



6 May 2025

Mr Benoit Jaspard, Chair of the Administrative Board  
Mr Patrick de Cambourg, Chair of the Sustainability Reporting Board  
EFRAG  
35 Square de Meeûs  
1000 Brussels BELGIUM

## **PwC response letter to EFRAG Questionnaire for Public Feedback: ESRS Set 1 Revision**

Dear Mr Jaspard and Mr de Cambourg:

PwC International Ltd (PwC), on behalf of the PwC network, appreciates the opportunity to provide feedback to EFRAG concerning the revision and simplification of the existing European Sustainability Reporting Standards (ESRS).<sup>1</sup>

We commend EFRAG for the work done in developing ESRS set 1 and believe they provide a strong foundation for reporting as a tool to support the objective of transformation under the European Green Deal. The experience of preparers during the first year of reporting, however, has highlighted numerous areas where changes could be made to reduce the reporting burden while also ensuring stakeholders continue to receive relevant sustainability-related information. In its 'Omnibus' package released in February 2025, the European Commission (EC) has also identified the need for change to better align ESRS with the current environment.

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<sup>1</sup> The PwC network consists of firms which are separate legal entities. The firms that make up the network are committed to working together to provide quality service offerings for clients throughout the world. Firms in the PwC network are members in, or have other connections to, PricewaterhouseCoopers International Limited (PwCIL), an English private company limited by guarantee. PwCIL does not practise accountancy or provide services to clients. Rather its purpose is to facilitate coordination between member firms in the PwC network. A member firm cannot act as agent of PwCIL or any other member firm, cannot obligate PwCIL or any other member firm, and is liable only for its own acts or omissions and not those of PwCIL or any other member firm. Similarly, PwCIL cannot act as an agent of any member firm, cannot obligate any member firm, and is liable only for its own acts or omissions.

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Our responses to the ‘Questionnaire for Public Feedback: ESRS Set 1 Revision’ — attached in Appendix A to this letter and submitted online — provide our detailed recommendations on areas where we believe revisions should be made to ESRS to reduce the burden on preparers, while also improving the usability of the reports, and enhancing interoperability. Based on our observations from wave 1 reporting, we have also prepared a list of detailed datapoint recommendations which is attached in Appendix B. This letter highlights the broad themes of our recommendations, including the importance of due process as well as proposed improvements to how the concepts of materiality are applied in reporting, better delineation of the reporting boundaries, and changes to the structure of the standards to make them easier to apply. Further, underpinning our recommendations is an overall focus on improving the quality of reporting and increasing alignment and interoperability with the IFRS Sustainability Disclosure Standards issued by the International Sustainability Standards Board (ISSB).

## **Due process**

Given the challenges noted in the implementation of ESRS set 1, we believe it is essential that the revision follow the standard EFRAG due process. Prior to the issue of the Omnibus, there was an expectation that EFRAG would carry out a post implementation review (PIR) of ESRS set 1. One of the key drivers for this review was the speed with which the standards were prepared, and the lack of proper due process for ESRS set 1 including a lack of field-testing.

Although we recognise the tight timeline that has been imposed for the proposed updates to the standards, we emphasise the importance of allowing adequate time — which would typically include at least 60 days for a comment period on the draft standards, plus the time necessary for EFRAG to adequately review the comments and redeliberate prior to release of the standards — to achieve a high-quality and robust reporting framework that meets the objectives set out in the Omnibus. We recognise that allowing time for sufficient due process may require a delay in release of the standards beyond 31 October 2025, however, we believe that an appropriate process is important to ensure the standards are high quality and fit-for-purpose.

Prior to the issue of the Omnibus, there was an expectation that EFRAG would carry out a post implementation review (PIR) of ESRS set 1. One of the key drivers for this review was the speed with which the standards were prepared, and the lack of proper due process for ESRS set 1 including a lack of field-testing.

Further, as part of a transparent and structured due process, it is essential that the roles of the EFRAG Sustainability Reporting Technical Expert Group (TEG) and the Sustainability Reporting Board (SRB)

are clearly defined during both the drafting period and when responding to comments from external stakeholders.

## **Materiality of information**

In accordance with ESRS 1, an entity performs its materiality assessment to identify its material sustainability-related impacts, risks, and opportunities (IROs) for which it is required to identify and report material information. Despite these broad requirements, however, there are certain provisions within ESRS that require an entity to provide disclosure irrespective of materiality. For wave 1 reporters, this resulted in significant effort to prepare and disclose information that in some cases was not meaningful to users.

We recommend that EFRAG propose revisions to ESRS to incorporate the concept of materiality of information across all disclosure requirements, including changes to the following specific provisions within ESRS which currently limit the application of the materiality principles:

- *ESRS 2 General disclosures* — Expanding the concept of materiality of information to the required disclosures in ESRS 2 — and the related IRO-1 disclosures in the topical standards — would allow entities to focus on truly insightful cross-cutting disclosures.
- *Minimum disclosure requirements* — Allowing application of materiality of information to the minimum disclosures on policies, actions, and targets (MDR-P, MDR-A, and MDR-T) would have an exponential effect on the conciseness and readability of the sustainability statements. We believe entities should be permitted to omit — not just scale — these disclosures based on materiality of information, consistent with the current guidance for metrics.<sup>2</sup>
- *Metrics* — A metric related to a sustainability matter that is material for only a portion of an entity's operations currently must include data from the entire group (that is, the metric cannot be presented only for the portion of the business for which it is material).<sup>3</sup> The proposed revision should clarify that a metric should cover only information that is material with respect to the identified impact, risk, or opportunity, thus allowing better understanding.

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<sup>2</sup> EFRAG Implementation Guidance (IG) 1, *Materiality Assessment*, paragraph 56, page 18.

<sup>3</sup> EFRAG IG 1 FAQ 22, pages 51–53.

These changes would ensure all disclosures are meaningful, enhancing relevance. Further, introducing the concept of materiality of information more broadly and consistently within the standards would better align ESRS with the IFRS Sustainability Disclosure Standards.

## **Reporting boundaries**

Like in financial reporting, establishing the reporting boundary is foundational to sustainability reporting. Further, although the broad ESRS reporting boundary aligns with the financial statements, there were many issues around the determination of the reporting boundary that added significant complexity for preparers in the first year of reporting.

We believe the concept of ‘own operations’ introduced by EFRAG benefits both preparers and users in understanding the scope of reporting and the nature of an entity’s impacts, risks, and opportunities. For wave 1 reporters, the lack of a definition of own operations — or a clear delineation between own operations and the value chain — created challenges in determining the appropriate reporting for certain types of entities, assets, and operations including leases, joint operations, associates, joint ventures, unconsolidated subsidiaries, and contractual arrangements that are joint arrangements not structured through an entity. Inconsistencies in the guidance among the ESRS (for example, use of operational control in certain standards but not others) also added to the difficulty in reporting on associated impacts, risks, and opportunities, creating confusion for users and reducing comparability.

To address these issues, we recommend that EFRAG provide a clear definition of an entity’s own operations, including the delineation with the value chain. Further, we believe this definition should be applied consistently across all of the standards, with a limited exception for reporting of greenhouse gas (GHG) emissions as discussed below. For example, this would include removing the concept of operational control where used in the environmental standards (except for the limited exception for GHG emissions). Although we recognise the overall objective of enhancing reporting of sustainability matters related to impacts, risks, and opportunities under the entity’s control, we believe that the lack of current guidance on — and understanding of — the application of operational control beyond GHG emissions reporting causes difficulty in applying the standards and inconsistency in reporting. The revision of the reporting boundary provisions should also contain targeted guidance to address the practical challenges listed above (such as leases).

## *Reporting greenhouse gas emissions*

As noted, we believe a consistent reporting boundary should be applied across an entity's sustainability statement, with a limited exception for reporting of greenhouse gas emissions. We would support an exception for GHG emissions because of the unique considerations in reporting GHG emissions, including the existence of an established framework that has been used in voluntary reporting for more than 20 years and that is incorporated in other mandatory regulatory reporting.

Risks associated with climate were reported by almost all entities in the first wave 1 reporters reviewed by PwC.<sup>4</sup> Because climate and GHG emissions reporting are so prevalent, addressing the challenges in this area would have an outsized effect on reducing the reporting burden. Specifically, there were multiple factors that caused entities to struggle to prepare the GHG disclosures required by ESRS E1-6 including (1) the additive approach to determining organisational boundaries, (2) lack of clear minimum boundaries for scope 3 emissions, and (3) the meaning of 'shall consider' in the context of the Greenhouse Gas Protocol and PCAF Part A for financial institutions.

The GHG Protocol is the most widely used framework for measuring and reporting GHG emissions including setting of GHG emissions reduction targets.<sup>5</sup> Differences between ESRS and the GHG Protocol, as well as the lack of clarity as to the role of the GHG Protocol guidance in ESRS reporting added to complexity for preparers and reduced the usability and understandability of reporting for users. In addition, because the IFRS Sustainability Disclosure Standards require an entity to determine its organisational boundaries using one of the methods in the GHG Protocol (with limited exceptions), the additive approach in ESRS reduces alignment with the ISSB standards.

We believe reporting of GHG emissions would be simplified and interoperability would be improved — without meaningfully reducing the quality of the information provided — by better aligning ESRS with the GHG Protocol. Specifically, we recommend that ESRS direct entities to apply the GHG Protocol standards for the determination of organisational and operational boundaries, as well as measurement concepts for scope 1, scope 2, and scope 3 emissions (including identifying significant categories and establishing minimum boundaries). Further, we recommend that ESRS retain the optionality in the GHG Protocol for determining organisational boundaries to allow alignment with other reporting. If, however, EFRAG would prefer to propose a single organisational boundary approach to enhance consistency among ESRS reporters, we would support the use of the financial control approach because the guidance around application of the operational control approach is not sufficiently robust to ensure consistent

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<sup>4</sup> PwC, "[In search of sustainable value: The CSRD journey begins](#)".

<sup>5</sup> GHG Protocol, "For Companies and Organizations" [webpage](#), accessed 3 May 2025.

application. This would also have the added benefit of aligning the reporting of GHG emissions with the financial statements and the overall reporting boundary in ESRS.

In addition, in making these changes, EFRAG should clarify reporting of scope 3 category 15 emissions for financial institutions, including the role of PCAF Part A (that is, whether this guidance should be applied in determining the minimum boundaries for reporting or only for measurement), and how to report financed emissions not included in PCAF Part A (for example, insurance-associated emissions). We believe EFRAG should also consider providing additional guidance to address existing gaps in the GHG Protocol standards pending their update (for example, reporting emissions associated with leases).

We are aware that EFRAG has recently joined the GHG Protocol Independent Standards Board as an observer as that organisation executes its broad workplan to update its standards.<sup>6</sup> This will be critical to ensure that the updated GHG Protocol standards continue to meet the reporting objectives of ESRS. We believe EFRAG and the EC may ensure their own due process requirements are followed by specifying the versions of the standards that should be used by ESRS reporters. This will allow EFRAG to assess the revised standards to ensure that they meet the EU policy objectives and provide complementary guidance in ESRS E1 as applicable.

## **Structure of the standards**

One of the stated objectives of the revision of ESRS set 1 is to simplify the structure of the standards. Given the time and effort expended by wave 1 reporters to understand the standards in their initial year of reporting, we believe that the basic structure of the standards should be maintained (that is, for example, the division among cross-cutting and topical standards). Within this structure, however, we believe that there are significant opportunities to change the content and organisation of the standards to enhance their usability. These changes would not only make the standards easier to use but may also increase the quality of reporting because preparers may better understand the reporting requirements. Our specific recommendations include the following:

### *Clear delineation between disclosure requirements and application guidance*

The current structure of ESRS creates challenges for preparers in identifying required disclosures related to material sustainability-related matters. One of the challenges relates to the intermingling of 'shall' and 'may' disclosures in both the disclosure requirements and application requirements sections of the

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<sup>6</sup> GHG Protocol, "[Release](#): GHG Protocol Welcomes Observing Entities to Independent Standards Board", accessed 3 May 2025.

standards. In addition, the application requirements include disclosures, examples, and application guidance. Further, in some cases, it is unclear if tables are required formats or examples of how information may be presented. These factors may create confusion in identifying exactly which disclosures are required.

We recommend that EFRAG propose a restructure of the standards to include all ‘shall’ disclosures — and no ‘may’ disclosures or application guidance — in the ‘Disclosure Requirements’. This will ensure an entity has one place to look for what is required in preparing its sustainability statement. Further, EFRAG should propose revising the ‘Application Requirements’ to ‘Application Guidance’; this application guidance should include the relevant guidance and examples. Further, the phrase ‘shall consider’ creates additional confusion and should be replaced where possible with more precise wording of what is required. We believe these changes would substantially improve the understandability of the standards, particularly in combination with the removal of the ‘may’ disclosure requirements as noted below.

#### *Reassessing relationship between ESRS 2 and the topical standards*

The current relationship between ESRS 2 and the topical standards, with voluminous ESRS 2-related general disclosures in the topical standards, make application of ESRS unnecessarily complex and created confusion in the first year of reporting. Further, the extensive level of incremental detail required by some topical standards on governance, strategy, and IRO management obscures the view of what is material: how entities support the transformation through their management of the material impacts, risks and opportunities.

We recommend EFRAG reduce the incremental general disclosures in the topical standards by deleting them, moving them to ESRS 2 when they are mandated by other EU regulations, incorporating them with other topical disclosures, or providing them as examples as part of the application guidance. Further, all disclosure requirements should be subject to the materiality of information, as previously noted in the “Materiality of information” section of this letter.

We also recommend that EFRAG eliminate duplications between the ESRS 2 minimum disclosure requirements on policies, actions, targets, and metrics, and the topical standards.

### *Re-evaluate and eliminate ‘may’ disclosure requirements*

The inclusion of the ‘may’ disclosure requirements in ESRS has confused preparers and made the standards unnecessarily complex. We recommend that EFRAG propose to eliminate the current ‘may’ disclosures and stop using this convention. Recognising that certain of this guidance is helpful to preparers, however, the ‘may’ disclosures should not be eliminated solely through deletion. Instead, EFRAG should evaluate all current (and proposed) ‘may’ datapoints with an objective of deleting them, converting them to application guidance or examples, or in very limited circumstances, changing them to required disclosures.

### *Consideration of entity-specific disclosures*

Part of the mandate from the EC in revising ESRS set 1 is to “substantially” reduce the number of mandatory datapoints. We note that the deletion of ‘shall’ disclosures may not have the desired effect of reducing the reporting burden if the entity-specific disclosure requirement is retained in its current form. An entity with a material IRO would still be required to provide relevant disclosures, even if there is no relevant disclosure requirement. As a result, the deletion of datapoints could have the effect of increasing the reporting burden by creating additional work for entities and reducing comparability. Thus, we believe EFRAG should be strategic in identifying the datapoints to be deleted (for example, reducing the minimum disclosure requirements and introducing materiality of information would have an exponential impact given the requirement to provide that information about all material IROs).

## **Interoperability**

One of the recitals to CSRD states an intention that the ESRS should ‘integrate’ the content of the IFRS Sustainability Disclosure Standards to the extent that they are consistent with the EU legal framework and objectives of the Green Deal.<sup>7</sup> Because of the timing of release of the ISSB standards and the original ESRS issued by the European Commission (June and July 2023, respectively), it was not possible to fully align the wording of the requirements even when they have similar objectives. To the extent the updates relate to information that is financially material, we believe any changes to ESRS should be considered through a lens of alignment and interoperability that was not possible during original issuance of the standards. In addition to aligning disclosure requirements, we believe interoperability would be significantly enhanced by aligning the wording of ESRS with the ISSB standards where the disclosure

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<sup>7</sup> European Union (EU), *Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting (Text with EEA relevance)*, preamble, paragraph 43.





requirements are intended to achieve the same objective. For example, many of the required disclosures related to governance, strategy, impact, risk, and opportunity management, targets, and metrics are the same or very similar but the wording of the requirements differs between ESRS and the ISSB standards. There is also significant overlap between ESRS E1 *Climate change* and IFRS S2 *Climate-related Disclosures*. We recommend EFRAG work collaboratively with the ISSB to align the wording and requirements where possible to reduce the burden on preparers and enhance interoperability.

## **Fair presentation**

Currently, ESRS are not explicit as to whether they are a ‘compliance’ framework or a ‘fair presentation’ framework. We recommend EFRAG specify the type of framework as part of the ESRS set 1 revisions. Clarity on this point would be helpful to all parties including preparers, auditors, and users.

We would support a move toward fair presentation over the longer term, as we believe this would provide more meaningful information to stakeholders and potentially provide a more complete view of the entity’s impacts, risks, and opportunities. In addition, this would enhance alignment with the IFRS Sustainability Disclosure Standards which are a fair presentation framework. We believe, however, that any transition to fair presentation should be made over a period of time to allow further evaluation of reporting of impacts in a fair presentation framework. Additional time would also provide all members of the reporting ecosystem with more experience with the standards and sustainability reporting. As such, if EFRAG were to propose specifying that ESRS is a fair presentation framework, we recommend specific transition provisions to allow this evolution in reporting.

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We look forward to working with EFRAG and continuing to share our perspectives as the revision of ESRS set 1 progresses. If you have any questions regarding our response, please contact me ([eric.clarke@pwc.com](mailto:eric.clarke@pwc.com)), Peter Flick ([peter.flick@pwc.com](mailto:peter.flick@pwc.com)), or Olivier Schérer ([olivier.scherer@pwc.com](mailto:olivier.scherer@pwc.com)).

Eric Clarke  
Global Chief Accountant and Head of Reporting

CC: Maria Luís Albuquerque, Commissioner for Financial Services and the Savings and Investments Union  
Sven Gentner, Head of Unit C1, Directorate-General for Financial Stability, Financial Services, and  
Capital Markets Union



## **Appendix A — PwC response to EFRAG Questionnaire for Public Feedback: ESRS Set 1 revision**

### **SECTION 1 – PARTICIPANT GENERAL INFORMATION**

#### **1.2 Respondent profile**

*First Name*

Eric

*Last Name*

Clarke

*Email address*

eric.clarke@pwc.com

*Name of organisation*

PwC International Ltd

*Type of organisation:*

- ☐ National Standard Setter
- ☐ National/European authority
- ☐ Preparer
- ☐ Business Association
- ☐ User (subcategories to open)
- ☐ Academic/Research Institution
- ☒ Auditor
- ☐ Consultant
- ☐ Other (please specify - textbox to open)

*Function in the organisation*

Global Chief Accountant and Head of Reporting

*Country (principal location)*

United Kingdom

## SECTION 2 – GENERAL ASSESSMENT (OPTIONAL)

**As preparer/user/other stakeholder, could you share your overall assessment about the implementation challenges and benefits that you have experienced or observed?**

PwC International Ltd (PwC), on behalf of the PwC network, appreciates the opportunity to provide feedback to EFRAG concerning the revision and simplification of the existing European Sustainability Reporting Standards (ESRS). In addition to our recommendations included in this questionnaire, we have also provided our overall assessment about the implementation challenges and benefits in our cover letter. Additionally, our detailed datapoint recommendations are included in Appendix B to our letter:

<https://viewpoint.pwc.com/dt/gx/en/pwc/esg/external/esg-external/pwc-comment-letters/esrs-set-1-revision.html>.

## SECTION 3 – QUESTIONS

### PART 1 – HOW TO IMPROVE THE MATERIALITY ASSESSMENT

**1.1 From your perspective (preparer/user/others), please share your suggestions on how to improve the ESRS provisions on materiality indicating the most critical and useful elements in relation to:**

**How to improve the ESRS provisions on materiality, in relation to:**

- ☒ The definition of material impacts, risk and opportunities (IROs) under double materiality assessment

Overall, we are supportive of the process to identify material impacts, risks and opportunities under the double materiality assessment (DMA). We believe that some additional refinements to the process would assist preparers in performing the DMA process and improve comparability across entities. This will also provide all stakeholders with a better understanding of the DMA process. Our suggestions are detailed in the responses below.

#### *Positive impacts*

There is no definition or guidance on what constitutes a positive impact. In practice, there is diversity in the entities define positive impacts themselves and the approach they use to identify positive impacts. As a result, in the first year of reporting, some of the items disclosed as positive impacts were actions to mitigate negative impacts, or actions taken to comply with existing laws and regulations. This leads to the risk of greenwashing.

Guidance on what constitutes a positive impact — including how to differentiate positive impacts from mitigating actions and the determination of the baseline against which an impact should be evaluated — would be challenging to develop. In addition, different guidance or baselines may be required to address impacts related to environmental, social, and governance topics. Given the risk associated with improper reporting, and the difficulty in developing more specific reporting, particularly in the current timeframe, we recommend EFRAG consider removing the concept of positive impacts from ESRS.

#### *Definition of human rights*

ESRS 1 AR 11 discusses the characteristics of severity in the double materiality assessment and states that “In the case of a potential negative human rights impact, the severity of the impact takes precedence over its likelihood.”

This statement implies that there is a difference between potential negative social impacts and potential negative human rights impacts, with the principle of precedence of severity over likelihood only applying to potential negative human rights impact. However, all social matters in ESRS are based on human rights, which would indicate that all potential negative social impacts are potential negative human rights impacts.

In practice, the determination of what constitutes a human rights impact as opposed to a social impact is an area where preparers exercise judgement. The lack of a definition for “human rights impact” makes it difficult to audit whether the principle of giving severity precedence over likelihood has been correctly applied to all potential negative human rights impacts.

To address these challenges, we recommend that the definition of a human rights impact is clarified to provide a framework for assessing potential negative impacts where severity of an impact would take precedence over its likelihood. This could, for example, be achieved by clarifying which sub-sub-topics of ESRS 1.AR16 relate to human rights.

- ☒ The process to determine material matters, including how to factor implemented mitigation and prevention actions in the materiality assessment and how to define thresholds striking the right balance between completeness and decision-usefulness of information.

Overall, we are supportive of the process in ESRS 1 to determine material matters. Further, we believe that the guidance in EFRAG Implementation Guidance (IG) 1 “Materiality Assessment” provides a good basis for understanding how mitigating actions should be considered in the DMA process. We believe, however, that additional guidance would help preparers in appropriately identifying material impacts, risks, and opportunities.

We believe that EFRAG should develop additional guidance to include:

- Definitions of the different terms used and whether and how each term should be considered in the materiality assessment (that is, avoidance, prevention, mitigation, remediation, restoration, compensation)
- The guidance should separately address how these actions should be considered in impact materiality and financial materiality, specifically:
  - Actual negative impacts – past, current and ongoing
  - Potential impacts - previous actions taken to avoid an impact, previous actions to reduce a potential impact, previous actions that rely on ongoing or future actions
  - Risks – same considerations as for potential impacts

For reference, the PwC Sustainability Reporting Guide (SRG) Chapter 4: Materiality for sustainability reporting, SRG 4.3.2.5 and SRG 4.3.2.7, include our view of the principles that an entity would apply in performing its materiality assessment where it has mitigation measures or actions related to actual or potential impacts and risks. The SRG is based on the current guidance available in ESRS and IG 1, supplemented with our interpretations.

- ☒ The process to determine material information to be reported (information materiality, ESRS 1 – paragraph 31 to 34)

In accordance with ESRS 1, an entity performs its materiality assessment to identify its material sustainability-related impacts, risks, and opportunities (IROs) for which it is required to identify and report material information. Despite these broad requirements, however, there are certain provisions within ESRS that require an entity to provide disclosure irrespective of materiality. For wave 1 reporters, this resulted in significant effort to prepare and disclose information that in some cases was not meaningful to users.

We recommend that EFRAG propose revisions to ESRS to incorporate the concept of materiality of information across all disclosure requirements, including changes to the following specific provisions within ESRS which currently limit the application of the materiality principles:

- ESRS 2 General disclosures — Expanding the concept of materiality of information to the required disclosures in ESRS 2 — and the related IRO-1 disclosures in the topical standards — would allow entities to focus on truly insightful cross-cutting disclosures.

- Minimum disclosure requirements — Allowing application of materiality of information to the minimum disclosures on policies, actions, and targets (MDR-P, MDR-A, and MDR-T) would have an exponential effect on the conciseness and readability of the sustainability statements. We believe entities should be permitted to omit — not just scale — these disclosures based on materiality of information, consistent with the current guidance for metrics.
- Metrics — A metric related to a sustainability matter that is material for only a portion of an entity's operations currently must include data from the entire group (that is, the metric cannot be presented only for the portion of the business for which it is material). The proposed revision should clarify that a metric should cover only information that is material with respect to the identified impact, risk, or opportunity, thus allowing better understanding.

The concept of datapoint materiality filter would allow an entity to report a datapoint for the part of the business, location or activity that relates to the material IRO and omit the data for the remainder of the entity. EFRAG would need to rescind the guidance provided in EFRAG Implementation Guidance (IG) 1 "Materiality Assessment" FAQ 22, which states that the metric must be disclosed for the entire consolidated group even when the material IRO only relates to a single subsidiary.

These changes would ensure all disclosures are meaningful, enhancing relevance. Further, introducing the concept of materiality of information more broadly and consistently within the standards would better align ESRS with the IFRS Sustainability Disclosure Standards.

#### *Edits to ESRS 1 materiality guidance*

We propose the following updates to the materiality of information section:

ESRS 1.29 – Delete paragraph

ESRS 1.30 – No change

ESRS 1.31 – Delete (a) paragraph

ESRS 1.32 – (1) change this requirement to be for any not sustainability matter, not just climate change; (2) require a brief description not a detailed explanation of the conclusion, (3) delete the following:

~~“), including a forward-looking analysis of the conditions that could lead the undertaking to conclude that climate change is material in the future. If the undertaking concludes that a topic other than climate change is not material and therefore it omits all the Disclosure Requirements in the corresponding topical ESRS, it may briefly explain the conclusions of its materiality assessment for that topic.”~~

ESRS 1.33 – Delete paragraph

ESRS 1.34 – This should apply to all datapoints. Delete reference to (1) 'on metrics' and (2) 'according to the Metrics and Targets section of the relevant topical ESRS' (3) 'and concludes that such information is not needed to meet the objective of the Disclosure Requirement'

ESRS 1.35 – No change

ESRS 1.36 – Delete paragraph

In addition, we recommend that EFRAG consider whether additional guidance similar to that included in IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* paragraphs B13, B17, and B18 would be helpful to preparers. Addition of this wording would also enhance interoperability and provide a foundation for further reducing the reporting burden.

- ☒ The disclosures related to the process according to IRO-1

ESRS 1 paragraph 29 requires an entity to provide all the disclosure requirements and datapoints prescribed by ESRS 2, including the incremental disclosure requirements listed in the topical standards for IRO-1 *Description of the process to identify and assess material impacts, risks and opportunities*, regardless of the outcome of the materiality assessment.

We do not believe that the ESRS 2 IRO-1 disclosures or the incremental topical IRO-1 disclosures should be required irrespective of the outcome of the materiality assessment. We believe these disclosures should be subject to the materiality of information provisions.

In addition, we believe that the incremental topical IRO-1 disclosures should be removed from the environmental and governance standards. There are no incremental IRO-1 disclosure requirements in any of social topical standards which creates an imbalance in reporting. We recommend EFRAG evaluate all incremental IRO-1 disclosures in topical standards with an objective of reducing them by either deleting them, moving them to ESRS 2 when they are mandated by other EU regulations or incorporating them as application guidance.

☒ The disclosures related to the outcome of the process (SBM 3)

ESRS 1 paragraph 29 requires an entity to provide all the disclosure requirements and datapoints prescribed by ESRS 2, including within SBM-3 *Material impacts, risks and opportunities and their interaction with strategy and business model*, regardless of the outcome of the materiality assessment.

If a sustainability topic is determined to be material, an entity is required to provide all the incremental SBM-3 disclosures included in the respective topical standards regardless of materiality.

We do not believe that the ESRS 2 SBM-3 disclosures or the incremental topical SBM-3 disclosures should be required irrespective of the outcome of the materiality assessment. We believe these disclosures should be subject to the materiality of information provisions.

EFRAG should evaluate all incremental SBM-3 disclosures in topical standards with an objective of reducing them by either deleting them, moving them to ESRS 2 when they are mandated by other EU regulations or incorporating them as application guidance.

We believe that there should be changes to the disclosure requirements related to current and anticipated financial effects in ESRS 2 paragraph 48(d) and 48(e). See our responses in the datapoint recommendations included in Appendix B to our response (<https://viewpoint.pwc.com/dt/gx/en/pwc/esg/external/esg-external/pwc-comment-letters/esrs-set-1-revision.html>) and in Part 2 on forward looking information.

☒ The inclusion of material information based on entity-specific disclosures

Part of the mandate from the EC in revising ESRS set 1 is to “substantially” reduce the number of mandatory datapoints. We note that the deletion of ‘shall’ disclosures may not have the desired effect of reducing the reporting burden if the entity-specific disclosure requirement is retained in its current form. An entity with a material impact, risk, or opportunity would still be required to provide relevant disclosures, even if there is no relevant disclosure requirement. As a result, the deletion of datapoints could have the effect of increasing the reporting burden by creating additional work for entities and reducing comparability. Thus, we believe EFRAG should be strategic in identifying the datapoints to be deleted (for example, reducing the minimum disclosure requirements and introducing materiality of information would have an exponential impact given the requirement to provide that information about all material impacts, risks, and opportunities).

☒ The challenges related to the audit of double materiality assessment (process and outcome)

We have incorporated our experience as auditors in our recommendations throughout this questionnaire.

☒ The value chain

Like in financial reporting, establishing the reporting boundary is foundational to sustainability reporting. Further, although the broad ESRS reporting boundary aligns with the financial statements, there were many issues around the determination of the reporting boundary that added significant complexity for preparers in the first year of reporting.

We believe the concept of ‘own operations’ introduced by EFRAG benefits both preparers and users in understanding the scope of reporting and the nature of an entity’s impacts, risks, and opportunities. For wave 1 reporters, the lack of a definition of own operations — or a clear delineation between own operations and the value chain — created challenges in determining the appropriate reporting for certain types of entities, assets, and operations including leases, joint operations, associates, joint ventures, unconsolidated subsidiaries, and contractual arrangements that are joint arrangements not structured through an entity. Inconsistencies in the guidance among the ESRS (for example, use of operational control in certain standards but not others) also added to the difficulty in reporting on associated impacts, risks, and opportunities, creating confusion for users and reducing comparability.

To address these issues, we recommend EFRAG provide a clear definition of an entity’s own operations, including the delineation with the value chain. Further, we believe this definition should be applied consistently across all of the standards, with a limited exception for reporting of greenhouse gas (GHG) emissions as discussed below. For example, this would include removing the concept of operational control where used in the environmental standards (except for the limited exception for GHG emissions). Although we recognise the overall objective of enhancing reporting of sustainability matters related to impacts, risks, and opportunities under the entity’s control, we believe that the lack of current guidance on — and understanding of — the application of operational control beyond GHG emissions reporting causes difficulty in applying the standards and inconsistency in reporting. The revision of the reporting boundary provisions should also contain targeted guidance for the practical challenges listed above (such as leases).

☒ The aggregation/disaggregation of information

The current provisions on the level of disaggregation in ESRS 1 chapter 3.7 imply that reporting is required at a very granular level. We have also heard feedback from wave 1 reporters that the current ESRS lead to an imbalance of reporting effort and relevance of reporting.

We believe that ESRS should transform from the prescriptive reporting requirements on the level of aggregation and disaggregation to principles for an entity to apply when determining the appropriate level of reporting. To accomplish this objective, we suggest the deletion of ESRS 1 paragraph 54 and retain the provisions in ESRS 1 paragraphs 55 and 56 which would serve as the guiding principles for an entity to consider when determining the appropriate level of detail.

☒ Other (open a box to specify)

In accordance with ESRS 1, an entity performs its materiality assessment to identify its material sustainability-related impacts, risks, and opportunities (IROs) for which it is required to identify and report material information. Despite these broad requirements, however, there are certain provisions within ESRS that require an entity to provide disclosure irrespective of materiality. For wave 1 reporters, this resulted in significant effort to prepare and disclose information that in some cases was not meaningful to users.

We recommend that EFRAG propose revisions to ESRS to incorporate the concept of materiality of information across all disclosure requirements, including changes to the following specific provisions within ESRS which currently limit the application of the materiality principles:

- ESRS 2 General disclosures — Expanding the concept of materiality of information to the required disclosures in ESRS 2 — and the related IRO-1 disclosures in the topical standards — would allow entities to focus on truly insightful cross-cutting disclosures.



- Minimum disclosure requirements — Allowing application of materiality of information to the minimum disclosures on policies, actions, and targets (MDR-P, MDR-A, and MDR-T) would have an exponential effect on the conciseness and readability of the sustainability statements. We believe entities should be permitted to omit — not just scale — these disclosures based on materiality of information, consistent with the current guidance for metrics.
- Metrics — A metric related to a sustainability matter that is material for only a portion of an entity's operations currently must include data from the entire group (that is, the metric cannot be presented only for the portion of the business for which it is material). The proposed revision should clarify that a metric should cover only information that is material with respect to the identified impact, risk, or opportunity, thus allowing better understanding.

These changes would ensure all disclosures are meaningful, enhancing relevance. Further, introducing the concept of materiality of information more broadly and consistently within the standards would better align ESRS with the IFRS Sustainability Disclosure Standards.

**1.2 OPTIONAL: If possible, and if not specified already under point 1.1. above, please identify the narrative disclosure requirements (DRs) or datapoints (DPs) that raised the most critical challenges in determining the material information to be reported and share your suggestions.**

In general, we believe users are best positioned to provide recommendations on datapoints that are not critical. Based on our experience with the first wave of preparers, however, we have developed a list of datapoints for which we recommend EFRAG provide additional clarification or other changes as part of the proposal to revise ESRS. We believe changes to these datapoints will ease the reporting burden without impacting the quality of sustainability information provided to users. Some of our ESRS datapoint recommendations may relate to datapoints derived from the Sustainable Finance Disclosure Regulation (SFDR) or other EU legislation, which may also need to be reconsidered as part of the effort to reduce the reporting burden. See our detail recommendations included in Appendix B to our response:

<https://viewpoint.pwc.com/dt/gx/en/pwc/esg/external/esg-external/pwc-comment-letters/esrs-set-1-revision.html>.

## **PART 2 – HOW TO STREAMLINE NARRATIVE INFORMATION**

**2.1 From perspective (preparer/user/other), please share your suggestions on how to simplify narrative information in relation to:**

- ☒ Deleting datapoints that are not critical

In general, we believe users are best positioned to provide recommendations on datapoints that are not critical. Based on our experience with the first wave of preparers, however, we have developed a list of datapoints for which we recommend EFRAG provide additional clarification or other changes as part of the proposal to revise ESRS. We believe changes to these datapoints will ease the reporting burden without impacting the quality of sustainability information provided to users. Some of our ESRS datapoint recommendations may relate to datapoints derived from the Sustainable Finance Disclosure Regulation (SFDR) or other EU legislation, which may also need to be reconsidered as part of the effort to reduce the reporting burden. See our detail recommendations included in Appendix B to our response: <https://viewpoint.pwc.com/dt/gx/en/pwc/esg/external/esg-external/pwc-comment-letters/esrs-set-1-revision.html>.



- ☒ Merging datapoints (with an indication of its effectiveness for burden reduction purposes)

In general, we believe users are best positioned to provide recommendations on datapoints that are not critical. Based on our experience with the first wave of preparers, however, we have developed a list of datapoints for which we recommend EFRAG provide additional clarification or other changes as part of the proposal to revise ESRS. We believe changes to these datapoints will ease the reporting burden without impacting the quality of sustainability information provided to users. Some of our ESRS datapoint recommendations may relate to datapoints derived from the Sustainable Finance Disclosure Regulation (SFDR) or other EU legislation, which may also need to be reconsidered as part of the effort to reduce the reporting burden. See our detail recommendations included in Appendix B to our response: <https://viewpoint.pwc.com/dt/gx/en/pwc/esg/external/esg-external/pwc-comment-letters/esrs-set-1-revision.html>.

- ☒ Transferring “shall” datapoints to non-mandatory material (“May”, guidance, illustrative examples)

The inclusion of the ‘may’ disclosure requirements in ESRS has confused preparers and made the standards unnecessarily complex.

We recommend that EFRAG propose to eliminate the current ‘may’ disclosures and stop using this convention. Recognising that certain of this guidance is helpful to preparers, however, the ‘may’ disclosures should not be eliminated solely through deletion. Instead, EFRAG should evaluate all current (and proposed) ‘may’ datapoints with an objective of deleting them, converting them to application guidance or examples, or in very limited circumstances, changing them to required disclosures.

- ☒ Other – please specify

Some disclosure requirements include references to ‘shall consider’ in the context of disclosures. We recommend the clarification of what ‘shall consider’ means, or changing the requirement to ‘shall’.

**The potential overlaps between minimum disclosure requirements (MDRs) on Policies Actions and Targets (PATs) that are located in ESRS 2 and PAT ‘shall’ datapoints located in topical standards:**

- ☒ Simplifying MDRs on policies in ESRS 2

ESRS 2 MDR-P includes the minimum disclosures requirements that an entity must include when it discloses a policy related to an identified material sustainability matter. In addition, each of the topical standards includes incremental disclosure requirements related to policies for the respective material sustainability matter.

If a sustainability topic is determined to be material, an entity is required to provide all the ESRS 2 MDR-P disclosures and the incremental policy disclosure requirements included in the respective topical standards regardless of materiality.

We do not believe that the ESRS 2 MDR-P disclosures or the incremental topical policy disclosures should be required irrespective of the outcome of the materiality assessment. We believe these disclosures should be subject to the materiality of information provisions.

We believe that the incremental topical policy disclosures should be removed from the topical standards. EFRAG should evaluate all incremental actions disclosures in topical standards and delete them or incorporate them as application guidance.

☒ Simplifying MDRs on actions in ESRS 2

ESRS 2 MDR-A includes the minimum disclosures requirements that an entity must include when it discloses actions related to an identified material sustainability matter. In addition, each of the topical standards includes incremental disclosure requirements related to actions for the respective material sustainability matter.

If a sustainability topic is determined to be material, an entity is required to provide all the ESRS 2 MDR-A disclosures and the incremental actions disclosure requirements included in the respective topical standards regardless of materiality.

We do not believe that the ESRS 2 MDR-A disclosures or the incremental topical actions disclosures should be required irrespective of the outcome of the materiality assessment. We believe these disclosures should be subject to the materiality of information provisions.

We believe that the incremental topical actions disclosures should be removed from the topical standards. EFRAG should evaluate all incremental actions disclosures in topical standards and delete them or incorporate them as application guidance.

☒ Simplifying MDRs on targets in ESRS 2

ESRS 2 MDR-T includes the minimum disclosures requirements that an entity must include when it discloses targets related to an identified material sustainability matter. In addition, each of the topical standards includes incremental disclosure requirements related to targets for the respective material sustainability matter.

If a sustainability topic is determined to be material, an entity is required to provide all the ESRS 2 MDR-T disclosures and the incremental targets disclosure requirements included in the respective topical standards regardless of materiality.

We do not believe that the ESRS 2 MDR-T disclosures or the incremental topical targets disclosures should be required irrespective of the outcome of the materiality assessment. We believe these disclosures should be subject to the materiality of information provisions.

In addition, we believe that the incremental topical targets disclosures should be removed from the topical standards, excluding E1. EFRAG should evaluate all incremental targets disclosures in topical standards and delete them or incorporate them as application guidance.

☒ Merging MDR of ESRS 2 with “shall” PAT datapoints of topical standards

ESRS 2 MDRs includes the minimum disclosures requirements that an entity must include when it discloses policies, actions and targets related to an identified material sustainability matter. In addition, each of the topical standards includes incremental disclosure requirements related to policies, actions and targets for the respective material sustainability matter.

If a sustainability topic is determined to be material, an entity is required to provide all the ESRS 2 MDR disclosures and the incremental policies, actions and targets disclosure requirements included in the respective topical standards regardless of materiality. We believe that the ESRS 2 MDR concept is useful and needed for entity-specific disclosures. However, there are duplications between the ESRS 2 MDR disclosure requirements and the topical disclosure requirements on policies, actions and targets. For example, duplication between ESRS 2.65(a) (description which IRO the policy relates to) and ESRS E1.25 (indication which climate matters the policy addresses). Duplications complicate the application of the ESRS and create confusion about whether the datapoints are required to be reported redundantly.

Furthermore, we observe that some topical ESRS add a considerable amount of additional datapoints to the MDR (for example, ESRS S1-4 adds 20 additional datapoints to MDR-A which already consists of 12 datapoints). This leads to long sustainability statements which make it difficult for the users to identify the relevant information.

We do not believe that the ESRS 2 MDR disclosures or the incremental topical policies, actions and targets disclosures should be required irrespective of the outcome of the materiality assessment. We believe these disclosures should be subject to the materiality of information provisions.

In addition, we believe that the incremental topical policies, actions and targets disclosures should be removed from the topical standards, excluding E1-4. EFRAG should evaluate all incremental policies, actions and targets disclosures in topical standards and delete them or incorporate them as application guidance.

- ☒ Transferring “shall” PAT datapoints in topical standards to non-mandatory material (“May”, guidance, illustrative examples)

We believe the inclusion of the ‘may’ disclosure requirements in ESRS has confused preparers and made the standards unnecessarily complex. In some cases, the current ‘may’ disclosures provide additional application guidance or examples, in other situations they are fully supplemental to the required disclosures. In addition, there are certain ‘may’ disclosures that could be better included as required (subject to materiality of information).

Thus, we recommend that EFRAG propose to eliminate the current ‘may’ disclosures and stop using this convention. Recognising that certain of this guidance is helpful to preparers, however, the ‘may’ disclosures should not be eliminated solely through deletion. Instead, EFRAG should evaluate all current (and proposed) ‘may’ datapoints with an objective of deleting them, converting them to application guidance or examples, or in very limited circumstances, changing them to required disclosures.

## Forward-looking information

The disclosures on anticipated financial effects are particularly challenging to prepare.

Due to the nature of anticipated financial effects, single monetary amounts are difficult to calculate, and quantitative or monetary information may lack relevance to users due to the long-time horizons and changes in an entity’s strategy and business model.

Furthermore, disclosure requirements in the environmental topical standards related to anticipated financial effects contain a large number of datapoints that are in addition to the datapoints defined in ESRS 2 SBM-3. However, there is no explanation in the ESRS about the interaction of the anticipated financial effects disclosure requirements in ESRS 2 with the requirements in topical standards (for example, is the disclosure in ESRS 2 SBM-3 intended to be a summary of the topical disclosures?).

In addition, we note that as per ESRS 2 SBM-3 anticipated financial effects are also to be disclosed for the material social and governance matters. The calculation of anticipated financial effects for environmental matters already poses a major challenge for preparers, as it is a very new requirement for which the necessary tools and methodologies are still in their infancy. For social and governance matters, there is no generally accepted method available for calculating anticipated financial effects.

We suggest that EFRAG reconsiders its approach to the amount of datapoints and to the required quantification of the anticipated financial effects.

First, we suggest stating explicitly in ESRS 1 that ranges are allowed for disclosing forward-looking quantitative information. Specifically with regard to anticipated financial effects in ESRS 2 SBM-3, we suggest that reliefs provided by IFRS S1 paragraphs 37(a) and (b), 38 and 39 are added in ESRS. This allows entities to use reasonable and supportable information available at the reporting date without undue cost or effort and using an approach commensurate with the skills, capabilities and resources available to the entity are added in ESRS. The disclosure of anticipated financial effects should be of a qualitative nature if the undertaking does not have the skills, capabilities or resources to provide quantitative information. Furthermore, a quantification is not required when the effects are not separately identifiable, or the level of measurement uncertainty involved is so high that the resulting quantitative information would not be useful. These revisions would allow for proportionality in the application of the anticipated financial effects disclosure requirements for entities of different sizes and maturity.

For the environmental disclosure requirements, other than E1 Climate change, we recommend deleting the datapoints which would be duplicative of the information already required by ESRS 2.48 (e.g. ESRS E2.39, ESRS E3.33, ESRS E4.45, ESRS E5.43). If these datapoints are retained, we recommend they are provided as illustrative examples related to ESRS 2 SBM-3 as opposed to separate disclosure requirements.

For the unique disclosure requirements in ESRS E2.40 and ESRS E1-9, which do not directly overlap with the information required to be disclosed in ESRS 2.48, we suggest these are redrafted as distinct disclosure requirements from the ESRS 2 requirement to provide information about anticipated financial effects. The information in ESRS E1-9 and ESRS E2.40 both primarily relate to the effects of risks on an entity's current financial performance or position, we suggest these disclosure requirements are renamed, such as "Financial metrics", so that they are distinct from ESRS 2.48.

**On the other hand, please indicate the most critical and the most useful elements to be retained**

We have provided our most critical and useful suggestions throughout this questionnaire and have provided detailed recommendations on datapoints in Appendix B to our response.

**2.2 If possible, and if not specified already under point 2.1. please identify the most critical narrative disclosure requirements and/or datapoints that require clarification, and share your suggestions**

In general, we believe users are best positioned to provide recommendations on datapoints that are not critical. Based on our experience with the first wave of preparers, however, we have developed a list of datapoints for which we recommend EFRAG provide additional clarification or other changes as part of the proposal to revise ESRS. We believe changes to these datapoints will ease the reporting burden without impacting the quality of sustainability information provided to users. Some of our ESRS datapoint recommendations may relate to datapoints derived from the Sustainable Finance Disclosure Regulation (SFDR) or other EU legislation, which may also need to be reconsidered as part of the effort to reduce the reporting burden. See our detail recommendations included in Appendix B to our response: <https://viewpoint.pwc.com/dt/gx/en/pwc/esg/external/esg-external/pwc-comment-letters/esrs-set-1-revision.html>.

**2.3 If possible, and if not specified already under point 2.1 above, please beyond the need for clarification, identify the 10 most challenging narrative disclosure requirements (DRs) with an indication of the least important or most problematic datapoints (DPs) to prepare and share your suggestions**

In general, we believe users are best positioned to provide recommendations on datapoints that are not critical. Based on our experience with the first wave of preparers, however, we have developed a list of datapoints for which we recommend EFRAG provide additional clarification or other changes as part of the proposal to revise ESRS. We believe changes to these datapoints will ease the reporting burden without impacting the quality of sustainability information provided to users. Some of our ESRS datapoint recommendations may relate to datapoints derived from the Sustainable Finance Disclosure Regulation (SFDR) or other EU legislation, which may also need to be reconsidered as part of the effort to reduce the reporting burden. See our detail recommendations included in Appendix B to our response: <https://viewpoint.pwc.com/dt/gx/en/pwc/esg/external/esg-external/pwc-comment-letters/esrs-set-1-revision.html>.

## PART 3 – HOW TO IMPROVE QUANTITATIVE INFORMATION AND EU REGULATION-RELATED INFORMATION

### 3.1 Please identify the most challenging quantitative DRs/DPs and share your suggestion on how to address the issue, in terms of:

- The relevance (least important, critical)
  - The difficulty to prepare
  - The need for clarification

#### DR: ESRS E1-6

As noted, we believe a consistent reporting boundary should be applied across an entity's sustainability statement, with a limited exception for reporting of greenhouse gas emissions. We would support an exception for GHG emissions because of the unique considerations in reporting GHG emissions, including the existence of an established framework that has been used in voluntary reporting for more than 20 years and that is incorporated in other mandatory regulatory reporting.

Risks associated with climate were reported by almost all entities in the first wave 1 reporters reviewed by PwC. Because climate and GHG emissions reporting are so prevalent, addressing the challenges in this area would have an outsized effect on reducing the reporting burden. Specifically, many entities struggled to prepare the GHG disclosures required by ESRS E1-6 because of multiple issues including (1) the additive approach to determining organisational boundaries, (2) lack of clear minimum boundaries for scope 3 emissions, and (3) the meaning of 'shall consider' in the context of the Greenhouse Gas Protocol and PCAF Part A for financial institutions.

The GHG Protocol is the most widely used framework for measuring and reporting GHG emissions including setting of GHG emissions reduction targets. Differences between ESRS and the GHG Protocol, as well as the lack of clarity as to the role of the GHG Protocol guidance in ESRS reporting added to complexity for preparers and reduced usability and understandability for users. In addition, because the IFRS Sustainability Disclosure Standards require an entity to determine its organisational boundaries using one of the methods in the GHG Protocol (with limited exceptions), the additive approach in ESRS reduces alignment with the ISSB standards interoperability.

We believe reporting of GHG emissions would be simplified and interoperability would be improved — without meaningfully reducing the quality of the information provided — by better aligning ESRS with the GHG Protocol. Specifically, we recommend that ESRS direct entities to apply the GHG Protocol standards for the determination of organisational and operational boundaries, as well as measurement concepts for scope 1, scope 2, and scope 3 emissions (including identification of significant categories and establishing minimum boundaries). Further, we recommend that ESRS retain the optionality in the GHG Protocol for determining organisational boundaries to allow alignment with other reporting. If, however, EFRAG would prefer to propose a single organisational boundary approach to enhance consistency among ESRS reporters, we would support use of the financial control approach because the guidance around application of the operational control approach is not sufficiently robust to ensure consistent application. This would also have the added benefit of aligning reporting of GHG emissions with the financial statements and the overall reporting boundary in ESRS.

In addition, in making these changes, EFRAG should clarify reporting of scope 3 category 15 emissions for financial institutions, including the role of PCAF Part A (that is, whether this guidance should be applied in determining the minimum boundaries for reporting or only for measurement), and how to report other financed emissions not included in PCAF Part A (for example, insurance-associated emissions). We believe EFRAG should also consider providing additional guidance to address existing gaps in the GHG Protocol standards pending their update (for example, reporting of emissions associated with leases).

We are aware that EFRAG has recently joined the GHG Protocol Independent Standards Board as an observer as that organisation executes its broad workplan to update its standards. This will be critical to ensure that the updated GHG Protocol standards continue to meet the reporting objectives of ESRS. We believe EFRAG and the EC may ensure their own due process requirements are followed by specifying the versions of the standards that should be used by ESRS reporters. This will allow EFRAG to assess the revised standards to ensure that they meet the EU policy objectives and provide complementary guidance in ESRS E1 as applicable.



### 3.2 Do you have suggestions regarding EU regulation related datapoints (DPs)?

Many of the ESRS datapoints are derived from EU regulation, but contain different provisions or definitions. This is an unnecessary burden on preparers and requires them to report similar data in different ways to meet the different regulatory requirements. We recommend that the ESRS datapoints conform to the existing EU regulations in order to reduce the additional reporting requirements and allow preparers to utilize their existing processes. For example, the S1-16 remuneration metrics are derived from EU legislation, but there are differences between the ESRS requirements and requirements in the related legislation.

### 3.3 Do you have suggestions regarding Article 8 of the Environmental Taxonomy Regulation 2020/852 related information and its inclusion in the sustainability statement under a placeholder approach?

We recommend that EFRAG remove all references to the Taxonomy Regulation within ESRS datapoints (for example, ESRS E1.29(c)ii. and iii.).

The relevance of Taxonomy disclosures depends on whether the entity's business model falls within the limited range of economic activities listed in the delegated acts. For many entities, only a small portion of their activities may be identified as Taxonomy eligible or eligibility may be restricted to just 'ancillary activities' (for example, investments in a fleet). Disclosure requirements within the ESRS that refer to Taxonomy key performance indicators (KPIs), therefore, provide little if any decision-useful information for investors and other stakeholders. References to Taxonomy disclosures within the ESRS will also be confusing for preparers if the Omnibus proposals allow undertakings with less than EUR 450 million in turnover to omit Taxonomy disclosures. In addition, in some places, it is unclear if reference to Opex and Capex within the ESRS are meant to refer to those terms as defined within the Taxonomy (for example, ESRS 1.69).

Users of the sustainability reporting can obtain sufficient information about the sustainability of an entity's activities from the required Taxonomy disclosures, when applicable. Additionally, we recommend allowing Taxonomy Regulation disclosures to be included in an appendix to the sustainability statement. The templates and disclosures required by the Taxonomy Regulation are voluminous and would distract users from the cohesiveness of the ESRS datapoint disclosures. ESRS should instruct or explicitly permit entities to provide a cross-reference from the Environmental section of the sustainability statement to the Taxonomy templates and disclosures in the appendix.

## PART 4 – HOW TO ADDRESS THE SIMPLIFICATION OF THE STANDARDS (STRUCTURE AND PRESENTATION) AND THE NEED FOR INTEROPERABILITY

### 4.1 Please share your suggestions on how to improve and simplify the current structure and presentation of the standards, in relation to:

- ☒ The relationship between cross-cutting and topical standards

One of the stated objectives of the revision of ESRS set 1 is to simplify the structure of the standards. Given the time and effort expended by wave 1 reporters to understand the standards in their initial year of reporting, we believe that the basic structure of the standards should be maintained (that is, for example, the division among cross-cutting and topical standards). Within this structure, however, we believe that there are significant opportunities to change the content and organisation of the standards to enhance their usability. These changes would not only make the standards easier to use but may also increase the quality of reporting because preparers may better understand the reporting requirements.

The current relationship between ESRS 2 and the topical standards, with voluminous ESRS 2-related general disclosures in the topical standards, make application of ESRS unnecessarily complex and created confusion in the first year of reporting. Further, the extensive level of incremental detail required by some topical standards on governance, strategy, and IRO management obscures the view of what is

material: how entities support the transformation through their management of the material impacts, risks and opportunities.

We recommend EFRAG reduce the incremental general disclosures in the topical standards by deleting them, moving them to ESRS 2 when they are mandated by other EU regulations, incorporating them with other topical disclosures, or providing them as examples as part of the application guidance.

Further, all disclosure requirements should be subject to the materiality of information, as previously noted in the “Materiality of information” section of this letter.

We also recommend that EFRAG eliminate duplications between the ESRS 2 minimum disclosure requirements on policies, actions, targets, and metrics, and the topical standards.

☒ The relationship between the main body of the standards and the application requirements

The current structure of ESRS creates challenges for preparers in identifying required disclosures related to material sustainability-related matters. One of the challenges relates to the intermingling of ‘shall’ and ‘may’ disclosures in both the disclosure requirements and application requirements sections of the standards. In addition, the application requirements include disclosures, examples, and application guidance. Further, in some cases, it is unclear if tables are required formats or examples of how information may be presented. These factors may create confusion in identifying exactly which disclosures are required.

We recommend EFRAG propose a restructure of the standards to include all ‘shall’ disclosures — and no ‘may’ disclosures or application guidance — in the ‘Disclosure Requirements’. This will ensure an entity has one place to look for what is required in preparing its sustainability statement. Further, EFRAG should propose revising the ‘Application Requirements’ to ‘Application Guidance’; this application guidance should include the relevant guidance and examples. Further, the phrase ‘shall consider’ creates additional confusion and should be replaced where possible with more precise wording of what is required. We believe these changes would substantially improve the understandability of the standards, particularly in combination with the removal of the ‘may’ disclosure requirements as noted above.

#### 4.2 Regarding interoperability, please:

**If you are a preparer, indicate if you are reporting under another framework and which one:**

Not applicable

**If you are not reporting under another framework, indicate if you intend to do so and use which one:**

Not applicable

**Please share any suggestion you may have to enhance the already high degree of interoperability of ESRS with other frameworks (ISSB, GRI, TCFD, TNFD, CDP). Please indicate DR/DPs if relevant.**

One of the recitals to CSRD states an intention that the ESRS should ‘integrate’ the content of the IFRS Sustainability Disclosure Standards to the extent that they are consistent with the EU legal framework and objectives of the Green Deal. Because of the timing of release of the ISSB standards and the original ESRS issued by the European Commission (June and July 2023, respectively), it was not possible to fully align the wording of the requirements even when they have similar objectives. To the extent the updates relate to information that is financially material, we believe any changes to ESRS should be considered through a lens of alignment and interoperability that was not possible during original issuance of the standards. In addition to aligning disclosure requirements, we believe interoperability would be significantly enhanced by aligning the wording of ESRS with the ISSB standards where the disclosure requirements are intended to achieve the same objective. For example, many of the required disclosures related to governance, strategy, impact, risk, and opportunity management, targets, and metrics are the same or very similar but the wording of the requirements differs between ESRS and the ISSB standards. There is also significant overlap between ESRS E1 Climate change and IFRS S2 Climate-related Disclosures. We recommend EFRAG work collaboratively with the ISSB to align the wording and requirements where possible to reduce the burden on preparers and enhance interoperability.

**If you are a user/other type of stakeholder, share your views on the importance and usefulness of interoperability from your perspective:**

Not applicable

## PART 5 – ANY OTHER COMMENT OR SUGGESTION

**For instance, among others, in relation to the format and presentation of the sustainability statement and its relationship with other parts of the management report, the communication of the company, the reporting boundaries, etc.**

### *Financial services sector*

We do not believe that ESRS were designed for entities in the financial services sector. Areas such as materiality and value chain have unique implications for financial institutions compared with entities in the corporate sector. For example, a materiality assessment in a financial institution is complex, with limited alignment with examples included in the ESRS. Additionally, value chain information is dependent on the information reported by the entities which the financial institutions finance, again this is not aligned with either the standards or the EFRAG value chain implementation guidance.

We are aware that the EFRAG obligation to prepare sector specific standards would be removed by the ‘content’ proposal. However, to address the issues faced by financial institutions, we recommend providing implementation guidance covering areas such as (1) a relevant materiality assessment process, (2) value chain methodology evaluation, and (3) metrics designed for financial institutions which will provide more relevant information for users. EFRAG should be clear if preparers should refer to another sustainability framework to identify the relevant disclosures or if any disclosures would be entity specific.

### *Fair presentation*

Currently, ESRS is not explicit as to whether they are a ‘compliance’ framework or a ‘fair presentation’ framework. We recommend EFRAG specify the type of framework as part of the ESRS set 1 revisions. Clarity on this point would be helpful to all parties including preparers, auditors, and users.

We would support a move toward fair presentation over the longer term, as we believe this would provide more meaningful information to stakeholders and potentially provide a more complete view of the entity’s impacts, risks, and opportunities. In addition, this would enhance alignment with the IFRS Sustainability Disclosure Standards which are a fair presentation framework. We believe, however, that any transition to fair presentation



should be made over a period of time to allow further evaluation of reporting of impacts in a fair presentation framework. Additional time would also provide all members of the reporting ecosystem with more experience with the standards and sustainability reporting. As such, if EFRAG were to propose specifying that ESRS is a fair presentation framework, we recommend specific transition provisions to allow this evolution in reporting.

#### *Due process*

Given the challenges noted in the implementation of ESRS set 1, we believe it is essential that the revision follow the standard EFRAG due process. Prior to the issue of the Omnibus, there was an expectation that EFRAG would carry out a post implementation review (PIR) of ESRS set 1. One of the key drivers for this review was the speed with which the standards were prepared, and the lack of proper due process for ESRS set 1 including a lack of field-testing.

Although we recognise the tight timeline that has been imposed for the proposed updates to the standards, we emphasise the importance of allowing adequate time — which would typically include at least 60 days for a comment period on the draft standards, plus the necessary time to adequately review the comments and redeliberate prior to release of the standards — to achieve a high-quality and robust reporting framework that meets the objectives set out in the Omnibus. We recognise that allowing time for sufficient due process may require a delay in release of the standards beyond 31 October 2025, however, we believe an appropriate process is important to ensure the standards are high quality and fit-for-purpose.

Prior to the issue of the Omnibus, there was an expectation that EFRAG would carry out a post implementation review (PIR) of ESRS set 1. One of the key drivers for this review was the speed with which the standards were prepared, and the lack of proper due process for ESRS set 1 including a lack of field-testing.

Further, as part of a transparent and structured due process, it is essential that the roles of the EFRAG Sustainability Reporting Technical Expert Group (TEG) and the Sustainability Reporting Board (SRB) are clearly defined during both the drafting period and when responding to comments from external stakeholders.

#### *Reporting boundary*

Our recommendation for the reporting boundary is included in section 1 under 'value chain'.

#### *Consistency with recommendations*

In providing our recommendations, there are instances when we state that certain provisions or guidance will need to be amended to reflect the recommendation. However, we have not performed an exhaustive analysis of the standards and guidance to determine all the provisions and guidance that would need to be updated to fully reflect the recommendation and ensure consistency across the standards and with the guidance. We believe this will be an important component of EFRAG's work when they revise the standards.

## Appendix B — PwC response to EFRAG Questionnaire for Public Feedback: ESRS Set 1 Revision

#	DR	Datapoint	Challenge	Suggestion
1	ESRS 1	ESRS 1.68–72	ESRS 1 chapter 5.2 <i>Estimation using sector averages and proxies</i> only discusses to the need for an entity use estimates in relation to “value chain information”. However, in practice, there are times when an entity will need to use estimates to prepare the disclosures for its own operations.	We believe that an explicit provision should be added to ESRS 1 to allow an entity to use estimates when preparing information related to its own operations. This should include the notion of reasonable effort for data collection.
2	ESRS 1	ESRS 1.45(a)	Lack of guidance on how to assess scale for impact.	Additional guidance may be necessary to clarify whether impact materiality should be assessed on absolute or relative terms if EFRAG specifies that ESRS is a ‘fair presentation’ framework.
3	ESRS 1	ESRS 1.62	A change in the reporting entity (e.g., acquisition or disposal of a subsidiary) must be reflected in the sustainability statement from the date it is reported in the financial statements.  Given that sustainability reporting processes are less mature than financial reporting processes, however, the data gathering can be extremely burdensome and sometimes may not be possible to complete on a timely basis (e.g., information related to the acquisition in the third quarter of a large subsidiary that has not previously reported sustainability information)	Alternative approaches may include: <ul style="list-style-type: none"> <li>• Add a provision to allow time to obtain the necessary information.</li> <li>• With regard to acquisitions, allow a 1-year window to make adjustments (similar to the guidance for goodwill in financial reporting)</li> <li>• Explicitly state that prior year amounts should not be adjusted for acquisitions/disposals in the current year.</li> </ul>
4	ESRS 1	ESRS 1.115	ESRS is prescriptive on the location of most disclosures within the sustainability statement and contains limited flexibility to cross-refer within the statement. This reduces the readability of the reports.	Provide explicit guidance to allow more flexibility in the location of disclosures, including cross-referring to reduce duplication and increase readability. In addition, we recommend EFRAG include a specific provision to allow the inclusion of information (for example, taxonomy information) in an appendix.

#	DR	Datapoint	Challenge	Suggestion
5	ESRS 2 GOV-1	ESRS 2.21(d)	The information on the “board's gender diversity ratio” in SFDR Annex I, Table I, indicator 13 has been amended to resolve a potential mathematical issue and now the updated SFDR indicator differs from the information required by ESRS 1.21(d).	Update the disclosure requirement in ESRS 2 GOV-1 to be consistent with the updated SFDR indicator.
6	ESRS 2 GOV-1	ESRS 2.21(d)	It is not clear if the disclosure requirements related to diversity in ESRS 2 GOV-1 apply to the board or to the administrative, management and supervisory bodies (AMSB).	Clarify whether this disclosure applies to the AMSB.
7	ESRS 2 GOV-3	ESRS 2.29(d)	<p>The disclosure requirements in GOV-3 in ESRS 2 and ESRS E1.13 do not align. The disclosure requirement in ESRS 2 GOV-3 follows the objective for an entity to provide an understanding of whether incentive schemes are offered to members of the administrative, management, and supervisory bodies that are linked to sustainability matters.</p> <p>ESRS E1.13 requires disclosure of remuneration recognised in the current period that is linked to climate related considerations. This disclosure depends on several accounting principles.</p>	<p>Please refer to our overall recommendation to eliminate the supplemental topical disclosures related to governance, strategy, and IRO management.</p> <p>If, however, these incremental disclosures are retained, provide clarification that (1) the proportion of variable remuneration should be disclosed as part of the description of the incentive schemes applicable in the reporting period, not as remuneration actually earned in the reporting period, and (2) allow disclosure in a range.</p> <p>Align ESRS 2 GOV-3 and ESRS E1.13.</p>

#	DR	Datapoint	Challenge	Suggestion
8	ESRS 2 SBM-1 and ESRS S1-6	ESRS 2.40(a)(iii), ESRS S1.50, ESRS S1.51, ESRS S1.52	<p>ESRS 2.40(a)(iii) requires an entity to report the headcount of employees by geographical areas.</p> <p>ESRS S1-6 requires an entity to report its employee headcount by country (only for countries where there are 50 or more employees that represent at least 10% of its total number of employees).</p> <p>ESRS S1-6 also has a voluntary disclosure whereby an entity may provide the total number of employees by headcount or full time equivalent (FTE) for permanent, non-permanent, and non-guaranteed hours employees by region.</p> <p>Each of these three datapoints contains a different geographical disaggregation (ESRS 2.40(a)(iii) — geographical area, ESRS S1.50(a) — country, and ESRS S1.51 and ESRS S1.52 — region).</p>	Specify a consistent level of geographical disaggregation for employee headcount to be applied throughout the standards. In addition, any duplicative datapoints should be removed.
9	ESRS 2 SBM-3	ESRS 2.48(d)	<p>The ‘current financial effects’ of some sustainability-related risks and opportunities may be difficult to calculate/produce because the information about financial effects of specific risks or specific opportunities is not always separately identifiable and may not be tracked at that level of granularity.</p> <p>For example, the increase or decrease of raw material prices related to an underlying sustainability matter may not be separately identifiable from other underlying factors.</p>	Provide the reliefs that are available in IFRS S1 <i>General Requirements for Disclosure of Sustainability-related Financial Information</i> , paragraphs 38 and 40 to clarify when quantification may not be required and what disclosures an entity should provide in these circumstances. This would both enhance international interoperability and provide the necessary relief for preparers.
10	ESRS 2 SBM-3	ESRS 2.48(d)	Based on the published interoperability guidance, the wording in ESRS 2.48(d) is intended to align with ISSB requirements, but the requirements are worded differently. These difference causes confusion as to what is actually required and whether the requirements are aligned.	We recommend that the ESRS wording be revised to align with IFRS S1 paragraph 35(b) if that is the intention. Further, more broadly, where applicable, we recommend that EFRAG align differences in wording. We believe this would enhance the usability of the standards and reduce confusion.

#	DR	Datapoint	Challenge	Suggestion
11	ESRS 2, ESRS E1, ESRS E4	ESRS 2.48(f), ESRS E1.19, ESRS E4.13	There is a lack of guidance on how to perform a resilience analysis for the purpose of ESRS disclosures which creates challenges for preparers.	<p>We believe that the disclosure requirements on resilience analysis should be dependent on the undertaking having performed a resilience analysis. Disclosures on the resilience of the strategy and business model should be accompanied by a short description of the resilience analysis performed.</p> <p>Additional guidance is also needed on what is required to comply with the requirements regarding resilience and scenario analysis.</p> <p>Further, for the financial services sector, a resilience analysis is required by Solvency II (ORSA). We believe it should be clarified that companies may use the outcome of this analysis to fulfill the ESRS requirement (no additional obligation is required).</p>
12	ESRS 2 MDR-T	ESRS 2.72, ESRS 2.81(a)	<p>There is general confusion about what is required to be reported when an entity does not have a target related to a material matter, resulting in variety in practice in initial ESRS reports. This confusion is caused by overlapping requirements related to absence of targets, for example:</p> <ul style="list-style-type: none"> <li>• If an entity has not set a target with reference to a specific matter, ESRS 2.72 requires an entity to disclose that this is the case and the reason why.</li> <li>• ESRS 2.81(a) states that if an entity has not set measurable time-bound targets then it may (voluntarily) disclose why it has not set such targets.</li> <li>• The definition of “targets” in ESRS is a “measurable time-bound” goal, so fundamentally ESRS 2.72 and ESRS 2.81(a) are asking for the same information in the same circumstances, but ESRS 2.81(a) is a voluntary datapoint.</li> </ul>	Clarify the disclosure required when an entity does not have a target. In particular, we recommend that ESRS 2.81 be deleted.

#	DR	Datapoint	Challenge	Suggestion
13	ESRS E1 GOV-3	ESRS E1.13	<p>ESRS 2 GOV-3 requires an entity to describe whether performance of members of the AMSB is being assessed against sustainability-related targets and if so which ones. ESRS E1.13 requires disclosure of “whether and how” performance of the AMSB is assessed against GHG emission reduction targets.</p> <p>This results in duplication of disclosure between ESRS 2 and ESRS E1.</p>	Consider removing the "whether" part of ESRS E1.13. If an entity does not have management remuneration linked to climate-related considerations, this will be implicitly clear from the GOV-3 disclosure required by ESRS 2.
14	ESRS E1-1	ESRS E1.14–19	ESRS E1-1 requires an entity to provide detailed transition plan disclosures which are not always reflective of the strategy and business model of the reporting entity.	This disclosure requirement would benefit from a more flexible approach by providing a list of areas that should be covered with regards to the transition plan, rather than prescribing specific disclosure points. Further, alignment with the approach in IFRS S2 <i>Climate-related Disclosures</i> paragraph 14 would simplify this requirement and improve interoperability with IFRS Sustainability Disclosure Standards.
15	ESRS E1-1	ESRS E1.16(d) and ESRS E1 AR 3	Providing disclosures about a qualitative assessment of locked-in GHG emissions at an asset/product level is time intensive and burdensome. It is not clear whether the locked-in GHG emissions at an asset/product level provides useful information.	Remove requirement to include a disclosure of a qualitative assessment of potential locked-in GHG emissions at an asset/product level.
16	ESRS E1-4	ESRS E1 AR 25(b)–(c)	Base year disclosure requirements are too prescriptive and do not align with how entities are setting their targets.	Provide flexibility in how reporting entities should report their baseline, especially for new targets. The requirement in ESRS E1 AR 25(b) to set a baseline that does not precede the first reporting year by more than 3 years does not foster comparability and is confusing when considering the requirements in ESRS E1 AR 25(c).
17	ESRS E1-4	ESRS E1.34(a)	Entities often struggle to calculate absolute value GHG emission reduction targets as values may not have been forecast (e.g., production volumes) for the time horizons covered by the target.	Remove the requirement to disclose absolute value GHG emission reduction targets. Allow an entity to disclose its targets as either an intensity value or an absolute value.

#	DR	Datapoint	Challenge	Suggestion
18	ESRS E1-4	ESRS E1.34(f)	If an entity discloses a GHG emission reduction target, it is required to describe under ESRS E1.34(f) the expected decarbonization levers and their overall quantitative contributions to achieve that target. However, entities often find it challenging to accurately quantify these amounts as they may not have the relevant data available or at the relevant level of granularity.	Provide more flexibility in this disclosure requirement and require quantification of decarbonization levers if an entity is tracking this information and has the relevant data available.
19	ESRS E1-5	ESRS E1 AR 32(j)	ESRS E1 AR 32(j) is contradictory. It states that the split between renewable and non-renewable sources in the energy mix calculation should be based on market-based scope 2 emissions. It, however, also states that energy cannot be considered renewable unless clearly defined in a contractual agreement.	The guidance should be updated to clarify how residual mix factors and location-based factors used in scope 2 market-based calculation should be reflected when splitting energy between renewable and non-renewable sources in the energy mix calculation.
20	ESRS E1-5	ESRS E1.38	<p>For entities with operations in high climate impact sectors (HCISs) the tracking and determination of total energy consumption from different fossil fuel sources is burdensome and challenging. In addition, if an entity has operations or activities in HCISs, several disclosure requirements — if material — are triggered in ESRS E1-5 (more precisely, ESRS E1.38 and ESRS E1.40–43).</p> <p>HCISs are sectors that are listed in Sections A to H and Section L of Annex I to Regulation (EC) No 1893/2006 (as defined in Commission Delegated Regulation (EU) 2022/1288). With regard to Section L “real estate activities”, the question arises in practice as to whether this means that the requirement applies to almost all entities — since almost every entity has buildings for own use.</p>	<p>Remove the requirement to disclose disaggregated information of total energy consumption from fossil sources by type of fossil fuel for entities with operations in high climate impact sectors.</p> <p>OR</p> <p>If the requirement is retained, then clarify that the NACE codes should be determined in accordance with Regulation (EU) 1893/2006 and the supplementary “Explanatory Notes” from eurostat. According to the Explanatory Notes, activities are determined in conjunction with the respective statistical unit for which a NACE code classification is sought. Activities relevant for the NACE classification are principal and secondary activities (they typically generate income), but not ancillary activities (these activities typically do not generate income). We suggest ESRS include a general rule that only principal and secondary activities, but not ancillary activities, constitute that a reporting entity has operations / activities in HCISs. Consequently, by adding this general rule, the requirements under ESRS E1.38 and 40–43 would not apply to an entity that acquires or leases real estate for its own use.</p>



#	DR	Datapoint	Challenge	Suggestion
21	ESRS E1-5	ESRS E1.40–43	The requirement to track and determine energy intensity for only the activities in high climate impact sectors is challenging.	Remove the requirements to track and disclose energy intensity OR Change the disclosure requirement such that the disclosure of energy intensity would be needed for the entire entity and not limited to only the activities in high climate impact sectors.
22	ESRS E1-6	ESRS E1 AR 39(d), ESRS E1 AR 43(b)	ESRS E1 AR39(d) requires the use of the global warming potential (GWP) values based on a 100-year time horizon from the latest IPCC assessment. At the same time, entities shall use suitable and consistent emission factors (ESRS E1 AR43(b)). In some cases, published emission factors may include embedded GWPs that are not updated to the most recent assessment report. This requirement implies that an entity would need to update its emission factors if the embedded GWPs are not from the latest IPCC assessment report. This may create a significant burden and may not always result in better information, especially if the activity being measured has not significantly changed over time.	ESRS do not address this issue. IFRS S2 paragraph B22 addresses this issue by providing a specific exception when a published emission factor includes embedded GWPs: IFRS S2 paragraph B22 states that if the emission factors have already converted the constituent gases into CO2 equivalent values, the entity is not required to recalculate the emission factors using GWP values based on a 100-year time horizon from the latest IPCC assessment available at the reporting date. ESRS should be updated to include the same exception.
23	ESRS E1-6	ESRS E1 AR 48	The required use of the table in ESRS E1 AR 48 obligates entities to report their greenhouse gas emissions in detail across scope 1, scope 2, and significant scope 3 categories. The level of prescriptiveness and the practical applicability of the table does not reflect the actual circumstances of many entities. For example, for many entities not all categories or target years are relevant to their specific situation; particularly in cases of combined scope 1 and scope 2 targets or when target years do not align with the specified years (such as 2025, 2030, or 2050), entities may be forced to leave fields empty or mark them as "n.a." This can undermine the transparency of the report and dilute the usefulness of the table.	Remove the required use of the table in ESRS E1 AR 48. Potentially provide as an illustrative example.



#	DR	Datapoint	Challenge	Suggestion
24	ESRS E1-6	ESRS E1.44	<p>There is no clear guidance on how an entity should define the boundary for its own operations when calculating greenhouse gas emissions. This issue particularly affects companies that operate multiple business types or models. In some cases, it may be unclear which emissions should be categorized in which scope and how these boundaries should be specifically drawn.</p> <p>A specific challenge arises with leasing arrangements. It is unclear how emissions from leased assets should be reported among scope 1, scope 2, and scope 3.</p>	Clear guidance is needed to define the appropriate classification for emissions from leased assets to ensure comparability.
25	ESRS E1-6	ESRS E1.51 and ESRS E1 AR 46(g)	<p>ESRS E1 AR46(g) provides guidance for entities providing disclosure under ESRS E1.51, gross scope 3 GHG emissions. Within the application requirement, primary data is referred to but is not defined in ESRS. The GHG Protocol <i>Scope 3 Standard</i> provides an appropriate definition of primary data.</p> <p>Further, the Scope 3 Standard includes examples of primary and secondary data (e.g., see table 7.4) and provides explanations concerning these two types of data. However, the distinction between primary and secondary data is not always completely clear, especially when they are combined (e.g., when directly measured activity data (primary data) is used in conjunction with an emission factor (generally secondary data)). Therefore, entities may find it difficult to draw a clear line concerning the categorisation of primary and secondary data.</p>	Remove ESRS E1 AR 46(g) which requires the disclosure of the percentage of emissions calculated using primary data obtained from suppliers or other value chain partners for scope 3 emissions.
26	ESRS E1-6	ESRS E1.56	It is unclear how an entity in the financial services sector should calculate net revenue for the GHG intensity metric.	Provide specific FS guidance on how to define 'net revenue'.
27	ESRS E1-7	ESRS E1.59(b)	There are general concerns with the quality of data related to carbon credits 'planned to be cancelled in the future'.	Remove requirement to disclose carbon credits 'planned to be cancelled in the future'.

#	DR	Datapoint	Challenge	Suggestion
28	ESRS E1-7	ESRS E1.60 and ESRS E1.61	The location of these requirements is confusing because the requirements appear to relate to targets, however they are not included as part of the “targets” disclosure requirements.	Combine these disclosure requirements with the disclosure requirements under ESRS E1-4
29	ESRS E2-4	ESRS E2.28(b)	ESRS E2-4 is not clear as to whether the requirement to disclose microplastics generated or used includes the manufacturing of plastics that are larger than 5mm.	Clarify the requirement to state that microplastics generated or used are subject to disclosure under ESRS E2.28(b), even if they are no longer in the form of a ‘microplastic’ — that is, in a size larger than 5mm — when they leave the facility.
30	ESRS E2-5	ESRS E2.34	There is no threshold under ESRS E2.34 for reporting of ‘Substances of Concern’ (SoC), so an entity would have to initiate the data collection and reporting process for even minimal and seemingly insignificant quantities of SoC. For example, assume SoC are material because of one specific substance which makes up to 85% of all SoC; there are 30 other SoCs which make up the remaining 15%. The data collection effort for these remaining 15% may be tremendous compared to little relevance that is added to the metric by these 15%.	Incorporate the overarching introduction of a materiality principle to individual data points (i.e. materiality during data collection). Further, specify that this disclosure is only with respect to SoCs that are material.
31	ESRS E2-5	ESRS E2.34 and ESRS E2.35	ESRS E2.34 and 35 require an entity to disclose information about substances of concern and very high concern, split by main hazard class. Main hazard classes, however, are not defined in ESRS.	Define main hazard classes.
32	ESRS E3-3	ESRS E3.28(c)	It is unclear how to calculate the total water recycled and reused, which is referenced in ESRS E3 paragraph 28(c).	Clarify how “total water recycled and reused” should be calculated, including whether this would include each time the water is reused.

#	DR	Datapoint	Challenge	Suggestion
33	ESRS E3-4	ESRS E3.28(e)	ESRS E3.28(e) requires an entity to disclose any necessary contextual information related to ESRS E3.28(a) to ESRS E3.28(d), “including the water basins’ water quality and quantity”. It is not clear, however, what an entity is expected to disclose. For example, with respect to the water basins’ quantity, should an entity disclose the volume of water available in the basin, the total number of water basins, or the quantity of water abstracted (which is then consumed)?	Clarify the disclosure requirement.
34	ESRS E3-4 and ESRS E5-5	ESRS E3.4(d), ESRS E3 AR 32 and ESRS E5.37(b)(iii), ESRS 5.37(c)(iii)	Should wastewater referenced in ESRS E3.4(d) be disclosed as part of ESRS E3 AR 32 or as part of ESRS E5.37(b)(iii) and ESRS E5.37(c)(iii)?  Is wastewater included as part of “waste” in ESRS E5.37?	Provide clear requirements on which disclosures should include wastewater.
35	ESRS E5-1 and ESRS E5-3	ESRS E5.15 and ESRS E5 AR 17	There is no definition in ESRS of ‘virgin renewable resources’.	Provide a definition of ‘virgin renewable raw material’ (ESRS E5 AR 17) and ‘virgin resources’ (ESRS E5.15) to ease application and consistency of disclosure.
36	ESRS E5-4	ESRS E5.31	It is a significant effort to collect the data required for the ESRS E5.31 disclosures related to materials used to manufacture an entity's products and services.	Refine the scope of the metric by limiting it to relevant materials or material/significant materials.

#	DR	Datapoint	Challenge	Suggestion
37	ESRS E5-4	ESRS E5.31	<p>ESRS E5.31 requires an entity to disclose various metrics concerning the materials used (during the reporting period) to manufacture the entity's products and services. However, the question of whether and, if so, under what conditions water must be included in ESRS E5.31 is heavily debated in practice and unclear on the basis of the legal text. Compared to ESRS E5.30 where resource inflows are covered more broadly, the metric required by E5.31 is written in a more narrow way which is not clear when it comes to the scope of materials. Specific questions include:</p> <ul style="list-style-type: none"> <li>• Does water that is part of the entity's (final) product (meaning water which is directly used to manufacture the product) have to be included in ESRS E5.31? This question arises in practice because water can indeed be a (significant) material/component of products like beverages or cosmetics.</li> <li>• How should a reporting entity deal with water that is used during production but is not part of the final product in the context of ESRS E5.31? Does water need to be included in E5.31 to the extent it is an associated process material? Or should water that is not part of the final product not be included at all in ESRS E5.31 under any circumstance?</li> </ul>	<p>Clarify the meaning and scope of the term materials, in particularly but not limited to the role of water in the context of the metric required by ESRS E5.31 (i.e., either adapt ESRS E5.31 directly or incorporate corresponding guidance in the associated AR (ESRS E5 AR21)).</p>
38	ESRS E5-4 and ESRS E5-5	ESRS E5.31, ESRS E5.35 and ESRS E5.36	<p>The ESRS definitions for resource inflows (ESRS E5-4) and outflows (ESRS E5-5) are inconsistent in their approach and scope. For instance, the role of services complementing manufacturing or production processes is unclear. In ESRS E5.31 services are mentioned as being potentially "manufactured" while ESRS E5.35 and ESRS E5.36 do not address services explicitly.</p>	<p>Clearly define the role of services in the context of both resource inflows and outflows.</p> <p>For example, a separate section could be created to discuss the contribution of services to both inflows and outflows. Establishing clear guidelines for when services should be categorised as inflows or outflows will help entities report accurately and reduce ambiguity.</p>

#	DR	Datapoint	Challenge	Suggestion
39	ESRS E5-5	ESRS E5.36(b)	The requirement in ESRS 5.36(b) requires entities to disclose the reparability of their products using an established rating system, where possible. However, in practice, there is a lack of established rating systems for many products which makes it difficult to determine how to meet this disclosure requirement. This is particularly unclear for products that are not designed for repair.	More guidance is needed on what constitutes an "established rating system" for reparability and how the disclosure requirement should be addressed in situations where there is no such established rating system available or products are not designed for repair.
40	ESRS E5-5	ESRS E5.37	<p>The reporting boundary for waste generation is unclear. While an entity is required to report the amount of waste generated within its own operations, there is no clearly defined boundary that specifies which waste is considered part of "own operations" and which comes from the value chain or outsourced activities.</p> <p>This lack of clarity can lead to inconsistencies in practice, especially for entities operating in different sectors or with different business models. The need to determine which areas are considered "own operations" and which activities should be attributed to the value chain, leading to uncertainties in data aggregation and reporting.</p>	<p>Provide a clear definition of an entity's own operations, including the delineation with the value chain. Further, this definition should be applied consistently across all of the standards, with a limited exception for reporting of greenhouse gas (GHG) emissions. This would include removing the concept of operational control from the environmental standards where used.</p> <p>Please also refer to our broader recommendation about the need to provide a definition of own operations included in our cover letter and questionnaire.</p>
41	ESRS S1	various	In several cases, ESRS S1 refers to "national legislation". It is unclear which 'national legislation' entities should consider in each circumstance.	<p>Provide more clarity with regards to the concept of 'national legislation' – see specific examples below:</p> <p>Definition of employees: Clarify whether an entity needs to assess employees based on the national legislation of the country in which the individual is situated, the country in which the employing entity is situated, or the country of the reporting entity – that is, for group reports, where the parent entity is situated.</p> <p>ESRS S1 AR56: The definition of employment types specifies that employment types should be based on the definitions as per the national laws of the countries where the employees are based. This approach presents difficulties for multinational entities and is different to the approach taken for the definition of employees. Consider aligning this guidance with the definition of employees.</p>

#	DR	Datapoint	Challenge	Suggestion
41	(continued)			<p>ESRS S1.24(b) and AR15: Clarify whether grounds of discrimination prohibited under national law for S1.24 (b) and clarify whether grounds of discrimination that may be covered refer to national law for ESRS S1 AR15 apply to the national law of the country in which the individual is situated, the country in which the employing entity is situated, or the country of the reporting entity — that is, for group reports, where the parent entity is situated. Also consider alignment between the two paragraphs. situated.</p> <p>ESRS S1 AR 83: The AR provides examples relating to 'work-related injuries' that apply "unless otherwise specified in applicable national legislation". It is unclear what definition of "work-related" an entity should apply. It is recommended that the paragraph specifies how and which national legislation should be applied in this case, or consider providing a more extensive definition of "work-related" injuries and ill health.</p> <p>ESRS S1 AR 96(b): The concept of family-related leave refers to an availability under national law. We understand that this refers to the national transposition of Directive (EU) 2019/1158 which, according to the Basis for conclusion, was the basis for this disclosure requirement. Clarify that availability under national law refers to the national law where the employees are based, and clarify how data should be collected in countries outside the EU (that did not transpose the Directive).</p> <p>ESRS S1 AR 96(c) and AR 96(d): Clarify whether the transposition of the above-mentioned EU Directive is meant when reference is made to "as defined by each Member State".</p>

#	DR	Datapoint	Challenge	Suggestion
42	ESRS S1-1, ESRS S2-1, ESRS S3-1, ESRS S4-1	various	<p>The policy disclosure requirements (ESRS S1-1) request the same information as required in other disclosure requirements in the same standard (ESRS S1-2, ESRS S1-3, and ESRS S1-4). For example, ESRS S1.20 includes disclosure requirements related to engagement with workforce that are covered by ESRS S1-2 and measures for remedy and its process are covered by ESRS S1-3 and ESRS S1-4.</p> <p>This same issue of duplicated requirements exists in ESRS S2, ESRS S3, and ESRS S4.</p>	In all four social standards, remove duplicative requirements between the disclosure requirements on policies, processes and actions.
43	ESRS S1-3 and ESRS G1-1	various	<p>ESRS S1-3 requires an entity to describe the channels available to its workforce to raise concerns. In practice, many entities use whistleblower reporting channels as a primary mechanism for its workforce to raise concerns.</p> <p>ESRS G1-1 requires specific disclosure about whistleblowers and procedures around reports made by whistleblowers. This results in considerable overlap in the ESRS S1-3 and ESRS G1-1 disclosures.</p>	Expand the permission to cross-refer between ESRS S1-3 and ESRS G1-1 present in ESRS S1.33 to cover not just information about the protection of whistleblowers but also other disclosures about channels for an entity's own workforce to raise concerns where there would be overlap between ESRS S1-3 and ESRS G1-1.
44	ESRS S1-6	ESRS S1 AR 55	<p>There are various practical challenges with the mandatory tables associated with ESRS S1-6:</p> <ul style="list-style-type: none"> <li>• The mandatory tables in ESRS S1 AR 55 include voluntary disclosures. It is not clear why a voluntary datapoint would be in the mandatory table, and whether the mandatory table format can be amended to remove the voluntary rows.</li> <li>• The same information that is required for Table 1 is also required in row 1 of Table 3 (if Table 3 is reported by headcount.)</li> <li>• It is not clear in ESRS S1 AR 55 that Table 4 is voluntary as this is only mentioned in ESRS S1.52 and not repeated in ESRS S1 AR 55.</li> <li>• Overall, the tables do not provide additional guidance but rather restrict the reporting.</li> </ul>	<p>Remove required tables.</p> <p>OR</p> <p>Remove voluntary datapoints from the mandatory tables in ESRS S1 AR 55, and remove duplication between the different mandatory tables in ESRS S1 AR 55.</p>

#	DR	Datapoint	Challenge	Suggestion
45	ESRS S1-6	ESRS S1.50(b), ESRS S1.52, ESRS S1 AR 55	<p>In ESRS S1.AR55 it states that if an entity is disclosing data about employees located in a jurisdiction where it is not possible for persons to legally register themselves as having a third gender, it may indicate that the “other” category may not be applicable.</p> <p>It is not clear what this application requirement is intended to achieve in practice.</p>	Permit entities to report gender categories as appropriate to their circumstances.
46	ESRS S1-10	ESRS S1.69	<p>ESRS S1-10 is a qualitative disclosure requirement which asks whether "all" the entity's employees are paid an adequate wage. By including the word "all", the standard effectively makes the disclosure quantitative, because the entity must have support documenting 100% of employees being paid an adequate wage, in line with the ESRS defined benchmarks. In a large entity, it is difficult to exclude the possibility of a payroll error or other circumstances that would affect individual employees at any point in time, across many global jurisdictions.</p>	<p>ESRS S1-10 and/or its Application Requirements should be clarified to:</p> <ul style="list-style-type: none"> <li>ask about policies and procedures in place to pay employees an adequate wage and mitigate/remediate payroll errors or identify changes in local pay legislation in various jurisdictions, etc.</li> </ul> <p>OR</p> <ul style="list-style-type: none"> <li>remove the word "all" so that ESRS S1.69 would read, "The undertaking shall disclose whether [its employees] are paid an adequate wage, in line with applicable benchmarks. If so, stating this will be sufficient to fulfil this disclosure requirement and no further information is needed." In that instance, the organization would likely have more latitude with which to determine the significance threshold of any individual incident where there was an error throughout the reporting period.</li> </ul>
47	ESRS S1-13	ESRS S1.83(a) and ESRS S1 AR 77	<p>There are two additional datapoints connected to performance reviews included in ESRS S1 AR 77:</p> <p>(a) the number/proportion of performance reviews per employees and</p> <p>(b) number of reviews in proportion to the agreed number of reviews by the management.</p> <p>These datapoints are not present in ESRS S1.83(a).</p>	The additional datapoints in ESRS S1 AR 77 should be removed.



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48	ESRS S1-14	ESRS S1.88(a)	<p>ESRS S1.88(a) states: "the percentage of people in its own workforce who are covered by the undertaking's health and safety management system based on legal requirements and/or recognised standards or guidelines;"</p> <p>This results in uncertainty as to which standards or guidelines for management systems for health and safety are considered "recognised" and leads to an increased workload in the evaluation of which should be considered. Furthermore, an audit issue could arise in the assessment of which systems or standards are "recognised" and which ones are not.</p>	<p>Clarify which standards or guidelines for management systems for health and safety are considered "recognised" for the purposes of ESRS S1.88(a)</p> <p>OR</p> <p>Provide a clearer definition of a "recognised standard or guideline"</p> <p>OR</p> <p>Require an entity to disclose the legal requirements or standards/guidelines on which the system is based.</p>
49	ESRS S1-14	ESRS S1.88(c)	'Work-related injuries' is a defined term, but 'work-related accidents' is not. ESRS S1.88(c) requires the disclosure of the number and rate of work-related accidents. It is unclear what the difference is between "work-related injuries" and "work-related accidents".	<p>Change the requirement in ESRS S1.88(c) to 'work-related injuries'</p> <p>OR</p> <p>Define 'work-related accidents'.</p>
50	ESRS S1-14	ESRS S1.88(e)	This datapoint does not provide relevant or meaningful information.	Remove datapoint.
51	ESRS S1-16	ESRS S1.97	For multinational entities, the data collection for the median annual total remuneration is a highly complex data collection issue.	Change the requirement to average pay.
52	ESRS S1-16	ESRS S1.97	<p>The definitions of pay and annual remuneration are not clear. It is not clear which components should be included in the gender pay gap and why there is a more granular requirement for the components that must be included in the calculation of annual total remuneration.</p> <p>Additionally, the change in pension value is only mentioned in the definition of annual total remuneration ratio but not in the respective AR that describes the components of annual total remuneration. There is no specification on the inclusion of mandatory social insurance (and other components).</p>	<p>Align the definitions between pay and annual remuneration or clarify the differences.</p> <p>Consider simplifying the definition of pay and annual remuneration (e.g., identify the main categories of pay so that e.g., 80% of all pay is included in the metric).</p>

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53	ESRS S1-16	ESRS S1.97	<p>The term "highest paid individual" is not defined, and there is no clarification whether board members must be included in the calculation of gender pay gap.</p> <p>This creates uncertainties because in some jurisdictions, board members do not meet the definition of employee or non-employee.</p>	Clarify the term 'highest paid individual', and which individuals should be included in the gender pay gap calculation.
54	ESRS S1-16 and ESRS S1-17	ESRS S1.97–99, ESRS S1.103–104	<p>There are several requirements where it is unclear which accounting policy should be used to avoid cut-off issues (e.g., remuneration (ESRS S1-16), fines or penalties (ESRS S1-17), convictions).</p> <p>For example, it is not clear whether the remuneration earned in the reporting period or the remuneration paid in the reporting period is the basis for several datapoints.</p>	Provide a clear concept on which amounts or numbers fall into which reporting period (i.e., whether to disclose the remuneration paid in the period, or the remuneration earned in the period). Clarity would improve comparability between entities.
55	ESRS S1-6, S1-7, S1-17	ESRS S1.48, S1.53, S1.100	EFrag ID 177 states that ESRS S1-6, S1-7 and S1-17 should be reported regardless of which sustainability matter of ESRS S1 is material. This is not clear from the text of ESRS S1 itself.	Update EFRAG ID 177 to remove this requirement or alternatively, add a requirement to the ESRS S1 to state that ESRS S1-6, S1-7 and S1-17 are required to be reported regardless of which sustainability matter is material in ESRS S1.
56	ESRS S1-17	ESRS S1.104	There is no definition of what constitutes a severe human rights incident.	<p>Provide guidance on what is considered a severe human rights incident.</p> <p>In the guidance consider clarifying whether an incident has to be substantiated in order to be considered a 'severe human rights incident' for the purposes of disclosure.</p>

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57	ESRS S2, ESRS S3, ESRS S4	All	<p>Information required for ESRS S2, ESRS S3, and ESRS S4 are closely tied to the entity's human rights due diligence processes or frameworks, with an almost exact match between the different disclosure requirements and the steps in the OECD Due Diligence Guidance. The only difference between the different standards is the groups of people in the value chain that are in scope.</p> <p>As entities do not prepare three separate due diligence assessments for the three different groups of people and do not have three separate policies/actions/targets related to human rights in the value chain, having three separate standards creates repetition, extra work, and a reporting burden.</p>	ESRS S2, ESRS S3 and ESRS S4 would be easier to apply if they were combined into a single standard. SBM-3 disclosures in such a single standard would clarify which of the different groups in the value chain the IROs relate to.
58	ESRS S3	All	IROs related to affected communities derive from activities connected to other topical standards – such as environmental standards. The disclosures associated with the IRO related to affected communities are disconnected and lose relevance when they separated from the disclosures on the underlying material IRO.	Incorporate the disclosures which are currently required by ESRS S3 on affected communities into the relevant topical standards to which the underlying sustainability matter relates.
59	ESRS G1	All	G1 does not follow the same structure as the other topical standards. For example, there is no section for actions unlike the other topical standards.	Propose to re-structure the G1 standard in line with other topical standards.
60	ESRS G1 GOV-1 and IRO-1	ESRS G1.5-6	It is not clear why a specific GOV 1 and IRO-1 requirement has been added for ESRS G1 because the requirements are not very specific to Governance and seem to duplicate what is already required in ESRS 2	Remove ESRS G1.5 and ESRS G1.6

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61	ESRS G1-1	ESRS G1.24	<p>ESRS G1.24(a) does not distinguish between convictions levelled against the legal entity and those against its employees.</p> <p>It is not clear whether the number of convictions for violation of anti-corruption and anti- bribery laws applies only to the legal entity , or whether it should also include employees and members of the AMSB of the entity.</p> <p>If the number includes employees and members of the AMSB, it is not clear whether it should cover only convictions related to activities carried out in the context of the individuals function in the entity or whether it should also cover convictions of related to activities carried out by the individuals outside of their function in the entity.</p>	<p>Specify against whom the conviction must be handed down, in order to be covered by this disclosure requirement</p> <p>If the number of convictions is specified to include convictions against members of the AMSB and/or employees, specify whether convictions related to activities carried out by individuals outside their function as an employee of the entity are to be included in this disclosure requirement or not.</p>
62	ESRS G1-6	ESRS G1.33(a)	<p>Insufficient guidance is given on how to calculate the average time an entity takes to pay an invoice. In particular, the following areas are not clear:</p> <ul style="list-style-type: none"> <li>• Does an entity have to calculate the average time using total value of invoices using total number of invoices?</li> <li>• What should the "starting date" be for "the average time the undertaking takes to pay an invoice": the date of issuance of the invoice or the date the invoice is received? When does the invoice is considered paid - issuance of the payment or receipt of the payment by the supplier?</li> </ul> <p>The different approaches can lead to significant differences in the calculation of the average time to pay.</p>	<p>Provide additional guidance on how to calculate this metric, specifically addressing the challenging areas – or alternatively, delete the metric.</p>
63	ESRS G1-6	ESRS G1.33(b)	<p>ESRS G1.33(b) requires an entity to disclose the "percentage of payments aligned with standard payment terms". There is no definition provided of what it means for a payment to be "aligned" with standard payment terms.</p>	<p>Update the datapoint wording to clarify that the disclosure should be "the percentage of payments made on time according to the undertaking's standard payment terms"</p>