Deutsches Rechnungslegungs Standards Committee e.V.

Accounting Standards Committee of Germany

DRSC

Vergleichsversion ESRS 1 (General requirements)

Hinweis

Die durch die Richtlinie (EU) 2022/2464 (Corporate Sustainability Reporting Directive, CSRD) geänderte Richtlinie 2013/34/EU (Bilanzrichtlinie, BilanzRl) verpflichtet bestimmte EU-Unternehmen und EU-Tochterunternehmen oder EU-Niederlassungen von Drittstaatenunternehmen, die EU-Standards zur Nachhaltigkeitsberichterstattung (European Sustainability Reporting Standards, ESRS) anzuwenden. Die ESRS werden als delegierte Rechtsakte durch die Europäische Kommission erlassen (Artikel 29b, 29c und 40b BilanzRl). Mit der fachlichen Ausarbeitung der ESRS ist die European Financial Reporting Advisory Group (EFRAG) beauftragt worden, welche im November 2022 den ersten Satz der ESRS-Entwürfe (Set 1) als fachliche Stellungnahme gem. Artikel 49 Abs. 3b BilanzRl an die Europäische Kommission übermittelt hat. Die Europäische Kommission hat am 9. Juni 2023 eine einmonatige Konsultation zum Set 1 begonnen. Die Konsultation umfasst einen Entwurf für einen delegierten Rechtsakt, welcher aus einer Delegierten Verordnung mit zwei Anhängen besteht. Anhang I enthält 12 ESRS-Entwürfe, die sich von den von EFRAG ausgearbeiteten ESRS-Entwürfen unterscheiden.

Die Geschäftsstelle des DRSC stellt in mehreren Paketen Vergleichsdokumente zwischen den ESRS-Entwürfen der EFRAG und den ESRS-Konsultationsentwürfen der Europäischen Kommission zur Verfügung. Dieses Vergleichsdokument wurde von der Geschäftsstelle des DRSC erstellt. Es dient der Unterstützung bei der Erfassung und Beurteilung der von der Europäischen Kommission vorgenommenen Änderungen. Es erhebt keinen Anspruch auf Vollständigkeit oder Richtigkeit, insbesondere wurde auf den Vergleich von Grafiken und Tabellen verzichtet. Im Zuge der Erstellung der Vergleichsversion wurden formale Aspekte überarbeitet, um die Aussagekraft der angezeigten Änderungen zu erhöhen. Dieses Dokument ersetzt keine eigene umfassende Durchsicht des Lesers.

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Objective

~~1. The objective of this Standard is to set out the general requirements that undertakings shall comply with when preparing and presenting sustainability-related information under the Accounting Directive as amended by the Corporate Sustainability Reporting Directive (CSRD).~~

~~1. Categories of Standards and disclosures under~~ The objective of European Sustainability Reporting Standards

~~1.1 Complying with~~ (ESRS

1. ~~The~~) is to specify the sustainability information that an undertaking shall disclose~~,~~ in accordance with ~~applicable~~ Directive 2013/34/EU of the European ~~Sustainability Reporting Standards (ESRS), a ll~~Parliament and of the Council, as amended by Directive (EU) 2022/2464. Reporting in accordance with ESRS does not exempt undertakings from other obligations laid down in substantive Union law.
2. Specifically, ESRS specify the ~~material~~ information ~~regarding~~ that an undertaking shall disclose about its material impacts, risks and opportunities in relation to environmental, social, and governance sustainability matters. ~~The~~ESRS do not require undertakings to disclose any information ~~shall enable~~ on environmental, social and governance topics covered by ESRS that the ~~understanding of the~~ undertaking has assessed as non-material (See Appendix E flowchart for determining disclosures under ESRS).The information disclosed in accordance with ESRS enables users of the sustainability statement to understand the undertaking's material impacts on ~~those~~ people and environment and the material effects of sustainability matters ~~and how they affect~~on the undertaking's development, performance and position.
3. The objective of this Standard (ESRS 1) is to provide an understanding of the architecture of ESRS, the drafting conventions and fundamental concepts used, and the general requirements for preparing and presenting sustainability information in accordance with Directive 2013/34, as amended by Directive 2022/2464.

1. Categories of ESRS Standards, reporting areas and drafting conventions

1.1 Categories of ESRS standards

4. There are three categories of ESRS:
   a) cross-cutting standards;
   b) topical standards (Environmental, Social and Governance standards); and
   c) sector-specific standards.

   Cross-cutting standards and topical standards are sector-agnostic, meaning that they apply to all undertakings regardless of which sector or sectors the undertaking operates in.
5. The cross-cutting standards ESRS 1 General requirements and ESRS 2 General disclosures apply to the sustainability matters covered by topical standards and sector-specific standards.
6. This standard (ESRS 1) describes the architecture of ESRS standards, explains drafting conventions and fundamental concepts, and sets out general requirements for preparing and presenting sustainability-related information.
7. ESRS 2 establishes Disclosure Requirements on the information that the undertaking shall provide at a general level across all material sustainability matters on the reporting areas governance, strategy, impact, risk and opportunity management, and metrics and targets.
8. Topical ESRS cover a sustainability topic and are structured into topics and sub-topics, and where necessary sub-sub-topics. The table in Application Requirement 16 (AR 16) to this standard provides an overview of the sustainability topics, sub-topics and sub-sub-topics (collectively 'sustainability matters') covered by topical ESRS.
9. Topical ESRS can include specific requirements that complement the general level Disclosure Requirements of ESRS 2. ESRS 2 Appendix C Disclosure/Application Requirements in topical ESRS that are applicable jointly with ESRS 2 General Disclosures provides a list of the additional requirements in topical ESRS that the undertaking shall apply in conjunction with the general level disclosure requirements of ESRS 2.
10. Sector-specific standards are applicable to all undertakings within a sector. They address impacts, risks and opportunities that are likely to be material for all undertakings in a specific sector and that are not covered, or not sufficiently covered, by topical standards. Sector-specific standards are multi-topical and cover the topics that are most relevant to the sector in question. Sector-specific standards achieve a high degree of comparability.
11. In addition to the disclosure requirements laid down in the three categories of ESRS, when an undertaking concludes that an impact, risk or opportunity is not covered or not covered with sufficient granularity by an ESRS but is material due to its specific facts and circumstances, it shall provide additional entity-specific disclosures to enable users to understand the undertaking's sustainability-related impacts, risks or opportunities. Application requirements AR 1 to AR 5 provide further guidance regarding entity-specific disclosures.

1.2 Reporting areas and minimum content disclosure requirements on policies, actions, targets and metrics

12. The Disclosure Requirements in ESRS 2, in topical ESRS and in sector-specific ESRS are structured into the following reporting areas:
    a) Governance (GOV): the governance processes, controls and procedures used to monitor and manage impacts, risks and opportunities (see ESRS 2, chapter 2 Governance);
    b) Strategy (SBM): how the undertaking's strategy and business model interact with its material impacts, risks and opportunities, including how the undertaking addresses those impacts, risks and opportunities (see ESRS 2, chapter 3 Strategy);
    c) Impact, risk and opportunity management (IRO): the process(es) by which the undertaking:
        i. identifies impacts, risks and opportunities and assesses their materiality (see IRO-1 in section 4.1 of ESRS 2),
        ii. manages material sustainability matters through policies and actions (see section 4.2 of ESRS 2).
    d) Metrics and targets (MT): how the undertaking measures its performance, including targets it has set and progress towards meeting them (see ESRS 2, chapter 5 Metrics and targets).
13. ESRS 2 includes:
    a) in section 4.2 Minimum Disclosure Requirements regarding policies (MDR-P) and actions (MDR-A);
    b) in section 5 Minimum Disclosure Requirements regarding metrics (MDR-M) and targets (MDR-T).

    The undertaking shall apply the minimum disclosure requirements regarding policies, actions, metrics and targets together with the corresponding Disclosure Requirements in topical and sector-specific ESRS.

1.3 Drafting conventions

14. In all ESRS~~,~~:

~~3.~~a) the term “impacts” refers to positive and negative sustainability-related impacts that are connected with the undertaking’s business, as identified through an impact materiality assessment process (see section 3.4 Impact materiality~~ of this Standard). The term “risks and opportunities” refers to the undertaking’s sustainability- related financial risks and opportunities, as identified through a financial materiality assessment process (see section 3.5 Financial materiality of this Standard). Collectively, these are referred to as “impacts, risks and opportunities”.~~). It refers both to actual impacts and to potential future impacts.

~~4. The undertaking shall present material sustainability-related information as part of its management report (see chapter 8 Structure of sustainability statements).~~

b) ~~Sustainability-related information shall cover the reporting areas,~~The term “risks and opportunities” refers to the undertaking’s sustainability-related financial risks and opportunities, including those deriving from dependencies on natural, human and social resources, as identified through a financial materiality assessment process (see section 3.5).

Collectively, these are referred to as “impacts, risks and opportunities” (IROs). They reflect the double materiality perspective of ESRS described in section 3.

~~5.~~15. Throughout ESRS terms that are defined ~~under~~in the glossary of definitions (Annex II) are put in bold italic, except when a defined term is used more than once in the same paragraph~~ 10 below~~.

~~6.~~16. ESRS structure the information to be disclosed under Disclosure Requirements. Each Disclosure ~~Requirements consist~~Requirement consists of one or more ~~granular~~distinct datapoints. The term “datapoint” ~~in this context~~can also ~~refers~~refer to a narrative sub-element of a Disclosure Requirement.

17. ~~ESRS 2 includes provisions on disclosure contents that the undertaking shall include when disclosing on policies, actions and/or targets, as illustrated in paragraph 20.~~ In addition~~,~~ to Disclosure Requirements most ESRS also contain Application Requirements. Application Requirements support the application of Disclosure Requirements and have the same authority as other parts of an ESRS.

~~7.~~18. ESRS use the following terms ~~for Disclosure Requirements and datapoints~~to distinguish between different degrees of obligation on the undertaking to disclose information:

a) (“shall disclose” – indicates that the provision is prescribed by a Disclosure Requirement or datapoint;

b) “may disclose” – indicates voluntary disclosure to encourage good practice.

~~b)~~ In addition, ESRS use the term “shall consider~~ – indicates factors~~” when referring to issues, resources or methodologies that the undertaking is expected to ~~consider - if they are applicable -~~take into account or to use in the preparation of ~~the reporting prescribed by a Disclosure Requirement or datapoint; and~~a given disclosure if applicable.

~~c) may disclose – indicates voluntary disclosure to encourage good practice.~~

~~**1.2 Cross-Cutting Standards and reporting areas**~~

~~8. ESRS 1 General requirements and ESRS 2 General disclosures are Cross- Cutting Standards, meaning that they apply to all sustainability matters.~~

~~9. ESRS 1 is composed of the following chapters:~~

~~Chapter 1 Categories of Standards and disclosures under European~~

~~Sustainability Reporting Standards;~~

~~Chapter 2~~

2. Qualitative characteristics of information~~;~~

~~Chapter 3 Double materiality as the basis for sustainability disclosures; Chapter 4 Sustainability due diligence;~~

~~Chapter 5 Value chain; Chapter 6 Time horizons;~~

~~Chapter 7 Preparation and presentation of sustainability information; Chapter 8 Structure of sustainability statements;~~

~~Chapter 9 Linkages with other parts of corporate reporting and connected information; and~~

~~Chapter 10 Transitional provisions.~~

~~10. The Disclosure Requirements in ESRS 2, in the topical ESRS and in sector-specific ESRS cover the following reporting areas:~~

~~d)~~a)~~Governance (GOV): the governance processes, controls and procedures used to monitor and manage impacts, risks and opportunities (see ESRS 2, chapter 2 Governance);~~

~~e) Strategy (SBM): how the undertaking's strategy and business model(s) interact with its material impacts, risks and opportunities, including the strategy for addressing them (see ESRS 2, chapter 3 Strategy);~~

~~f) Impact, risk and opportunity management (IRO): the process(es) by which impacts, risks and opportunities are identified, assessed and managed through policies and actions (see ESRS 2, chapter 4 Impact, risk and opportunity management); and~~

~~g) Metrics and targets (MT): how the undertaking measures its performance, including progress towards the targets it has set (see ESRS 2, chapter 5 Metrics and targets).~~

~~1.3 Topical ESRS~~

~~11. An ESRS covers a topic and may be structured to cover several sub-topics and/or sub-sub-topics where necessary. These are also referred to as "sustainability matters". Disclosure requirements prescribed by sector-agnostic or sector-specific ESRS are organised in accordance with this topical approach. Appendix B Application Requirements of this Standard, paragraph AR 12, presents the list of sustainability matters covered in topical ESRS.~~

~~12. Topical ESRS include sector-agnostic and sector-specific Disclosure Requirements. To achieve a high degree of comparability, information that has been assessed by the standard-setter as likely to be material for all undertakings, or for all undertakings in a specific sector, is reflected in:~~

~~a) Sector-agnostic ESRS/Disclosure Requirements: applicable to all undertakings independent of the sector(s) they operate in; and~~

~~b) Sector-specific ESRS/Disclosure Requirements: applicable to all undertakings within a sector. They address impacts, risks and opportunities not covered, or not sufficiently covered, by sector-agnostic Disclosure Requirements.~~

~~13. ESRS 2 establishes information to be mandatorily provided by the undertaking at a general level, across all sustainability topics. The topical ESRS include additional specific requirements of a topical nature that are necessary to comply with certain Disclosure Requirements of ESRS 2. ESRS 2 Appendix D Disclosure/Application Requirements in topical ESRS that are applicable jointly with ESRS 2 General Disclosures includes a list such additional requirements. These additional requirements are applicable when the undertaking has assessed the relevant topic to be material, except for those in ESRS E1 Climate change and those in the other topical ESRS linked to ESRS 2 IRO-1 Description of the processes to identify and assess material impacts, risks and opportunities, that are applicable regardless of the outcome of the materiality assessment.~~

~~**1.4 Entity-specific disclosures**~~

~~14. When the undertaking concludes that an impact, risk or opportunity not covered or covered with insufficient granularity by an ESRS is material due to its specific facts and circumstances, it shall provide additional entity-specific disclosures to cover such impact, risk or opportunity.~~

~~15. The entity-specific disclosures shall enable readers to understand the undertaking's impacts, risks and opportunities in relation to environmental, social or governance matters.~~

~~16.~~AR 1. In ~~developing entity-specific disclosures, the undertaking shall ensure that:~~

~~a) the disclosures meet the qualitative characteristics of information as set out in chapter 2 Qualitative characteristics of information; and~~

~~b)~~a)~~its disclosures include, where applicable, all material information related to the reporting areas of governance; strategy; impact, risk and opportunity management; and metrics and targets (see ESRS 2 chapters 2 to 5).~~

~~17.~~AR 1. ~~When determining the usefulness of metrics for inclusion in its entity-specific disclosures, the undertaking shall consider whether:~~

~~a) its chosen performance metrics provide insight into:~~

~~i. how effective its practices are in reducing negative outcomes and/or increasing positive outcomes for people and the environment (for impacts); and/or~~

~~ii.~~i. ~~the likelihood that its practices result in financial effects on the undertaking (for risks and opportunities);~~

~~b)~~a)~~the measured outcomes are sufficiently reliable, that is, they do not involve an excessive number of assumptions and unknowns that would render the metrics too arbitrary to provide a faithful representation; and~~

~~c)~~a)~~it has provided sufficient contextual information to interpret performance metrics appropriately, and whether variations in such contextual information may impact the comparability of the metrics over time.~~

~~18.~~AR 1. ~~When developing its entity-specific disclosures, the undertaking shall carefully consider:~~

~~a) comparability between undertakings, while still ensuring relevance of the information provided, recognising that comparability may be limited for entity- specific disclosures. The undertaking shall consider whether the available and relevant frameworks, initiatives, reporting standards and benchmarks (such as technical material issued by the International Sustainability Standards Board or the Global Reporting Initiative) provide elements that can support comparability to the maximum extent possible; and~~

~~b)~~a)~~comparability over time: consistency of methodologies and disclosures is a key factor for achieving comparability over time.~~

~~19.~~AR 1. ~~Further guidance for developing entity-specific disclosures can be found by considering the information required under topical ESRS that addresses similar sustainability matters.~~

~~1.5 Disclosure Content for policies, actions and targets~~

~~20. ESRS 2 includes four Disclosure Content requirements regarding policies, actions, metrics and targets. A Disclosure Content prescribes the content that the undertaking shall include when it reports respectively on policies, actions, metrics and targets, to harmonise the content of certain categories of disclosures in a multi-topical environment.~~

~~21. In this context:~~

~~a) policies refer to sets or frameworks of general objectives and management decisions that the undertaking uses for detailed implementation and decision- making. A policy implements the undertaking's strategy or management decisions related to a material sustainability matter. Each policy is under the responsibility of defined person(s), specifies its perimeter of application, and includes one or more objectives (linked when applicable to measurable targets). A policy is validated and reviewed following the undertaking's applicable governance rules. A policy is implemented through actions or action plans. (see ESRS 2 DC-P Policies adopted to manage material sustainability matters);~~

~~b) actions refer to (i) actions and action plans (including transition plans) that are implemented to ensure that the undertaking delivers against targets set and through which the undertaking seeks to address material impacts, risks and opportunities; and (ii) decisions to support these with financial, human or technological resources (see ESRS 2 DC-A Actions and resources in relation to material sustainability matters);~~

~~c) metrics refer to qualitative and quantitative indicators that the undertaking uses to measure and report on the effectiveness of the delivery of its sustainability-related policies and against its targets over time. Metrics also support the measurement of the undertaking's results in respect of affected people, the environment and the undertaking (see ESRS 2 DC-M Metrics in relation to material sustainability matters); and~~

~~d) targets refer to measurable, outcome-oriented goals that the undertaking aims to achieve in relation to material impacts, risks or opportunities (see ESRS 2 DC-T Tracking effectiveness of policies and actions through targets).~~

~~22. The Disclosure Content requirements, referred to in paragraph 20, shall be applied:~~

~~a) alongside the Disclosure Requirements in the given topical ESRS, when the undertaking is required by ESRS to describe policies, actions, metrics and targets; and~~

~~b) when the undertaking provides entity-specific disclosures on material impacts, risks and opportunities not covered by topical ESRS or not covered with sufficient granularity.~~

~~**2. Qualitative characteristics of information**~~

~~23.~~19. When preparing its sustainability ~~statements~~statement, the undertaking shall apply:

a) the fundamental qualitative characteristics of information, i.e~~.,~~. relevance and faithful representation; and
b) the enhancing qualitative characteristics of information, i.e~~.,~~. comparability, verifiability and understandability.

~~24.~~20. These qualitative characteristics of information are defined and described in Appendix ~~C~~B of this Standard.

3. Double materiality as the basis for sustainability disclosures

~~25.~~21. The undertaking shall report on sustainability matters based on the double materiality principle as defined and explained in this chapter.

3.1 Stakeholders and their relevance to the materiality assessment process

~~26.~~22. Stakeholders are those who can affect or be affected by the undertaking. There are two main groups of stakeholders:

a) affected stakeholders: individuals or groups whose interests are affected or could be affected – positively or negatively – by the undertaking's activities and its direct and indirect business relationships across its value chain; and

b) users of sustainability statements: primary users of general-purpose financial reporting (existing and potential investors, lenders and other creditors, including asset managers, credit institutions, insurance undertakings), as well as other users, including the undertaking's business partners, trade unions and social partners, civil society and non-governmental organisations, governments, analysts and academics.

~~27.~~23. Some, but not all, stakeholders may belong to both groups ~~defined~~referred to in paragraph ~~26~~22.

~~28.~~24. Engagement with affected stakeholders is central to the undertaking's on-going due diligence process (see chapter 4 ~~Sustainability due~~Due diligence) and sustainability materiality assessment. This includes its processes to identify and assess actual and potential negative impacts, which then inform the assessment process to identify the material impacts for the purposes of sustainability reporting (see section 3.4 of this Standard).

3.2 Material matters and materiality of information

~~29.~~25. Performing a materiality assessment (see sections 3.4 Impact materiality and 3.5 ~~of this Standard~~Financial materiality) is necessary for the undertaking to identify the material impacts, risks and opportunities to be reported.

26. Materiality assessment is the starting point for sustainability reporting under ESRS. IRO-1 in section 4.1 of ESRS 2 includes general disclosure requirements about the undertaking's process to identify impacts, risks and opportunities and assess their materiality. SBM-3 of ESRS 2 provides general disclosures requirements on the material impacts, risks and opportunities resulting from the undertaking's materiality assessment.

~~30.~~27. The Application Requirements in Appendix ~~B~~A of this Standard include the list of sustainability matters covered in topical ESRS, categorised by topics, sub-topics and sub-sub-topics, to support the materiality assessment. Appendix ~~F~~E Flowchart for determining disclosures to be included of this Standard provides an ~~illustrative~~illustration of the materiality assessment described in this section.

~~31.~~28. ~~For this purpose, a~~A sustainability matter is "material" ~~for the undertaking~~ when it meets the criteria defined for impact materiality (see section 3.4 of this Standard) or financial materiality (see section 3.5 of this Standard) or both.

~~32.~~ Irrespective of the outcome of ~~the~~its materiality assessment, the undertaking shall always disclose the ~~following~~ information~~:~~

~~a)~~ required by ESRS 2~~,~~ General Disclosures (i.e~~.,~~. all ~~its~~the Disclosure Requirements ~~(including their datapoints);~~

~~b)~~29. ~~the datapoints prescribed in topical ESRS that are listed~~and data points specified in ESRS 2 ~~Appendix C List of datapoints in cross-cutting and topical standards that are required by EU law which stem from other EU legislation;~~).

~~c) ESRS E1, i.e., all its Disclosure Requirements (including their datapoints);and~~

~~d) only for undertakings with 250 or more employees, the Disclosure Requirements ESRS S1-1 to S1-9 (including their datapoints) in ESRS S1 Own workforce.~~

~~33.~~30. When the undertaking concludes that a sustainability matter is material as a result of its materiality assessment, ~~it shall:~~on which ESRS 2 IRO-1, IRO-2 and SBM-3 set disclosure requirements, it shall:

a) ~~report~~disclose information according to the Disclosure Requirements (including Application Requirements) related to that specific sustainability matter in the ~~relevant~~corresponding topical ESRS; and
b) ~~develop and report~~ disclose additional ~~appropriate~~ entity-specific disclosures (see ~~section~~paragraph 11 and AR 1~~.4 Entity-specific disclosures~~ to AR 5 of this Standard) when the material sustainability matter~~,~~ is not covered by an ESRS or is covered with insufficient granularity.

31. ~~When reporting~~ If the undertaking concludes that a topic is not material and therefore it omits all the Disclosure Requirements in a topical ESRS, it may briefly explain the conclusions of its materiality assessment for that topic (see ESRS 2 IRO-2 Disclosure Requirements in ESRS covered by the undertaking's sustainability statement).

~~34.~~32. Subject to paragraph 33, when disclosing information on policies, actions and targets in relation to a sustainability matter that has been assessed to be material, the undertaking shall include the information prescribed by all the Disclosure Requirements and datapoints in the topical and sector-specific ESRS related to that matter and in the corresponding Minimum Disclosure ~~Contents~~Requirement on policies, actions, and targets required under ESRS 2 ~~(including their datapoints). However, if~~. If the undertaking cannot disclose the information prescribed by either the Disclosure Requirements ~~in the topical ESRS or the Disclosure Contents in ESRS 2 (including their~~and datapoints~~)~~ in the topical or sector-specific ESRS, or the Minimum Disclosure Requirements in ESRS 2 on policies, actions and targets, because it has not adopted the respective policies, implemented the respective ~~policies,~~ actions ~~and~~or set the respective targets, it shall disclose this to be the case and it may report a timeframe in which it aims to have these in place.

~~35.~~33. When ~~reporting~~disclosing information on metrics for a material sustainability matter according to the Metrics and ~~targets~~Targets section of the relevant topical ESRS and when disclosing the datapoints that derive from other EU legislation listed in Appendix B of ESRS 2, the undertaking:

a) shall include the information prescribed by a Disclosure Requirement, if it assesses such information to be material; and
b) may omit the information prescribed by a datapoint of a Disclosure Requirement, if it assesses such information to be not material, and concludes that such information is not needed to meet the objective of the Disclosure Requirement.

~~36.~~34. The applicable information prescribed within a Disclosure Requirement (including its datapoints~~)~~), or ~~within~~ an entity-specific disclosure, shall be ~~included~~disclosed when the undertaking assesses it to be relevant from one or more of the following perspectives in the sustainability ~~statements~~statement:

a) the significance of the information in relation to the matter it purports to depict or explain; or

~~b)~~ the capacity of such information to meet the users' decision-making needs ~~(~~, including the needs of primary users of general-purpose financial reporting described in paragraph ~~51);~~ 48 and/or

~~c)~~b) the ~~need for transparency towards stakeholders~~needs of users whose principal interest is in information about the undertaking's impacts.

~~37.~~35. The undertaking shall establish how it applies criteria, including appropriate thresholds, to determine:

a) the information ~~to be reported when reporting~~it discloses on metrics for a material sustainability matter according to the Metrics and ~~targets chapter~~Targets section of the relevant topical ESRS, ~~per~~in accordance with paragraph ~~35 above~~33; and

b) the information to be disclosed as entity-specific disclosures.

~~38. If the undertaking concludes that a topic is not material and therefore it omits all the Disclosure Requirements in a topical ESRS, it shall briefly explain the conclusions of its materiality assessment for the topic (see ESRS 2 IRO-2 Disclosure Requirements in ESRS covered by the undertaking's sustainability statements). In this case, the undertaking shall nevertheless report the information referred to in paragraph 32.~~

~~39.~~36. When reporting on metrics and when disclosing the datapoints that derive from other EU legislation listed in Appendix B of ESRS 2, if the undertaking omits information prescribed by either a Disclosure Requirement or a datapoint of a Disclosure Requirement in the Metrics and Targets section of a topical ESRS, such information is considered to be implicitly reported as "not material for the undertaking".

3.3~~.~~ Double materiality

~~40.~~37. Double materiality has two dimensions, namely: impact materiality and financial materiality. Unless specified otherwise, the terms “material” and “materiality” are used throughout ESRS to refer to double materiality.

~~41.~~38. Impact materiality and financial materiality assessments are inter-related and the interdependencies between these two dimensions shall be considered. In general, the starting point is the assessment of impacts~~.~~, although there may also be material risks and opportunities that are not related to the undertaking’s impacts. A sustainability impact may be financially material from inception or become financially material, when it ~~becomes investor relevant, including due~~could reasonably be expected to ~~its present or likely effects on cash-flows, development,~~affect the undertaking’s financial position, financial performance~~ and position in~~, cash flows, its access to finance or cost of capital over the short-, medium- ~~and~~or long-term~~ time horizons. Irrespective of their being financially material, impacts~~. Impacts are captured by the impact materiality perspective irrespective of whether or not they are financially material.

~~42.~~39. In identifying and assessing the impacts, risks and opportunities in the undertaking’s value chain to determine their materiality, the undertaking shall focus on areas where ~~they~~impacts, risks and opportunities are deemed likely to arise, based on the nature of the activities, business relationships, geographies or other ~~risk~~ factors concerned.

~~43.~~40. The undertaking shall consider how it is affected by its ~~dependence~~dependencies on the availability of natural, human and social resources at appropriate prices and quality, ~~independently~~irrespective of its potential impacts on those resources.

~~44.~~41. An undertaking’s principal impacts, risks and opportunities are understood to be the same as the material impacts, risks and opportunities identified under the double materiality principle and therefore reported on in its sustainability ~~statements~~statement.

~~45.~~42. The undertaking shall ~~explain how it applies~~apply the criteria set under sections 3.4 and 3.5 in this Standard, using appropriate quantitative and/or qualitative thresholds. Appropriate thresholds are necessary to determine which impacts, risks and opportunities are identified and addressed by the undertaking as material ~~(also referred to in some existing standards and frameworks related to impacts as “most significant”)~~ and to determine which sustainability matters are material for reporting purposes. Some existing standards and frameworks use the term "most significant impacts” when referring to the threshold used to identify the impacts that are described in ESRS as "material impacts."

3.4 Impact materiality

~~46.~~43. A sustainability matter is material from an impact perspective when it pertains to the undertaking's material actual or potential, positive or negative impacts on people or the environment over the short-, medium- ~~and~~or long-term ~~time horizons.~~. Impacts include those ~~caused or contributed to by the undertaking and those which are directly linked to~~connected with the undertaking's own operations~~,~~ and value chain, including through its products~~, or~~ and services, as well as through its business relationships. Business relationships include those in the undertaking's upstream and downstream value chain and are not limited to direct contractual relationships.

~~47.~~44. In this context, impacts on people or the environment include impacts in relation to environmental, social and governance matters.

~~48.~~45. The materiality assessment of a negative impact is informed by the ~~sustainability~~ due diligence process defined in the international instruments of the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. For actual negative impacts, materiality is based on the severity of the impact, while for potential negative impacts it is based on the severity and likelihood of the impact. Severity is based on the following factors:

a) the scale;
b) scope; and
c) irremediable character of the impact.

In the case of a potential negative human rights impact, the severity of the impact takes precedence over its likelihood.

~~49.~~46. For positive impacts, materiality is based on:

a) the scale and scope of the impact for actual impacts; and
b) the scale, scope and likelihood of the impact for potential impacts.

3.5 Financial materiality

~~50.~~47. The scope of financial materiality for sustainability reporting is an expansion of the scope of materiality used in the process of determining which information should be included in the undertaking's financial statements.

~~51.~~48. The financial materiality assessment ~~process~~ described in paragraph ~~41~~37 includes, but is not limited to, the identification of information that is ~~useful to investors, lenders and other creditors when they, as~~considered material for primary users of ~~general-purpose~~generalpurpose financial reporting~~, assess~~ in making decisions relating to providing resources to the ~~effects of sustainability matters on the undertaking's cash flows, development, performance, position, cost of capital or access to finance~~entity. In particular, information is considered material for primary users of general-purpose financial reporting if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that they make on the basis of the undertaking's sustainability ~~statements~~statement.

~~52.~~ A sustainability matter is material from a financial perspective if it triggers or ~~may~~could reasonably be expected to trigger material financial effects on the undertaking. This is the case when ~~it~~a sustainability matter generates or may generate risks or opportunities that have a material influence ~~(~~, or ~~are likely~~could reasonably be expected to have a material influence~~)~~, on the undertaking's ~~cash flows,~~ development, financial position, financial performance, ~~position, cost of capital or~~ cash flows, access to finance ~~in~~or cost of capital over the short-, medium- ~~and~~or long-term ~~time horizons.~~. Risks and opportunities may derive from past events or future events ~~and may have effects in relation to:~~

~~a) assets and liabilities already recognised in financial reporting or that may be recognised as a result of future events; or~~

~~b) factors of value creation that do not meet the financial accounting definition of assets and liabilities and/or the related recognition criteria but contribute to the generation of cash flows and more generally to the development of the undertaking. The latter factors are generally referred to as "capitals" in frameworks promoting a multi-capital approach; the capitals may in some cases (but not in all cases) meet the criteria for recognition and reporting in financial statements.~~

~~53.~~49.. The financial materiality of a sustainability matter is not constrained to matters that are within the control of the undertaking but includes information on material risks and opportunities attributable to business relationships with other undertakings~~/~~ or stakeholders beyond the scope of consolidation used in the preparation of financial statements.

~~54.~~50. Dependencies ~~from~~on natural, human and social resources ~~are~~can be sources of financial risks or opportunities. Dependencies may trigger effects in two possible ways:

a) they may influence the undertaking's ability to continue to use or obtain the resources needed in its business processes, as well as the quality and pricing of those resources; and

b) they may affect the undertaking's ability to rely on relationships needed in its business processes on acceptable terms.

~~55.~~51. The materiality of risks and opportunities is assessed based on a combination of the likelihood of occurrence and the ~~size of the~~ potential magnitude of the financial effects.

3.6 Material impacts or risks arising from actions to address sustainability matters

~~56.~~52. The undertaking's materiality assessment process ~~shall encompass~~may lead to the identification of situations ~~where~~in which its actions to address certain impacts or risks, or to benefit from certain opportunities in relation to a sustainability matter, might have material negative impacts or cause material risks in relation to one or ~~several~~more other sustainability matters. For example:

a) an action plan to decarbonise production that involves abandoning certain products might have material negative impacts on the undertaking's own workforce and result in material risks due to redundancy payments; or
b) an action plan of an automotive supplier to focus on the supply of e-vehicles might lead to stranded assets for the production of supply parts for conventional vehicles.

~~57.~~53. In such situations, the undertaking shall:

a) mention the existence of material negative impacts or material risks together with the actions that generate them, with a cross-reference to the topic to which the impacts or risks relate; and
b) provide a description of how the material negative impacts or material risks are addressed under the topic to which they relate.

3.7 Level of disaggregation

~~58.~~54. When needed for a proper understanding of its material impacts, risks and opportunities, the undertaking shall disaggregate the reported information:

a) by country, when there are significant variations of material impacts, risks and opportunities across countries and when presenting the information at a higher level of aggregation would obscure material information about impacts, risks or opportunities; or

b) by significant site or by significant asset, when material impacts, risks and opportunities are ~~linked to~~highly dependent on a specific location or asset.

~~59.~~55. When defining the appropriate level of disaggregation for reporting, the undertaking shall consider the disaggregation adopted in its materiality assessment. Depending on the facts and circumstances, a disaggregation by subsidiary may be necessary.

~~60.~~56. Where data from different levels, or multiple locations within a level, is aggregated, the undertaking shall ensure that this aggregation does not obscure the specificity and context necessary to interpret the information. The undertaking shall not aggregate material items that differ in nature.

~~61.~~57. When the undertaking presents information disaggregated by sectors, it shall adopt the ESRS sector classification. When a topical or sector-specific ESRS requires that a specific level of disaggregation is adopted in preparing a specific item of information, the requirement in the topical or sector-specific ESRS shall prevail.

4. ~~Sustainability due~~Due diligence

~~62.~~58. The outcome of the undertaking's sustainability due diligence process (referred to as "due diligence" in the international instruments mentioned below) ~~inform~~informs the undertaking's assessment of its material impacts, risks and opportunities. ESRS do not impose any conduct requirements in relation to ~~sustainability~~ due diligence; nor do they extend or modify the role of ~~governance~~the administrative, management or supervisory bodies of the undertaking with regard to the conduct of due diligence.

~~63.~~59. ~~Sustainability due~~Due diligence is the process by which undertakings identify, prevent, mitigate and account for how they address the actual and potential negative impacts on the environment and people connected with their business. These include negative impacts ~~caused or contributed by the undertaking and negative impacts which are directly linked to~~connected with the undertaking's own operations~~,~~ and its value chain, including through its products or services, as well as through its business relationships. ~~Sustainability due~~Due diligence is an on-going practice that responds to and may trigger changes in the undertaking's strategy, business model, activities, business relationships, operating, sourcing and selling contexts. This process is described in the international instruments of the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises.

~~64.~~60. These international instruments identify a number of steps in the ~~sustainability~~ due diligence process, including the identification and assessment of negative impacts ~~caused and contributed to by the undertaking and negative impacts which are directly linked to~~connected with the undertaking's own operations~~,~~ and value chain, including through its products or services, as well as through its business relationships. Where the undertaking cannot address all impacts at once, the due diligence process allows for action to be prioritised based on the severity and likelihood of the impacts. It is this aspect of the ~~sustainability~~ due diligence process that informs the assessment of material impacts (see section 3.4 of this Standard). The identification of material impacts also supports the identification of material sustainability risks and opportunities, which are often a product of such impacts.

~~65.~~61. The core elements of due diligence are reflected directly in Disclosure Requirements set out in ESRS 2 and in the topical ESRS, as illustrated below:

a) embedding ~~sustainability~~ due diligence in governance, strategy and business model~~(s).~~. This is addressed under:
   i. ESRS 2 GOV-2: Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies;
   ii. ESRS 2 GOV-3: Integration of sustainability-related performance in incentive schemes; and
   iii. ESRS 2 SBM-3: Material impacts, risks and opportunities and their interaction with strategy and business model~~(s).~~.
b) engaging with affected stakeholders. This is addressed under:
   i. ESRS 2 GOV-2;
   ii. ESRS 2 SBM-2: Interests and views of stakeholders;
   iii. ESRS 2 IRO-1;
   iv. ESRS 2 ~~DC~~MDR-P; and
   v. Topical ESRS: reflecting the different stages and purposes of stakeholder engagement throughout the ~~sustainability~~ due diligence process.
c) identifying and assessing negative impacts on people and the environment. This is addressed under:
   i. ESRS 2 IRO-1 (including Application Requirements related to specific sustainability matters in the relevant ESRS); and
   ii. ESRS 2 SBM-3;
d) taking action to address negative impacts on people and the environment. This is addressed under:
   i. ESRS 2 ~~DC~~MDR-A; and
   ii. ~~Topicali~~Topical ESRS: reflecting the range of actions, including transition plans, through which impacts are addressed~~; and~~.
e) tracking the effectiveness of these efforts. This is addressed under:
   i. ESRS 2 ~~DC~~MDR-M;
   ii. ESRS 2 ~~DC~~MDR-T; and
   iii. Topical ESRS: regarding ~~performance~~ metrics and targets.

5. Value chain

5.1 Reporting undertaking and value chain

~~66.~~62. The ~~reporting undertaking for the~~ sustainability ~~statements~~statement shall be for the same reporting undertaking as the ~~one retained for the related~~ financial statements. For example, if the reporting undertaking is a group and if the parent company is required to prepare consolidated financial statements, the consolidated financial and sustainability statements will be for the parent and its subsidiaries.

~~67.~~63. The information about the reporting undertaking provided in the sustainability ~~statements~~statement shall be extended to include information on the material impacts, risks and opportunities connected ~~to~~with the undertaking through its direct and indirect business relationships in the upstream and/or downstream value chain (“value chain information”). In extending the information about the reporting undertaking, the undertaking shall include material impacts, risks and opportunities connected with its upstream and downstream value chain(s):

a) following the outcome of its ~~sustainability~~ due diligence process~~(es)~~ and of its materiality assessment; and
b) in accordance with any specific requirements ~~of topical~~related to the value chain in other ESRS~~, when they exist~~.

~~68.~~64. ~~The extension of the information about the reporting undertaking to include value chain information~~ Paragraph 63 does not require information on each and every ~~entity~~actor in the value chain, but only the inclusion of material value chain information. Different sustainability matters can be material in relation to different parts of the undertaking’s value chain. The information shall be extended to include value chain information only in relation to the parts of the value chain for which the matter is material.

~~69.~~65. The undertaking shall include material value chain information when this is necessary to:

a) allow users of sustainability statements to understand the undertaking’s material impacts, risks and opportunities; and/or
b) produce a set of information that meets the qualitative characteristics of information (see Appendix ~~C~~B of this Standard).

~~70.~~66. When determining at which level ~~(~~within its own operations and its upstream and downstream value chain~~)~~ a material sustainability matter arises, the undertaking shall use its assessment of impacts, risks and opportunities following the double materiality principle (see chapter 3 of this Standard).

~~71.~~67. When associates or joint ventures, accounted for under the equity method or proportionally consolidated in the financial statements, are part of the undertaking’s value chain, the undertaking shall include information related to those ~~undertakings, following~~associates or joint ventures, in accordance with paragraph ~~67,~~63 consistent with the approach adopted for the other business relationships in the value chain. In this case, when determining impact metrics, the data of the associate or joint venture are not limited to the share of equity held, but shall be taken into account on the basis of the impacts that are directly linked to the undertaking’s products and services through its business relationships.

5.2 Estimation using sector averages and proxies

~~72.~~68. The undertaking's ability to obtain the necessary value chain information~~, as well as its capacity to contribute to the management of impacts, risks and opportunities arising in the value chain,~~ may vary depending on various factors, such as the undertaking's contractual arrangements, the level of control that it exercises on the operations outside the consolidation scope and its buying power. When the undertaking does not have the ability to control the activities of its value chain and its business relationships, obtaining value chain information may be more challenging.

~~73.~~69. There are circumstances where the undertaking cannot collect the information about ~~the undertaking's~~its upstream and downstream value chain as required by paragraph ~~6767 (~~63 after making reasonable efforts to do so~~)~~. In these circumstances, the undertaking shall estimate the information to be reported about its upstream and downstream value chain, by using all reasonable and supportable information, such as sector-average data and other proxies.

~~74.~~70. Obtaining value chain information could also be challenging in the case of SMEs and other value chain entities that are not in the scope of the ~~CSRD~~sustainability reporting required by Articles 19a and 29a of Directive 2013/34/EU (see ESRS 2 BP-2 Disclosures in relation to specific circumstances).

~~75.~~71. With reference to policies, actions and targets, the undertaking's reporting shall include value chain information to the extent that those policies, actions and targets ~~do~~ involve actors in the value chain. With reference to metrics, in many cases, in particular for environmental matters for which proxies are available, the undertaking may be able to comply with the reporting requirements without collecting data from the actors in its value chain, for example, when calculating the undertaking's GHG Scope 3 emissions.

~~76.~~72. The incorporation of estimates made using sector-average data or other proxies shall not result in information that does not meet the qualitative characteristics of information (see chapter 2 and section 7.2 Sources of estimation and outcome uncertainty of this Standard).

~~77. One way through which the undertaking can demonstrate reasonable effort in collecting data from actors in its value chain(s), is by using or increasing leverage over them, e.g., through collaboration with other companies and stakeholders that could help to do so.~~

6. Time horizons

6.1 Reporting period

~~78.~~73. The reporting period for the undertaking's sustainability ~~statements~~statement shall be consistent with that of its financial statements.

6.2 Linking past, present and future

~~79.~~74. The undertaking shall establish appropriate linkages in its sustainability ~~statements~~statement between retrospective and forward-looking information, when relevant, to foster a clear understanding of how historical information relates to future-oriented information.

6.3 Reporting progress against the base year

~~80.~~75. A base year is the historical reference date or period for which information is available and against which subsequent information can be compared over time.

~~81.~~76. The undertaking shall present comparative information in respect of the base year for amounts reported in the current period when reporting the developments and progress towards a target, unless the relevant Disclosure Requirement already defines how to report progress. The undertaking may also include historical information about achieved milestones between the base year and the reporting period when this is relevant information.

6.4 Definition of short-, medium- and long-term for reporting ~~purposes~~

~~82.~~77. When preparing its sustainability ~~statements~~statement, the undertaking shall adopt the following time intervals as of the end of the reporting period:

a) for the short-term time horizon: the period adopted by the undertaking as the reporting period in its financial statements;

b) for the medium-term time horizon: from the end of the short-term reporting period per (a) above to five years; and

c) for the long-term time horizon: more than five years.

~~83.~~78. The undertaking shall use an additional breakdown for the long-term time horizon when impacts or actions are expected in a period longer than five years ~~and the time difference between them is such that an additional breakdown is~~if necessary to provide relevant information to users of sustainability statements.

~~84.~~79. If different definitions of medium- or long-term time horizons are required for specific items of disclosure in ~~a topical or sector specific~~other ESRS, the definitions in ~~the topical or sector specific~~those ESRS shall prevail.

~~85.~~80. There may be circumstances where the use of the medium- or long-term time horizons defined in paragraph ~~8282~~77 results in non-relevant information, as the undertaking uses a different definition for (i) its processes of identification and management of material impacts, risks and opportunities or (ii) the definition of its actions and setting targets. These circumstances may be due to industry-specific characteristics, such as cash flow and business cycles, the expected duration of capital investments, the time horizons over which the users of sustainability statements conduct their assessments ~~and~~or the planning horizons typically used in the undertaking's industry for decision-making. In these circumstances, the undertaking may adopt a different definition of medium- and/or long- term time horizons (see ESRS 2 BP–2, paragraph 9).

81. References to "short-term", "medium-term", and "long-term" in ESRS refer to the time horizon as determined by the undertaking according to the provisions in paragraphs 77 to 80.

7. Preparation and presentation of sustainability information

~~86.~~82. This chapter provides general requirements to be applied when preparing and presenting sustainability information.

7.1 Presenting comparative information

~~87.~~83. The undertaking shall disclose ~~one year of~~ comparative information in respect of the previous period for all metrics disclosed in the current period. When ~~such information would be~~ relevant to an understanding of the current period's sustainability ~~disclosures~~statement, the undertaking shall also disclose comparative information for narrative ~~sustainability~~ disclosures.

~~88.~~84. ~~In its sustainability statements the~~The undertaking shall disclose comparative information that reflects updated estimates. When the undertaking reports comparative information that differs from the information reported in the previous period it shall disclose:

a) the difference between the ~~amount~~figure reported in the previous period and the revised comparative ~~amount~~figure; and
b) the reasons for the revision of the ~~amounts~~figure.

~~89.~~85. Sometimes, it is impracticable to adjust comparative information for one or more prior periods to achieve comparability with the current period. For example, data might not have been collected in the prior period(s) in a way that allows either retrospective application of a new definition of a metric or target, or retrospective restatement to correct a prior period error, and it may be impracticable to recreate the information (see ESRS 2 BP-2). When it is impracticable to adjust comparative information for one or more prior periods, the undertaking shall disclose this fact.

~~90.~~86. When an ESRS requires the undertaking to present more than one comparative period for a metric or datapoint, the requirements of that ESRS shall prevail.

7.2 Sources of estimation and outcome uncertainty

~~91.~~87. When metrics, including value chain information (see chapter 5 of this Standard), cannot be measured directly and can only be estimated, measurement uncertainty may arise.

~~92.~~88. The use of reasonable assumptions and estimates, including scenario or sensitivity analysis, is an essential part of preparing sustainability-related metrics and does not undermine the usefulness of the information, provided that the assumptions and estimates are accurately described and explained. Even a high level of measurement uncertainty would not necessarily prevent such an assumption or estimate from providing useful information or meeting the qualitative characteristics of information (see Appendix ~~C~~B of this Standard).

~~93.~~89. When the sustainability ~~statements include~~statement includes or ~~are~~is related to financial data and assumptions, such data and assumptions shall be consistent to the extent possible with the corresponding financial data and assumptions used in the undertaking's financial statements.

~~94.~~90. Some ESRS require the disclosure of information such as explanations about possible future events that have uncertain outcomes. In judging whether information about such possible future events is material, the undertaking shall refer to the criteria in Chapter 3 of this Standard and consider:

a) the potential financial effects of the events ~~on the value, timing and certainty of the undertaking's future cash flows, development, performance and position including in the long term~~ (the possible outcome);
b) the ~~potential effects of the events on the determinants of~~ severity and ~~on the~~ likelihood of ~~material~~the impacts on people or the environment resulting from the possible events, taking account of the factors of severity specified in paragraph 45; and
c) the full range of possible outcomes and the likelihood of the possible outcomes within that range.

~~95.~~91. When assessing the possible outcomes, the undertaking shall consider all relevant facts and circumstances, including information about low-probability and high-impact outcomes, which, when aggregated, could become material. For example, the undertaking might be exposed to several impacts or risks, each of which could cause the same type of disruption~~;~~, such as disruptions to the undertaking's supply chain. Information about an individual source of risk might not be material if disruption from that source is highly unlikely to occur. However, information about the aggregate risk ~~(the risk~~ of supply chain disruption from all sources~~)~~ might be material (see ESRS 2 BP-2).

7.3 Updating disclosures about events after the end of the reporting period

~~96.~~92. In some cases, the undertaking may receive information after the reporting period but before the management report is approved for issuance. If such information provides evidence or insights about conditions existing at period end, the undertaking shall consider it and, where appropriate, update estimates and sustainability disclosures, in the light of the new information.

~~97.~~93. When such information provides evidence or insights about conditions that arise after the end of the reporting period, the undertaking shall provide narrative information indicating the existence, nature and potential consequences of these post-year end events.

7.4 Changes in preparation or presentation of sustainability information

~~98.~~94. The definition and calculation of metrics, including metrics used to set and monitor targets, shall be consistent over time. If a metric or target is redefined or replaced, the undertaking shall provide restated comparative figures, unless it is impracticable to do so (see ESRS 2 BP-2).

7.5 Reporting errors in prior periods

~~99.~~95. The undertaking shall correct material prior period errors by restating the comparative amounts for the prior period(s) disclosed, unless it is impracticable to do so. This requirement does not extend to reporting periods before the first year of application of ESRS by the undertaking.

~~100.~~96. Prior period errors are omissions from, and misstatements in, the undertaking's sustainability ~~statements~~statement for one or more prior periods. Such errors arise from a failure to use, or misuse of, reliable information that:

a) was available when the management report that includes the sustainability ~~statements~~statement for those periods was authorised for issuance; and

b) could reasonably be expected to have been obtained and considered in the preparation of sustainability disclosures included in these reports.

~~101.~~97. Such errors include: the effects of mathematical mistakes, mistakes in applying the definitions for metrics and targets, oversights or misinterpretations of facts, and fraud.

~~102.~~98. Potential errors in the current period discovered in that period are corrected before the management report is authorised for issuance. However, material errors are sometimes only discovered in a subsequent period.

~~103.~~99. When it is impracticable to determine the effect of an error on all prior periods presented, the undertaking shall restate the comparative information to correct the error from the earliest date practicable. When correcting disclosures for a prior period, the undertaking shall not use hindsight either in making assumptions about what the management's intentions would have been in a prior period or in estimating the amounts disclosed in a prior period. This requirement applies to correction of both backward-looking and forward- looking disclosures.

~~104.~~100. Corrections of errors are distinguished from changes in estimates. Estimates are to be revised as soon as additional information becomes available (see ESRS 2 BP-2).

7.6 Consolidated reporting and subsidiary exemption

~~105.~~101. When the undertaking is reporting at a consolidated level, ~~the undertaking~~it shall perform its assessment of material impacts, risks and opportunities for the entire consolidated group, regardless of its group legal structure. It shall ensure that all subsidiaries are covered in a way that allows for the unbiased identification of material impacts, risks and opportunities. Criteria and thresholds for assessing an impact, risk or opportunity as material shall be determined based on chapter 3 of this Standard.

~~106.~~102. Where the undertaking identifies significant differences between material impacts, risks or opportunities at group level and material impacts, risks or opportunities of one or more of its subsidiaries, the undertaking shall provide an adequate description of the impacts, risks and opportunities, as appropriate, of the subsidiary or subsidiaries concerned.

~~107.~~103. When assessing whether the differences between material impacts, risks or opportunities at group level and material impacts, risks or opportunities of one or more of its subsidiaries are significant, the undertaking may consider different circumstances, such as whether the subsidiary or subsidiaries operate in a different sector than the rest of the group or the circumstances reflected in section 3.7 Level of disaggregation.

7.7 ~~Information~~Classified and sensitive information, and information on intellectual property, know-how or results of innovation

104. The undertaking is not required to disclose classified information or sensitive information, even if such information is considered material.

~~108.~~105. When disclosing information about its strategy, plans and actions, where a specific piece of information corresponding to intellectual property, know-how or the results of innovation is relevant to meet the objective of a Disclosure Requirement, the undertaking may nevertheless omit that specific piece of information if it:

a) is secret in the sense that it is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question;
b) has commercial value because it is secret; and
c) has been subject to reasonable steps by the undertaking to keep it secret.

106. ~~If a~~If the undertaking omits classified information or sensitive information, or a specific piece of information corresponding to intellectual property, know-how or the results of innovation because it meets the criteria established in the previous paragraph, it shall comply with the disclosure requirement in question by disclosing all other required information.

~~109.~~107. The undertaking shall make every reasonable effort to ensure that beyond the omission of the classified information or sensitive information, or of the specific piece of information corresponding to intellectual property, know-how or the results of innovation ~~is omitted because it meets these criteria~~, the ~~undertaking shall comply with~~ overall relevance of the disclosure ~~requirement~~ in question ~~by disclosing all required information with the exception of that specific piece of information~~is not impaired.

~~110. The undertaking shall make every reasonable effort to ensure that beyond the omission of the specific information, the overall relevance of the disclosure is not impaired.~~

7.8 Reporting on opportunities

108. When reporting on opportunities, the disclosure should consist of descriptive information allowing the reader to understand the opportunity for the undertaking or the entire sector. When reporting on opportunities, the undertaking shall consider the materiality of the information to be disclosed. In this context, it shall consider, among other factors:

a) whether the opportunity is currently being pursued and is incorporated in its general strategy, as opposed to a general opportunity for the undertaking or the sector; and

b) whether the inclusion of quantitative measures of financial effects is appropriate, taking into account the number of assumptions that it could require and consequential uncertainty.

8. Structure of the sustainability ~~statements~~statement

~~111.~~109. This chapter provides the basis for the presentation of the information about sustainability matters prepared in compliance with the CSRD and the ESRS (i.e., the sustainability ~~statements~~statement) within the undertaking's management report. Such information is presented in a dedicated section of the management report identified as the sustainability ~~statements~~statement. Appendix ~~G~~F Example of structure of ESRS sustainability ~~statements~~statement of this Standard provides an illustrative example of a sustainability ~~report~~statement structured according to the requirements of this chapter.

8.1 General presentation requirement

~~112.~~110. Sustainability information shall be presented:

a) in a way that allows a distinction between information required by disclosures in ESRS and other information included in the management report; and
b) under a structure that facilitates access to and understanding of the sustainability ~~statements,~~statement, in a format that is both ~~in~~ human-readable and machine-readable ~~formats~~.

8.2 Content and structure of the sustainability ~~statements~~statement

~~113.~~111. Except for the possibility to incorporate information by reference in accordance with section 9.1 Incorporation by reference of this Standard, the undertaking shall report all the applicable disclosures ~~(sector-agnostic, sector-specific and entity-specific)~~ required by ESRS ~~as per~~in accordance with chapter 1 of this Standard, within a ~~single~~dedicated section of the management report.

~~114.~~ The undertaking shall ~~report,~~include in its sustainability ~~statements,~~statement the disclosures pursuant to Article 8 of Regulation (EU) 2020/852 ~~(EU Taxonomy) on~~ of the ~~establishment of a framework to facilitate sustainable investment~~European Parliament and ~~identify such~~the Council and Commission Delegated Regulations that specify the content of those disclosures.

112. ~~Subject~~ The undertaking shall ensure that these disclosures are separately identifiable within the sustainability statement. The disclosures relating to each of the environmental objectives defined in the Taxonomy Regulation shall be presented together in a clearly identifiable part of the environmental section of the sustainability statement. These disclosures are not subject to the ~~provisions of chapter 2~~qualitative characteristics of information defined in Appendix B of this Standard~~,~~.

~~115.~~113. When the undertaking ~~may include~~includes in its sustainability ~~statements~~statement additional disclosures stemming from (i) ~~local legislations, and~~ other legislation which requires the undertaking to disclose sustainability information, or (ii) generally accepted sustainability reporting ~~pronouncements of other standard setting bodies~~standards and frameworks, including non-mandatory guidance ~~including~~and sector-specific guidance, published by other standardsetting bodies (such as technical material issued by the International Sustainability Standards Board or the Global Reporting Initiative~~). Such disclosures shall be clearly identified with an appropriate reference to the related legislation, pronouncement or guidance and shall complement ESRS Disclosure Requirements (see ESRS 2 BP-2).~~), such disclosures shall:

a) be clearly identified with an appropriate reference to the related legislation, standard or framework (see ESRS 2 BP-2, paragraph 15);

b) meet the requirements for qualitative characteristics of information specified in chapter 2 and Appendix B of this standard.

~~116.~~114. The undertaking shall structure its sustainability ~~statements~~statement in four parts, in the following order: general information, environmental information~~,~~ (including disclosures pursuant to the Article 8 of Regulation (EU) 2020/852), social information and governance information ~~in the order prescribed in Appendix E Structure of ESRS sustainability statements of this Standard~~. Respecting the provision in section 3.6 Material impacts or risks arising from actions to address sustainability matters of this Standard, when information provided in one part ~~is also covering~~contains information to be reported in another part, the undertaking may refer in one part to information presented in another part, avoiding duplications. The undertaking may apply the detailed structure illustrated in Appendix ~~G~~F of this Standard.

~~117.~~115. The disclosures required by sector-specific ESRS shall be grouped by ~~cross-cutting~~ reporting area and, where applicable, by sustainability topic. They shall be presented alongside the disclosures required by ESRS 2 and the corresponding ~~sector-agnostic~~topical ESRS.

~~118.~~116. Where the undertaking develops material entity-specific disclosures in accordance with ~~section 1.4 Entity-specific disclosures,~~paragraph 11 it shall report those disclosures alongside the most relevant sector-agnostic and sector-specific disclosures.

9. Linkages with other parts of corporate reporting and connected information

~~119.~~117. The undertaking shall provide information that enables users of its sustainability ~~statements~~statement to assess the connections between various information about impacts, risks and opportunities in ~~these statements~~the statement and related information in other parts of its corporate reporting.

9.1 Incorporation by reference

~~120.~~118. Provided that the conditions in paragraph ~~121121~~119 are met, information prescribed by a Disclosure Requirement of an ESRS ~~(~~, including a specific datapoint prescribed by a Disclosure Requirement~~)~~, may be incorporated in the sustainability ~~statements~~statement by reference to:

a) another section of the management report;

b) the financial statements;

c) the corporate governance ~~report~~statement (if not part of the management report);

d) the remuneration report required by ~~the~~Directive 2007/36/EC ~~directive;~~of the European Parliament and of the Council;

~~e) public disclosures under regulation 575/2013 (Pillar 3 disclosures) [and under the regulation implementing Directive 2009/138/EC (Solvency II)].~~

e) the universal registration document, as referred to in Article 9 of Regulation 2017/1128; and

f) public disclosures under Regulation 575/2013 of the European Parliament and of the Council (Pillar 3 disclosures). If the undertaking incorporates by reference information from Pillar 3 disclosures, it shall ensure that the information matches the scope of consolidation used for the sustainability statement by complementing the incorporated information with additional elements as necessary.

~~121.~~119. The undertaking may incorporate information by reference to the documents ~~(~~, or part of the documents~~)~~, listed in paragraph ~~120~~118, provided that the disclosures incorporated by reference:

a) constitute a separate element of information and are clearly identified in the document concerned as addressing the relevant Disclosure Requirement ~~(~~, or the relevant specific datapoint prescribed by a Disclosure Requirement~~) in such other document (as per paragraph 120120 (a) to (e) respectively);~~;

b) are published before or at the same time as the management report;

c) are in the same language as the sustainability statement;

~~c)~~d) are subject to at least the same level of assurance as the sustainability ~~statements;~~statement; and

~~d)~~e) ~~are available with~~meet the same technical digitalisation requirements as the sustainability ~~statements~~statement.

~~122.~~120. Provided that these conditions are met, information prescribed by a Disclosure Requirement of an ESRS ~~(~~, including a specific datapoint prescribed by a Disclosure Requirement~~)~~, may be incorporated in the sustainability ~~statements~~statement by reference to the undertaking's report prepared according to EU Eco-Management and Audit Scheme (EMAS) Regulation (EU) No. 1221/2009. In this case, the undertaking shall ensure that the information incorporated by reference is produced using the same basis for preparation of ESRS information, including scope of consolidation and treatment of value chain information.

~~123.~~121. ~~In~~ the preparation of its sustainability ~~statements~~statement using incorporation by reference, the undertaking shall consider the overall cohesiveness of the reported information and ensure that the incorporation by reference does not impair the readability of the sustainability ~~statements~~statement. Appendix ~~H~~G Example of incorporation by reference of this Standard is an illustrative example of incorporation by reference (See ESRS 2 BP-2).

9.2 Connected information and connectivity with financial statements

~~124.~~122. The undertaking shall describe the relationships between different pieces of information. Doing so could require connecting narrative information on governance, strategy and risk management to related metrics and targets. For example, to allow users to assess connections in information, the undertaking might need to explain the effect or likely effect of its ~~sustainability~~ strategy on its financial statements or financial plans, or on metrics and targets used to measure progress against performance. Furthermore, the undertaking might need to explain how its use of natural resources and changes within its supply chain could amplify, change or reduce its material impacts, risks and opportunities. It may need to link this information to the potential or actual ~~effect(s)~~effects on its production costs, to its strategic response to mitigate such impacts or risks, and to its related investment in new assets. This information may also need to be linked to information in the financial statements and to specific metrics and targets. Information that describes connections shall be clear and concise.

~~125.~~123. When the sustainability ~~statements include~~statement includes monetary amounts or other quantitative data points that ~~are above~~exceed a threshold ~~for material information~~ of materiality and that are ~~directly~~ presented in the financial statements (direct connectivity between information disclosed in sustainability statement and information disclosed in financial statements~~,~~), the undertaking shall include a reference to the relevant paragraph of its financial statements where the corresponding information can be found.

~~126.~~124. ~~In some cases,~~The sustainability ~~statements~~statement may include monetary amounts or other quantitative datapoints ~~above~~that exceed a threshold ~~for material information~~of materiality and that are either an aggregation of, or a part of, monetary amounts or quantitative data presented in the undertaking's financial statements~~.~~ (indirect connectivity between information disclosed in sustainability statement and information disclosed in financial statements). If this is the case, the undertaking shall explain how these amounts or datapoints in the sustainability statement relate to the most relevant ~~amount(s)~~amounts presented in the financial statements. This disclosure shall include a reference to the line item and/or to the relevant ~~paragraph(s)~~paragraphs of its financial statements where the corresponding information can be found. ~~For material amounts~~Where appropriate, a reconciliation ~~shall~~may be provided, and it may be presented in a tabular form.

~~127.~~125. ~~When there is no direct or indirect link~~In the case of information not covered by paragraphs 123 and 124, the undertaking shall ~~state (explain,~~ based on a threshold ~~for material information)~~of materiality, the consistency of significant data, assumptions~~ used~~, and qualitative information included in its sustainability ~~statements~~statement with the corresponding data, assumptions and qualitative information included in the financial statements. This may occur when the sustainability ~~statements include~~statement includes:

a) monetary amounts or other quantitative data linked ~~or interdependent with~~to monetary amounts or other quantitative data presented in the financial statements~~, but a direct reconciliation is not possible~~; or
b) qualitative information linked ~~or interdependent on~~to qualitative information presented in the financial statements.

~~128.~~126. Consistency as required by paragraph ~~127127~~125 shall be at the level of a single datapoint and shall include a reference to the relevant line item ~~/~~or paragraph of ~~a footnote of~~notes to the financial statements. When significant data, assumptions and qualitative information are not consistent, the undertaking shall state that fact and explain the reason.

~~129.~~127. Examples of items for which the ~~statement~~explanation in paragraph ~~127,127 subject to the threshold for material information,~~123 is required, are:

a) when the same metric is presented as of the reporting date in financial statements and ~~in~~as a forecast for future periods in the sustainability ~~statements~~statement; and
b) when macroeconomic or business projections are used to develop metrics in the sustainability ~~statements~~statement and they are also relevant in estimating the recoverable amount of assets, the amount of liabilities or provisions in financial statements.

~~130.~~128. Topical and sector-~~specifi~~specific ESRS may include requirements to include reconciliations or to illustrate consistency of data and assumptions for specific Disclosure Requirements. In such cases, the requirements in ~~these~~those ESRS shall prevail.

10~~.~~ Transitional provisions

10.1~~.~~ Transitional provision related to section 1.4 Entity-specific disclosures

~~131.~~129. The extent to which sustainability matters are covered by ESRS is expected to evolve as further ~~sector-agnostic and sector-specific~~ Disclosure Requirements are developed. Therefore, the need for entity-specific disclosures is likely to decrease over time.

~~132.~~130. When defining its entity-specific disclosures, the undertaking may adopt transitional measures for their preparation in the first three annual sustainability statements under which it shall as a priority:

a) introduce in its reporting those entity-specific disclosures that it reported in prior periods, if these disclosures meet or are adapted to meet the qualitative characteristics of information referred to under chapter 2 of this Standard; and

b) complement its disclosures~~,~~ prepared on the basis of the topical ESRS~~,~~ with an appropriate set of additional disclosures to cover sustainability matters that are material for the undertaking in its sector(s), using ~~the~~ available best practice and/or available frameworks or reporting standards ~~[~~, such as ~~Appendix B for~~ IFRS ~~S2 (industry~~sector-specific ~~climate standard)~~material and GRI Sector Standards~~]~~.

10.2 Transitional provision related to chapter 5 Value chain

~~133.~~131. For the first three years of the undertaking's sustainability reporting under the ESRS, ~~if some of~~in the event that not all the necessary information regarding ~~the~~its value chain is ~~not~~ available, the undertaking shall explain the efforts made to obtain the ~~value chain~~necessary information about its value chain, the reasons why ~~this~~not all of the necessary information could ~~not~~ be obtained, and ~~the~~its plans ~~of the undertaking~~ to obtain ~~such~~the necessary information in the future. ~~Regardless of these limitations, the undertaking is expected to use in-house available value chain information (such as data already available to the undertaking and publicly available information) when applying chapter 5 of this Standard in the first three years.~~

~~134.~~132. For the first three years of its sustainability reporting under the ESRS, in order to take account of the difficulties that undertakings may encounter in gathering information from actors throughout their value chain and in order to limit the burden for SMEs ~~that are a part of~~in the value chain:

~~a) the undertaking is not required to include~~ when disclosing information on ~~impacts, risks and opportunities connected with its upstream and/or downstream value chain (as required by paragraph 67), except for the datapoints listed in ESRS 2 Appendix C; and~~

~~b)~~a)~~the undertaking may limit to value chain information available in-house the information included on impacts, risks and opportunities connected with its upstream and/or downstream value chain (as required by paragraph 66), when applying the ESRS 2 and the Disclosure Requirements on~~ policies, actions and targets in ~~all the topical ESRS.~~accordance with ESRS2 and other ESRS, the undertaking may limit value chain information to information available in-house, such as data already available to the undertaking and publicly available information; and

b) when disclosing metrics, the undertaking is not required to include value chain information, except for datapoints derived from other EU legislation, as listed in ESRS 2 Appendix B.

133. Paragraphs 1131 and 132 apply irrespective of whether or not the relevant actor in the value chain is an SME.

~~135.~~134. Starting from the fourth year of its reporting under the ESRS, the undertaking shall include value chain ~~informationaccording~~information according to paragraph ~~6767~~67. In this context, the information required by ESRS to be obtained from SME undertakings in the undertaking's value chain will not exceed the content of the future ESRS ~~standard on~~for listed SMEs.

10.3 Transitional provision related to section 7.1 Presenting comparative information

~~136.~~135. To ease the first-time application of this Standard, the undertaking ~~may defer~~is not required to disclose the ~~presentation of~~ comparative information~~, as~~ required by section 7.1 Presenting comparative information~~, by one~~ in the first year of preparation of the sustainability statement under the ESRS.

10.4 Transitional provision: List of Disclosure Requirements that are phased-in for ESRS to year 2 or subsequent years

~~137.~~136. Appendix ~~D~~C List of phased-in Disclosure Requirements in this Standard sets phase-~~-~~in provisions for the Disclosure Requirements or datapoints of Disclosure Requirements in topical ESRS that may be omitted or that are not applicable in the first year(s) of preparation of the sustainability ~~statements~~statement under the ESRS.

Appendix ~~B~~A: Application Requirements

This appendix is an integral part of ESRS 1 and has the same authority as the other parts of the Standard.

Application requirements – Entity specific disclosures

AR 1. The entity-specific disclosures shall enable users to understand the undertaking's impacts, risks and opportunities in relation to environmental, social or governance matters.

AR 2. When developing entity-specific disclosures, the undertaking shall ensure that:

a) the disclosures meet the qualitative characteristics of information as set out in chapter 2 Qualitative characteristics of information; and

b) its disclosures include, where applicable, all material information related to the reporting areas of governance; strategy; impact, risk and opportunity management; and metrics and targets (see ESRS 2 chapters 2 to 5).

AR 3. When determining the usefulness of metrics for inclusion in its entity-specific disclosures, the undertaking shall consider whether:

a) its chosen performance metrics provide insight into:

i. how effective its practices are in reducing negative outcomes and/or increasing positive outcomes for people and the environment (for impacts); and/or

ii. the likelihood that its practices result in financial effects on the undertaking (for risks and opportunities);

b) the measured outcomes are sufficiently reliable, meaning that they do not involve an excessive number of assumptions and unknowns that would render the metrics too arbitrary to provide a faithful representation; and

c) it has provided sufficient contextual information to interpret performance metrics appropriately, and whether variations in such contextual information may impact the comparability of the metrics over time.

AR 4. When developing its entity-specific disclosures, the undertaking shall carefully consider:

a) comparability between undertakings, while still ensuring relevance of the information provided, recognising that comparability may be limited for entity- specific disclosures. The undertaking shall consider whether the available and relevant frameworks, initiatives, reporting standards and benchmarks (such as technical material issued by the International Sustainability Standards Board or the Global Reporting Initiative) provide elements that can support comparability to the maximum extent possible; and

b) comparability over time: consistency of methodologies and disclosures is a key factor for achieving comparability over time.

AR 5. Further guidance for developing entity-specific disclosures can be found by considering the information required under topical ESRS that addresses similar sustainability matters.

3.3 Application requirements – Double materiality

Stakeholders and their relevance to the materiality assessment process

~~AR 1.~~AR 6. ~~Stakeholders and their relevance to the materiality assessment process.~~ In addition to the categories of stakeholder listed in paragraph ~~26~~22, common categories of stakeholders are: employees and other workers, suppliers, consumers, customers, end- users, local communities and persons in vulnerable ~~groups,~~situations, and public authorities ~~(~~, including regulators, supervisors and central banks~~)~~.

~~AR 2.~~AR 7. Nature may be considered as a silent stakeholder. In this case, ecological data and data on the conservation of species may support the undertaking's materiality assessment.

~~AR 3.~~AR 8. Materiality assessment is informed by the dialogue with affected stakeholders. The undertaking may engage with affected stakeholders or their representatives (such as employees or trade unions), along with users of sustainability reporting and other experts, to provide inputs or feedback on its conclusions regarding its material impacts, risks and opportunities.

Assessment of impact materiality

~~AR 4.~~AR 9. In assessing impact materiality and determining the material matters to be reported, the undertaking shall consider the following four steps:

a) understanding of the context in relation to its impacts including its activities, business relationships, ~~sustainability context~~ and stakeholders;
b) identification of actual and potential impacts (both negative and positive), including through engaging with relevant stakeholders and experts. In this step, the undertaking may rely on scientific and analytical research on impacts on sustainability matters;
c) assessment of the materiality of its actual and potential impacts; and
d) determination of the material matters. In this step, the undertaking shall adopt thresholds to determine which of the impacts will be covered in its sustainability ~~statements~~statement.

Characteristics of severity

~~AR 5.~~AR 10. The severity is determined by the following factors:

a) scale: how grave the negative impact is or how beneficial the positive impact is for people or the environment;
b) scope: how widespread the negative or positive impacts are. In the case of environmental impacts, the scope may be understood as the extent of environmental damage or a geographical perimeter. In the case of impacts on people, the scope may be understood as the number of people adversely affected; and
c) irremediable character: whether and to what extent the negative impacts could be remediated, i.e., restoring the environment or affected people to their prior state.

~~AR 6.~~AR 11. Any of the three characteristics (scale, scope, and irremediable character) can make a negative impact severe. In the case of a potential negative human rights impact, the severity of the impact takes precedence over its likelihood.

Impacts ~~directly linked to~~connected with the undertaking

~~AR 7.~~AR 12. As an illustration:

a) if the undertaking uses cobalt in its products that is mined using child labour, the negative impact (i.e., child labour) is ~~directly linked to~~connected with the undertaking's products through the tiers of business relationships in its value chain. These relationships include the smelter and minerals trader and the mining enterprise that uses child labour~~, even though the undertaking has not caused or contributed to the negative impact itself~~; and

b) if the undertaking provides financial loans to an enterprise for business activities that, in breach of agreed standards, result in the contamination of water and land surrounding the operations, this negative impact is ~~directly linked to~~connected with the undertaking through its relationship with the enterprise it provides the loans to.

Assessment of financial materiality

~~AR 8.~~AR 13. The following are examples of how impacts and dependencies are sources of risks or opportunities:

a) when the undertaking's business model depends, on a natural resource – for example water – it is likely to be affected by changes in the quality, availability and pricing of that resource;
b) when the undertaking's activities result in negative impacts, e.g., on local communities, the activities could become subject to stricter government regulation and/or the impact could trigger consequences of a reputational nature. These have negative effects on the undertaking's brand and higher recruitment costs might arise; and
c) when the undertaking's business partners face material sustainability-related risks, the undertaking could be exposed to related consequences as well.

~~AR 9.~~AR 14. The identification of risks and opportunities that ~~affect~~have a material influence, or ~~may affect~~could reasonably be expected to have a material influence, on the undertaking's financial ~~development,~~ position, financial performance~~ and position~~, cash flows, access to finance or cost of capital over the short-, medium- or long-term is the starting point for financial materiality assessment. In this context, the undertaking shall consider:

a) the existence of dependencies ~~from~~on natural and social resources as sources of financial effects (see ~~paragraph)54;~~paragraph50);
~~b) the materiality of these dependencies;~~
~~c)~~b) their classification as sources of:
   i. risks (contributing to negative deviation in future expected cash inflows or increase in deviation in future expected cash outflows and/or negative deviation from an expected change in capitals not recognised in the financial statements); or
   ii. opportunities (contributing to positive deviation in future expected cash inflows or decrease in deviation in future cash outflows and/or positive deviation from expected change in capitals not recognised in financial statements).

~~AR 10.~~AR 15. Once the undertaking has identified its risks and opportunities, it shall determine which of them are material for reporting. This shall be based on a combination of (i) the likelihood of occurrence and (ii) the potential ~~size~~magnitude of financial effects determined on the basis of appropriate thresholds. In this step it shall consider the contribution of those risks and opportunities to financial effects in the short-, medium- and long-term time horizons based on:

a) scenarios/forecasts that are deemed likely to materialise; and
b) potential ~~material~~ financial effects related to sustainability matters deriving either from situations with a below the "more likely than not" threshold or assets/liabilities not (or not yet) reflected in financial statements. This includes:
   i. potential situations that following the occurrence of future events may affect cash flow generation potential;
   ii. ~~capitals~~Capitals that are not recognised as assets from an accounting and financial reporting perspective but have a significant influence on financial performance, such as natural, intellectual (organisational), human, social and relationship capitals; and
   iii. ~~possible~~Possible future events that may have an influence on the evolution of such capitals.

Sustainability matters to be included in the materiality assessment

~~AR 11.~~ When performing its materiality assessment, the undertaking shall consider the following list of sustainability matters covered in the topical ESRS. When, as a result of the undertaking's materiality assessment (see ESRS 2 IRO-1), a given sustainability matter in this list is assessed to be material, the undertaking shall report according to the corresponding Disclosure Requirements of the relevant topical ESRS.

~~AR 12.~~AR 16. Using this list is not a substitute for the process of determining material matters. This list is a tool to support the undertaking's materiality assessment. The undertaking still needs to consider its own specific circumstances when determining its material matters. The undertaking also shall develop entity-specific disclosures on material impacts, risks and opportunities not covered by ESRS as described in ~~section 1.4~~paragraph 11 of this Standard.

Tabelle

5.2 Application ~~requirements~~Requirements – Estimation using ~~sector~~sectir averages and ~~proxies~~proxis

~~AR 13.~~AR 17. When ~~collecting~~the undertaking cannot collect value chain information as required by paragraph ~~6767 is impracticable, the undertaking~~ 63 after making reasonable efforts to do so, it shall estimate the information to be reported using all reasonable and supportable information that is available to the undertaking at the reporting date without undue cost or effort. This includes, but is not limited to, internal and external information, such as data from indirect sources, sector-average data, sample analyses, market and peer groups data, other proxies or spend-based data.

~~AR 14. When extending the information about the reporting undertaking to include value chain information in accordance with paragraph,67 only the elements of the value chain with material impacts, risks or opportunities are reported on. For instance, the undertaking may - based on the materiality assessment - consider the matters working conditions and affected communities to be material for a group of farmers, while the CO2-emissions are material in other parts of the value chain.~~

8.2 Application requirements ~~–~~ – Content and structure of the sustainability ~~statements~~statement

~~AR 15.~~AR 18. As an illustration for paragraph ~~in116~~114 in section 8.2 Content and structure of the sustainability ~~statements~~statement of this Standard, the undertaking that covers environmental and social matters in the same policy may cross-refer. That means that the undertaking may report on the policy in its environmental disclosures and cross-refer to it from the relevant social disclosures or vice versa. Consolidated presentation of policies across topics is allowed.

Appendix ~~C:~~B Qualitative characteristics of information

This appendix is an integral part of ESRS 1 and has the same authority as the other parts of the Standard.

This appendix ~~states~~defines the qualitative characteristics that the information presented in the sustainability ~~statements~~statement prepared according to ESRS shall meet.

Relevance

QC 1. Sustainability information is relevant when it may make a difference in the decisions of users under a double materiality approach (see chapter 3 of this Standard).

QC 2. Information may make a difference in a decision even if some users choose not to take advantage of it or are already aware of it from other sources. Sustainability information may impact decisions of users if it has predictive value, confirmatory value or both. Information has predictive value if it can be used as an input to processes employed by users to predict future outcomes. Sustainability information does not need to be a prediction or forecast to have predictive value, but rather has predictive value if employed by users in making their own predictions.

QC 3. Information has confirmatory value if it provides feedback about (confirms or changes) previous evaluations.

QC 4. Materiality is an entity-specific aspect of relevance based on the nature or magnitude, or both, of the items to which the information relates, as assessed in the context of the undertaking's sustainability reporting (see chapter 3 of this Standard).

Faithful representation

QC 5. To be useful, the information must not only represent relevant phenomena, it must also faithfully represent the substance of the phenomena that it purports to represent. Faithful representation requires information to be (i) complete, (ii) neutral and (iii) free from error.

QC 6. A complete depiction of an impact, a risk or an opportunity includes all material information necessary for the users to understand that impact, risk or opportunity. This includes how the undertaking has adapted its strategy, risk management and governance in response to that impact, risk or opportunity, as well as the metrics identified to set targets and measure performance.

QC 7. A neutral depiction is without bias in its selection or disclosure of information. Information is neutral if it is not slanted, weighted, emphasised, de-emphasised or otherwise manipulated to make it more likely that the users will receive that information favourably or unfavourably. It shall be balanced, so as to cover favourable/positive and unfavourable/negative aspects. Both negative and positive material impacts from an impact materiality perspective as well as material risks and opportunities from a financial materiality perspective shall receive equal attention. Any aspirational sustainability information, for example targets or plans, shall cover both aspirations and factors that could prevent the undertaking from achieving these aspirations in order to have a neutral depiction.

QC 8. Neutrality is supported by the exercise of prudence which is the exercise of caution when making judgements under conditions of uncertainty. Information shall not be netted or compensated to be neutral. The exercise of prudence means that opportunities are not overstated and risks are not understated. Equally, the exercise of prudence does not allow for the understatement of opportunities or the overstatement of risks. The undertaking may present net information, ~~if its~~in addition to ~~absolute~~gross values, if such presentation does not obscure relevant information and includes a clear explanation about the effects of the netting and the reasons for the netting.

QC 9. Information can be accurate without being perfectly precise in all respects. Accurate information implies that the undertaking has implemented adequate processes and internal controls to avoid material errors or material misstatements. As such, estimates shall be presented with a clear emphasis on their possible limitations and associated uncertainty (see section 7.2 of this Standard). The amount of precision needed and attainable, and the factors that make information accurate, depend on the nature of the information and the nature of the matters it addresses. For example, accuracy requires that:

a) factual information is free from material error;
b) descriptions are precise;
c) estimates, approximations and forecasts are clearly identified as such;
d) no material errors have been made in selecting and applying an appropriate process for developing an estimate, approximation or forecast, and the inputs to that process are reasonable and supportable;
e) assertions are reasonable and based on information of sufficient quality and quantity; and
f) information about judgements about the future faithfully reflects both those judgements and the information on which they are based.

Comparability

QC 10. Sustainability information is comparable when it can be compared with information provided by the undertaking in previous periods and, can be compared with information provided by other undertakings, in particular those with similar activities or operating within the same industry. A point of reference for comparison can be a target, a baseline, an industry benchmark, comparable information from either other undertakings or from an internationally recognised organisation, etc.

QC 11. Consistency is related to, but is not the same as, comparability. Consistency refers to the use of the same approaches or methods for the same sustainability matter, from period to period by the undertaking and other undertakings. Consistency helps to achieve the goal of comparability.

QC 12. Comparability is not uniformity. For information to be comparable, like components shall look alike and different components shall look different. Comparability of sustainability information is not enhanced by making unlike things look alike any more than it is enhanced by making like things look different.

Verifiability

QC 13. Verifiability helps to give users confidence that information is complete, neutral and accurate. Sustainability information is verifiable if it is possible to corroborate ~~either such~~the information itself or the inputs used to derive it.

QC 14. Verifiability means that various knowledgeable and independent observers could reach consensus, although not necessarily complete agreement, that a particular depiction is a faithful representation. Sustainability information shall be provided in a way that enhances ~~their~~its verifiability, for example:

a) including information that can be corroborated by comparing it with other information available to users about the undertaking's business, about other businesses or about the external environment;
b) providing information about inputs and methods of calculation used to produce estimates or approximations; and
c) providing information reviewed and agreed by the administrative, management and supervisory bodies or their committees.

QC 15. Some sustainability information will be in the form of explanations or forward-looking information. Those disclosures can be supportable by faithfully representing on a factual basis for example the strategies, plans and risk analyses of the undertaking. To help users decide whether to use such information, the undertaking shall describe the underlying assumptions and methods of producing the information, as well as other factors that provide evidence that verify that it reflects the actual plans or decisions made by the undertaking.

Understandability

QC 16. Sustainability information is understandable when it is clear~~,~~ and concise. Understandable information enables any ~~reasonable~~reasonably knowledgeable user to readily comprehend the information being communicated.

QC 17. For sustainability disclosures to be concise, they need to (a) avoid generic “boilerplate” information, which is not specific to the undertaking; (b) avoid unnecessary duplication of information, including information also provided in financial statements; and (c) use clear language and well-structured sentences and paragraphs. Concise disclosures shall only include material information. Complementary information presented pursuant to paragraph ~~shall115~~113 shall be provided in a way that avoids obscuring material information.

QC 18. Clarity might be enhanced by distinguishing information about developments in the reporting period from “standing” information that remains relatively unchanged~~,~~ from one period to the next. This can be done, for example, by separately describing features of the undertaking’s sustainability-related governance and risk management processes that have changed since the previous reporting period compared to those that remain unchanged.

QC 19. The completeness, clarity and comparability of sustainability disclosures all rely on information being presented as a coherent whole. For sustainability disclosures to be coherent, they shall be presented in a way that explains the context and the relationships between the related information. Coherence also requires the undertaking to provide information in a way that allows users to relate information about its sustainability-related impacts, risks and opportunities to information in the undertaking’s financial statements.

QC 20. If sustainability-related risks and opportunities discussed in the financial statements have implications for sustainability reporting, the undertaking shall include in the sustainability ~~statements~~statement the information necessary for users to assess those implications and present appropriate links to the financial statements (see chapter 9 of this Standard). The level of information, granularity and technicality shall be aligned with the needs and expectations of users. Abbreviations shall be avoided and the units of measure shall be defined and disclosed.