainability due diligence (COM(2022) 71 final). In addition, it should be further clarified how the CSRD and the proposal for a Directive on corporate sustainability due diligence interact with each other.

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

Our reasoning is based on the view that alignment of ESRS with the ISSB standards should take priority when aligning with international standards. In general, we believe that the difference in the underlying principles for ESRS and IFRS SDS, i.e., the double materiality concept and the enterprise value perspective, and the different set of stakeholder groups assumed, may give rise to doubts as to whether sufficient alignment of the standards can be achieved at all. Therefore, a further detailed analysis would be needed.

However, we note that the basis for conclusions on ED ESRS S1 contains a high-level discussion on the sources that have been considered for the development of the Disclosure Requirements, including international Human Rights instruments. The Basis for Conclusions has been published late in the consultation process. Therefore, the ASCG has not been in the position to conclusively assess whether or not the requirements proposed are “aligned as possible” to international sustainability standards.

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

B: In our view, to result in relevant information, the disclosure requirement needs to address meaningful content but in addition it needs to strike the appropriate balance regarding the extent/volume of information required by the DR. Information overload results in less relevant information. For this reason, the majority of our Financial Reporting Technical Committee considers some disclosure requirements to be too detailed and lead to information overload and thus, result in the disclosure of less relevant information.

F: In general, we think the proposed disclosures can be verified and assured, considered individually. However, since the requirements in ESRS S1 (and the other standards likewise) are numerous, detailed, and very specific, we have doubts on the verifiability of all new disclosures given the timetable of the European Commission. Furthermore, this question cannot be answered for the entire standard, but only for the specific disclosure requirements.

We would like to point out that the auditor will not make a statement on the accuracy of the sustainability disclosures, but on the audited process regarding the collection and monitoring of these disclosures. This understanding is important to prevent the possible expectation gap regarding the relevance / verifiability of information. With this respect, please refer to our comments to Q16 of the survey 1B.

Further, we would like to point out the issue of data protection: German companies may have difficulties to comply with the provisions under the DR S1-19 because of the legal data protection regulations. An employee is not required to inform the employer of his/her disability and degree of disability. Since this information is voluntary, it is not possible for the company to reliably collect the data necessary to comply with the proposed DR S1-19. Also in other countries, e.g., China, such a data is considered highly sensitive.

G: The majority of the ASCG Sustainability Reporting Technical Committee has significant concerns on the depth and granularity of some disclosure requirements proposed. Although we consider the own workforce to be one of the most pressing sustainability aspects, we doubt that undertakings will be in the position to adhere to these requirements properly. We think this is true even for those who have gained experience in sustainability reporting, either through preparing voluntary reports or through the NFRD requirements. The dialogue with our constituency has revealed that undertakings will need significant more time for the implementation of the complete package of requirements. In any other case, most of the undertakings will not be able to comply with the standards once they become effective. Furthermore, the general inclusion of the total upstream and downstream value chain in the reporting boundaries significantly increases the complexity and the burden put to undertakings. Therefore, we urge EFRAG and the European Commission to consider that requirements that cannot be complied with in time are meaningless and without any substance. Because of the timetable directed by the European Commission and our concerns, we have reservations as to whether the standards (including ESRS S1) will support the production of disclosures that are relevant, understandable, representative, comparable, presented in a faithful manner.

ESRS S2 – Workers in the value chain

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

(a) how the undertaking affects workers in its value chain through its own operations and its upstream and downstream value chain (including its products and services, its business relationships and its supply chain), in terms of material positive and negative actual or potential adverse impacts;

(b) any actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential adverse impacts;

(c) the nature, type and extent of the undertaking's material risks and opportunities related to its impacts and dependencies on workers in the value chain, and how the undertaking manages them; and

(d) the effects of risks and opportunities, related to the undertaking's impacts and dependencies on workers in the value chain, on the undertaking's development, performance and position over the short-, medium- and long-term and therefore on its ability to create enterprise value.

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

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

(b) access to equal opportunities (impacts related to e.g. discrimination, including on the rights of workers with disabilities or on women workers, as well as impacts related to issues of equality in pay and work-life balance, precarious work);

(c) other work-related rights, (impacts related to e.g. trade union rights, freedom of association and collective bargaining, child labour, forced labour, privacy, adequate housing).

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

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

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

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

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

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

Firstly, we note that a cost-benefit-analysis has not yet been provided by EFRAG to be assessed by constituents of that consultation. We point out to the fact that the answers collected on question H cannot make up for a sufficient a cost-benefit-analysis by EFRAG itself. Therefore, cost-benefit-balance seems questionable, per se.

In addition, for answering that question we distinguish between (1) undertakings that already have gained experience with sustainability reporting and (2) those that have not. The first group undertakings have either been in the scope of the NFRD or are already preparing sustainability reports on a voluntary basis. Probably, these undertakings will be better prepared (although not "well prepared" in absolute terms) to comply with the enhanced disclosure requirements, than undertakings of the second group. However, as the second group of undertakings will have the much greater share of all undertakings in scope, the cost-benefit-aspect appears highly questionable in entirety, given the high amount of new reporting requirements to be complied with at the same time under the EU Commission's time schedule. Please see also our answer in the textbox for general comments on Q46.

The collection of data regarding workers in the value chain appears to be possible in principle. However, this collection will be very difficult and costly since these data - in contrast to the data on entity's own workforce - are not yet available at the entities or not yet available to the required extent. Further, not only the data collection to meet the reporting requirements, but also the auditing will be a significant cost factor for companies, which is mandatory to consider in the cost-benefit analysis of each disclosure requirement as well as of the entire standard.

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

The reference table in the Basis for Conclusions to the Exposure draft on ESRS S2 presents relevant sources the PTF-ESRS has considered for the development of the disclosure requirements. The ASCG notes that the

Basis for Conclusions has been published late in the consultation process, and that the CSRD was not yet finally adopted at the time of preparing the feedback on ESRS S1 through this survey. Therefore, the ASCG has not been in the position to conclusively assess whether or not the requirements proposed are "sufficiently consistent" with the sources used as mentioned above. Furthermore, the ASCG was not in the position to assess whether or not the proposed requirements are consistent with other relevant EU policies/legislation in addition to those mentioned above.

However, we recommend EFRAG to consider all relevant EU policies and other EU legislation for the development of the disclosure requirements within the ESRS. ESRS should represent a complete European set of rules for sustainability reporting, which should bundle all European sustainability-related disclosure requirements. The existence of several policies and legislations containing redundant or supplementary sustainability-related disclosure requirements should be avoided. In the further development of sustainability reporting, it is imperative to ensure that new disclosure requirements are covered within the ESRS and not in separate EU policies and EU directives.

Further, the requirements of the ESRS should be aligned with the requirements of the proposal for a Directive on corporate sustainability due diligence (COM(2022) 71 final). In addition, it should be further clarified how the CSRD and the proposal for a Directive on corporate sustainability due diligence interact with each other.

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

Our reasoning is based on the view that alignment of ESRS with the ISSB standards should take priority when aligning with international standards. In general, we believe that the difference in the underlying principles for ESRS and IFRS SDS, i.e., the double materiality concept and the enterprise value perspective, and the different set of stakeholder groups assumed, may give rise to doubts as to whether sufficient alignment of the standards can be achieved at all. Therefore, a further detailed analysis would be needed.

However, we note that the basis for conclusions on ED ESRS S2 contains a high-level discussion on the sources that have been considered for the development of the Disclosure Requirements, including international Human Rights instruments. The Basis for Conclusions has been published late in the consultation process. Therefore, the ASCG has not been in the position to conclusively assess whether or not the requirements proposed are "aligned as possible" to international sustainability standards.

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

B: In our view, to result in relevant information, the disclosure requirement needs to address meaningful content but in addition it needs to strike the appropriate balance regarding the extent/volume of information required by the DR. Information overload results in less relevant information. For this reason, the majority of our Financial Reporting Technical Committee considers some disclosure requirements to be too detailed and lead to information overload and thus, result in the disclosure of less relevant information.

F: In general, we think the proposed disclosures can be verified and assured, considered individually. However, since the requirements in ESRS S2 (and the other standards likewise) are numerous, detailed, and very specific, we have doubts on the verifiability of all new disclosures given the timetable of the European Commission. Furthermore, this question cannot be answered for the entire standard, but only for the specific disclosure requirements.

Not only the data collection to meet the reporting requirements (see comments to part H), but also the auditing will be a significant cost factor for companies. We considered this point in our assessment of part F.

We would like to point out that the auditor will not make a statement on the accuracy of the sustainability disclosures, but on the audited process regarding the collection and monitoring of these disclosures. This understanding is important to prevent the possible expectation gap regarding the relevance / verifiability of information. With this respect, please refer to our comments to Q16 of the survey 1B.

The disclosure requirements regarding information in the value chain also pose great challenges for auditors.

G: The majority of the ASCG Sustainability Reporting Technical Committee has significant concerns on the depth and granularity of some disclosure requirements proposed. Although we consider all social standards to be very important, we doubt that undertakings will be in the position to adhere to all requirements properly. We think this is true even for those who have gained experience in sustainability reporting, either through preparing voluntary reports or through the NFRD requirements. The dialogue with our constituency has revealed that undertakings will need significant more time for the implementation of the complete package of requirements. In any other case, most of the undertakings will not be able to comply with the standards once they become effective. Furthermore, the general inclusion of the total upstream and downstream value chain in the reporting boundaries significantly increases the complexity and the burden put to undertakings. Therefore, we urge EFRAG and the European Commission to consider that requirements that cannot be complied with in time are meaningless and without any substance. Because of the timetable directed by the European Commission and our concerns, we have reservations as to whether the standards (including ESRS S2) will support the production of disclosures that are relevant, understandable, representative, comparable, presented in a faithful manner.

ESRS S3 – Affected communities

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

(a) how the undertaking affects its local communities through its own operations and its upstream and downstream value chain (including its products and services, its business relationships and its supply chain), in terms of material positive and negative actual or potential adverse impacts;

(b) any actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential adverse impacts;

(c) the nature, type and extent of the undertaking's material risks and opportunities related to the undertaking's impacts and dependencies on affected communities, and how the undertaking manages them; and

(d) the effects of risks and opportunities, related to their impacts and dependencies on local communities, on the undertaking's development, performance and position over the short-, medium- and long-term and therefore on its ability to create enterprise value.

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

(a) impacts on communities' economic, social and cultural rights (e.g. adequate housing, adequate food, water and sanitation, land-related and security-related impacts);

(b) impacts on communities' civil and political rights (e.g. freedom of expression, freedom of assembly,

impacts on human rights defenders); and

(c) impacts on particular rights of Indigenous communities (e.g. free, prior and informed consent, self-determination, cultural rights).

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

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

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

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

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

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

Firstly, we note that a cost-benefit-analysis has not yet been provided by EFRAG to be assessed by constituents of that consultation. We point out to the fact that the answers collected on question H cannot make up for a sufficient a cost-benefit-analysis by EFRAG itself. Therefore, cost-benefit-balance seems questionable, per se.

In addition, for answering that question we distinguish between (1) undertakings that already have gained experience with sustainability reporting and (2) those that have not. The first group undertakings have either been in the scope of the NFRD or are already preparing sustainability reports on a voluntary basis. Probably, these undertakings will be better prepared (although not “well prepared” in absolute terms) to comply with the enhanced disclosure requirements, than undertakings of the second group. However, as the second group of undertakings will have the much greater share of all undertakings in scope, the cost-benefit-aspect appears highly questionable in entirety, given the high amount of new reporting requirements to be complied with at the same time under the EU Commission’s time schedule. Please see also our answer in the textbox for general comments on Q47.

The collection of data regarding workers in the value chain appears to be possible in principle. However, this collection will be very difficult and costly since these data - in contrast to the data on entity’s own workforce - are not yet available at the entities or not yet available to the required extent. Further, not only the data collection to meet the reporting requirements, but also the auditing will be a significant cost factor for companies, which is mandatory to consider in the cost-benefit analysis of each disclosure requirement as well as of the entire standard.

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

The reference table in the Basis for Conclusions to the Exposure draft on ESRS S3 presents relevant sources the PTF-ESRS has considered for the development of the disclosure requirements. The ASCG notes that the Basis for Conclusions has been published late in the consultation process, and that the CSRD was not yet finally adopted at the time of preparing the feedback on ESRS S3 through this survey. Therefore, the ASCG has not been in the position to conclusively assess whether or not the requirements proposed are “sufficiently consistent” with the sources used as mentioned above. Furthermore, the ASCG was not in the position to assess whether or not the proposed requirements are consistent with other relevant EU policies/legislation in addition to those mentioned above.

However, we recommend EFRAG to consider all relevant EU policies and other EU legislation for the development of the disclosure requirements within the ESRS. ESRS should represent a complete European set of rules for sustainability reporting, which should bundle all European sustainability-related disclosure requirements. The existence of several policies and legislations containing redundant or supplementary sustainability-related disclosure requirements should be avoided. In the further development of sustainability reporting, it is imperative to ensure that new disclosure requirements are covered within the ESRS and not in separate EU policies and EU directives.

Further, the requirements of the ESRS should be aligned with the requirements of the proposal for a Directive on corporate sustainability due diligence (COM(2022) 71 final). In addition, it should be further clarified how the CSRD and the proposal for a Directive on corporate sustainability due diligence interact with each other.

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

Our reasoning is based on the view that alignment of ESRS with the ISSB standards should take priority when aligning with international standards. In general, we believe that the difference in the underlying principles for ESRS and IFRS SDS, i.e., the double materiality concept and the enterprise value perspective, and the different set of stakeholder groups assumed, may give rise to doubts as to whether sufficient alignment of the standards can be achieved at all. Therefore, a further detailed analysis would be needed.

However, we note that the basis for conclusions on ED ESRS S3 contains a high-level discussion on the sources that have been considered for the development of the Disclosure Requirements, including international Human Rights instruments. The Basis for Conclusions has been published late in the consultation process. Therefore, the ASCG has not been in the position to conclusively assess whether or not the requirements proposed are "aligned as possible" to international sustainability standards.

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

B: In our view, to result in relevant information, the disclosure requirement needs to address meaningful content but in addition it needs to strike the appropriate balance regarding the extent/volume of information required by the DR. Information overload results in less relevant information. For this reason, the majority of our Financial Reporting Technical Committee considers some disclosure requirements to be too detailed and lead to information overload and thus, result in the disclosure of less relevant information.

F: In general, we think the proposed disclosures can be verified and assured, considered individually. However, since the requirements in ESRS S3 (and the other standards likewise) are numerous, detailed, and very specific, we have doubts on the verifiability of all new disclosures given the timetable of the European Commission. Furthermore, this question cannot be answered for the entire standard, but only for the specific disclosure requirements.

Not only the data collection to meet the reporting requirements (see comments to part H), but also the auditing will be a significant cost factor for companies. We considered this point in our assessment of part F.

We would like to point out that the auditor will not make a statement on the accuracy of the sustainability disclosures, but on the audited process regarding the collection and monitoring of these disclosures. This understanding is important to prevent the possible expectation gap regarding the relevance / verifiability of information. With this respect, please refer to our comments to Q16 of the survey 1B.

G: The majority of the ASCG Sustainability Reporting Technical Committee has significant concerns on the depth and granularity of some disclosure requirements proposed. Although we consider all social standards to be very important, we doubt that undertakings will be in the position to adhere to all requirements properly. We think this is true even for those who have gained experience in sustainability reporting, either through preparing voluntary reports or through the NFRD requirements. The dialogue with our constituency has revealed that undertakings will need significant more time for the implementation of the complete package of requirements. In any other case, most of the undertakings will not be able to comply with the standards once they become effective. Furthermore, the general inclusion of the total upstream and downstream value chain in the reporting boundaries significantly increases the complexity and the burden put to undertakings. Therefore, we urge EFRAG and the European Commission to consider that requirements that cannot be complied with in time are meaningless and without any substance. Because of the timetable directed by the European Commission and our concerns, we have reservations as to whether the standards (including ESRS S3) will support the production of disclosures that are relevant, understandable, representative, comparable, presented in a faithful manner.

ESRS S4 – Consumers and end-users

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

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

(b) any actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential adverse impacts;

(c) the nature, type and extent of the undertaking’s material risks and opportunities related to its impacts and dependencies on consumers and end-users, and how the undertaking manages them; and

(d) the effects of risks and opportunities, related to their impacts and dependencies on consumers and end-users, on the undertaking’s development, performance and position over the short-, medium- and long-term and therefore on its ability to create enterprise value.

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

(a) information-related impacts for consumers/end-users, in particular privacy, freedom of expression and access to information;

(b) personal safety of consumers/end-users, in particular health & safety, security of a person and protection of children; and

(c) social inclusion of consumers/end-users, in particular non-discrimination and access to products and services.

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

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

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

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

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

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

Firstly, we note that a cost-benefit-analysis has not yet been provided by EFRAG to be assessed by constituents of that consultation. We point out to the fact that the answers collected on question H cannot make up for a sufficient a cost-benefit-analysis by EFRAG itself. Therefore, cost-benefit-balance seems questionable, per se.

In addition, for answering that question we distinguish between (1) undertakings that already have gained experience with sustainability reporting and (2) those that have not. The first group undertakings have either been in the scope of the NFRD or are already preparing sustainability reports on a voluntary basis. Probably, these undertakings will be better prepared (although not "well prepared" in absolute terms) to comply with the enhanced disclosure requirements, than undertakings of the second group. However, as the second group of undertakings will have the much greater share of all undertakings in scope, the cost-benefit-aspect appears highly questionable in entirety, given the high amount of new reporting requirements to be complied with at the same time under the EU Commission's time schedule. Please see also our answer in the textbox for general comments on Q48.

The collection of data regarding workers in the value chain appears to be possible in principle. However, this collection will be very difficult and costly since these data - in contrast to the data on entity's own workforce - are not yet available at the entities or not yet available to the required extent. Further, not only the data collection to meet the reporting requirements, but also the auditing will be a significant cost factor for companies, which is mandatory to consider in the cost-benefit analysis of each disclosure requirement as well as of the entire standard.

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

The reference table in the Basis for Conclusions to the Exposure draft on ESRS S4 presents relevant sources the PTF-ESRS has considered for the development of the disclosure requirements. The ASCG notes that the Basis for Conclusions has been published late in the consultation process, and that the CSRD was not yet finally adopted at the time of preparing the feedback on ESRS S1 through this survey. Therefore, the ASCG has not been in the position to conclusively assess whether or not the requirements proposed are "sufficiently consistent" with the sources used as mentioned above. Furthermore, the ASCG was not in the position to assess whether or not the proposed requirements are consistent with other relevant EU policies/legislation in addition to those mentioned above.

However, we recommend EFRAG to consider all relevant EU policies and other EU legislation for the development of the disclosure requirements within the ESRS. ESRS should represent a complete European set of rules for sustainability reporting, which should bundle all European sustainability-related disclosure requirements. The existence of several policies and legislations containing redundant or supplementary sustainability-related disclosure requirements should be avoided. In the further development of sustainability reporting, it is imperative to ensure that new disclosure requirements are covered within the ESRS and not in separate EU policies and EU directives.

Further, the requirements of the ESRS should be aligned with the requirements of the proposal for a Directive on corporate sustainability due diligence (COM(2022) 71 final). In addition, it should be further clarified how the CSRD and the proposal for a Directive on corporate sustainability due diligence interact with each other.

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

Our reasoning is based on the view that alignment of ESRS with the ISSB standards should take priority when aligning with international standards. In general, we believe that the difference in the underlying principles for ESRS and IFRS SDS, i.e., the double materiality concept and the enterprise value perspective, and the different set of stakeholder groups assumed, may give rise to doubts as to whether sufficient alignment of the standards can be achieved at all. Therefore, a further detailed analysis would be needed.

However, we note that the basis for conclusions on ED ESRS S4 contains a high-level discussion on the sources that have been considered for the development of the Disclosure Requirements, including international Human Rights instruments. The Basis for Conclusions has been published late in the consultation process. Therefore, the ASCG has not been in the position to conclusively assess whether or not the requirements proposed are “aligned as possible” to international sustainability standards.

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

B: In our view, to result in relevant information, the disclosure requirement needs to address meaningful content but in addition it needs to strike the appropriate balance regarding the extent/volume of information required by the DR. Information overload results in less relevant information. For this reason, the majority of our Financial Reporting Technical Committee considers some disclosure requirements to be too detailed and lead to information overload and thus, result in the disclosure of less relevant information.

F: In general, we think the proposed disclosures can be verified and assured, considered individually. However, since the requirements in ESRS S4 (and the other standards likewise) are numerous, detailed, and very specific, we have doubts on the verifiability of all new disclosures given the timetable of the European Commission. Furthermore, this question cannot be answered for the entire standard, but only for the specific disclosure requirements.

Not only the data collection to meet the reporting requirements (see comments to part H), but also the auditing will be a significant cost factor for companies. We considered this point in our assessment of part F.

We would like to point out that the auditor will not make a statement on the accuracy of the sustainability disclosures, but on the audited process regarding the collection and monitoring of these disclosures. This understanding is important to prevent the possible expectation gap regarding the relevance / verifiability of information. With this respect, please refer to our comments to Q16 of the survey 1B.

G: The majority of the ASCG Sustainability Reporting Technical Committee has significant concerns on the depth and granularity of some disclosure requirements proposed. Although we consider all social standards to be very important, we doubt that undertakings will be in the position to adhere to all requirements properly. We think this is true even for those who have gained experience in sustainability reporting, either through preparing voluntary reports or through the NFRD requirements. The dialogue with our constituency has revealed that undertakings will need significant more time for the implementation of the complete package of requirements. In any other case, most of the undertakings will not be able to comply with the standards once they become effective. Furthermore, the general inclusion of the total upstream and downstream value chain in the reporting boundaries significantly increases the complexity and the burden put to undertakings. Therefore, we urge EFRAG and the European Commission to consider that requirements that cannot be complied with in time are meaningless and without any substance. Because of the timetable directed by the European Commission and our concerns, we have reservations as to whether the standards (including ESRS S4) will support the production of disclosures that are relevant, understandable, representative, comparable, presented in a faithful manner.

ESRS G1 – Governance, risk management and internal control

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

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

(i) the role of the undertaking's administrative, management and supervisory bodies, including with regard to sustainability matters, and their composition, as well as a description of the diversity policy applied and its implementation;

(ii) the undertaking's internal control and risk management systems, including in relation to

the undertaking's reporting process.

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

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

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

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

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

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

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

- Agreement with these general governance disclosure requirements in ED ESRS G1. We support EFRAG's approach to include in ESRS general governance related disclosure requirements (G1) as well as governance information specifically with regard to sustainability matters (GOV1-GOV5, G2). Governance as a reporting area is an excellent example for the need of integrated reporting (a differentiation between governance in general on the one side and sustainability governance on the other side seems artificial and does not support an integrative approach, i.e., consideration of sustainability throughout the whole undertaking's organization).
- Therefore, we ask the European Commission to reconsider the final Level 1 regulation regarding governance aspects: unfortunately, the final CSRD does not any more reflect this overall governance approach but limits governance aspects to sustainability related matters. This restriction is not supportive of an integrative sustainability approach which fosters addressing sustainability matters throughout all parts of an undertaking's organization.
- While we support including general governance disclosures as laid out in ED ESRS G1, we however, suggest a different structure for governance aspects requirements within ESRS. We suggest integrating these general requirements with the sustainability related governance aspects in ED ESRS 2 GOV1-GOV5. This approach will avoid duplication within ESRS which otherwise are burdensome and result in less understandable, and less comprehensible governance disclosures.
- In addition, there are many EU requirements currently in place with regard to governance disclosures. It is therefore essential to align the final ESRS requirements with other EU requirements. Currently, numerous other governance-related requirements will co-exist with ESRS resulting in a duplication of governance disclosures for certain undertakings (e.g., Art. 20 of the Accounting Directive, Shareholder Value Directive). Due to the different characters of these requirements they will not only duplicate governance information, but will be disclosed in different places of the undertakings' company reporting with different levels of assurance.
- Considering the current restriction in the CSRD we urge EFRAG to nevertheless retain general information on governance and allow undertakings to pursue – on a voluntary base – an integrated governance reporting approach. If ED ESRS G1 were not to be included in the requirements for undertakings reporting under the CSRD it could nevertheless be included in the final ESRS for undertakings to have a reasonable framework for general governance aspects. This concept would be in line with the considerations in Recital (51) of the CSRD with regard to the Corporate Governance Statement; but it should not be limited to the Corporate Governance Statement.
- Furthermore, the sustainability related governance aspects should be framed in a way to allow for a potential smooth enhancement to include general governance aspects at a later point in time. For this to be the case it could be helpful to place all governance aspects in a separate standard (instead of within ESRS 2) – with governance including strategy, risk management system and the internal control system.

Re/ part F: In general, we think the proposed disclosures can be verified and assured, considered individually. However, since the requirements in the ED ESRS are numerous, detailed, and very specific, we have doubts on the verifiability of all new disclosures given the timetable of the European Commission. Furthermore, this question cannot be answered for the entire standard, but only for the specific disclosure requirements.

We would like to point out that the auditor will not make a statement on the accuracy of the sustainability disclosures, but on the audited process regarding the collection and monitoring of these disclosures. This understanding is important to prevent the possible expectation gap.

ESRS G2 – Business conduct

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

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

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

(a) business conduct culture;

(b) avoiding corruption, bribery and other behaviours that often have been criminalised as they benefit some in positions of power with a detrimental impact on society; and

(c) transparency about anti-competitive behaviour and political engagement or lobbying. This [draft] standard is addressing business conduct as a key element of the undertaking's

contribution to sustainable development. This [draft] standard requires the undertaking to

report information about its overall policies and practices for business conduct, rather than information for specific material sustainability topics.

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

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

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

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

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

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

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

- In general, we agree with these disclosure requirements in ED ESRS G2.
- However, some of these requirements should be reviewed and revised to adjust the level of granularity and to consider different sector-agnostic indicators:
- We do not consider ED ESRS G2 DR10 Payment practices an information that is relevant across sectors. We recommend considering this disclosure for specific sectors instead.
- Again, (as pointed out with regard to ED ESRS G1) ED ESRS G2 needs to be aligned with the other existing EU regulation on these aspects (e.g., Money Laundering Directive) to avoid duplication (or even varying information on the same aspect).

Re/ part F: In general, we think the proposed disclosures can be verified and assured, considered individually. However, since the requirements in the ED ESRS are numerous, detailed, and very specific, we have doubts on the verifiability of all new disclosures given the timetable of the European Commission. Furthermore, this question cannot be answered for the entire standard, but only for the specific disclosure requirements.

We would like to point out that the auditor will not make a statement on the accuracy of the sustainability disclosures, but on the audited process regarding the collection and monitoring of these disclosures. This understanding is important to prevent the possible expectation gap.