Contribution ID: c5691c7c-b0a4-49ee-b30f-db37fe10da31
Date: 04/08/2022 09:17:23

EFRAG Sustainability Reporting Board Consultation Survey 1

Fields marked with * are mandatory.

EFRAG Sustainability Reporting Board Consultation Survey 1A - 1C, 2

Consultation survey structure

1. Overall European Sustainability Reporting Standards (ESRS) Exposure Drafts' relevance (Survey 1)

- 1A. Architecture
- 1B. Implementation of Corporate Sustainability Reporting Directive (CSRD) principles
- 1C. Exposure Drafts' content

2. European Sustainability Reporting Standards (ESRS) implementation prioritisation / phasing-in (Survey 1)

3. Adequacy of Disclosure Requirements (Survey 2)

- 3A. Cross cutting standards
- 3B Environmental standards
- 3C Social standards
- 3D Governance standards

Respondent Profile

1. Personal details

* Organisation name

50 character(s) maximum

Organismo Italiano di Contabilità (OIC)

* First name

50 character(s) maximum

Angelo

* Surname

50 character(s) maximum

Casò

* Email (this information will not be published or made public)

50 character(s) maximum

presidenza@fondazioneoic.it

* Country of origin

50 character(s) maximum

Italy

*** 2. Type of respondent**

- ○ Academic / research institution
- ○ Audit firm, assurance provider and/or accounting firm
- ○ Business association
- ○ Consumer organization
- ○ ESG reporting initiative
- ○ EU Citizen
- ○ Financial institution (Bank)
- ○ Financial institution (Other financial Market Participant, including pension funds and other asset managers)
- ○ Financial institution (Insurance)
- ● National Standard Setter
- ○ Non-governmental organisation
- ○ Non-financial corporation with securities listed on EU regulated markets
- ○ Non-financial corporation with securities listed outside EU regulated markets
- ○ Public authority/regulator/supervisor
- ○ Rating agency and analysts
- ○ Trade unions or other workers representatives
- ○ Unlisted non-financial corporations
- ○ Other

*** 3. Size**

- ○ Micro (1 to 9 employees)
- ○ Small (10 to 49 employees)
- ○ Medium (50 to 249 employees)
- ○ Large (250 or more employees)
- ● Not relevant

*** 4. User/Preparer perspective**

- ○ User
- ○ Preparer
- ○ Both
- ◉ Neither

*** 5. Subject to CSRD**

Separate non-financial corps subject to CSRD from those not subject to CSRD?

- ○ Yes
- ◉ No

EFRAG Sustainability Reporting Board Consultation Survey 1A - 1C, 2

1A. Overall ESRS Exposure Drafts' relevance – Architecture

Cross-cutting and topical standards

To facilitate a coherent coverage of the CSRD topics and reporting areas (as per Article 19a paragraph 2 and Article 19b paragraph 2 – see Appendix II) the Exposure Drafts ("EDs") submitted for public consultation are based upon two categories of standards:

• **Cross-cutting ESRS** which:

1. Establish the general principles to be followed when preparing sustainability reporting in line with the CSRD provisions
2. Mandate Disclosure Requirements ("DRs") aimed at providing an understanding of (a) strategy and business model, (b) governance and organisation, and (c) materiality assessment, covering all topics.

• **Topical ESRS** which, from a sector-agnostic perspective:

1. Provide topic-specific application guidance in relation to the cross-cutting DRs on strategy and business model, governance, materiality assessment
2. Mandate DRs about the undertaking's implementation of its sustainability-related objectives (i.e. on its policies, targets, actions and action plans, and allocation of resources)
3. Mandate performance measurement metrics.

A full list of standards and whether they are cross-cutting standards or topical standards can be found in Appendix I.

Q1: in your opinion, to what extent do the structure and articulation of cross-cutting and topical standards adequately support the coverage of CSRD topics and reporting areas?

- ○ Not at all

- To a limited extent with strong reservations
- (selected) To a large extent with some reservations
- Fully
- No opinion

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

> We think that cross cutting and topical standards provide a good coverage of CSRD topics and reporting areas. However, we highlight their complexity due to the excessive details of disclosure requirements.
> At this regard, as better represented in question 6, it would be important to assess whether some metrics required in the sector-agnostic standards are relevant only for specific sectors in order to avoid the risk both of having sustainability reports too voluminous and of overwhelming the users with a lot of information but not really important.
> Moreover, we suggest EFRAG to review the content of the application guidance to ensure that no additional disclosure requirement is added in the AG with respect to the DR of each standard.
> In addition, an appropriate alignment with final CSRD is required for example on governance matters.

Alignment and interoperability with international standards and frameworks

- Article 19b paragraph 3a of the CSRD requires that "When adopting delegated acts pursuant to paragraph 1, the Commission shall take account of the work of global standard-setting initiatives for sustainability reporting, and existing standards and frameworks for natural capital accounting, responsible business conduct, corporate social responsibility, and sustainable development."
- ESRS EDs were drafted accordingly, with the objective of fostering as much alignment as possible considering the constraints imposed by other provisions included in articles 19a and 19b as per the CSRD proposal. Details of these provisions and how they are covered by the ESRS EDs can be found in Appendix I.
- The structure and organisation of the reporting areas was one aspect of alignment to which particular attention was paid. Thus, the two categories of standards are organised to cover the reporting areas in relation to governance, strategy, assessment/management of impacts, risks and opportunities, and targets/metrics (as considered by the Task Force on Climate-Related Financial Disclosures - TCFD and source of inspiration for the IFRS Sustainability standards). A detailed mapping of the ESRS EDs disclosure requirements with TCFD recommendations and with IFRS Sustainability Exposure Drafts can be found in Appendices 5 and 6.

Q2: in your opinion, to what extent is the TCFD framework of reporting areas (governance, strategy, risk management and metrics/targets) compatible with the structure of the ESRS?

- Not at all
- To a limited extent with strong reservations
- (selected) To a large extent with some reservations
- Fully
- No opinion

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

We acknowledge that the structure of the ESRS may be compatible with the TCFD framework although the reporting areas are differently structured.

Q3: in your opinion, to what extent does the approach taken to structure the reporting areas promote interoperability between the ESRS and the IFRS Sustainability Exposure Drafts?

- ( ) Not at all
- (x) To a limited extent with strong reservations
- ( ) To a large extent with some reservations
- ( ) Fully
- ( ) No opinion

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

A precise comparison on the two sets of standards is currently not possible given the state of play of the two initiatives. In fact, only when a comparable regulatory framework will be available in its entirety (where the IFRS Foundation will have published the other topical standards and EFRAG developed the sectoral standards) it will be possible to provide you with an effective and concrete judgment on the coordination and complementarity between the two sets of standards.
Currently, the comparison is only possible with reference to the general principles and the climate standard, albeit to a limited extent as only the ISSB has already issued sectoral disclosures. The analysis revealed, in addition to the issue of double materiality which however characterizes the European approach, a misalignment regarding other critical profiles such as, for example, rebuttable presumption, cross-references, definition of financial materiality, definition of time horizons, presentation of predefined intermediate targets, the information along the value chain for which the IFRS allows the entity, with regard to scope 3, to omit it in the absence of faithful measure while EFRAG in those circumstances requires anyway for an approximation.
Differences in the setting, definitions and content between the two sets of standards will imply, at least from large companies, that entities will incur in significant administrative costs.
The CSRD states in recital 37 that “To avoid unnecessary regulatory fragmentation that may have negative consequences for undertakings operating globally, European standards should contribute to the process of convergence of sustainability reporting standards at global level, by supporting the work of the International Sustainability Standards Board (ISSB). European standards should reduce the risk of inconsistent reporting requirements on undertakings that operate globally by integrating the content of global baseline standards to be developed by the ISSB, to the extent that the content of the ISSB baseline standards is consistent with the EU’s legal framework and the objectives of the European Green Deal”.
In order to make effective the provision of the recital, a revision of the sector-agnostic standards is necessary to delete those disclosure not expressly required for by specific European regulations.
We strongly recommend EFRAG and IFRS to closely work together forthwith to ensure the coordination and integration between these standard-setting initiatives must be absolutely pursued.
It would not be good for the integration of the markets itself if there were differences such as to make the comparability of information by users complex or even to favor regulatory arbitrage.

Consideration given to EU policies and legislation

Article 19b paragraph 3 of the CSRD also requires that “When adopting delegated acts pursuant to paragraph 1, the Commission shall take account of:

1. the information that financial market participants need to comply with their disclosure obligations laid down in Regulation (EU) 2019/2088 and the delegated acts adopted pursuant to that Regulation - **Sustainable Finance Disclosure Requirements**;
2. the criteria set out in the delegated acts adopted pursuant to Regulation (EU) 2020/852 - **Taxonomy Regulation**;
3. the disclosure requirements applicable to benchmarks administrators in the benchmark statement and in the benchmark methodology and the minimum standards for the construction of EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks in accordance with Commission Delegated Regulations (EU) 2020/1816*8, (EU) 2020/1817 and (EU) 2020/1818 - **Benchmark Regulation**;
4. the disclosures specified in the implementing acts adopted pursuant to Article 434a of Regulation (EU) No 575/2013; **Prudential requirements for Credit Institutions and Investment Firms**;
5. Commission Recommendation 2013/179/EU; **European Commission recommendation on the life cycle environmental performance of products and services**;
6. Directive 2003/87/EC of the European Parliament and of the Council; **GHG allowance Directive**;
7. Regulation (EC) No 1221/2009 of the European Parliament and of the Council; **EMAS regulation**.

Q4: in your opinion, have these European legislation and initiatives been considered properly?

- ○ Not at all
- ○ To a limited extent with strong reservations
- ● To a large extent with some reservations
- ○ Fully
- ○ No opinion

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

We are not aware of any significant misalignment with respect to the European regulations taken into account.

Q5: are there any other European policies and legislation you would suggest should be considered more fully?

Coverage of sustainability topics

Article 19b paragraph 2 of the CSRD proposal defines the sustainability subject matters (referred to as sustainability topics or subtopics in the ESRS) that the sustainability reporting standards shall address when defining the sustainability information required by article 19a paragraphs 1 and 2 of the CSRD.

The ESRS architecture was designed to cover all the detailed subject matters listed in article 19b paragraph 2 for environment-, social- and governance-related matters and to ensure that sustainability information is reported in a carefully articulated manner.
In terms of timing of adoption of European sustainability reporting standards, article 19b paragraph 1 of the CSRD requires the Commission to adopt:

- a first set of sustainability standards covering the information required by article 19a and at least specifying information needed by financial market participants subject to the SFDR reporting obligations
- a second set of standards covering information that is specific to the sector in which undertakings operate.

Also, article 19c of the CSRD proposal on sustainability reporting standards for SMEs requires the Commission to adopt SME-proportionate standards in a second set.
As a consequence, as per article 19b paragraph 1, are only included in this first set of ESRS Exposure Drafts:

1. the two cross-cutting standards on General principles (ESRS 1) and on General, strategy, governance and materiality assessment (ESRS 2);
2. the eleven topical (sector-agnostic) standards covering environment- (ESRS E1 to E5), social- (ESRS S1 to S4) and governance-related (ESRS G1 and G2) sustainability topics.

A detailed list of ESRS EDs can be found in Appendix I. And the detailed provisions of the CSRD and how they are covered by the ESRS EDs can be found in Appendix II.

Q6: in your opinion, to what extent does the proposed coverage of set 1 adequately address CSRD sustainability topics?

- ○ Not at all
- ○ To a limited extent with strong reservations
- ◉ To a large extent with some reservations
- ○ Fully
- ○ No opinion

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

All the CSRD sustainability topics are covered in the proposed draft standard.
The information required in the ESRS standards appears very granular and complex. It is also noted that many of the information currently required as optional, for example by the GRI, are proposed as mandatory by the EFRAG standards.
The granularity and complexity are even more critical due to the lack of sectoral standards whose development would have made it possible to adequately assess whether some of the information proposed currently at the sector-agnostic level is instead more relevant for specific sectors.
Therefore, we recommend in this first phase, to limit the mandatory disclosure only to the key information and make the others optional or to provide an adequate phase-in such as to allow the standard setter to consider those requirements in conjunction with the development of the industry standards and the companies to have the time to implement them. Moreover, it will ensure an adequate level of comparability between entities on the key information.

The disclosure requirements that will result more challenging to implement are the ones which exceed the current reporting obligations and for which there is not, at the moment, a shared methodology for the reporting. This is true especially for those DRs which involve a financial estimation for impacts, risks and opportunities related to specific sustainability topics. We would suggest to plan a staggered implementation process, prioritizing those core KPIs, expressly referred to by the law, for which a specific methodology is available (also in order to foster comparability) and postpone those KPIs which are not yet mature for companies to disclose on.

Q7: in your opinion, to what extent does the proposed coverage of set 1 (see Appendix I) adequately address SFDR reporting obligations?

- ( ) Not at all
- ( ) To a limited extent with strong reservations
- (•) To a large extent with some reservations
- ( ) Fully
- ( ) No opinion

If you think this coverage and its implementation could be improved in any way, please specify how and to what specific SFDR indicator your comment relates

Sustainability statements and the links with other parts of corporate reporting

For clarity and ease of use, standardised sustainability reporting shall be easily identifiable within the management report (MR). To that effect, ESRS 1 – General principles (paragraphs 145 to 152) prescribes how to organise the information required by ESRS. It offers three options (paragraphs 148 and 149) for undertakings to consider when preparing their sustainability reporting:

- a single separately identifiable section of the MR;
- four separately identifiable parts of the MR:

1. General information;
2. Environment;
3. Social;
4. Governance

- one separately identifiable part per ESRS in the MR.

The first option is the preferred option. When applying the other two options the entity shall report a location table to identify where disclosures are presented in the MR.
In order to foster linkage throughout the undertaking's corporate reporting, ESRS 1 also:

- prescribes that the undertaking adopts presentation practices that promote cohesiveness between its sustainability reporting and: (a) the information provided in the other parts of the management report, (b) its financial statements (FS), and (c) other sustainability-related regulated information (paragraphs 131 to 134)

- promotes the incorporation of information by reference to other parts of the corporate reporting in order to avoid redundancy (paragraphs 135 and 136)
- organises connectivity with the financial statements by prescribing how to include monetary amounts or other quantitative data points directly presented in the financial statements (paragraphs 137 to 143).

Q8: Do you agree with the proposed three options?

- ( ) Yes
- (x) No
- ( ) No opinion

Q9: would you recommend any other option(s)?
If so, please describe the proposed alternative option(s)

> Given that the final CSRD requires that "sustainability information shall be clearly identifiable within the management report, through a dedicated section of the management report", it seems that the option 1 is the only viable option.

Q10: in your opinion, to what extent do you believe that connectivity between the sustainability reporting and other parts of the management report has been appropriately addressed?

- ( ) Not at all
- ( ) To a limited extent with strong reservations
- ( ) To a large extent with some reservations
- (x) Fully
- ( ) No opinion

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

Q11: in your opinion, to what extent does the incorporation of information in the Sustainability section by reference to other parts of the management report support cohesiveness throughout corporate reporting?

- ( ) Not at all
- (x) To a limited extent with strong reservations
- ( ) To a large extent with some reservations
- ( ) Fully
- ( ) No opinion

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

> We observe that the ESRS 1 para 135 states that elements of information mandated by a disclosure requirement of an ESRS may be incorporated by reference in the sustainability

statements to another section of the management report and that incorporation by reference is not allowed from reports other than the management report.
We understood that the EFRAG approach is providing only cross references within the same document (management report) and we are aware that this can better meet the general principles of completeness and verifiability. However, in order to avoid a duplication of information and too voluminous reports, we strongly recommend to introduce in ESRS 1 the possibility of incorporating information required by ESRSs by reference to the financial statements and other external documents (e.g pillar 3 ITS disclosures, corporate governance statements) as long as they are made available on the same terms (e.g. digitalisation) and at the same time of the sustainability statement.

Q12: in your opinion, to what extent do the requirements and provisions on how to include monetary amounts and other financial statement-related quantitative data into sustainability reporting support connectivity with the financial statements?

- ( ) Not at all
- (x) To a limited extent with strong reservations
- ( ) To a large extent with some reservations
- ( ) Fully
- ( ) No opinion

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

The connectivity is complex.
More practical guidance about monetary amounts and other financial statement-related quantitative data is needed because explaining financial effects that have not yet been recognised in financial statements may create confusion.
Therefore, we suggest that connectivity between financial and sustainability statements should be further investigated between the EFRAG Sustainability Reporting Board and EFRAG Financial Reporting Board.

1B. Overall ESRS Exposure Drafts relevance – Implementation of CSRD principles

Characteristics of information quality

Article 19a paragraph 2 of the CSRD proposal states that “the sustainability reporting standards referred to in paragraph 1 shall require that the information to be reported is understandable, relevant, representative, verifiable, comparable, and is represented in a faithful manner.”
As a consequence, ESRS 1 - *General principles* defines how such qualities of information shall be met:

- Relevance is defined in paragraphs 26 to 28
- Faithful representation is defined in paragraphs 29 to 32
- Comparability is defined in paragraphs 33 and 34
- Verifiability is defined in paragraphs 35 to 37
- Understandability is defined in paragraphs 38 to 41

Q13: to what extent do you think that the principle of relevance of sustainability information is adequately defined and prescribed?

- Not at all
- To a limited extent with strong reservations
- (x) To a large extent with some reservations
- Fully
- No opinion

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

> The information required in the Disclosure Requirements should be focused on the most relevant sustainability aspects and should not go into many specific details.
> The excessive granularity and complexity of the information required by the ESRS standards and the rebuttable presumption implementation could obscure the relevant information.
> For additional details please see Q6 on granularity, Q18-23 on materiality and Q24 on rebuttable presumption.

Q14: to what extent do you think that the principle of faithful representation of sustainability information is adequately defined and prescribed?

- Not at all
- To a limited extent with strong reservations
- (x) To a large extent with some reservations
- Fully
- No opinion

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

> The main issues are related to the following aspects:
> - information on the value chain: (identification of boundary, reliability of information and calculation methods, estimate of the information of the value chain when not available);
> - forward looking information.
> Finally, it is essential to request only metrics that can be determined with shared and consolidated methodologies.
> For each of these aspects it is necessary that the standards clearly define the application criteria and the determination methodologies in order to satisfy all the principles concerning the quality information. At this regard, clear methodologies and criteria to calculate metrics should be defined at sectoral level to favour the comparability within the sector.

Q15: to what extent do you think that the principle of comparability of sustainability information is adequately defined and prescribed?

- Not at all
- To a limited extent with strong reservations
- (x) To a large extent with some reservations
- Fully
- No opinion

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

See above Q14.

Q16: to what extent do you think that the principle of verifiability of sustainability information is adequately defined and prescribed?

- ○ Not at all
- ● To a limited extent with strong reservations
- ○ To a large extent with some reservations
- ○ Fully
- ○ No opinion

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

See above Q14.

Q17: to what extent do you think that the principle of understandability of sustainability information is adequately defined and prescribed?

- ○ Not at all
- ● To a limited extent with strong reservations
- ○ To a large extent with some reservations
- ○ Fully
- ○ No opinion

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

The ESRS 1 para 38 stated that "Sustainability information is understandable when it is clear and concise".
As already indicated in question 13, the excessive granularity and complexity of the information required by the ESRSs could compromise the understandability of the relevant sustainability information.
Therefore, it is necessary that the first set of standards, at least in this first phase, focus on the key information.

Double materiality

Double materiality is a principle that is central to the CSRD proposal and is represented accordingly in the ESRS materiality assessment approach that sustains the definition of mandatory requirements by the cross-cutting and topical standards. This is also true of the materiality assessment any undertaking is expected to perform, per ESRS 2 – *General, strategy, governance and materiality assessment*, to identify its principal sustainability risks, impacts and opportunities. This in turn, defines what sustainability information must be reported by the undertaking.

Double materiality assessment supports the determination of whether information on a sustainability matter has to be included in the undertaking's sustainability report. ESRS 1 paragraph 46 states that "a sustainability matter meets the criteria of double materiality if it is material from an impact perspective or from a financial perspective or from both." Further indications as to how to implement double materiality is given by ESRS 2 Disclosure Requirement 2-IRO 1, paragraph 74b(iii) and AG 68.

While recognising that both perspectives are intertwined the Exposure Drafts contain provisions about how to implement the two perspectives in their own rights.

Q18: in your opinion, to what extent does the definition of double materiality (as per ESRS 1 paragraph 46) foster the identification of sustainability information that would meet the needs of all stakeholders?

- ○ Not at all
- ● To a limited extent with strong reservations
- ○ To a large extent with some reservations
- ○ Fully
- ○ No opinion

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

> We note that the materiality definitions are not always aligned with those reported in appendix A.
> Critical issues were raised with particular reference to:
> · the implementation of double materiality concept (please see Q20-23 on impact and financial materiality) and
> · the identification of stakeholders. We consider that implementation of the double materiality principle does not require companies to address in their sustainability report the needs of all stakeholders. Therefore, it may be suggested to specify that the undertaking should define its principal stakeholders through its materiality assessment.
> "Stakeholders" are defined in paragraph 44 of the ED. These include both affected stakeholders and users. In order to identify all the stakeholders, it would be appropriate to explain in what the two categories of stakeholders differ and it is also recommended to include some examples of stakeholders that characterize the two categories identified (for example, who are the affected stakeholders, who are the users who are not included in the affected stakeholders).
> Moreover, we observe that through the standards there is reference to "key/relevant stakeholders" which is not clearly defined with respect to "User" and "Affected Stakeholder" definitions.

Q19: to what extent do you think that the proposed implementation of double materiality (as per ESRS 2-IRO 1, paragraph 74b(iii) and AG 61) is practically feasible?

- ○ Not at all
- ● To a limited extent with strong reservations
- ○ To a large extent with some reservations
- ○ Fully
- ○ No opinion

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

> Examples should be included (for example of events that are material only from the impact perspective and not also from the financial perspective) and more guidance to apply double materiality.
> For details see the following questions (respectively Impact Materiality and Financial materiality).

Impact materiality

- A definition of impact materiality is given by ESRS 1 paragraph 49: "a sustainability matter is material from an impact perspective if the undertaking is connected to actual or potential significant impacts on people or the environment over the short, medium or long term. This includes impacts directly caused or contributed to by the undertaking and impacts which are otherwise directly linked to the undertaking's upstream and downstream value chain."
- A description of how to determine impact materiality and implement impact materiality assessment can be found in ESRS 1 *paragraph 51* and is complemented by ESRS 2 *Disclosure Requirement* 2-IRO 1, paragraph 74b(iii), AG 64 and AG 68.

Q20: in your opinion, to what extent is the definition of impact materiality (as per ESRS 1 paragraph 49) aligned with that of international standards?

- ○ Not at all
- ● To a limited extent with strong reservations
- ○ To a large extent with some reservations
- ○ Fully
- ○ No opinion

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

Q21: to what extent do your think that the determination and implementation of impact materiality (as proposed by ESRS 1 paragraph 51) is practically feasible?

- ○ Not at all
- ● To a limited extent with strong reservations
- ○ To a large extent with some reservations
- ○ Fully
- ○ No opinion

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

> The impact materiality, which in the EFRAG perspective can also disregard the related financial effects, should be regulated more clearly in the ESRSs.
> In fact, it is necessary to establish whether the driver to assess the materiality of an impact is the relevance

for the stakeholder or the relevance for the company.
If the intention was to give ample emphasis to the reference that the CSRD makes to public good, and which is taken up in the definition of materiality by EFRAG, the first hypothesis would prevail: ie the relevance for the stakeholder applies.
Therefore, in this case, a phenomenon that pervasively impacts on a small stakeholder would also be reported without, in any way, taking into account the size of the entity.
We observe that this approach, on the one hand, will require an improvement in the conduction of the stakeholder engagement activity and, on the other hand, will inevitably increase the volume of information.
On the contrary, if the intention was to measure the materiality of an impact on the external environment by relating the event with the size of the company, it is clear that it will be problematic to determine which indicators needed to be disclosed and which not.
The cross-cutting standard needs to clarify which of the above-mentioned approaches is to be considered and the criteria applying them.

Financial materiality

- A definition of financial materiality is given by ESRS 1 paragraph 53: “a matter is material from a financial perspective if it triggers or may trigger significant financial effects on the undertaking, i.e., it generates risks or opportunities that influence or are likely to influence the future cash flows and therefore the enterprise value of the undertaking in the short, medium or long term, but it is not captured or not yet fully captured by financial reporting at the reporting date.”
- A description of how to determine financial materiality and implement financial materiality assessment can be found in ESRS 1 paragraphs 54 to 56 and is complemented by ESRS 2 Disclosure Requirement 2-IRO 1, paragraph 74b(iii), AG 65 and AG 69.

Q22: in your opinion, to what extent is the definition of financial materiality (as per ESRS 1 paragraph 53) aligned with that of international standards?

- ○ Not at all
- ◉ To a limited extent with strong reservations
- ○ To a large extent with some reservations
- ○ Fully
- ○ No opinion

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

Financial materiality, whether it refers to phenomena captured in the financial statements or to longer-term phenomena that do not meet the criteria to be recognized in the financial
statements at the reporting date, should be assessed according to the investor's perspective as defined by the international accounting standards and by the Accounting Directive.
In fact, the financial materiality in the sustainability report, regardless of whether it derives from a risk (e.g. physical risk) / opportunity or whether it is a consequence of an impact that the company generates on the external environment, it is not clear why it should be measured with different criteria than the financial materiality in the financial statements.
An investor can be misled by both omitted or incorrect financial information in the financial
statements and omitted or incorrect financial information to be included only in the sustainability report, such as, for example, financial forward-looking information.

Q23: to what extent do you think that the determination and implementation of financial materiality (as proposed by ESRS 1 paragraphs 54 to 56) is practically feasible?

- ○ Not at all
- ● To a limited extent with strong reservations
- ○ To a large extent with some reservations
- ○ Fully
- ○ No opinion

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

> The financial materiality perspective requires companies to determine the potential financial effects on the position and performance of the company in the short, medium and long term. However, unlike the climate standard, which indicates the specific indicators to be disclosed, in the other environmental standards (pollution, water and marine resources, biodiversity and ecosystems and circular economy) the financial indicators are not defined and any application guidance is provided.
> It should also be noted that the potential information as required by the ESRS refers to timelines that may not always coincide with the time frames of the financial planning of companies.
> Since this is a forecast information, and then delicate by definition, it was represented by our stakeholders that the lack of link with the financial planning, which follows a preparatory and approval process by the company, could jeopardize the quality of financial information provided over different time horizons.
> For both the observations, given that today, at least from the feedbacks gained from our stakeholders, the companies do not provide such information, we suggest to introduce a phase-in solution and, in any case, to provide that the undertaking discloses qualitative information if providing quantitative information is impracticable to do as already required only for the climate standard.

(Materiality) Rebuttable presumption

Central to the ESRS is the critical combination of two key elements:

- the mandatory nature of disclosure requirements prescribed by ESRS, and
- the pivotal importance of the assessment by the undertaking of its material impacts, risks and opportunities.

The combination of the two is designed to make sure that the entity will report on its material impacts, risks and opportunities, but on all of them.
The assessment of materiality applies not just to a given sustainability matter covered by a given ESRS (like ESRS E3 on biodiversity for example), but also to each one of the specific disclosure requirements included in that ESRS. However, this excludes the cross-cutting standards and related disclosure requirements, which are always material and must be reported in all cases.
When a sustainability matter is deemed material as a result of its materiality assessment, the undertaking must apply the requirements in ESRS related to these material matters (except for the few optional requirements identified as such in ESRS). Conversely, disclosure requirements in ESRS that relate to matters that are not material for the undertaking are not to be reported.
The (materiality) rebuttable presumption mechanism described in ESRS 1 paragraphs 57 to 62 aims at supporting the implementation and documentation of the materiality assessment of the undertaking at a granular level.

ESRS 1 paragraphs 58 to 62 describe how to implement the rebuttable presumption principles. In particular, “The undertaking shall therefore assess for each ESRS and, when relevant, for a group of disclosure requirements related to a specific aspect covered by an ESRS if the presumption is rebutted for:

1. all of the mandatory disclosures of an entire ESRS or
2. a group of DR related to a specific aspect covered by an ESRS,

Based on reasonable and supportable evidence, in which case it is deemed to be complied with through a statement that:

1. the ESRS or
2. the group of DR is “not material for the undertaking”.

Q24: to what extent do you think that the (materiality) rebuttable presumption and its proposed implementation will support relevant, accurate and efficient documentation of the results of the materiality assessment?

- (x) Not at all
- ( ) To a limited extent with strong reservations
- ( ) To a large extent with some reservations
- ( ) Fully
- ( ) No opinion

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

We disagree with this approach because it obliges the company to explain, based on reasonable and supportable evidence, because (i) all of the mandatory disclosures of an entire ESRS, or (ii) a group of disclosure requirements related to a specific aspect covered by an ESRS are not material for the undertaking’ s facts and circumstance.
In fact, according to the point of view of the preparers, it would be preferable to let the companies defining, according to their own materiality analysis, the information to report rather than having to justify why a matter addressed in the standards is not material. Also considering the burden of applying the rebuttable presumption, companies could choose to provide all the information required by the standards, even if not material, with the risk of obscuring significant aspects.
More guidance is needed on the application of the "rebuttable presumption" to facilitate entities in the process of considering a non-material topic (see sections on Materiality).
To make it effective and to leave the "rebuttable presumption" as a residual principle, it would be necessary to limit the number of agnostic KPIs, as already said about the granularity of information, and move most of the KPIs to the sector-specific standards. Indeed, it is more reasonable to require a company to justify why certain aspects considered material for its sector are not significant for the company itself.
The rebuttable presumption, as proposed in the standards, allows the company not to provide information only in the hypothesis of its non-materiality. However, it is noted that there may be other reasons that justify the entity not providing a particular disclosure.
In fact, EFRAG itself already allows, with regard to specific aspects (e.g. policy, target, action plan), not to provide disclosure if the entity does not have these elements.
In this regard, we recommend EFRAG not to limit this faculty to specific cases but to set it as general principle for all disclosures as well as to extend the hypotheses of omission to the further cases currently envisaged by GRI 1.
In addition, we note that there seems to be a misalignment between the general provisions in ESRS 1 (para. 62) and the related Basis for conclusion.

In fact, the ESRS 1 indicates that an individual disclosure requirement, or an individual datapoint mandated by a disclosure requirement has been rebutted may be omitted and therefore considered implicitly disclosed as ‘not material for the undertaking’.
However, in the basis for the conclusion (BC56b) it is indicated that "The rebuttable presumption principle gives the undertaking the possibility, if justified, to not disclose an individual disclosure requirement or an individual datapoint mandated by a disclosure requirement (see paragraph 62)".
Therefore, a justification seems to be required also for individual disclosure requirement or an individual datapoint.
However, in the case that EFRAG retains the rebuttable presumption, more guidelines should be provided to clarify the concept of “group of disclosure requirements” and it is necessary to clarify that no justification needs to be provided if individual disclosure requirement or individual datapoint is not material.

Q25: what would you say are the advantages of the (materiality) rebuttable presumption and its proposed implementation?

Q26: what would you say are the disadvantages of the (materiality) rebuttable presumption and its proposed implementation?

See Q24.

Q27: how would you suggest it can be improved?

See Q24.

Reporting boundary and value chain

ESRS 1 paragraphs 63 to 65 define the reporting boundary of the undertaking and how and when it is expanded when relevant for the identification and assessment of principal impacts, risks and opportunities upstream and downstream its value chain – as the financial and/or impact materiality of a sustainability matter is not constrained to matters that are within the control of the undertaking.

Paragraphs 67 and 68 address the situation when collecting the information about the upstream and downstream value chain may be impracticable, i.e. the undertaking cannot collect the necessary information after making every reasonable effort, and allows approximation based on the use of all reasonable and supportable information, including peer group or sector data.

Due to the dynamics and causal connections between levels within the undertaking's reporting boundary, material information is not constrained to one particular level. Paragraphs 72 to 77 prescribe how the undertaking shall consider the appropriate level of disaggregation of information to ensure it represents the undertaking's principal impacts, risks and opportunities in a relevant and faithful manner.

Q28: in your opinion, to what extent would approximation of information on the value chain that cannot (practically) be collected contribute to the reporting of understandable, relevant, verifiable, comparable, and faithfully represented sustainability information?

- (selected) Not at all
- To a limited extent with strong reservations
- To a large extent with some reservations
- Fully
- No opinion

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

The CSRD states that where applicable, the sustainability information shall contain information about the group's own operations, and about its value chain, including products and services, its business relationships and its supply chain.
Consequently, the ESRS 1 provides that the undertaking's reporting boundary for its sustainability reporting is the one retained for its financial statements expanded to its upstream and downstream value chain. The undertaking's reporting boundary is expanded when the integration of information on impacts, risks and opportunities on matters connected to the undertaking by its direct and indirect business relationships in the upstream and/or downstream value chain is necessary to:
(a) allow users of sustainability reporting to understand the undertaking's material impacts and how material sustainability-related risks and opportunities affect the undertaking's development, performance and position; and
(b) produce a set of complete information.
The draft EFRAG topical standards are built on the relative presumption that the value chain is important for the company in light of the provisions of ESRS 1 and therefore require companies to provide information on impacts, risks and opportunities with reference to both their operations as well as those of their value chain, upstream and downstream.
Therefore, in this case, at least the following three issues arise:
1. definition of the subjects to be considered in the value chain;
2. definition of the information to be acquired from these subjects;
3. availability and verifiability of the value chain information.
In the interest of comparability and verifiability of information, it would be desirable that the ESRS defined the criteria to determine the perimeter of the value chain by providing a rationale for it. For example, by delimiting the value chain to significant and stable relationships over time, as proposed in the draft on Corporate Sustainability Due Diligence.
It should be noted that in the context of the climate, the boundary (in terms of transactions to be considered) of the value chain (scope 3) is already defined by other international initiatives taken as a reference by companies (GHG Protocol), and there are also conversion tables that allow companies to autonomously estimate the scope 3 GHG emissions without the need to obtain such data from counterparties (e.g. customers, suppliers, etc.).
On the contrary, with regard to the other topical standards (e.g. water, pollution), it is necessary to define more precisely the boundary (which transactions) to be taken as a reference both upstream and downstream. For example, if even in terms of water consumption, in line with scope 3, reference must be made to the relationships of the value chain with the company. It is then necessary to assess whether the

company is able to calculate this information independently or needs to request the cooperation of the counterparty. EFRAG standards also stipulate that information relating to the value chain should be approximated if not available. The final text of the CSRD allows, for the first three years from the application of the Directive, not to provide such information if not available. Therefore, the standards should incorporate this transitional provision in line with the final Directive.
EFRAG should consider in the review of the standard if the application of value chain concept would lead to excessive burden. To this regard, EFRAG has to take into consideration the proportional approach adopted by the CSRD final version, in particular when it states that “standards shall also take into account of the difficulties that undertaking may encounter in gathering information from actors throughout their value chain, especially from those that” are not subject to the CSRD (art. 29b, par. 2b CSRD).
In general, with reference to the approximation of information in the value chain we believe that it does not reflect the principles of "faithful representation", "comparability" and "verifiability" because it would reflect information not representative for the entity itself. In perspective a flexible approach (e.g. "comply or explain"; omissions set out by GRI) could be considered.

Q29: what other alternative to approximation would you recommend in cases where collecting information is impracticable?

Q30: in your opinion, to what extent will the choice of disaggregation level by the undertaking as per ESRS 1 paragraphs 72 to 77 contribute to the reporting of understandable, relevant, verifiable, comparable and faithfully represented sustainability information?

- ( ) Not at all
- ( ) To a limited extent with strong reservations
- (x) To a large extent with some reservations
- ( ) Fully
- ( ) No opinion

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

Time horizon

ESRS 1 paragraph 83 defines short-, medium- and long-term for reporting purposes, as

- One year for short term
- Two to five years for medium term
- More than five years for long-term.

Q31: do you think it is relevant to define short-, medium- and long-term horizon for sustainability reporting purposes?

- (x) Yes
- ( ) No
- ( ) I do not know

Please explain why

We think that is relevant to define short / medium / long term.
However, we believe that companies should provide forward-looking information aligned with their financial planning (targets, business plans, strategy and potential financial effects). Otherwise, it would be very difficult for undertakings to give effects within medium or long term, if not in a qualitative way.

Q32: if yes, do you agree with the proposed time horizons?

- ( ) Yes
- (x) No
- ( ) I do not know

Please explain why

It should be considered that it may be not appropriate that everything beyond five years is “long-term” and that only one year is considered as “short-term”. It would be better to introduce more flexibility for entities.

Q33: if you disagree with the proposed time horizons, what other suggestion would you make? And why?

Disclosure principles for implementation of Policies, targets, action and action plans, and resources

In order to harmonise disclosures prescribed by topical standards, ESRS 1 provides disclosure principles (DP) to specify, from a generic perspective, the key aspects to disclose:

1. when the undertaking is required to describe policies, targets, actions and action plans, and resources in relation to sustainability matters and
2. when the undertaking decides to describe policies, targets, actions and action plans, and resources in relation to entity-specific sustainability matters.

DP 1-1 on policies adopted to manage material sustainability matters describes (paragraphs 96 to 98) the aspects that are to be reported for the relevant policies related to sustainability matters identified as material following the materiality assessment performed by the undertaking.

DP 1-2 on targets, progress and tracking effectiveness defines (paragraphs 99 to 102) how the undertaking is to report measurable outcome-oriented targets set to meet the objectives of policies, progress against these targets and if non-measurable outcome-oriented targets have been set, how effectiveness is monitored.
DP 1-3 on actions, action plans and resources in relation to policies and targets defines (paragraphs 103 to 106) the aspects that are to be reported by the undertaking relating to actions, action plans and resources in relation to policies and targets adopted to address material impacts, risks and opportunities.

Q34: in your opinion, to what extent will DP 1-1 contribute to the reporting of understandable, relevant, verifiable, comparable and faithfully represented information on sustainability related policies?

- ( ) Not at all
- ( ) To a limited extent with strong reservations
- (x) To a large extent with some reservations
- ( ) Fully
- ( ) No opinion

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

> We agree that the policies must be disciplined at the cross-cutting level. However, in general, also considering the integrations that are made in the topical standards, we believe that the information requested on the policies is excessively detailed.

Q35: in your opinion, to what extent will DP 1-2 contribute to the reporting of understandable, relevant, verifiable, comparable, and faithfully represented information on sustainability-related targets and their monitoring?

- ( ) Not at all
- (x) To a limited extent with strong reservations
- ( ) To a large extent with some reservations
- ( ) Fully
- ( ) No opinion

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

> It is not always possible, for every sustainability aspect, to set up a specific target, with a baseline year, a timeframe, progress and so on.
> Therefore, in a first phase of implementation, considering the difficulties to structure targets for every sustainability aspect, only key targets could be required.

Q36: in your opinion, to what extent will DP 1-3 contribute to the reporting of understandable, relevant, verifiable, comparable, and faithfully represented information on sustainability-related action plans and allocated resources?

- ( ) Not at all
- (x) To a limited extent with strong reservations
- ( ) To a large extent with some reservations

- Fully
- No opinion

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

Providing information on actions and resources with this level of detail for each sustainability topic would probably be overburdening for the undertakings. In particular, forward-looking information could be also difficult to assure.
Moreover, giving disclosure of the type and amount of current and future financial and other resources allocated to the action plan could be a sensitive information.

Bases for preparation

Chapter 4 of ESRS 1 provides for principles to be applied when preparing and presenting sustainability information covering general situations and specific circumstances. Aspects covered include:

- general presentation principles (paragraphs 108 and 109);
- presenting comparative information (paragraphs 110 and 111);
- estimating under conditions of uncertainty (paragraphs 112 and 113);
- updating disclosures about events after the end of the reporting period (paragraphs 114 to 116);
- changes in preparing or presenting sustainability information (paragraphs 117 and 118);
- reporting errors in prior periods (paragraphs 119 to 124);
- adverse impacts and financial risks (paragraphs 125 and 126);
- optional disclosures (paragraph 127);
- consolidated reporting and subsidiary exemption (paragraphs 128 and 129);
- stating relationship and compatibility with other sustainability reporting frameworks (paragraph 130).

Q37: is anything important missing in the aspects covered by the bases for preparation?

- Yes
- (selected) No
- I do not know

If yes, please indicate which one(s).
Please share any comment you might have on the aspects already covered (make sure to indicate which one you are referring to)

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

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

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

ESRS 1 – General Principles

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

1. when reporting under European Sustainability Reporting Standards;
2. on how to apply CSRD concepts;
3. when disclosing policies, targets, actions and action plans, and resources;
4. when preparing and presenting sustainability information;
5. on how sustainability reporting is linked to other parts of corporate reporting; and
6. specifying the structure of the sustainability statements building upon the disclosure requirements of all ESRS.

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

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

- ○ Not at all
- ● To a limited extent with strong reservations
- ○ To a large extent with some reservations
- ○ Fully
- ○ No opinion

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

> For more details please see Q3 above.

ESRS 2 – General, strategy, governance and materiality assessment

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

1. of a general nature;
2. on the strategy and business model of the undertaking;
3. on its governance in relation to sustainability; and
4. on its materiality assessment of sustainability impacts, risks and opportunities.

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

	Not at all	To a limited extent with strong reservations	To a large extent with some reservations	Fully	No opinion
A. Covers sustainability information required by articles 19a and 19b of the CSRD proposal (see Appendix II for CSRD detailed requirements)	○	○	●	○	○
B. Supports the production of relevant information about the sustainability matter covered	○	○	●	○	○
C. Fosters comparability across sectors	○	○	○	●	○
D. Covers information necessary for a faithful representation from an impact perspective	○	○	●	○	○
E. Covers information necessary for a faithful representation from a financial perspective	○	○	●	○	○
F. Prescribes information that can be verified / assured	○	●	○	○	○
G. Meets the other objectives of the CSRD in term of quality of information	○	○	●	○	○
H. Reaches a reasonable cost / benefit balance	○	○	○	○	○
I. Is sufficiently consistent with relevant EU policies and other EU legislation	○	○	○	○	○
J. Is as aligned as possible to international sustainability standards given the CSRD requirements	○	○	●	○	○

For part H, please explain why costs would be unreasonable and / or what particular benefit ESRS 2 offers
For part I, please specify what European law or initiative you think is insufficiently considered

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

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

Part H: A more complete valuation of cost-benefit analysis can be done once EFRAG will have completed its independent assessment. In a so short time period of consultation it has not be possible to conduct an adequate cost/benefit assessment.

As already highlighted in ESRS 1, in general, the structure of the standards is very complex.
The main concerns relate to:
· reporting boundary and value chain (please see Q28 in ESRS 1);
· the implementation of double materiality (please see Q20-23 on impact and financial materiality in ESRS 1) and the identification of stakeholders (please see Q18 in ESRS 1);
· rebuttable presumption (please see Q24 in ESRS 1);
· the granularity of information (please see Q6 in ESRS 1).

ESRS E1 – Climate change

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

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

This [draft] standard derives from the [Draft] Corporate Sustainability Reporting Directive stating that the sustainability reporting standards shall specify which information to disclose about climate change mitigation and climate change adaptation.
This [draft] standard covers Disclosure Requirements related to 'Climate change mitigation', 'Climate change adaptation' and 'Energy'.

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

	Not at all	To a limited extent with strong reservations	To a large extent with some reservations	Fully	No opinion

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

For part H, please explain why costs would be unreasonable and / or what particular benefit ESRS E1 offers
For part I, please specify what European law or initiative you think is insufficiently considered
For part J, please explain how you think further alignment could be reached

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

Part H: A more complete valuation of cost-benefit analysis can be done once EFRAG will have completed its independent assessment. In a so short time period of consultation it has not be possible to conduct an adequate cost/benefit assessment.

The structure of the standard is very complex, also in its interrelation with the application guidance and with the ESRS 1 and ESRS 2 standards.
The main issues are the following:
· the difficulty to apply certain disclosure requirements given that:
(i) the absence of established practices and/or methodologies for their development,
(ii) the lack of the standard in the definition of certain key concepts, and

(iii) the request of information along the entire value chain. (For more details on concerns on value chain please refer to our comments on Q28);
Therefore, there is a need for guidance/ examples with regard to the methodologies for quantifying the required disclosure in particular financial disclosures.
· the granularity of disclosure seems to be onerous for the entity and obscure relevant information (e.g. requirement to disclose quantitative GHG reduction contributions broken down by individual decarbonization levers rather than at overall GHG reduction level; granular breakdown of energy consumption);

With reference to Potential Financial Effects, as indicated in Q23 of ESRS 1, it should also be noted that the potential information as required by the ESRS refers to timelines that may not always coincide with the time frames of the financial planning of companies.
Since this is a forecast information, and therefore delicate by definition, it was represented by our stakeholders that the lack of link with the financial planning, which follows a preparatory and approval process by the company, could jeopardize the quality of financial information provided over different time horizons.
Given that today, at least from the feedbacks gained from our stakeholders, the companies do not provide such information, we suggest to introduce a phase-in solution.
For more details, please see the specific comments on the single DRs.

We also observe that, within the objective of the standard, it is stated that the standard covers the disclosure requirements relating to the seven greenhouse gases and the related transition risks, but adds that (Objective point 4) "other impacts on climate change (e.g. from land use changes, black carbon, tropospheric ozone, etc.) are not explicitly addressed by this [draft] Standard but should be included as part of the assessment of material impacts on climate change".
However, the definition of these "other impacts" is not clear and it is necessary to delimit the information perimeter of the standard in order to allow companies to better manage the reporting.
Finally, we suggest to define in Appendix A the following terms:
-“Key assets”;
-“operating Lifetime”;
-“firmly planned key assets”;
-“stranded assets”;
- “High Climate Impact” (it is already defined in AG40 c).

ESRS E2 – Pollution

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

1. how the undertaking affects pollution of air (both indoor and outdoor), water (including groundwater) and soil, living organisms and food resources (referred to in this [draft] Standard as “pollution”), in terms of positive and negative material actual or potential adverse impacts;
2. any actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential adverse impacts;
3. the plans and capacity of the undertaking to adapt its strategy, business model(s) and operations in line with the transition to a sustainable economy concurring with the needs for prevention, control and elimination of pollution across air (both indoor and outdoor), water (including groundwater), soil, living organisms and food resources, thereby creating a toxic-free environment with zero pollution also in support of the EU Action Plan ‘Towards a Zero Pollution for Air, Water and Soil’;

4. the nature, type and extent of the undertaking's material risks and opportunities related to the undertaking's impacts and dependencies arising from pollution, as well as from the prevention, control, elimination or reduction of pollution (including from regulations) and how the undertaking manages them; and
5. the effects of risks and opportunities, related to the undertaking's impacts and dependencies on pollution, on the undertaking's development, performance and position over the short, medium and long term and therefore on its ability to create enterprise value.

This standard derives from the (Draft) Corporate Sustainability Reporting Directive stating that the sustainability reporting standards shall specify the information that undertakings are to disclose about environmental factors, including information about 'pollution'.
This standard sets out Disclosure Requirements related to pollution of air (both indoor and outdoor), water (including groundwater), soil, substances of concerns, most harmful substances and enabling activities in support of prevention, control and elimination of pollution.

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

	Not at all	To a limited extent with strong reservations	To a large extent with some reservations	Fully	No opinion
A. Covers sustainability information required by articles 19a and 19b of the CSRD proposal (see Appendix II for CSRD detailed requirements)	○	○	○	●	○
B. Supports the production of relevant information about the sustainability matter covered	○	○	●	○	○
C. Fosters comparability across sectors	○	●	○	○	○
D. Covers information necessary for a faithful representation from an impact perspective	○	○	●	○	○
E. Covers information necessary for a faithful representation from a financial perspective	○	●	○	○	○
F. Prescribes information that can be verified / assured	○	●	○	○	○
G. Meets the other objectives of the CSRD in term of quality of information	○	○	●	○	○
H. Reaches a reasonable cost / benefit balance	○	○	○	○	○
I. Is sufficiently consistent with relevant EU policies and other EU legislation	○	○	○	○	○

J. Is as aligned as possible to international sustainability standards given the CSRD requirements	○	○	●	○	○

For part H, please explain why costs would be unreasonable and / or what particular benefit ESRS E2 offers
For part I, please specify what European law or initiative you think is insufficiently considered
For part J, please explain how you think further alignment could be reached

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

Part H: A more complete valuation of cost-benefit analysis can be done once EFRAG will have completed its independent assessment. In a so short time period of consultation it has not be possible to conduct an adequate cost/benefit assessment.

The standard has very broad disclosure requirements also compared to current reporting practices and some information would not represent a “sector-agnostic” requirement.
VALUE CHAIN
Our stakeholders highlighted that today they do not disclose information on pollution along the value chain. Therefore, it is impractical to extend the reporting to the entire value chain.
As indicated in ESRS 1 the value chain information arises at least the following three issues:
1. definition of the subjects to be considered in the value chain;
2. definition of the information to be acquired from these subjects;
3. availability and verifiability of the value chain information.
In particular, for this topic it is necessary to define more precisely which transactions must be taken as a reference both upstream and downstream.
It is then necessary to assess whether the company is able to calculate this information independently or needs to request the cooperation of the counterparty.
For more details on concerns on value chain please see Q28 of ESRS 1.

POTENTIAL FINANCIAL EFFECTS
Unlike the climate standard, which indicates the quantities on which these effects must be determined (assets and net turnover), in this standard ESRS E2 the financial indicators are not defined and any application guidance is provided.
It should also be noted that the potential information as required by the ESRS refers to timelines that may not always coincide with the time frames of the financial planning of companies.
Since this is a forecast information, and therefore delicate by definition, it was represented by our stakeholders that the lack of link with the financial planning, which follows a preparatory and approval process by the company, could jeopardize the quality of financial information provided over different time horizons.
For both the observations, given that today, at least from the feedbacks gained from our stakeholders, the companies do not provide such information, we suggest to introduce a phase-in solution and, in any case, to provide that the undertaking discloses qualitative information if providing quantitative information is impracticable to do as already required only for the climate standard.

Moreover our stakeholders have represented with reference to Paragraph 6 that the entity is not able to monitor the pollution generated by the use of the products and/or services in the absence of international standards proving a methodology for estimating the potential pollution made by a customer on the products sold.

Finally, we suggest to define the following terms:
- pollution-related dependencies;
- lock-in of assets and economic lifetime included in the definition of Enabling activities;
- undertaking typical's profile;
- "baseline" and "baseline of the undertaking's typical";
- water stress.

ESRS E3 – Water and marine resources

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

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

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

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

	Not at all	To a limited extent with strong reservations	To a large extent with some reservations	Fully	No opinion

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

For part H, please explain why costs would be unreasonable and / or what particular benefit ESRS E3 offers
For part I, please specify what European law or initiative you think is insufficiently considered
For part J, please explain how you think further alignment could be reached

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

Part H: A more complete valuation of cost-benefit analysis can be done once EFRAG will have completed its independent assessment. In a so short time period of consultation it has not be possible to conduct an adequate cost/benefit assessment.

The standard has very complex and analytical disclosure requirements.
Marine resources are a new topic and therefore difficult to apply for undertakings. First of all, we recommend to define the concept of marine resources.
Moreover, this topic could be more characteristic for specific sectors and therefore it would be better if addressed at the level of sector-specific standards.
The main concerns regard the value chain information and potential financial effects.

VALUE CHAIN
Our stakeholders highlighted that today they do not disclose information on water along the value chain. Therefore, it is impractical to extend the reporting to the entire value chain.
As indicated in ESRS 1 the value chain information arise at least the following three issues:
1. definition of the subjects to be considered in the value chain;
2. definition of the information to be acquired from these subjects;
3. availability and verifiability of the value chain information.
In particular, for these topics (water and marine resources) it is necessary to define more precisely which transactions must be taken as a reference both upstream and downstream. For example, if even in terms of water consumption, in line with scope 3, reference must be made to the relationships of the value chain with the company.
It is then necessary to assess whether the company is able to calculate this information independently or needs to request the cooperation of the counterparty.
For more details please see Q28 of ESRS 1.

POTENTIAL FINANCIAL EFFECTS
Unlike the climate standard, which indicates the quantities on which these effects must be determined (assets and net turnover), in this standard ESRS E3 the financial indicators are not defined and any application guidance is provided.
It should also be noted that the potential information as required by the ESRS refers to timelines that may not always coincide with the time frames of the financial planning of companies.
Since this is a forecast information, and therefore delicate by definition, it was represented by our stakeholders that the lack of link with the financial planning, which follows a preparatory and approval process by the company, could jeopardize the quality of financial information provided over different time horizons.
For both the observations, given that today, at least from the feedbacks gained from our stakeholders, the companies do not provide such information, we suggest to introduce a phase-in solution and, in any case, to provide that the undertaking discloses qualitative information if providing quantitative information is impracticable to do as already required only for the climate standard.

ESRS E4 – Biodiversity and ecosystems

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

1. how the undertaking affects biodiversity and ecosystems, in terms of positive and negative material actual or potential adverse impacts;
2. any actions taken, and the result of such actions, to prevent, mitigate or remediate, actual or potential adverse impacts and to protect and restore biodiversity and ecosystems;
3. to what extent the undertaking contributes to (i) the European Green Deal's ambitions for protecting the biodiversity and ecosystems, the EU Biodiversity Strategy for 2030, the SDGs 2 Zero Hunger, 6 Clean water and sanitation, 12 Responsible consumption, 14 Life below water and 15 Life on land, the Post-2020 Global Biodiversity Framework and (ii) the respect of global environmental limits (e.g. the biosphere integrity and land-system change planetary boundaries);
4. and the plans and capacity of the undertaking to adapt its business model and operations in line with the transition to a sustainable economy and with the preservation and restoration of biodiversity and ecosystems globally in general; and in particular in line with the objective of (i) ensuring that by 2050

all of the world’s ecosystems and their services are restored to a good ecological condition, resilient, and adequately protected and (ii) contributing to achieving the objectives of the EU Biodiversity Strategy at latest by 2030;

5. the nature, type and extent of the undertaking’s material risks and opportunities related to the undertaking’s impacts and dependencies on biodiversity and ecosystems, and how the undertaking manages them;
6. the effects of risks and opportunities, related to the undertaking’s impacts and dependencies on biodiversity and ecosystems, on the undertaking’s development, performance and position over the short, medium and ling term and therefore on its ability to create enterprise value.

This standard derives from the [Draft Corporate Sustainability Reporting Directive] stating that the sustainability reporting standards shall specify information to disclose about ‘biodiversity and ecosystems’. This standard sets out Disclosure Requirements related to the undertaking’s relationship to terrestrial, freshwater and marine habitats, ecosystems and populations of related fauna and flora species, including diversity within species, between species and of ecosystems and their interrelation with many indigenous and local communities.

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

	Not at all	To a limited extent with strong reservations	To a large extent with some reservations	Fully	No opinion
A. Covers sustainability information required by articles 19a and 19b of the CSRD proposal (see Appendix II for CSRD detailed requirements)	○	○	●	○	○
B. Supports the production of relevant information about the sustainability matter covered	○	●	○	○	○
C. Fosters comparability across sectors	○	●	○	○	○
D. Covers information necessary for a faithful representation from an impact perspective	○	●	○	○	○
E. Covers information necessary for a faithful representation from a financial perspective	○	●	○	○	○
F. Prescribes information that can be verified / assured	●	○	○	○	○
G. Meets the other objectives of the CSRD in term of quality of information	○	●	○	○	○
H. Reaches a reasonable cost / benefit balance	○	○	○	○	○
I. Is sufficiently consistent with relevant EU policies and other EU legislation	○	○	○	○	○

J. Is as aligned as possible to international sustainability standards given the CSRD requirements	○	●	○	○	○

For part H, please explain why costs would be unreasonable and / or what particular benefit ESRS E4 offers
For part I, please specify what European law or initiative you think is insufficiently considered
For part J, please explain how you think further alignment could be reached

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

Part H: A more complete valuation of cost-benefit analysis can be done once EFRAG will have completed its independent assessment. In a so short time period of consultation it has not be possible to conduct an adequate cost/benefit assessment.

Overall, the information requested in the standard it is too ambitious, given that biodiversity is a field where only recently undertakings have started working on and there is a lot of work to do in terms of developing measurement methodologies, metrics, action plans, strategies.
Also EFRAG is aware that the matter is still under development, in fact specifies that "The content of this [draft] Standard, including the application guidance, is subject to possible changes before the issuance of the final [draft], following the expected developments of relevant international pronouncements of practice setting initiatives".
With particular reference on the metrics, EFRAG specifies that "Performance measures on Biodiversity and ecosystems are currently the object of many ongoing collective work at the time of the drafting of this Standard. […]".
Therefore, until the regulatory framework is defined (for example Task Force on Nature-related Financial Disclosures (TNFD) and Post 2020 global biodiversity framework), we recommend a phased-in approach for at least quantitative information (transition plan, target and metrics, including financial effects) and value chain information.

VALUE CHAIN
Our stakeholders highlighted that today they do not disclose information on this topic along the value chain. Therefore, it is impractical to extend the reporting to the entire value chain.
As indicated in ESRS 1 the value chain information arise at least the following three issues:
1. definition of the subjects to be considered in the value chain;
2. definition of the information to be acquired from these subjects;
3. availability and verifiability of the value chain information.
In particular, for these topics it is necessary to define more precisely which transactions must be taken as a reference both upstream and downstream.
It is then necessary to assess whether the company is able to calculate this information independently or needs to request the cooperation of the counterparty.
For more details on concern on value chain please see Q28 ESRS 1.

POTENTIAL FINANCIAL EFFECTS
Unlike the climate standard, which indicates the quantities on which these effects must be determined (assets and net turnover), in this standard ESRS E3 the financial indicators are not defined and any application guidance is provided.
It should also be noted that the potential information as required by the ESRS refers to timelines that may not always coincide with the time frames of the financial planning of companies.

Since this is a forecast information, and therefore delicate by definition, it was represented by our stakeholders that the lack of link to the financial planning, which follows a preparatory and approval process by the company, could jeopardize the quality of financial information provided over different time horizons. For both the observations, given that today, at least from the feedbacks gained from our stakeholders, the companies do not provide such information, we suggest to introduce a phase-in solution and, in any case, to provide that the undertaking discloses qualitative information if providing quantitative information is impracticable to do as already required only for the climate standard.

Finally, our stakeholders have also represented the following main concerns:
• Biodiversity outcome information should not be required because the external impact depends not only on company's activity but also on a variety of factors, which are external and independent from the company itself;
• The identification of systemic risks e.g., ecosystem collapse, (Para AG 19) which have not already been identified by relevant institutions and therefore not already included in transition risks, seems to be out of the scope of company and should be assessed by the relevant authorities.

ESRS E5 – Resource use and circular economy

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

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

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

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

	Not at all	To a limited extent with strong reservations	To a large extent with some reservations	Fully	No opinion
A. Covers sustainability information required by articles 19a and 19b of the CSRD proposal (see Appendix II for CSRD detailed requirements)	○	○	○	●	○

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

For part H, please explain why costs would be unreasonable and / or what particular benefit ESRS E5 offers
For part I, please specify what European law or initiative you think is insufficiently considered
For part J, please explain how you think further alignment could be reached

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

Part H: A more complete valuation of cost-benefit analysis can be done once EFRAG will have completed its independent assessment. In a so short time period of consultation it has not be possible to conduct an adequate cost/benefit assessment.

Overall, the information requested in the standard is numerous and detailed.
VALUE CHAIN
Our stakeholders highlighted that today they do not disclose information on resource use and circular economy along the value chain.
Therefore, it is impractical to extend the reporting to the entire value chain.
As indicated in ESRS 1 the value chain information arise at least the following three issues:
1. definition of the subjects to be considered in the value chain;
2. definition of the information to be acquired from these subjects;
3. availability and verifiability of the value chain information.
In particular, for these topics (resource use and circular economy) it is necessary to define more precisely which transactions must be taken as a reference both upstream and downstream.

It is then necessary to assess whether the company is able to calculate this information independently or needs to request the cooperation of the counterparty.
For more details on concern on value chain please see Q28 of ESRS 1.

POTENTIAL FINANCIAL EFFECTS
Unlike the climate standard, which indicates the quantities on which these effects must be determined (assets and net turnover), in this standard ESRS E5 the financial indicators are not defined and any application guidance is provided.
It should also be noted that the potential information as required by the ESRS refers to timelines that may not always coincide with the time frames of the financial planning of companies.
Since this is a forecast information, and therefore delicate by definition, it was represented by our stakeholders that the lack of link with the financial planning, which follows a preparatory and approval process by the company, could jeopardize the quality of financial information provided over different time horizons.
For both the observations, given that today, at least from the feedbacks gained from our stakeholders, the companies do not provide such information, we suggest to introduce a phase-in solution and, in any case, to provide that the undertaking discloses qualitative information if providing quantitative information is impracticable to do as already required only for the climate standard.

In addition to the above-mentioned issues that are valid for all environmental standards, for this standard it should be noted that:
• the complexity of the ED ESRS E5 due both the topic in itself and the continuous references to other standards/regulations;
• the difficulty, also for entities that have more familiar in reporting on the use of resources and waste, to provide some of the disclosures proposed because they are completely new compared to the current practices;
• the need to clarify or define a series of concepts (e.g. Decoupling: (relative or absolute), Highest value /value, Linear to circular ecosystem).

ESRS S1 – Own workforce

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

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

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

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

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

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

	Not at all	To a limited extent with strong reservations	To a large extent with some reservations	Fully	No opinion
A. Covers sustainability information required by articles 19a and 19b of the CSRD proposal (see Appendix II for CSRD detailed requirements)	○	○	◉	○	○
B. Supports the production of relevant information about the sustainability matter covered	○	○	◉	○	○
C. Fosters comparability across sectors	○	○	◉	○	○
D. Covers information necessary for a faithful representation from an impact perspective	○	○	◉	○	○
E. Covers information necessary for a faithful representation from a financial perspective	○	◉	○	○	○
F. Prescribes information that can be verified / assured	○	○	◉	○	○
G. Meets the other objectives of the CSRD in term of quality of information	○	○	◉	○	○

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

For part H, please explain why costs would be unreasonable and / or what particular benefit ESRS S1 offers
For part I, please specify what European law or initiative you think is insufficiently considered
For part J, please explain how you think further alignment could be reached

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

Part H: A more complete valuation of cost-benefit analysis can be done once EFRAG will have completed its independent assessment. In a so short time period of consultation it has not be possible to conduct an adequate cost/benefit assessment.

It is important that the standard, in its final version, will ensure full compatibility and consistency with the "social taxonomy" and with the proposed directive on diversity, which have not yet reached the final version, as well as with other European labor laws and regulations [eg. Minimum Wage Directive].
SCOPE OF THE STANDARD
In paragraph 5 it is clearly defined the scope covered by the standard, while paragraph 6 includes the perimeter scoped out inserting a reference to the concept of "control", reported in the GRI.
We consider paragraph 6 potentially misleading and not necessary to define the scope of the standard. Therefore we suggest to delete the entire paragraph 6.
Furthermore, this standard (as well as the other 3 social standards) includes among the objectives that of providing disclosure that allows users to understand the financial effects in the short, medium and long term deriving from the identified risks/opportunities. However, social standards, unlike environmental ones, do not provide specific disclosure requirements on the potential financial effects.

ESRS S2 – Workers in the value chain

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

1. how the undertaking affects workers in its value chain through its own operations and its upstream and downstream value chain (including its products and services, its business relationships and its supply chain), in terms of material positive and negative actual or potential adverse impacts;
2. any actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential adverse impacts;
3. the nature, type and extent of the undertaking's material risks and opportunities related to its impacts and dependencies on workers in the value chain, and how the undertaking manages them; and

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

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

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

This draft standard derives from the [Draft] Corporate Sustainability Reporting Directive stating that the sustainability reporting standards shall specify the information that undertakings are to disclose regarding social factors.
This [draft] standard covers all workers in the undertaking's upstream and downstream value chain who are or can be materially impacted. This also includes all non-employee workers whose work and/or workplace is controlled by the undertaking but are not included in the scope of "own workforce" ("own workforce" includes: employees, individual contractors, i.e., self-employed workers, and workers provided by third party undertakings primarily engaged in 'employment activities'). Own workforce is covered in ESRS S1 Own workforce.

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

	Not at all	To a limited extent with strong reservations	To a large extent with some reservations	Fully	No opinion
A. Covers sustainability information required by articles 19a and 19b of the CSRD proposal (see Appendix II for CSRD detailed requirements)	○	○	○	◉	○
B. Supports the production of relevant information about the sustainability matter covered	○	○	◉	○	○
C. Fosters comparability across sectors	○	○	◉	○	○
D. Covers information necessary for a faithful representation from an impact perspective	○	○	◉	○	○
E. Covers information necessary for a faithful representation from a financial perspective	○	◉	○	○	○

F. Prescribes information that can be verified / assured	○	◉	○	○	○
G. Meets the other objectives of the CSRD in term of quality of information	○	○	◉	○	○
H. Reaches a reasonable cost / benefit balance	○	○	○	○	○
I. Is sufficiently consistent with relevant EU policies and other EU legislation	○	○	○	○	○
J. Is as aligned as possible to international sustainability standards given the CSRD requirements	○	○	◉	○	○

For part H, please explain why costs would be unreasonable and / or what particular benefit ESRS S2 offers
For part I, please specify what European law or initiative you think is insufficiently considered
For part J, please explain how you think further alignment could be reached

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

Part H: A more complete valuation of cost-benefit analysis can be done once EFRAG will have completed its independent assessment. In a so short time period of consultation it has not be possible to conduct an adequate cost/benefit assessment.

Although the ED requires high-level qualitative information and not specific quantitative disclosure the requirements are very detailed.
The main concern is the high difficulty and excessive costs for companies in finding information on workers throughout the value chain due to the broad definition of ‘value chain’ and ‘workers in the value chain’.
We observe that AG9 states that: "The undertaking shall ensure that all value chain workers who can be significantly impacted through the undertaking’s own operations or in its upstream or downstream value chain by a business relationship related to the undertaking's products, services and activities are included in the scope of its reporting under ESRS 2".
This disclosure seems very broad and not aligned with the proportionality approach adopted by the CSRD final version, in particular when it states that “standards shall also take into account of the difficulties that undertaking may encounter in gathering information from actors throughout their value chain, especially from those that” are not subject to the CSRD (art. 29b, par. 2b CSRD).
We note that the companies reporting this information today focus on supply chain, so to adding information about the downstream value chain would be challenging in terms of faithful representation, verifiability and comparability. In addition, considering that the average level of maturity of entities does not include the disclosure of «Targets», «action on material impacts» and «Approaches to mitigating risks», we suggest to prioritize only the DR S2-1, S2-2 and S2-3 in the first year and postpone the implementation of DR S2-4, S2-5 and S2-6.
Finally, with regard to the definition in appendix A of "workers in the value chain" we believe that it would be better to indicate that the scope of this standard is about all workers in the value chain, except those in scope of ESRS S1.
Moreover, we note that the definition of "affected stakeholder" is not aligned with the definition included in ESRS 1 (paragraph 44a). We always suggest to use the same wording when the definitions are repeated in different standards.

ESRS S3 – Affected communities

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

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

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

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

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

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

	Not at all	To a limited extent with strong reservations	To a large extent with some reservations	Fully	No opinion
A. Covers sustainability information required by articles 19a and 19b of the CSRD proposal (see Appendix II for CSRD detailed requirements)	○	○	○	●	○
B. Supports the production of relevant information about the sustainability matter covered	○	○	●	○	○
C. Fosters comparability across sectors	○	○	●	○	○

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

For part H, please explain why costs would be unreasonable and / or what particular benefit ESRS S3 offers
For part I, please specify what European law or initiative you think is insufficiently considered
For part J, please explain how you think further alignment could be reached

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

Part H: A more complete valuation of cost-benefit analysis can be done once EFRAG will have completed its independent assessment. In a so short time period of consultation it has not be possible to conduct an adequate cost/benefit assessment.

Social standards focus on human rights aspects.
We note that it is not enough clear in which cases the impact on local communities falls under the environmental standards and when it is in the scope of this standard.
In this regard, it is noted that in some environmental standards, such as that on pollution and climate change, for the consequences on human rights, reference is made to social standards. In others, however, such as that on biodiversity and ecosystems, no reference is made to social standards for these aspects.
Therefore, we suggest that for the same stakeholder the environmental impact is governed by environmental standards and that on human rights is always governed by social standards.
Although the ED requires high-level qualitative information, and not specific quantitative disclosure, the disclosures are numerous and detailed.
The scope of the reporting requirements appears very broad, considering that reporting information about the value chain could be very complex and burdensome, also with regard to costs, and lead to an information overload and unclarity. In particular, para 1 requires information that will enable users to understand "how the undertaking affects its local communities through its operations and its upstream and downstream value chain". This provision appears very broad and not aligned with the proportionality approach established in the CSRD final version, where it clarifies that "standards shall
also take into account of the difficulties that undertaking may encounter in gathering information from actors

throughout their value chain, especially from those that" are not subject to the CSRD (art. 29b, par. 2b CSRD).

ESRS S4 – Consumers and end-users

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

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

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

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

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

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

	Not at all	To a limited extent with strong reservations	To a large extent with some reservations	Fully	No opinion
A. Covers sustainability information required by articles 19a and 19b of the CSRD proposal (see Appendix II for CSRD detailed requirements)	○	○	○	●	○
B. Supports the production of relevant information about the sustainability matter covered	○	○	●	○	○

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

For part H, please explain why costs would be unreasonable and / or what particular benefit ESRS S4 offers
For part I, please specify what European law or initiative you think is insufficiently considered
For part J, please explain how you think further alignment could be reached

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

Part H: A more complete valuation of cost-benefit analysis can be done once EFRAG will have completed its independent assessment. In a so short time period of consultation it has not be possible to conduct an adequate cost/benefit assessment.

Although the ED requires high-level qualitative information, and not specific quantitative disclosure, the disclosure is numerous and detailed.
We observe that AG9 states that the undertaking “shall ensure that all consumers and end users who can be materially impacted through the undertaking’s own operations or in its upstream or downstream value chain by a business relationship related to the undertaking's products, services and activities are included in the scope of its reporting under ESRS 2”.
This disclosure seems very broad and not aligned with the proportionality approach adopted by the CSRD final version, in particular when it states that “standards shall also take into account of the difficulties that undertaking may encounter in gathering information from actors throughout their value chain, especially from those that” are not subject to the CSRD (art. 29b, par. 2b CSRD).
We observe that the average level of maturity of entities does not include the disclosure of «Targets», «action on material impacts» and «Approaches to mitigating risks». Therefore, we suggest to make these three disclosures (S4-4, S4-5 and S4-6) only optional for the first application.
Moreover, it should be better clarified the distinction between consumer and end-user categories that in some cases can refer to the same subjects. Examples can help this exercise.

ESRS G1 – Governance, risk management and internal control

The objective of this [draft] standard is to specify disclosure requirements which will enable users of the undertaking’s sustainability report to understand the governance structure of the undertaking, and its internal control and risk management systems.
This [draft] standard derives from the [Draft Corporate Sustainability Reporting Directive] stating that the sustainability reporting standards shall specify information to disclose information about governance factors, including:

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

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

	Not at all	To a limited extent with strong reservations	To a large extent with some reservations	Fully	No opinion
A. Covers sustainability information required by articles 19a and 19b of the CSRD proposal (see Appendix II for CSRD detailed requirements)	●	○	○	○	○
B. Supports the production of relevant information about the sustainability matter covered	○	●	○	○	○
C. Fosters comparability across sectors	○	○	●	○	○
D. Covers information necessary for a faithful representation from an impact perspective	○	○	●	○	○
E. Covers information necessary for a faithful representation from a financial perspective	○	○	○	○	●
F. Prescribes information that can be verified / assured	○	○	●	○	○
G. Meets the other objectives of the CSRD in term of quality of information	○	○	●	○	○
H. Reaches a reasonable cost / benefit balance	○	○	○	○	○

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

For part H, please explain why costs would be unreasonable and / or what particular benefit ESRS G1 offers
For part I, please specify what European law or initiative you think is insufficiently considered
For part J, please explain how you think further alignment could be reached

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

Part H: A more complete valuation of cost-benefit analysis can be done once EFRAG will have completed its independent assessment. In a so short time period of consultation it has not be possible to conduct an adequate cost/benefit assessment.

ESRS G1 raises significant concerns.
Most of the disclosure requirements go far beyond the scope of the final text of CSRD and therefore we suggest to delete them from the final standard (for more details see our comments on the specific DRs).
Moreover, we highlight that the disclosure requirements are broad and potentially with limited application to unlisted undertakings.
In this regard, we observe that most of the G1 disclosure requirements explicitly extends to unlisted undertakings the disclosures set in Directives 2013/34/UE and 2007/36/CE, which regulate listed undertakings only.
Besides the general problems of consistency with the scope of the CSRD as well as with other EU provisions, this extension appears also problematic in terms of costs and burdens that would be borne by unlisted undertakings that are subject to the CSRD.
In addition, we note that it would be needed a clear definition of “administrative, management e supervisory body”.

ESRS G2 – Business conduct

The objective of this [draft] standard is to specify disclosure requirements for the undertaking to provide information about its strategy and approach, processes and procedures as well as its performance in respect of business conduct.
This [draft] standard derives from the [Draft Corporate Sustainability Reporting Directive] stating that the sustainability reporting standards shall specify information to disclose about business ethics and corporate culture, including anti-corruption and anti-bribery.
In general, business conduct covers a wide range of behaviours that support transparent and sustainable business practices to the benefit of all stakeholders. This [draft] standard focusses on a limited number of practices as follows:

1. business conduct culture;
2. avoiding corruption, bribery and other behaviours that often have been criminalised as they benefit some in positions of power with a detrimental impact on society; and

3. transparency about anti-competitive behaviour and political engagement or lobbying.

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

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

	Not at all	To a limited extent with strong reservations	To a large extent with some reservations	Fully	No opinion
A. Covers sustainability information required by articles 19a and 19b of the CSRD proposal (see Appendix II for CSRD detailed requirements)		X			
B. Supports the production of relevant information about the sustainability matter covered			X		
C. Fosters comparability across sectors			X		
D. Covers information necessary for a faithful representation from an impact perspective				X	
E. Covers information necessary for a faithful representation from a financial perspective			X		
F. Prescribes information that can be verified / assured			X		
G. Meets the other objectives of the CSRD in term of quality of information			X		
H. Reaches a reasonable cost / benefit balance					
I. Is sufficiently consistent with relevant EU policies and other EU legislation					
J. Is as aligned as possible to international sustainability standards given the CSRD requirements		X			

For part H, please explain why costs would be unreasonable and / or what particular benefit ESRS G2 offers
For part I, please specify what European law or initiative you think is insufficiently considered
For part J, please explain how you think further alignment could be reached

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

Part H: A more complete valuation of cost-benefit analysis can be done once EFRAG will have completed its independent assessment. In a so short time period of consultation it has not be possible to conduct an adequate cost/benefit assessment.

ESRS G2 covers some aspects that seem to go beyond the scope of the final text of CSRD and therefore they should be eliminated from the standard (ie anti-competitive behaviors and beneficial ownership. For more details see our comments on the specific DRs).
We also note that the final text of CSRD has expanded the list of governance factors (see article 29b(2)(c)). Therefore, it is necessary that the standards also cover the new factors introduced assessing if those factors are sector-agnostic or sector-specific (eg animal welfare).
Many of G2 disclosure requirements are also covered by codes of conduct and codes of ethic.
Therefore, as said in our comments on Q11 of ESRS 1, a wider use of incorporation by reference should be allowed, not only with reference to management report but also to other corporate documents (eg codes of conduct, codes of ethic).

2. ESRS implementation prioritisation / phasing-in

Application provisions

In order to facilitate the first-time application of set 1, ESRS 1 includes two provisions:

- Application Provision AP1 which exempts undertaking to reports comparatives for the first reporting period, and
- Application Provision AP2 which proposes transitional measures for entity-specific disclosures which consists in allowing the undertaking to continue to use, for 2 years, disclosures it has consistently used in the past, providing certain conditions are met, as described in paragraph 154.

Q51: to what extent do you support the implementation of Application Provision AP1?

- Not at all
- To a limited extent with strong reservations
- To a large extent with some reservations
- (x) Fully
- No opinion

Q52: to what extent do you support the implementation of Application Provision AP2?

- Not at all
- To a limited extent with strong reservations
- To a large extent with some reservations
- (x) Fully
- No opinion

Q53: what other application provision facilitating first-time application would you suggest being considered?

The final text of the CSRD allows, for the first three years from the application of the Directive, not to provide information about the value chain if not available. Therefore, the standards should incorporate this transitional provision in line with the final Directive.
It is also necessary to provide for a transitional provision on the determination of the potential financial effects (please see Q23).
Moreover, metrics that are not yet well developed should not be compulsory in the first period of application but they should be subject to phased-in approach (please see Q54).

Please explain why

ESRS implementation prioritisation / phasing-in options

Set 1 proposes a comprehensive set of standards aimed at achieving the objectives of the CSRD proposal, with the exception of the standards to be included in Set 2.

Acknowledging the fact that the proposed vision of a comprehensive sustainability reporting might be challenging to implement in year one for the new preparers and potentially to some of the large preparers as well, EFRAG will consider using some prioritisation / phasing-in levers to smoothen out the implementation of the first set of standards.

The following questions aim at informing EFRAG's and ultimately the European Commission's decision as to what disclosure requirements should be considered for phasing-in, based on implementation feasibility / challenges and potentially other criteria, and over what period of time their implementation should be phased-in.

Q54: for which one of the current ESRS disclosure requirements (see Appendix I) do you think implementation feasibility will prove challenging? and why?

The disclosure requirements that will result more challenging are the ones which exceed the current reporting obligations and for which there is not, at the moment, a shared methodology for the reporting. This is true especially for those DRs which involve a financial estimation for impacts, risks and opportunities related to specific sustainability topics. We would suggest to plan a staggered implementation process, prioritizing those core KPIs, expressly referred to by the law, for which a specific methodology is available (also in order to foster comparability) and postponing those KPIs which are not yet mature for companies to disclose on.

Given the critical importance of implementation prioritisation / phasing-in, please justify and illustrate your response

Q55: over what period of time would you think the implementation of such "challenging" disclosure requirements should be phased-in? and why?

It is not easy to set in advance when such indicators can become mandatory, it depends on the evolution of the related methodologies available.

Given the critical importance of implementation prioritisation / phasing-in, please justify and illustrate your response

Q56: beyond feasibility of implementation, what other criteria for implementation prioritisation / phasing-in would recommend being considered? And why?

The information required in the ESRS standards appears very granular and complex. It is also noted that many of the information currently required as optional, for example by the GRI, are proposed as mandatory by the EFRAG standards.
The granularity and complexity are even more critical due to the lack of sectoral standards whose development would have made it possible to adequately assess whether some of the information proposed currently at the sector-agnostic level is instead more relevant for specific sectors.
Therefore, we recommend in this first phase, to limit the mandatory disclosure only to the key information and make the others optional or to provide an adequate phase-in such as to allow the standard setter to consider those requirements in conjunction with the development of the industry standards and the companies to have the time to implement them. Moreover, it will ensure an adequate level of comparability between entities on the key information.

Given the critical importance of implementation prioritisation / phasing-in, please justify and illustrate your response

Q57: please share any other comments you might have regarding ESRS implementation prioritisation / phasing-in

---

If you have other comments in the form of a document please upload it here

1dcfa189-af02-481c-b2ef-cd8c337487ea /OIC_main_comments_on_EFRAG_consultation_on_EDs_of_ESRSs.pdf

Contact

Contact Form