

[Draft] ESRS 1 General requirements

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DISCLAIMER

[Draft] ESRS 1 General requirements is set out in paragraphs 1 – 134 and the following appendices, that have the same authority as the main body of the [draft] standard):

- Appendix A: Defined terms;
- Appendix B: Application Requirements;
- Appendix C: Qualitative characteristics of information;
- Appendix D: List of phased-in Disclosure Requirements;
- Appendix E: Structure of ESRS sustainability statements;

[Draft] ESRS 1 is accompanied by the following illustrative appendices, that are non-authoritative:

- Appendix F: Flowchart for determining disclosures to be included;
- Appendix G: Example of structure of ESRS sustainability statements; and
- Appendix H: Example of incorporation by reference.

The [draft] Standard also uses terms defined in other [draft] ESRS and shall be read in the context of its objective.

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Objective

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

1 Categories of [draft] standards and disclosures under [draft] European Sustainability Reporting Standards

1.1 Complying with [draft] ESRS

2. The undertaking shall disclose, in accordance with applicable [draft] ESRS, all the material information regarding impacts, risks and opportunities in relation to environmental, social, and governance matters. The information shall enable the understanding of the undertaking's impacts on those matters and how they affect the undertaking's financial development, performance and position.
3. In all [draft] ESRS, the term "impacts" refers to positive and negative sustainability-related impacts that are connected with the undertaking's business, as identified through an impact materiality assessment process (see chapter 3.5). The term "risks and opportunities" refers to the undertaking's sustainability-related financial risks and opportunities, as identified through a financial materiality assessment process (see chapter 3.6). Collectively, these are referred to as "impacts, risks and opportunities".
4. The undertaking shall present material sustainability-related information as part of its management report (see chapter 8).
5. Sustainability-related information shall cover the reporting areas, as defined under paragraph 10 below, subject to materiality.
6. [Draft] ESRS structures the information to be disclosed in Disclosure Requirements. Disclosure Requirements consist of more granular datapoints. The term "datapoint" in this context also refers to a narrative sub-element of a Disclosure Requirement.
7. [Draft] ESRS use the following terms for Disclosure Requirements and datapoints:
 - (a) shall disclose - indicates the provision prescribed by a Disclosure Requirement or datapoint (see chapter 3);
 - (b) shall consider – indicates a list of items that the undertaking is expected to consider - if they are applicable - in the preparation of the reporting prescribed by a Disclosure Requirement or datapoint; and
 - (c) may disclose – indicates a voluntary disclosure to encourage good practice.

1.2 Cross-Cutting Standards and reporting areas

8. [Draft] ESRS 1 General requirements and [draft] ESRS 2 General disclosures are Cross-Cutting Standards, meaning that they apply to all sustainability matters.
9. [Draft] ESRS 1 is composed of the following chapters:
 - Chapter 1: Categories of [draft] Standards and Disclosures under [draft] European Sustainability Reporting Standards (ESRS);
 - Chapter 2: Qualitative characteristics of information;
 - Chapter 3: Double materiality as the basis for sustainability disclosures;
 - Chapter 4: Sustainability due diligence;
 - Chapter 5: Value chain;
 - Chapter 6: Time horizon;
 - Chapter 7: Preparation and presentation of sustainability information;
 - Chapter 8: Structure of sustainability statements;
 - Chapter 9: Linkages with other parts of corporate reporting and connected information;
 - Chapter 10: Transitional provisions.
10. The Disclosure Requirements in [draft] ESRS 2 General disclosures, in the [draft] topical ESRS and in [draft] sector-specific ESRS cover the following reporting areas:
 - (a) **Governance (GOV)**: the governance processes, controls and procedures used to monitor and manage impacts, risks and opportunities (see [draft] ESRS 2, chapter 2 Governance);
 - (b) **Strategy (SBM)**: how the undertaking's strategy and business model(s) interact with its material impacts, risks and opportunities, including the strategy for addressing them (see [draft] ESRS 2, chapter 3 Strategy);
 - (c) **Impact, risk and opportunity management (IRO)**: the process(es) by which impacts, risks and opportunities are identified, assessed and managed through policies and actions (see [draft] ESRS 2, chapter 4 Impact, risk and opportunity management); and
 - (d) **Metrics and targets (CCR-3)**: how the undertaking measures its performance, including progress towards the targets it has set (see [draft] ESRS 2, chapter 5 Metrics and targets).

1.3 Topical ESRS

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

12. Topical ESRS include sector-agnostic and sector-specific Disclosure Requirements. To achieve a high degree of comparability, information that has been assessed by the standard-setter as likely to be material for all undertakings, or for all undertakings in a specific sector, is reflected in:
 - (a) **Sector-agnostic ESRS/Disclosure Requirements:** applicable to all undertakings independent of the sector(s) they operate in; and
 - (b) **Sector-specific ESRS/Disclosure Requirements:** applicable to all undertakings within a sector. They address impacts, risks and opportunities not covered, or not sufficiently covered, by sector-agnostic Disclosure Requirements. They provide also sector-specific provisions to support the materiality assessment process.
13. ESRS 2 General disclosures establishes information to be mandatorily provided by the undertaking at a general level, across all sustainability topics. The [draft] topical ESRS include additional specific requirements of a topical nature that are necessary to comply with when responding to some Disclosure Requirements of [draft] ESRS 2 General disclosures. [Draft] ESRS 2 Appendix C lists such additional requirements. They are applicable when the undertaking has assessed the relevant topic to be material, except for those in ESRS E1 Climate change and those in the other topical ESRS linked to Disclosure Requirement 2 IRO-1 Description of the processes to identify and assess material sustainability impacts, risks and opportunities, that are applicable regardless of the outcome of the materiality assessment.

1.4 Entity-specific disclosures

14. When the undertaking concludes that an impact, risk or opportunity not covered or covered with insufficient granularity by an [draft] ESRS is material due to its specific facts and circumstances (based on its materiality assessment), it shall provide additional entity-specific disclosures to cover such impact, risk or opportunity.
15. The entity-specific disclosures shall enable readers to understand the undertaking's impacts in relation to environmental, social or governance matters as well as sustainability-related risks and opportunities.
16. In developing entity-specific disclosures, the undertaking shall ensure that:
 - (a) the disclosures meet the qualitative characteristics of information as set out in chapter 2 Qualitative characteristics of information; and
 - (b) its disclosures include, where applicable, all material information related to the reporting areas of governance; strategy; impact, risk and opportunity management; and metrics and targets (see [draft] ESRS 2 chapters 2 to 5).
17. When determining the usefulness of metrics for inclusion in its entity-specific disclosures, the undertaking shall consider whether:
 - (a) its chosen performance metrics provide insight into the likelihood that its practices are:
 - i. reducing negative outcomes and/or increasing positive outcomes for people and the environment (for impacts); and/or

- ii. affecting financial performance, position and cash-flows over the short-, medium- and long-term (for risks and opportunities);
 - (b) the measured outcomes are sufficiently reliable, that is, they do not involve an excessive amount of hypotheses and unknowns that would render the metrics too arbitrary to provide a faithful representation; and
 - (c) there is sufficient contextual information to interpret performance metrics appropriately, and whether variations in such contextual information may impact comparability of the metrics over time.
18. When developing its entity-specific disclosures, the undertaking shall carefully consider:
- (a) comparability between undertakings, while still ensuring relevance of the information provided, even if comparability may be limited for entity-specific disclosures. The undertaking shall consider whether available and relevant frameworks, initiatives, reporting standards and benchmarks (such as technical material issued by the International Sustainability Standard Board or the Global Reporting Initiative) provide elements that can support comparability to the maximum extent possible; and
 - (b) comparability over time: consistency of methodologies and disclosures is a key factor for achieving comparability over time.
19. Further guidance for developing entity-specific disclosures can be found by considering the information required under [draft] topical ESRS that address similar sustainability matters.

1.5 Cross-cutting Requirements for policies, actions and targets

20. To harmonise the content of certain categories of disclosures in a multi-topical environment, Cross-cutting Requirements (CCR) prescribe, as mandated under [draft] ESRS 2, the content to be reported under topical disclosure when reporting the disclosure about policies, actions, metrics and targets. In this context and in relation with the reporting areas:
- (a) **policies** refer to a set or framework of general objectives and management decisions that the undertaking uses for detailed implementation decision-making (see Cross-cutting Requirement 2 CCR-1 Policies adopted to manage material sustainability matters);
 - (b) **actions** refer to (i) activities and action plans (including transition plans) that are undertaken to ensure that the undertaking delivers against targets set and through which the undertaking seeks to address material impacts, risks and opportunities; and (ii) decisions to support these with financial, human or technological resources (see Cross-cutting Requirement 2 CCR-2 Actions and resources in relation to material impacts, risks and opportunities);
 - (c) **metrics** refer to qualitative and quantitative indicators that the undertaking uses to measure and report on the effectiveness of the delivery of its sustainability-related policies and against its targets over time. Metrics also support the measurement of the undertaking's results in respect of affected people, the environment and the

undertaking (see Cross-cutting Requirement 2 CCR-3 Tracking effectiveness of policies and actions through metrics and targets); and

- (d) **targets** refer to measurable, outcome-oriented goals that the undertaking aims to achieve in relation to material impacts, risks or opportunities (see Cross-cutting Requirement 2 CCR-3 Tracking effectiveness of policies and actions through metrics and targets).

21. The Cross-cutting Requirements, referred to in paragraph 20, shall be applied:

- (a) alongside the Disclosure Requirements in the given [draft] topical ESRS, when the undertaking is required by [draft] ESRS to describe policies, actions, and targets; and
- (b) when the undertaking reports on material impacts, risks and opportunities not covered by [draft] topical ESRS or not covered with sufficient granularity, which are covered by entity-specific disclosures.

2 Qualitative characteristics of information

22. When preparing its sustainability statements, the undertaking shall apply:

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

23. These qualitative characteristics of information are defined and described in Appendix C of this [draft] Standard.

3 Double materiality as the basis for sustainability disclosures

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

3.1 Stakeholders and their relevance to the materiality assessment process

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

- (a) affected stakeholders: individuals or groups whose interests are affected or could be affected – positively or negatively – by the undertaking’s activities and its direct and indirect business relationships across its value chain; and
- (b) users of sustainability statements: primary users of general-purpose financial reporting (existing and potential investors, lenders and other creditors, including asset managers, credit institutions, insurance undertakings), as well as other users, including the undertaking’s business partners, trade unions and social partners, civil society and non-governmental organisations, governments, analysts and academics.

26. Some, but not all, stakeholders may belong to both groups defined in paragraph 25.

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

3.2 Material matters and materiality of information

28. Performing a materiality assessment (see chapter 3.4 Impact materiality and 3.5 Financial materiality) is necessary for the undertaking to identify the material impacts, risks and opportunities to be reported.
29. The Application Requirements in Appendix B include the list of sustainability matters covered in [draft] topical ESRS, categorised in topics, sub-topics and sub-sub-topics, to support the materiality assessment. Appendix E provides an illustrative flowchart of which Disclosure Requirements and datapoints are mandatory based on the materiality assessment described in this chapter.
30. For this purpose, a sustainability matter is "material" for the undertaking when it meets the criteria defined for impact materiality (see chapter 3.4 Impact materiality) or financial materiality (see chapter 3.5 Financial materiality) or both.
31. The undertaking shall disclose the following mandatory information:
 - (a) [draft] ESRS 2 General disclosures, i.e., all its Disclosure Requirements (including their datapoints);
 - (b) the datapoints prescribed in topical [draft] ESRS that are listed in Appendix D of ESRS 2 General disclosures that stem from other EU legislation;
 - (c) [draft] ESRS E1 Climate change, i.e., all its Disclosure Requirements (including their datapoints);
 - (d) the following Disclosure Requirements (including their datapoints) of [Draft] ESRS S1 Own workforce: S1- 6 Characteristics of the Undertaking's Employees, S1- 7 Characteristics of non-employee workers in the undertaking's value chain and S1- 8 Collective bargaining coverage and social dialogue; and
 - (e) only for undertakings with 250 or more employees, Disclosure Requirements (including their datapoints) on policies, actions and targets in ESRS S1 Own workforce (Disclosure Requirements from S1-1 to S1-5).
32. When the undertaking concludes that a sustainability matter is material as a result of its materiality assessment, it shall:
 - (a) report according to the Disclosure Requirements (including Application Requirements) related to that specific sustainability matter in the relevant [draft] ESRS (i.e., topical or sector-specific); and
 - (b) develop and report additional appropriate entity-specific disclosures (refer to chapter 1.4 of this [draft] ESRS) when the material sustainability matter, or a specific

disclosure related to a matter, is not covered by a [draft] ESRS or is covered with insufficient granularity.

33. When reporting on policies, actions and targets following either ESRS 2 or for material topics following a topical ESRS, the undertaking cannot omit a Disclosure Requirement or a datapoint of a disclosure requirement. However, if the undertaking cannot disclose the information prescribed by the Disclosure Requirements on policies, actions and targets, because it has not implemented the respective policies, actions and targets, it shall disclose this to be the case and it may report a timeframe in which it aims to have such policies, actions or targets in place.
34. When reporting on a material sustainability matter according to the Metrics and Targets section of the relevant [draft] ESRS, the undertaking may omit:
 - (a) the information prescribed by a Disclosure Requirement, if it assesses such information to be not material; and
 - (b) the information prescribed by a datapoint of a Disclosure Requirement, if it assesses such information to be not material, and concludes that such information is not needed to meet the disclosure objective of the specific Disclosure Requirement.
35. A specific information prescribed by a Disclosure Requirement (including its datapoints) or an entity-specific disclosure shall be included when the undertaking assesses it to be relevant from one or more of the perspectives in (a), (b) and (c):
 - (a) the significance of the information in relation to the matter it purports to depict or explain;
 - (b) the capacity of such information to meet the users' needs allowing for proper decision-making; and
 - (c) the need for transparency towards stakeholders.
36. The undertaking shall establish how it applies the criteria, including appropriate thresholds, to determine:
 - (a) whether the information may be omitted per paragraph 33 above; and
 - (b) to determine the information to be disclosed as entity-specific disclosures.
37. If the undertaking concludes that a topic is not material and therefore it omits all the Disclosure Requirements in a [draft] topical standard, it shall briefly explain the conclusions of its materiality assessment for the topic (see Disclosure Requirement 2 IRO-2). The mandatory information listed in paragraph 31 has to be reported also if it refers to a topic assessed to be not material.
38. When the undertaking omits information prescribed by either a Disclosure Requirement or a datapoint of a Disclosure Requirement in the Metrics and Targets chapter of a [draft] ESRS, such information is considered to be implicitly disclosed as “not material for the undertaking”.

3.3. Double materiality

39. Double materiality has two dimensions: impact materiality and financial materiality.
40. Impact materiality and financial materiality assessments are inter-related and the interdependencies between the two dimensions shall be considered. In general, the starting point is the assessment of impacts. A sustainability impact may be financially material from inception or become financially material when it translates or is likely to translate into financial effects in the short-, medium-, or long-term. Irrespective of them being financially material, impacts are captured by the impact materiality perspective.
41. In determining the materiality of impacts, risks and opportunities in the undertaking's value chain, the undertaking shall focus its identification and assessment of impacts, risks and opportunities on areas where they are deemed likely to arise, based on the nature of the activities, business relationships, geographies or other risk factors concerned, consistent with its materiality assessment.
42. The undertaking shall consider how it is affected by its dependence on the availability of natural and social resources at appropriate prices and quality, independently of its potential impacts on those resources.
43. To identify its principal impacts, risks and opportunities, the undertaking shall determine which ones are material, and therefore reported upon in its sustainability statements, applying the double materiality principle.
44. The undertaking shall explain how it applies the criteria set under chapters 3.4 Impact materiality and 3.5 Financial materiality below, using appropriate thresholds. Appropriate thresholds are necessary to determine which impacts, risks and opportunities are identified and addressed by the undertaking as material (also referred to in respect of impacts as "most significant" in the international instruments UN Guiding Principles on Business and Human Rights and OECD Guidelines for Multinational Enterprises mentioned in chapter 4 Sustainability due diligence) and to determine which sustainability matters are material for reporting purposes.

3.4 Impact materiality

45. A sustainability matter is material from an impact perspective when it pertains to the undertaking's material actual or potential, positive or negative impacts on people or the environment over the short-, medium- or long term. A material sustainability matter from an impact perspective includes impacts caused or contributed to by the undertaking and impacts which are directly linked to the undertaking's own operations, its products, and services through its business relationships. Business relationships include the undertaking's upstream and downstream value chain and are not limited to direct contractual relationships.
46. In this context, impacts on people or the environment include impacts in relation to environmental, social and governance matters.
47. The materiality assessment of a negative impact is informed by the sustainability due diligence process defined in the international instruments of the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. For actual negative

impacts, materiality is based on the severity of the impact, while for potential negative impacts it is based on the severity and likelihood of the impact. Severity is based on

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

In the case of a potential negative human rights impact, the severity of the impact takes precedence over its likelihood. Materiality is based on:

- (a) the scale and scope of the impact for actual positive impacts;
- (b) while for potential positive impacts, it is based on the scale, scope and likelihood of the impact.

3.5 Financial materiality

48. The scope of financial materiality for sustainability reporting is an expansion of the scope of materiality used in the process of determining which information should be included in the undertaking's financial statements.
49. The materiality assessment process described in paragraph 43 includes, but is not limited to, the identification of information that is useful to investors, lenders and other creditors when they, as primary users of general-purpose financial reporting, assess the effects of sustainability matters on the undertaking's cash flows, financial position and financial performance. In particular, information is considered material for primary users of general-purpose financial reporting if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that they make on the basis of the undertaking's sustainability statements.
50. A sustainability matter is material from a financial perspective if it triggers or may trigger material financial effects on the undertaking's development, including cash flows, financial position and financial performance, in the short-, medium- or long-term. This is the case, in particular, when it generates or may generate risks or opportunities that significantly influence or are likely to significantly influence its future cash flows. Future cash flows, together with other critical factors such as business model, strategy, access to finance and cost of capital, are likely to influence the financial position and financial performance of the undertaking in the short-, medium- or long-term. Risks and opportunities may derive from past events or future events and may have effects in relation to:
- (a) assets and liabilities already recognised in financial reporting or that may be recognised as a result of future events; or
 - (b) factors of value creation that do not meet the financial accounting definition of assets and liabilities and/or the related recognition criteria but contribute to the generation of cash flows and more generally to the development of the undertaking. The latter factors are generally referred to as "capitals" in frameworks promoting a multi-capital approach.

51. Financial materiality of a sustainability matter is not constrained to matters that are within the control of the undertaking but includes material risks and opportunities attributable to business relationships with other undertakings/stakeholders beyond the scope of financial reporting.
52. Dependencies from natural and social resources are sources of financial risks or opportunities. Dependencies may trigger effects in two possible ways:
 - (a) they may influence the undertaking's ability to continue to use or obtain the resources needed in its business process, as well as the quality and pricing of those resources; and
 - (b) they may affect the undertaking's ability to rely on relationships needed in its business processes in acceptable terms.
53. The materiality of risks and opportunities is assessed based on a combination of a likelihood of occurrence and potential size of financial effects.

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

54. The undertaking's materiality assessment process shall encompass situations where its actions to address certain impacts or risks, or to benefit from certain opportunities in relation to a sustainability matter, might have material adverse impacts or cause material risks in relation to one or several other sustainability matters. For example:
 - (a) an action plan to decarbonise production that involves abandoning certain products might have material negative impacts on an undertaking's own workforce and result in material risks due to redundancy payments; or
 - (b) an action plan of an automotive supplier to focus on the supply of e-vehicles might lead to stranded assets for the production of supply parts for conventional vehicles.
55. In such situations, the undertaking shall:
 - (a) mention the existence of material adverse impacts or material risks together with the actions that generate them, with a cross-reference to the topic to which the impacts or risks relate; and
 - (b) provide a description of how the material adverse impacts or material risks are addressed under the topic to which they relate.

3.7 Level of disaggregation

56. When needed for a proper understanding of its material impacts, risks and opportunities, the undertaking shall disaggregate the reported information:
 - (a) by country when there are significant variations of material impacts, risks and opportunities across countries and when presenting the information aggregated at a higher level would obscure material impacts, risks and opportunities; or
 - (b) in relation to a significant site or a significant asset, when material impacts, risks and opportunities are linked to a specific location or asset.

57. When defining the appropriate level of disaggregation for reporting, the undertaking shall consider the disaggregation adopted in its materiality assessment. Depending on the facts and circumstances, a disaggregation by subsidiary may be necessary.
58. Where data from different levels, or multiple locations within a level, is aggregated, the undertaking shall ensure that this aggregation does not obscure the specificity and context necessary to interpret the information. The undertaking shall not aggregate material items that differ in nature.
59. When the undertaking presents information disaggregated by sectors, it shall adopt the ESRS sector classification. When a [draft] topical or sector-specific ESRS requires that a specific level of disaggregation is adopted in preparing a specific material item of information, the requirement in the [draft] topical or sector-specific ESRS shall prevail.

4 Sustainability due diligence

60. The outcome of the undertaking's sustainability due diligence process (referred to as "due diligence" in the international instruments mentioned below) inform the undertaking's assessment of its material impacts, risks and opportunities. [Draft] ESRS do not mandate any requirement about sustainability due diligence per se; nor do they extend or modify the role of governance bodies.
61. Sustainability due diligence is the process by which undertakings identify, prevent, mitigate and account for material actual and potential negative impacts on the environment and people connected with their business. These include impacts directly caused by the undertaking and impacts to which the undertaking contributes through its activities, as well as impacts that are otherwise directly linked to the undertaking's own operations, its products or services through its business relationships. Sustainability due diligence is an on-going practice that responds to changes in the undertaking's strategy, business model, activities, business relationships, operating, sourcing and selling contexts. This process is described in the international instruments of the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises.
62. These international instruments identify a number of steps in the sustainability due diligence process, including the identification and assessment of negative impacts connected with the undertaking's business through its activities and business relationships. Where an undertaking cannot address all impacts at once, the due diligence process allows for action to be prioritised based on the severity and likelihood of the impacts. It is this aspect of the sustainability due diligence process that informs the assessment of material impacts (see chapter 3.4 Impact materiality). The identification of material impacts also supports the identification of material sustainability risks and opportunities, which are often a product of such impacts.
63. The core elements of due diligence are reflected directly in Disclosure Requirements set out in ESRS 2 and in the topical ESRS, as illustrated below:

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- (a) embedding sustainability due diligence in governance, strategy and business model¹. This is addressed under:
- i. Disclosure Requirement 2 GOV-2: Information provided to, and sustainability matters addressed by, the undertaking's administrative, management and supervisory bodies;
 - i. Disclosure Requirement 2 GOV-3: Integration of sustainability strategies and performance in incentive schemes; and
 - ii. Disclosure Requirement 2 SBM-3: Material impacts, risks and opportunities and their interaction with strategy and business model(s).
- (b) engaging with affected stakeholders². This is addressed under:
- i. Disclosure Requirement 2 GOV-2: Information provided to, and sustainability matters addressed by, the undertaking's administrative, management and supervisory bodies;
 - ii. Disclosure Requirement 2 SBM-2: Interests and views of stakeholders;
 - iii. Disclosure Requirement 2 IRO-1: Description of the processes to identify and assess material sustainability impacts, risks and opportunities;
 - iv. Cross-cutting Requirement 2 CCR-1: Policies adopted to manage material sustainability matters; and
 - v. Topical ESRS: reflecting the different stages and purposes of stakeholder engagement throughout the sustainability due diligence process.
- (c) identifying and assessing negative impacts on people and the environment³. This is addressed under:
- i. Disclosure Requirement 2 IRO-1: Description of the processes to identify and assess material sustainability impacts, risks and opportunities; and
 - ii. Disclosure Requirement 2 SBM-3: Material impacts, risks and opportunities and their interaction with strategy and business model(s);

¹ As reflected in (a) UN Guiding Principle 16 and its commentary; and the UN Interpretive Guide, Questions 21 and 25 as well as (b) OECD Guidelines Chapter II on General Policies (para A.10), and chapter IV on Human Rights (para 4; and para 44 of the Commentary); and OECD Due Diligence Guidance, Section II (1.1 and 1.2) and Annex, Questions 14 and 15.

² As reflected in (a) UN Guiding Principle 18 and its Commentary, UN Guiding Principle 20, Commentary to UN Guiding Principles 21 and 29, and UN Guiding Principle 31(h) and its Commentary; and the UN Interpretive Guide, Questions 30, 33, 42 and 76 as well as (b) OECD Guidelines Chapter II on General Policies (para A.14 and para 25 of the Commentary); and OECD Due Diligence Guidance, Section II (2.1.c, 2.3, 2.4.a, 3.1.b and 3.1.f) and Annex Questions 8-11.

³ As reflected in (a) UN Guiding Principles 17, 18 and 24 and their Commentaries, and the Commentary to UN Guiding Principle 29; and the UN Interpretive Guide, Questions 9, 12-13, 27-28, 36-42, and 85-89 and (b) OECD Guidelines Chapter II on General Policies (paras A.10-11 and para 14 of the Commentary), and Chapter IV on Human Rights (paras 1-2 and paras 41-43 of the Commentary); and OECD Due Diligence Guidance, Section II (2.1-2.4) and Annex Questions 3-5, and 19-31).

- (d) taking action to address negative impacts on people and the environment⁴. This is addressed under:
 - i. Cross-cutting Requirement 2 CCR-2: Actions and resources in relation to material impacts, risks and opportunities; and
 - ii. Topical ESRS: reflecting the range of actions, including transition plans through which impacts are addressed; and
- (e) tracking the effectiveness of these efforts⁵. This is addressed under:
 - i. Cross-cutting Requirement 2 CCR-3 Tracking effectiveness of policies and actions through metrics and targets; and
 - ii. Topical ESRS: regarding performance metrics and targets.

5 Value chain

5.1 Reporting undertaking and value chain

- 64. The reporting undertaking for the sustainability statements shall be the one retained for the related financial statements. For example, if the reporting undertaking is a group and if the parent company is required to prepare consolidated financial statements, the consolidated financial and sustainability statements will be for the parent and its subsidiaries.
- 65. The scope of the sustainability statements shall be extended beyond the reporting undertaking, such that they integrate in the reporting the material impacts, risks and opportunities of the undertaking's upstream and downstream value chain:
 - (a) following the outcome of its materiality assessment and of its sustainability due diligence activities; and
 - (b) in accordance with specific requirements of topical or sector-specific ESRS, when they exist.
- 66. The aim of this integration of reporting is to include information on the material impacts, risks and opportunities connected to the undertaking through its direct and indirect business relationships in the upstream and/or downstream value chain ('value chain information'). This does not require information on each and every entity in the value chain, but the inclusion of material value chain information.
- 67. The undertaking shall include material value chain information when this is necessary to:

⁴ As reflected in (a) UN Guiding Principles 19, 22 and 23 and their Commentaries; and the UN Interpretive Guide, Questions 11, 32, 46-47, 64-68 and 82-83 and (b) OECD Guidelines Chapter II on General Policies (paras A.12 and paras 18-22 of the Commentary), and Chapter IV on Human Rights (paras 3 and 42-43 of the Commentary); and OECD Due Diligence Guidance, Section II (3.1-3.2) and Annex Questions 32-40).

⁵ As reflected in (a) UN Guiding Principles 20 and 31(g) and their Commentaries; and the UN Interpretive Guide, Questions 49-53 and 80 and (b) OECD Due Diligence Guidance, Section II (4.1 and 5.1) and Annex Questions 41-47.

- (a) allow users of sustainability statements to understand the undertaking's material impacts, risks and opportunities; and/or
 - (b) produce a set of information that meets the qualitative characteristics of information (refer to Appendix C).
68. When determining at which level (within its own operations and its upstream and downstream value chain) a material sustainability matter arises, the undertaking shall use its assessment of impacts, risks and opportunities following the double materiality principle (see chapter 3 Double materiality as the basis for sustainability disclosures).
69. When associates or joint ventures, accounted for under the equity method or proportionally consolidated in the financial statements, are part of the undertaking's value chain, the undertaking shall include their information, following paragraph 66, consistent with the approach adopted for the other business relationships in the value chain. In this case, when determining impact metrics, the data of the associate or joint venture are not limited to the share of equity held, but taken into account on the basis of the impacts that are directly linked to the undertaking's products and services through its business relationships.

5.2 Estimation using sector averages and proxies

70. The undertaking's ability to obtain the necessary value chain information, as well as its capacity to contribute to the management of impacts, risks and opportunities arising in the value chain, may vary depending on various factors, such as the undertaking's contractual arrangements, the level of control that it exercises on the operations outside the consolidation scope and its buying power. When the undertaking does not have the ability to control the activities of its value chain and its business relationships, obtaining value chain information may be more challenging.
71. If collecting the information about the undertaking's upstream and downstream value chain as required by paragraph 66 is impracticable, (i.e. the undertaking cannot collect the necessary data after making reasonable efforts to do so), the undertaking shall estimate the information to be reported about its upstream and downstream value chain, by using all reasonable and supportable information, such as sector-average data and other proxies. Obtaining value chain data could also be challenging in the case of SMEs and other value chain entities that are not in the scope of the CSRD. Reference is made to Disclosure Requirement 2 BP-2 Disclosures in relation to specific circumstances.
72. With reference to policies, actions, and targets, the reporting includes the value chain information to the extent that those policies, actions, and targets involve the actors in the value chain. With reference to metrics, in many cases, in particular for environmental matters for which proxies are available, an undertaking may be able to comply with the reporting requirements without collecting data from the actors in its value chain, for example, in case of calculating an undertaking's GHG Scope 3 emissions.
73. The incorporation of estimates made using sector-average data or other proxies shall not result in information that does not meet the qualitative characteristics of information (see chapter 2 Qualitative characteristics of information and paragraph 88a).

74. One way through which the undertaking can demonstrate reasonable effort in collecting data from actors in its value chain, is where the undertaking may use its leverage over its value chain or may increase leverage over the value chain, e.g. through collaboration with other companies and stakeholders that could help to do so.

6 Time horizon

6.1 Reporting period

75. The reporting period for the undertaking's sustainability statements shall be consistent with that of its financial statements.

6.2 Linking past, present and future

76. The undertaking shall establish appropriate linkage in its sustainability statements between retrospective and forward-looking information, when relevant, to foster a clear understanding of how historical data relate to future-oriented data.

6.3 Reporting progress against the base year

77. A base year is the historical reference date or period for which information is available and against which subsequent information can be compared over time.
78. The undertaking shall present comparative information in respect of the base year for amounts reported in the current period when reporting the developments and progress towards a target, unless the relevant Disclosure Requirement already defines how to report progress. The undertaking may also include historical information about achieved milestones between the base year and the reporting period when this is relevant information.

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

79. When preparing its sustainability statements, the undertaking shall adopt the following time intervals as of the end of the reporting period:
- (a) for short-term: the period adopted by the undertaking as reporting period in its financial statements;
 - (b) for medium-term: from the end of the reporting period for short-term per (a) above to five years; and
 - (c) for long-term: more than five years.
80. The undertaking shall use an additional breakdown for long-term when impacts or actions are expected in period longer than five years and the time difference between them is such that an additional breakdown is necessary to provide relevant information to users of sustainability statements.

81. If different definitions of medium- or long-term time horizons are required for specific items of disclosure in a [draft] topical or sector specific ESRS, the definitions in the [draft] topical or sector specific ESRS prevail.
82. There may be circumstances where the use of the time intervals in paragraph 78 for medium- or long-term results in non-relevant information, as the undertaking uses a different definition for (i) its processes of identification and management of material impacts, risks and opportunities or (ii) the definition of its actions and setting targets. These circumstances may be due to industry-specific characteristics, such as cash flow and business cycles, the expected duration of capital investments, the time horizons over which the users of sustainability statements conduct their assessments and the planning horizons typically used in an undertaking's industry for decision-making. In these circumstances, the undertaking may adopt a different definition of medium- and/or long-term (refer to Disclosure Requirement 2 BP –2 Disclosures in relation to specific circumstances).

7 Preparation and presentation of sustainability information

83. This chapter provides general requirements to be applied when preparing and presenting sustainability information.

7.1 Presenting comparative information

84. The undertaking shall disclose one year of comparative information in respect of all metrics disclosed in the current period. When such information would be relevant to an understanding of the current period's sustainability disclosures, the undertaking shall also disclose comparative information for narrative and descriptive sustainability disclosures.
85. When providing sustainability-related financial disclosures an undertaking shall disclose comparative information that reflects updated estimates. When the undertaking reports comparative information that differs from the information reported in the previous period it shall disclose:
 - (a) the difference between the amount reported in the previous period and the revised comparative amount; and
 - (b) the reasons for the revision of the amounts.
86. Sometimes, it is impracticable to adjust comparative information for one or more prior periods to achieve comparability with the current period. For example, data might not have been collected in the prior period(s) in a way that allows either retrospective application of a new definition of a metric or target or retrospective restatement to correct a prior period error, and it may be impracticable to recreate the information (refer to paragraphs 11 and 12 of ESRS 2). When it is impracticable to adjust comparative information for one or more prior periods, the undertaking shall disclose this fact.
87. When a [draft] topical standard requires the undertaking to present more than one comparative period for a metric or datapoint, the requirements of that [draft] Standard shall prevail.

7.2 Sources of estimation and outcome uncertainty

88. When metrics, including value chain information (see chapter 5 Value chain), cannot be measured directly and can only be estimated, measurement uncertainty may arise.
89. The use of reasonable assumptions and estimates, including scenario or sensitivity analysis, is an essential part of preparing sustainability-related metrics and does not undermine the usefulness of the information, if the assumptions and estimates are accurately described and explained. Even a high level of measurement uncertainty would not necessarily prevent such an assumption or estimate from providing useful information or meeting the qualitative characteristics of information (refer to Appendix C).
90. When sustainability-related disclosures include or are related to financial data and assumptions, such data and assumptions shall be consistent to the extent possible with the corresponding financial data and assumptions used in the undertaking's financial statements.
91. Some [draft] ESRS require the disclosure of information such as explanations about possible future events that have uncertain outcomes. In judging whether information about such possible future events is material, the undertaking shall refer to the criteria in Chapter 3 Double materiality as the basis for sustainability disclosures and consider:
 - (a) the potential effects of the events on the value, timing and certainty of the undertaking's future cash flows, financial position and performance including in the long term (the possible outcome);
 - (b) the potential effects of the events on the determinants of severity and on the likelihood of material impacts on people or the environment; and
 - (c) the full range of possible outcomes and the likelihood of the possible outcomes within that range.
92. When assessing the possible outcomes, the undertaking shall consider all relevant facts and circumstances, including information about low-probability and high-impact outcomes, which, when aggregated, could become material. For example, the undertaking might be exposed to several sustainability-related impacts or risks, each of which could cause the same type of disruption; such as disruptions to the undertaking's supply chain. Information about an individual source of risk might not be material if disruption from that source is highly unlikely to occur. However, information about the aggregate risk (the risk of supply chain disruption from all sources) might be material. (Refer to Disclosure Requirement 2 BP-2 Disclosures in relation to specific circumstances).

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

93. In some cases, an undertaking may receive information after the reporting period but before the management report is approved for issuance. If such information provides evidence or insights about conditions existing at period end, the undertaking shall consider it and, where appropriate, update estimates and sustainability disclosures, in the light of the new information.
94. When such information provides evidence or insights about conditions that arise after the reporting period end, the undertaking shall provide qualitative or narrative information indicating the existence, nature and potential consequences of these post-year end events.

7.4 Changes in preparation or presentation of sustainability information

95. The definition and calculation of metrics, including metrics used to set and monitor targets, shall be consistent over time. If a metric or target is redefined or replaced, an undertaking shall provide restated comparative figures, unless it is impracticable to do so. Reference is made to Disclosure Requirement 2 BP-2 Disclosure in relation to specific circumstances.

7.5 Reporting errors in prior periods

96. The undertaking shall correct material prior period errors by restating the comparative amounts for the prior period(s) disclosed unless it is impracticable to do so.
97. Prior period errors are omissions from, and misstatements in, the undertaking's sustainability statements for one or more prior periods. Such errors arise from a failure to use, or misuse of, reliable information that:
- (a) was available when the management report that includes the sustainability statements for those periods was authorised for issuance; and
 - (b) could reasonably be expected to have been obtained and considered in the preparation of sustainability disclosures included in these reports.
98. Such errors include: the effects of mathematical mistakes, mistakes in applying the definitions for metrics and targets, oversights or misinterpretations of facts, and fraud.
99. Potential errors in the current period discovered in that period are corrected before the management report is authorised for issue. However, material errors are sometimes not discovered until a subsequent period.
100. When it is impracticable to determine the effect of an error on all prior periods presented, the undertaking shall restate the comparative information to correct the error from the earliest date practicable. When correcting disclosures for a prior period, the undertaking shall not use hindsight either in making assumptions about what the management's intentions would have been in a prior period or in estimating the amounts disclosed in a prior period. This requirement applies to correction of both backward-looking and forward-looking disclosures.
101. Corrections of errors are distinguished from changes in estimates. Estimates are to be revised as soon as additional information becomes available (refer to Disclosure Requirement 2 BP-2 Disclosures in relation to specific circumstances).

7.6 Consolidated reporting and subsidiary exemption

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

103. Where the undertaking identifies significant differences between material impacts, risks or opportunities at group level and material impacts, risks or opportunities of one or more of its subsidiaries, the undertaking shall provide an adequate description of the impacts, risks and opportunities, as appropriate, of the subsidiary or subsidiaries concerned.
104. When assessing whether the differences between material impacts, risks or opportunities at group level and material impacts, risks or opportunities of one or more of its subsidiaries are significant, the undertaking may consider different circumstances, such as whether the subsidiary or subsidiaries operate in a different sector than the rest of the group or the circumstances reflected in chapter 3.7 Level of disaggregation.

7.7 Information on intellectual property, know-how or results of innovation

105. When disclosing on its strategy, plans and actions, where a specific piece of information corresponding to intellectual property, know-how or the results of innovation is relevant to meet the objective of a Disclosure Requirement, the undertaking may nevertheless omit that specific piece of information if it meets all of the following criteria:
- (a) it is secret in the sense that it is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question;
 - (b) it has commercial value because it is secret; and
 - (c) it has been subject to reasonable steps by the undertaking to keep it secret.
106. In case a specific piece of information corresponding to intellectual property, know-how or the results of innovation is omitted because it meets these criteria, the undertaking shall comply with the disclosure requirement in question by disclosing all required information with the exception of that specific piece of information.
107. The undertaking shall make every reasonable effort to ensure that beyond the omission of the specific information, the overall relevance of the disclosure is not impaired.

8 Structure of sustainability statements

108. This chapter provides the basis for the presentation of the information about sustainability matters prepared in compliance with the CSRD and the [draft] ESRS (i.e., sustainability statements) within the undertaking's management report. Such information is presented in a dedicated section of the management report identified as the sustainability statements. Appendix G provides an illustrative example on the requirements of this chapter.

8.1 General presentation requirement

109. Sustainability information shall be presented:
- (a) in a way that allows a distinction between information required by disclosures in [draft] ESRS and other information included in the management report; and

- (b) under a structure that facilitates access to and understanding of the sustainability statements, both in human and machine-readable formats.

8.2 Content and structure of the sustainability statements

- 110. Except for the possibility to incorporate information by reference in chapter 9.1, the undertaking shall report all the applicable disclosures (sector-agnostic, sector-specific and entity-specific) required by [draft] ESRS as per chapter 1 Categories of [draft] standards and disclosures under [draft] ESRS, within a single section of the management report.
- 111. The undertaking shall report, in its sustainability statements, the disclosures pursuant to Article 8 of Regulation 2020/852 (EU Taxonomy) on the establishment of a framework to facilitate sustainable investment and identify such disclosures.
- 112. Subject to the provisions of chapter 2 Qualitative characteristics of information, the undertaking may include in its sustainability statements additional disclosures stemming from (i) local legislations, and (ii) generally accepted sustainability reporting pronouncements of other standard setting bodies and non-mandatory guidance including sector-specific guidance (such as technical material issued by the International Sustainability Standard Board or the Global Reporting Initiative). Such disclosures shall be clearly identified with an appropriate reference to the related legislation, pronouncement or guidance and shall complement [draft] ESRS Disclosure Requirements (see Disclosure Requirement 2 BP-2).
- 113. The undertaking shall structure its sustainability statements in four parts: general information, environmental information, social information and governance information in the order prescribed in Appendix F. Respecting the provision in chapter 3.6, when information provided in one part is also covering information to be reported in another part, the undertaking may refer in one part to information presented in another part, avoiding duplications. The undertaking may apply the detailed structure illustrated in Appendix G.
- 114. When reporting the disclosures required by [draft] sector-specific ESRS, the undertaking shall group those disclosures by cross-cutting reporting areas and, where applicable, by sustainability topics and report them alongside the relevant sector-agnostic disclosures.
- 115. Where the undertaking develops material entity-specific disclosures in accordance with chapter 1.4 Entity-specific disclosures, it shall report those disclosures alongside the most relevant sector-agnostic and sector-specific disclosures.

9 Linkages with other parts of corporate reporting and connected information

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

9.1 Incorporation by reference

117. Provided that the conditions in paragraph 117 are met, information prescribed by a Disclosure Requirement of an [draft] ESRS (including a specific datapoint prescribed by a Disclosure Requirement) may be incorporated in the sustainability statements by reference to:
- (a) another section of the management report;
 - (b) the financial statements;
 - (c) the corporate governance report (if not part of the management report);
 - (d) the remuneration report required by the 2007/36/EC directive; and
 - (e) public disclosures under regulation 575/2013 (Pillar 3 disclosures) [and the regulation implementing Directive 2009/138/EC (Solvency II)].
118. Incorporation by reference to the documents listed in paragraph 116 is allowed, provided that the disclosures incorporated by reference:
- (a) constitute a separate element of information clearly identified as addressing the relevant Disclosure Requirement (or the relevant specific datapoint prescribed by a Disclosure Requirement) in such other document (as per paragraph 116 (a) to (e) respectively);
 - (b) are published at the same time as the management report;
 - (c) are subject to at least the same level of assurance as the sustainability statements; and
 - (d) are available with the same technical digitalisation requirements as other information pertaining to the sustainability statements.
119. Provided that the conditions in paragraph 117 are met, information prescribed by a Disclosure Requirement of a [draft] ESRS (including a specific datapoint prescribed by a Disclosure Requirement) may be incorporated in the sustainability statements by reference to the EU Eco-Management and Audit Scheme (EMAS). In this case, the undertaking shall ensure that the information incorporated by reference is produced using the same basis for preparation of ESRS information, including scope of consolidation and treatment of value chain information.
120. In the preparation of its sustainability statements using incorporation by reference, the undertaking shall consider the overall cohesiveness of the reported information and ensure that the incorporation by reference does not impair the readability of the sustainability statements. Appendix H is an illustrative example of incorporation by reference. Reference is made to Disclosure Requirement 2 BP-2.

9.2 Connected information and connectivity with financial statements

121. The undertaking shall describe the relationships between different pieces of information. Doing so could require connecting narrative information on governance, strategy and risk management to related metrics and targets. For example, to allow users to assess connections

in information, the undertaking might need to explain the effect or likely effect of its sustainability strategy on its financial statements or financial plans, or on metrics and targets used to measure progress against performance. Furthermore, the undertaking might need to explain how its use of natural resources and changes within its supply chain could amplify, change or reduce its material sustainability impact, risks and opportunities. It may need to link this information to the potential or actual effect(s) on its production costs, its strategic response to mitigate such impacts, risks and its related investment in new assets. This information may also need to be linked to information in the financial statements and to specific metrics and targets. Information that describes connections shall be clear and concise.

122. When the sustainability statements include monetary amounts or other quantitative data points that are above a threshold for material information and are directly presented in financial statements, the undertaking shall include a reference to the relevant paragraph of its financial statements where the corresponding information can be found.
123. In some cases, sustainability statements may include monetary amounts or other quantitative datapoints above a threshold for material information that are either an aggregation of, or a part of, monetary amounts or quantitative data presented in the undertaking's financial statements. If this is the case, the undertaking shall explain how these relate to the most relevant amount(s) presented in the financial statements. This disclosure shall include a reference to the line item and/or to the relevant paragraph(s) of its financial statements where the corresponding information can be found. For significant amounts, a reconciliation shall be provided, and it may be presented in a tabular form.
124. When there is no direct or indirect link, the undertaking shall state (based on a threshold for material information) the consistency of data, assumptions used, and qualitative information included in its sustainability statements with the corresponding data, assumptions and qualitative information included in the financial statements. This may occur when the sustainability statements include:
 - (a) monetary amounts or other quantitative data linked or interdependent with monetary amounts or other quantitative data presented in financial statements, but a direct reconciliation is not possible; or
 - (b) qualitative information linked or interdependent with qualitative information presented in financial statements.
125. Consistency as required by paragraph 122 shall be at the level of a single data point and shall include a reference to the relevant line item / paragraph of a footnote of the financial statements. When significant data, assumptions and qualitative information are not consistent, the undertaking shall state that fact and explain the reason.
126. Examples of items for which the statement in paragraph 122 subject to the threshold for material information is required are:
 - (a) when the same metric is presented as of the reporting date in financial statements and in forecast for future periods in the sustainability statements; and
 - (b) when macroeconomic or business projections are used to develop metrics in the sustainability statements and they are also relevant in estimating the recoverable amount of assets, the amount of liabilities or provisions in financial statements.

127. [Draft] topical and sector-specific ESRS may include requirements to include reconciliations or to illustrate consistency of data and assumptions for specific Disclosure Requirements. In such cases, the requirements in these [draft] ESRS shall prevail.

10. Transitional provisions

10.1. Transitional provision related to chapter 1.4 Entity-specific disclosures

128. The extent to which sustainability matters are covered by [draft] ESRS is expected to evolve as further sector-agnostic and sector-specific Disclosure Requirements are developed. Therefore, the need for entity-specific disclosures is likely to decrease over time.
129. When defining its entity-specific disclosures, the undertaking may adopt transitional measures for their preparation in the first three annual sustainability statements under which it shall as a priority:
- (a) introduce in its reporting those entity-specific disclosures that it reported in prior periods, if these disclosures meet or are adapted to meet the characteristics of quality referred to under chapter 2 Qualitative characteristics of information; and
 - (b) complement its disclosure, prepared on the basis of the [draft] sector-agnostic ESRS, with an appropriate set of additional disclosures to cover sustainability matters that are material for the undertaking in its sector(s), using the available best practice and/or available frameworks or reporting standards [such as Appendix B for IFRS S2 (industry-specific climate standard) and GRI Sector Standards].

10.2 Transitional provision related to chapter 5 Value chain

130. For the first three years of application of sustainability reporting under [draft] ESRS of an undertaking, if not all the necessary information regarding the value chain is available, the undertaking shall explain the efforts made to obtain the value chain information, the reasons why this information could not be obtained, and the plans of the undertaking to obtain such information in the future. In any case, also in the first three years, the undertaking is expected to use in-house available value chain information when applying chapter 5 Value chain.
131. For the first three years of preparation of its sustainability reporting applying [draft] ESRS, in order to limit the burden for SMEs that are a part of the value chain, the incorporation 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 (as required by paragraph 65) is not required, except for the following, for which undertakings are allowed to report using solely value chain information available in-house:
- (a) datapoints listed in Appendix D of [draft] ESRS 2;
 - (b) [draft] ESRS 2 General disclosures; and
 - (c) Disclosure Requirements on policies, actions and targets in the [draft] topical ESRS.

132. Starting from the fourth year of application, the undertaking shall incorporate 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, as required by paragraph 66. In this context, the information required by ESRS to be obtained from SME undertakings in their value chains will not exceed the content of the future ESRS standard on listed SMEs.

10.3 Transitional provision related to chapter 7.1 Presenting comparative information

133. To ease the first-time application of this [draft] Standard, an undertaking may defer the presentation of comparative information as required by chapter 7.1 Presenting comparative information by one year.

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

134. Appendix D sets phase-in provisions for the Disclosure Requirements or datapoints of Disclosure Requirements in topical [Draft] ESRS that may be omitted or that are not applicable in the first year(s) of preparation of the sustainability statements applying [Draft] ESRS.

Appendix A: Defined terms

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

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| Actions | Actions refer to (i) activities and action plans (including transition plans) that are undertaken to ensure that the undertaking delivers against targets set and through which the undertaking seeks to address material impacts, risks and opportunities; and (ii) decisions to support these with financial, human or technological resources. |
| Actors in the value chain | Actors in the value chain are individuals or entities in the upstream or downstream value chain. An undertaking is considered downstream from the undertaking (e.g., distributors, customers) when it receives products or services from the undertaking; it is considered upstream from the undertaking (e.g., suppliers) when it provides products or services that are used in the development of the undertaking's own products or services. |
| Business relationships | Business relationships include the undertaking's relationships with business partners, entities in its value chain, and any other non-State or State undertaking directly linked to its business operations, products or services. Business relationships are not limited to direct contractual relationships. |
| Double materiality | Double materiality has two dimensions: impact materiality and financial materiality. A sustainability matter meets the criterion of double materiality if it is material from both perspectives or only either from the impact perspective or the financial perspective. |
| ESRS Sectors | Groups of economic activities classified into sectors and sector groups for the purpose of applying sector-specific [Draft] ESRS. |
| Financial materiality | A sustainability matter is material from a financial perspective if it triggers or may trigger material financial effects on the undertaking's development, performance, and position in the short-, medium- or long-term. This is the case, in particular, when it generates or may generate risks or opportunities that influence or are likely to influence significantly its future cash flows. |
| Impact materiality | A sustainability matter is material from an impact perspective when it pertains to the undertaking's material actual or potential, positive or negative impacts on people or the environment over the short-, medium- or long-term. A material sustainability matter from an impact perspective also includes impacts caused or contributed to by the undertaking and impacts which are directly linked to the undertaking's operations, products, and services through its business relationships. |
| Metrics | Qualitative and quantitative indicators that the undertaking uses to measure and report on the effectiveness of the delivery of its sustainability-related policies and against its targets over time. Metrics also support the measurement of the undertaking's results in respect of affected people, the environment and the undertaking. |
| Policy | A policy is a set or framework of general objectives and management principles that the undertaking uses for decision-making. A policy implements the undertaking's strategy or management decisions related to a material sustainability matter. Each policy is under the responsibility of defined person(s), specifies its perimeter of |

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| | <p>application, and includes one or more objectives (linked when applicable to measurable targets). A policy is validated and reviewed following the undertakings' applicable governance rules. A policy is implemented through actions or action plans.</p> |
| Stakeholder(s) | <p>Stakeholders are those who can affect or be affected by the undertaking. There are two main groups of stakeholders:</p> <p>(a) affected stakeholders: individuals or groups whose interests are affected or could be affected – positively or negatively – by the undertaking's activities and its direct and indirect business relationships across its value chain; and</p> <p>(b) users of sustainability statements: primary users of general-purpose financial reporting (existing and potential investors, lenders and other creditors including asset managers, credit institutions, insurance undertakings), as well as other users, including the undertaking's business partners, trade unions and social partners, civil society and non-governmental organisations, governments, analysts and academics.</p> <p>Some, but not all, stakeholders may belong to the two groups.</p> |
| Sustainability matters | <p>Sustainability matters are sustainability factors as defined in Article 2, point (24) of Regulation (EU) 2019/2088 of the European Parliament and the Council, that is environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters; and governance factors.</p> |
| Sustainability statements | <p>A separately identifiable section or the parts of the management report that contain the sustainability information required by the applicable [draft] ESRS.</p> |
| Targets | <p>Measurable, outcome-oriented goals that the undertaking aims to achieve in relation to material impacts, risks or opportunities.</p> |
| Value chain | <p>Value chain is the full range of activities, resources and relationships related to the undertaking's business model(s) and the external environment in which it operates. A value chain encompasses the activities, resources and relationships an undertaking uses and relies on to create its products or services from conception to delivery, consumption and end-of-life. Relevant activities, resources and relationships include:</p> <p>a) those in the undertaking's operations, such as human resource;</p> <p>b) those along its supply, marketing and distribution channels, such as materials and service sourcing and product and service sale and delivery; and</p> <p>c) the financing, geographical, geopolitical and regulatory environments in which the undertaking operates.</p> <p>Note: Entities upstream from the undertaking (e.g., suppliers) provide products or services that are used in the development of the undertaking's products or services. Entities downstream from the undertaking (e.g., distributors, customers) receive products or services from the undertaking.</p> |

Appendix B: Application Requirements

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

This appendix states application requirements for:

- (1) the assessment of double materiality
- (2) value chain; and
- (3) content and structure of the sustainability statements.

3.3 Application requirements – Double materiality as the basis for sustainability disclosures

Stakeholders and their relevance to the materiality assessment process

- AR 1. Common categories of stakeholders are: lenders, shareholders and other investors, business partners, employees and other workers, suppliers, trade unions, civil society and non-governmental organisations, consumers, customers, end-users, governments, local communities and vulnerable groups, authorities (including regulators, supervisors and central banks).
- AR 2. Nature may be considered as a silent stakeholder. In this case, ecological data and data on the conservation of species may support the undertaking's materiality assessment.
- AR 3. The materiality assessment is informed by the dialogue with some categories of affected stakeholders. The undertaking may engage with some categories of affected stakeholders or their representatives (such as employees or trade unions), along with users of sustainability reporting and other experts, to provide inputs or feedback on its conclusions regarding its material impacts, risks and opportunities.

Materiality assessment and determination of material sustainability matters

- AR 4. In assessing impact materiality and determining the material matters to be reported, the undertaking shall consider the following four steps:
- (a) understanding of the context in relation to its impacts including its activities, business relationships, sustainability context and stakeholders;
 - (b) identification of actual and potential impacts (both negative and positive), through engaging with relevant stakeholders and experts. In this step the undertaking may rely on scientific and analytical research on impacts on sustainability matters;
 - (c) assessment of the materiality of its actual and potential impacts; and
 - (d) determination of the material matters. In this step, the undertaking shall adopt thresholds to determine which of the impacts will be covered in its sustainability statements.

Characteristics of severity

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

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

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

Impacts directly linked to the undertaking

AR 7. As an illustration:

- (a) if the undertaking uses cobalt in its products that is mined using child labour, the negative impact (i.e., child labour) is directly linked to the undertaking's products through the tiers of business relationships in its supply chain. These relationships include the smelter and minerals trader and the mining enterprise that uses child labour, even though the undertaking has not caused or contributed to the negative impact itself. Similarly, if the undertaking is procuring energy from specific on-shore wind-parks, for example by having a contractual relationship with the operators of such wind-parks or with distributors of energy from those wind-parks it is directly linked to the negative impacts of land-use on biodiversity; and
- (b) if the undertaking provides financial loans to an enterprise for business activities that, in breach of agreed standards, result in the contamination of water and land surrounding the operations, this negative impact is directly linked to the undertaking through its relationship with the enterprise it provides the loans to.

Assessment of financial materiality

AR 8. The following are examples of how dependencies are sources of risks or opportunities:

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

AR 9. The identification of risks and opportunities that affect or may affect the undertaking's financial development, performance and position is the starting point for financial materiality assessment. In this context, the undertaking shall consider:

- (a) the existence of triggers of financial effects (see paragraph 52);
- (b) the materiality of these triggers;
- (c) the classification of the material triggers as
 - i. risks (contributing to negative deviation in future expected cash inflows or increase in deviation in future expected cash outflows and/or negative deviation from expected change in capitals not recognised in financial statements); or
 - ii. opportunities (contributing to positive deviation in future expected cash inflows or decrease in deviation in future cash outflows and/or positive deviation from expected change in capitals not recognised in financial statements).

AR 10. Once the undertaking has identified its risks and opportunities, it shall determine which of them are material for reporting. This shall be based on a combination of (i) the likelihood of occurrence and (ii) the potential size of financial effects determined on the basis of appropriate thresholds. In this step it shall consider the contribution of those risks and opportunities to decrease or increase the undertaking's future cash flows derived from:

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

Sustainability matters to be covered in materiality assessment for performance measures in [draft] topical ESRS

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

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

| [Draft] topical standard | Sustainability matters covered in [draft] topical ESRS | | |
|--------------------------|--|--|---|
| | Topic | Sub-topic | Sub-sub-topics |
| [draft] ESRS E1 | Climate change ⁶ | <ul style="list-style-type: none"> • Energy • GHG emissions • Climate-related financial effects | |
| [draft] ESRS E2 | Pollution | <ul style="list-style-type: none"> • Pollution of air (both indoor and outdoor) • Pollution of water (including groundwater) • Pollution of soil • Pollution of living organisms and food resources • Substances of concern | |
| [draft] ESRS E3 | Water and marine resources | <ul style="list-style-type: none"> • Water withdrawals • Water consumption • Water use • Water discharges in water bodies and in the oceans • Habitat degradation and intensity of pressure on marine resources | |
| [draft] ESRS E4 | Biodiversity and ecosystems | <ul style="list-style-type: none"> • Direct impact drivers of biodiversity loss | <ul style="list-style-type: none"> • Climate Change • Land-use change • Direct exploitation • Invasive alien species • Pollution • Others |
| | | <ul style="list-style-type: none"> • Impacts on the state of species | Examples: <ul style="list-style-type: none"> • Species population size • Species global extinction risk |
| | | <ul style="list-style-type: none"> • Impacts on the extent and condition of ecosystems | Examples: <ul style="list-style-type: none"> • Land degradation • Desertification • Soil sealing |
| | | <ul style="list-style-type: none"> • Impacts and dependencies on ecosystem services | |
| [draft] ESRS E5 | Circular economy | <ul style="list-style-type: none"> • Depletion of non-renewable resources | |

[Draft] ESRS 1 General requirements

| [Draft] topical standard | Sustainability matters covered in [draft] topical ESRS | | |
|--------------------------|--|--|--|
| | Topic | Sub-topic | Sub-sub-topics |
| | | <ul style="list-style-type: none"> • Regeneration of renewable resources • Circular business models • Waste | |
| [draft] ESRS S1 | Own workforce | <ul style="list-style-type: none"> • Working conditions | <ul style="list-style-type: none"> • Secure employment • Working time • Adequate wages • Social dialogue • Freedom of association • Existence of work councils • Collective bargaining, including rate of workers covered by collective agreements • The information, consultation and participation rights of workers • Work-life balance • Health and safety |
| | | <ul style="list-style-type: none"> • Equal treatment and opportunities for all | <ul style="list-style-type: none"> • Gender equality and equal pay for work of equal value • Training and skills development • Employment and inclusion of persons with disabilities • Measures against violence and harrassment in the workplace Diversity |
| | | <ul style="list-style-type: none"> • Human rights, fundamental freedoms, democratic principles | <ul style="list-style-type: none"> • Child labour • Forced labour |
| [draft] ESRS S2 | Workers in the value chain | <ul style="list-style-type: none"> • Working conditions | <ul style="list-style-type: none"> • Secure employment • Working time • Adequate wages • Social dialogue • Freedom of association • Existence of work councils • Collective bargaining, including rate of workers covered by collective agreements |

⁶ ESRS E1 Climate change is always mandatory.
 [Draft] ESRS 1 General requirements
 November 2022

| [Draft] topical standard | Sustainability matters covered in [draft] topical ESRS | | |
|--------------------------|--|---|--|
| | Topic | Sub-topic | Sub-sub-topics |
| | | | <ul style="list-style-type: none"> • The information, consultation and participation rights of workers • Work-life balance • Health and safety |
| | | <ul style="list-style-type: none"> • Equal treatment and opportunities for all | <ul style="list-style-type: none"> • Gender equality and equal pay for work of equal value • Non-discrimination • Training and skills development • Equality in pay • Employment and inclusion of persons with disabilities • Measures against violence and harrasment in the workplace • |
| | | <ul style="list-style-type: none"> • Human rights, fundamental freedoms, democratic principles | <ul style="list-style-type: none"> • Child labour • Forced labour |
| [draft] ESRS S3 | Affected communities | <ul style="list-style-type: none"> • Communities' economic, social and cultural rights | <ul style="list-style-type: none"> • Adequate housing • Adequate food • Water and sanitation • Land-related impacts • Security-related impacts |
| | | <ul style="list-style-type: none"> • Communities' civil and political rights | <ul style="list-style-type: none"> • Freedom of expression • Freedom of assembly • Impacts on human rights defenders |
| | | <ul style="list-style-type: none"> • Rights of indigenous communities | <ul style="list-style-type: none"> • Free, prior and informed consent • Self-determination |
| [draft] ESRS S4 | Consumers and end-users | <ul style="list-style-type: none"> • Information-related impacts | <ul style="list-style-type: none"> • Privacy • Freedom of expression • Access to information • Marketing practices • Quality of information • Complaints management |

| [Draft] topical standard | Sustainability matters covered in [draft] topical ESRS | | |
|--------------------------|--|--|---|
| | Topic | Sub-topic | Sub-sub-topics |
| | | <ul style="list-style-type: none"> Personal safety of consumers and end-users | <ul style="list-style-type: none"> Health and safety Security of a person Protection of children |
| | | <ul style="list-style-type: none"> Social inclusion of consumers and end-users | <ul style="list-style-type: none"> Non-discrimination Access to products and services |
| [draft] ESRS G1 | Business conduct | <ul style="list-style-type: none"> Protection of whistle-blowers Corporate culture Animal welfare Political engagement and lobbying activities Management of relationships with suppliers including payment practices | |
| | | <ul style="list-style-type: none"> Corruption and bribery | <ul style="list-style-type: none"> Prevention and detection including training Incidents |

5.2 Application requirements – Reporting undertaking and value chain

AR 13. When collecting value chain information as required by paragraph 66 is impracticable, the undertaking shall estimate the information to be reported using all reasonable and supportable information. This includes, but is not limited to, internal and external information, such as data from indirect sources, sector-average data, sample analyses, market and peer groups data, other proxies or spend-based data.

AR 14. When considering the expanded scope of the reported information in accordance with paragraph 66, only the elements of the value chain with material Impacts, risks or opportunities are reported on. For instance, the undertaking may - based on the materiality assessment - consider the working conditions and the affected communities to be material for a group of farmers, while the CO₂-emissions are material in other elements of the value chain.

8.2 Application requirements - Content and structure of the sustainability statements

AR 15. As an illustration for paragraph 113 in chapter 8.2 Content and structure of the sustainability statements, the undertaking that reports on policies covering environment and social in the same policy may refer, in the part dedicated to environment, to the other part or vice versa. Consolidated presentation of policies across topics is allowed.

Appendix C: Qualitative characteristics of information

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

This appendix states the qualitative characteristics that the information presented in sustainability statements prepared according to [draft] ESRS shall meet.

Relevance

QC1. Sustainability information is relevant when it may make a difference in the decisions of users under a double materiality approach (see chapter 3 Double materiality as the basis for [draft] ESRS disclosures).

QC2. Information may make a difference in a decision even if some users choose not to take advantage of it or are already aware of it from other sources. Sustainability information may impact decisions of users if it has predictive value, confirmatory value or both. Information has predictive value if it can be used as an input to processes employed by users to predict future outcomes. Sustainability-related financial information does not need to be a prediction or forecast to have predictive value, but rather has predictive value if it is employed by users in making their own predictions.

QC3. Information has confirmatory value if it provides feedback about (confirms or changes) previous evaluations.

QC4. Materiality is an entity-specific aspect of relevance based on the nature or magnitude, or both, of the sustainability matters to which the information relates, as assessed in the context of the undertaking's sustainability reporting. Refer to Chapter 3 Double materiality as the basis for sustainability disclosures.

Faithful representation

QC5. To be useful, the information must not only represent relevant phenomena, it must also faithfully represent the substance of the phenomena that it purports to represent. Faithful representation requires information to be (i) complete, (ii) neutral and (iii) free from error.

QC6. A complete depiction of sustainability-related impacts, risks and opportunities includes all material information necessary for the users to understand that impact, risk or opportunity. This includes how the undertaking has adapted its strategy, risk management and governance in response to that impact, risk or opportunity, as well as the metrics identified to set targets and measure performance.

QC7. A neutral depiction is without bias in its selection or disclosure of information. Information is neutral if it is not slanted, weighted, emphasised, de-emphasised or otherwise manipulated to make it more likely that the users will receive that information favourably or unfavourably. It shall be balanced, so as to cover favourable/positive and unfavourable/negative aspects. Both negative and positive material impacts from an impact materiality perspective as well as material risks and opportunities from a financial materiality perspective shall receive equal attention. Any aspirational sustainability information, for example targets or plans shall cover both aspirations and factors that could prevent the undertaking from achieving these aspirations in order to have a neutral depiction.

QC8. Neutrality is supported by the exercise of prudence which is the exercise of caution when making judgements under conditions of uncertainty. Information shall not be netted or compensated to be neutral. The exercise of prudence means that opportunities are not overstated and risks are not understated. Equally, the exercise of prudence does not allow for the understatement of opportunities or the overstatement of risks. The undertaking may present net information, in addition to absolute values, if such presentation does not obscure relevant information and includes a clear explanation about the effects of the netting and the reasons for the netting.

QC9. Information can be accurate without being perfectly precise in all respects. Accurate information implies that the undertaking has implemented adequate processes and internal controls to avoid material errors or material misstatements. As such, estimates shall be presented with a clear emphasis on their possible limitations and associated uncertainty (see chapter 7.2 Sources of estimation and outcome uncertainty). The amount of precision needed and attainable, and the factors that make information accurate, depend on the nature of the information and the nature of the matters it addresses. For example, accuracy requires that:

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

Comparability

QC10. Sustainability information is comparable when it can be compared with information provided by the undertaking in previous periods and, can be compared with information provided by other undertakings, in particular those with similar activities or operating within the same industry. A point of reference for comparison can be a target, a baseline, an industry benchmark, comparable information from either other undertakings or from an internationally recognised organisation, etc.

QC11. Consistency is related to, but is not the same as, comparability. Consistency refers to the use of the same approaches or methods for the same sustainability matter, from period to period by the undertaking and other undertakings. Consistency helps to achieve the goal of comparability.

QC12. Comparability is not uniformity. For information to be comparable, like components shall look alike and different components shall look different. Comparability of sustainability information is not enhanced by making unlike things look alike any more than it is enhanced by making like things look different.

Verifiability

QC13. Verifiability helps to give users confidence that information is complete, neutral and accurate. Sustainability information is verifiable if it is possible to corroborate either such information itself or the inputs used to derive it.

QC14. Verifiability means that various knowledgeable and independent observers could reach consensus, although not necessarily complete agreement, that a particular depiction is a faithful representation. Sustainability information shall be provided in a way that enhances their verifiability, for example:

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

QC15. Some sustainability information will be in the form of explanations or forward-looking information. Those disclosures can be supportable by faithfully representing on a factual basis for example the strategies, plans and risk analyses of the undertaking. To help users decide whether to use such information, an undertaking shall describe the underlying assumptions and methods of producing the information, as well as other factors that provide evidence that verify that it reflects the actual plans or decisions made by the undertaking.

Understandability

QC16. Sustainability information is understandable when it is clear, and concise. Understandable information enables any reasonable knowledgeable user to readily comprehend the information being communicated.

QC17. For sustainability disclosures to be concise, they need to (a) avoid generic "boilerplate" information, that is not specific to the undertaking; (b) avoid unnecessary duplication of information, including information also provided in financial statements; and (c) use clear language and well-structured sentences and paragraphs. Concise disclosures shall only include material information. Complementary information presented pursuant paragraph 112 shall be provided in a way that avoids obscuring material information.

QC18. Clarity might be enhanced by distinguishing information about developments in the reporting period from "standing" information that remains relatively unchanged, from one period to the next. This can be done for example, by separately describing features of an undertaking's sustainability-related governance and risk management processes that have changed since the previous reporting period compared to those that remain unchanged.

QC19. The completeness, clarity and comparability of sustainability disclosures all rely on information being presented as a coherent whole. For sustainability disclosures to be coherent, they shall be presented in a way that explains the context and the relationships between the related

information. Coherence also requires the undertaking to provide information in a way that allows users to relate information about its sustainability-related impacts, risks and opportunities to information in the undertaking's financial statements.

QC20. If sustainability-related risks and opportunities discussed in the financial statements have implications for sustainability reporting, the undertaking shall include in the sustainability statements the information necessary for users to assess those implications and present appropriate links to the financial statements (see chapter 9 Linkages with other parts of corporate reporting and connected information). The level of information, granularity and technicality shall be aligned with the needs and expectations of users. Abbreviations shall be avoided and the units of measure shall be defined and disclosed.

Appendix D: List of phased-in Disclosure Requirements

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

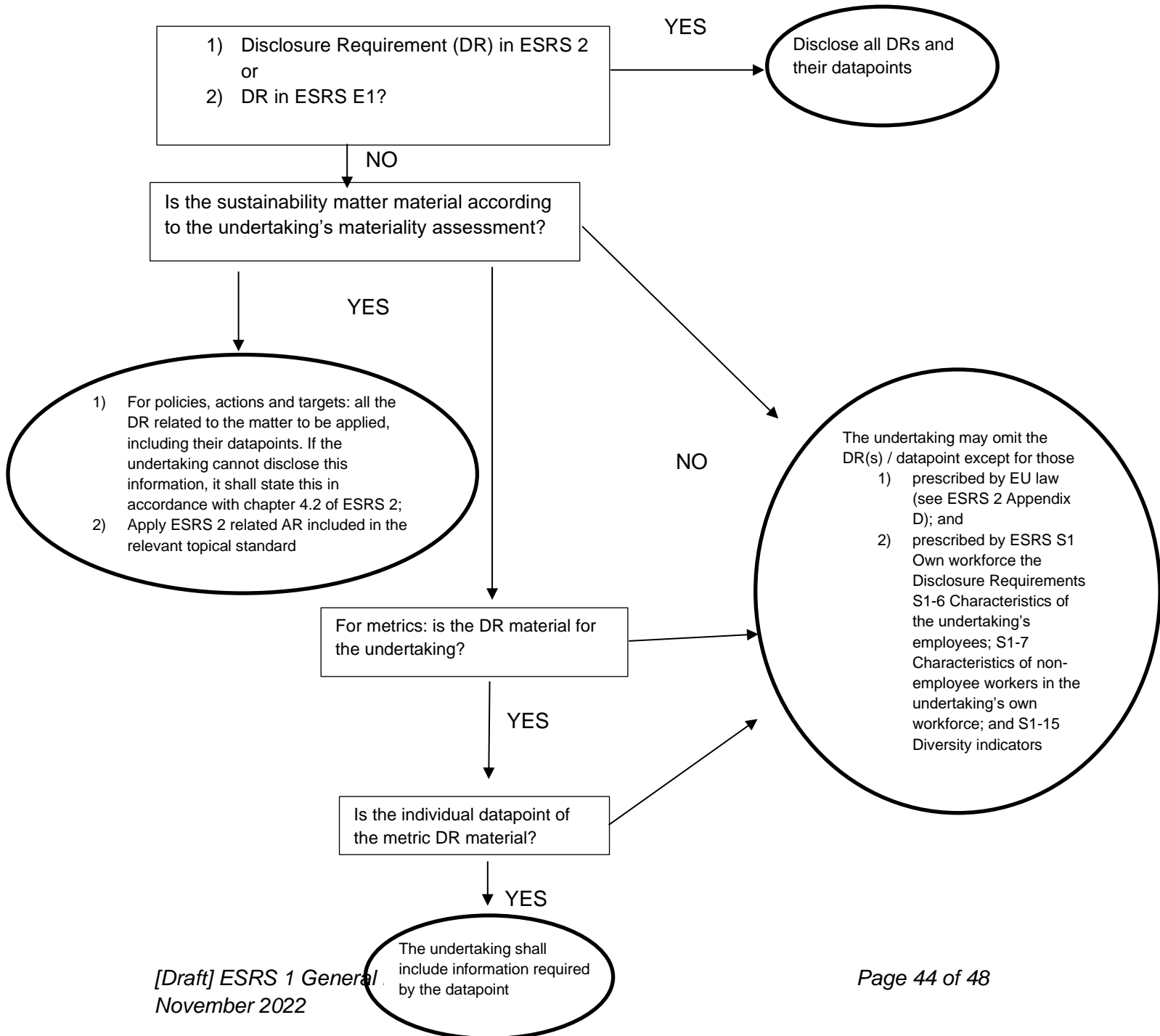
| [draft] ESRS | Disclosure Requirement | Full name of the DR | Phase-in or effective date (including the first year) |
|-----------------|------------------------|---|--|
| [draft] ESRS 2 | 2 SBM-1 | Strategy, business model(s), market positions and value chains | The undertaking shall report the information prescribed by ESRS 2 SBM-1 paragraph 39 (b) breakdown of total revenue by ESRS sector and (c) for sustainability statements with a reporting period beginning January 1, 2025 or later. |
| [draft] ESRS E1 | E1-9 | Potential financial effects of material physical and transition risk and climate-related opportunities | The undertaking may omit the information prescribed by ESRS E1-9 for the first year of preparation of its sustainability statements. The undertaking may comply with ESRS E1-9 reporting qualitative disclosures only, for the first three years of preparation of its sustainability statements, if it is impracticable to prepare quantitative disclosures. |
| [draft] ESRS E2 | E2-6 | Potential financial effects from pollution-related impacts, risks and opportunities | Except for the information prescribed by paragraph 43 (b) on the operational and capital expenditures occurred in the reporting period in conjunction with major incidents and deposits, the undertaking may comply with ESRS E2-6 reporting qualitative disclosures only, for the first three years of preparation of its sustainability statements. |
| [draft] ESRS E3 | E3-5 | Potential financial effects from water and marine resources-related impacts, risks and opportunities | The undertaking may comply with ESRS E3-5 reporting qualitative disclosures only, for the first three years of preparation of its sustainability statements. |
| [draft] ESRS E4 | E4-6 | Potential financial effects from biodiversity-related impacts, dependencies, risks and opportunities | The undertaking may comply with ESRS E4-6 reporting qualitative disclosures only, for the first three years of preparation of its sustainability statements. |
| [draft] ESRS E5 | E5-6 | Potential financial effects from resource use and circular economy-related impacts, risks and opportunities | The undertaking may comply with ESRS E5-6 reporting qualitative disclosures only, for the first three years of preparation of its sustainability statements. |
| [draft] ESRS S1 | S1-6, paragraph 42 | Characteristics of the Undertaking's employees | The undertaking may omit the gender breakdowns required in paragraph 41 (b) for the first year of preparation of its sustainability statements. |

[Draft] ESRS 1 General requirements

| [draft] ESRS | Disclosure Requirement | Full name of the DR | Phase-in or effective date (including the first year) |
|-----------------|------------------------|--|---|
| [draft] ESRS S1 | S1-7, paragraph 48 | Characteristics of non-employee workers in the undertaking's own workforce | The undertaking may omit reporting for all datapoints in this Disclosure Requirement for the first year of preparation of its sustainability statements. |
| [draft] ESRS S1 | S1-8, paragraph 53 | Training and Skills Development indicators | The undertaking may omit the breakdowns by employee category defined in para 51 (a) and (b) for the first year of preparation of its sustainability statements. |
| [draft] ESRS S1 | S1-11, paragraph 66 | Adequate wages | The undertaking may omit reporting on adequate wages for non-employee workers in own workforce for the first year of preparation of its sustainability statements. |
| [draft] ESRS S1 | S1-12, paragraph 72 | Social Protection | The undertaking may omit reporting on non-employee workers for the first year of preparation of its sustainability statements. |
| [draft] ESRS S1 | S1-16, paragraph 92 | Collective bargaining coverage and social dialogue | The undertaking may omit reporting for this Disclosure Requirement on non-employee workers in own workforce and non-EEA countries for the first year of preparation of its sustainability statements. |

Appendix E: Flowchart for determining disclosures to be included

This appendix complements the [draft] ESRS 1. It provides a non-binding illustration of the materiality assessment outlined in chapter 3.2 that leads to the identification of the information to be included in the sustainability statements.



(*) Policies, actions resources and targets.

Appendix F: Structure of ESRS sustainability statements

This appendix is an integral part of the proposed [draft] ESRS 1 and has the same authority as the other parts of the [draft] Standard with respect to reporting in four parts as outlined in paragraph 113.

| Part of the management report | [draft] ESRS codification | Title of [draft] ESRS |
|--------------------------------------|----------------------------------|--|
| 1. General information | [draft] ESRS 2 | General disclosures, including information provided under the Application Requirements of [draft] topical ESRS listed in Appendix C of [draft] ESRS 2. |
| 2. Environmental information | [draft] ESRS E1 | Climate change |
| | [draft] ESRS E2 | Pollution |
| | [draft] ESRS E3 | Water and marine resources |
| | [draft] ESRS E4 | Biodiversity and ecosystems |
| | [draft] ESRS E5 | Resource use and circular economy |
| 3. Social information | [draft] ESRS S1 | Own workforce |
| | [draft] ESRS S2 | Workers in the value chain |
| | [draft] ESRS S3 | Affected communities |
| | [draft] ESRS S4 | Consumers and end-users |
| 4. Governance information | [draft] ESRS G1 | Business conduct |

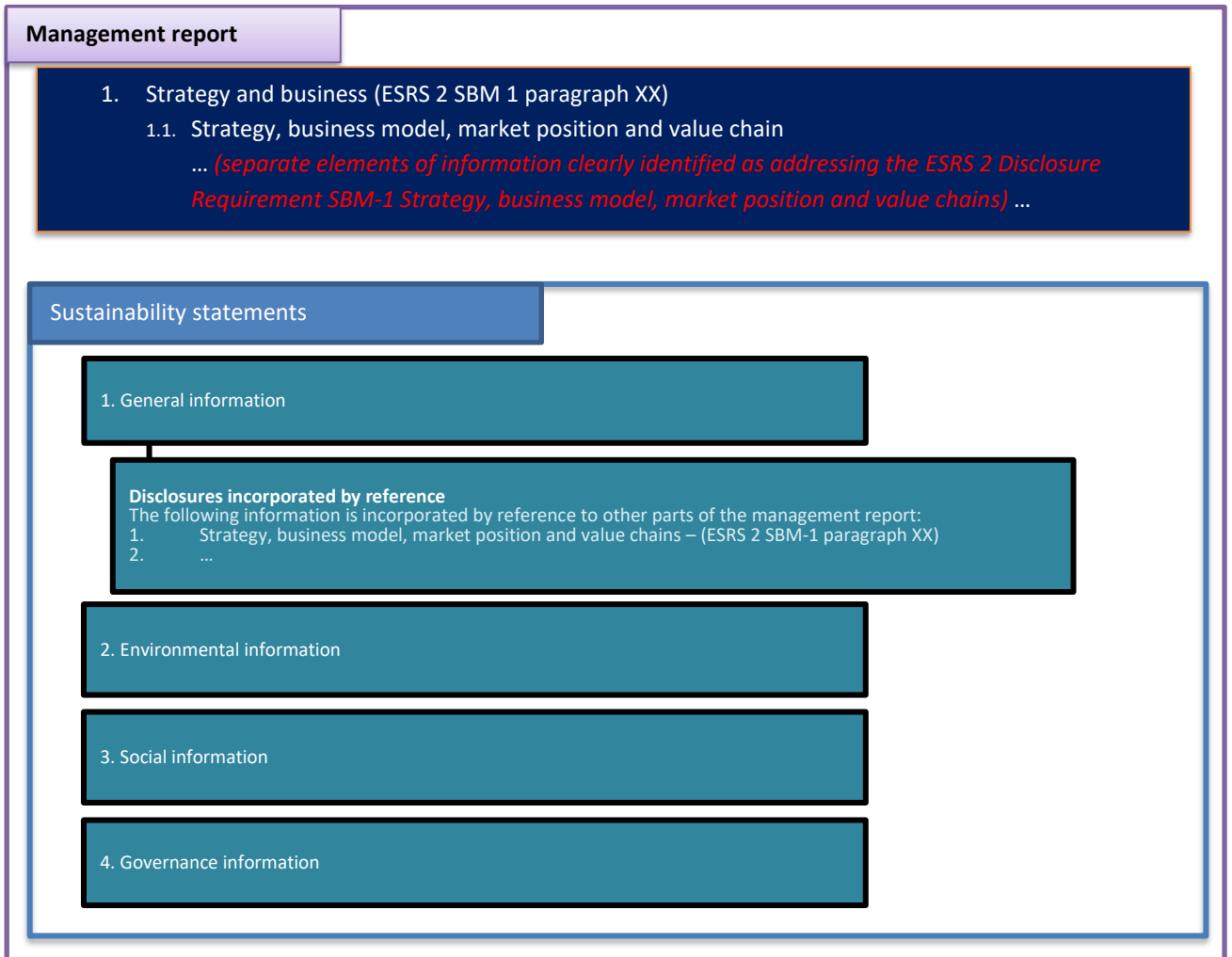
Appendix G: Example of structure of ESRS sustainability statements

This appendix complements the [draft] ESRS 1. It provides non-binding illustrations of the structure of the sustainability statements outlined in chapter 8.2 Content and structure of the sustainability statements.



Appendix H: Example of incorporation by reference

This appendix complements the [draft] ESRS 1. It provides non-binding illustrations of incorporation by reference of another section of the management report into the sustainability statements as outlined in chapter 9.1 Incorporation by reference.





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