EFRAG
Attn Mr P. de Cambourg
35, Square de Meeûs
1000 Brussels

2 February 2024

PwC response to call for feedback on draft EFRAG ESRS implementation guidance documents

Dear Mr de Cambourg,

PwC International Ltd (PwC), on behalf of its network of member firms (PwC IL), welcomes the opportunity to provide feedback on the three draft EFRAG ESRS implementation guidance documents (the draft Materiality Assessment Implementation Guidance (MAIG), the draft Value Chain Implementation Guidance (VCIG) and the draft list of ESRS datapoints).

We support the development of implementation guidance to help companies in applying the first set of ESRS. In particular we welcome the fact that the two step approach towards materiality is now clear, as suggested in our response to the draft ESRS[1]. We welcome EFRAG's efforts to clarify the reporting boundary (e.g. the "own operations" definition), but we believe additional clarity on a few points will improve the consistency and efficiency of reporting.

We strongly support the guidance on the linkage between impact and financial materiality. We believe that most financially material matters arise from impacts. We also support the view that because financial materiality considers matters in the medium and long-term it is not limited to matters that are already the result of present developments.

Below we have set out suggestions for areas where we believe the implementation guidance documents should be further clarified: transitional provisions, gross assessment of impacts, and reporting boundaries. These suggestions as well as other feedback are explained in more detail in

[1] https://www.pwc.com/gx/en/issues/assets/pdf/response-to-ec-call-for-feedback-on-first-set-2023.pdf

the attached appendix. We have highlighted these points as they are pervasive in practice and there are already a wide range of views on how to apply ESRS.

1. **Transitional provision related to entity-specific disclosures (para. 185 in MAIG)**
   Clarification is needed on the benefit of the transitional provision (ESRS 1.131). This relates in particular to the **mandatory scope of reporting** when a company makes use of the transitional provision. The transitional provision only regulates what a company may report ("may as a priority"). We suggest clarifying whether any entity-specific disclosures are required within the first 3 years or whether these are to be included in the sustainability statement only on a best efforts basis over the 3-year period.

2. **Gross assessment of impacts (FAQ 23 in MAIG)**
- We would like to emphasise that the issue of gross or net assessment is very complex and requires a **holistic approach** that also includes social, governance as well as risks and opportunities rather than only environmental impacts. In this respect, we suggest that principles be defined for these areas as well, at least at a high level, in order to ensure a consistent overall concept.
- We believe FAQ 23 is not sufficiently clearly written which could result in non-comparable DMA outcomes across companies - with some of them assessing and reporting inherent (gross) impacts and others residual (net) impacts and risks. These differing interpretations can yield vastly different outcomes. The key reason for this is that - despite being positioned as a question on how to **report** on impacts - the question conflates assessing the impacts and reporting the impacts. One way to achieve this would be to separate the questions addressing assessment and reporting. See also the appendix for more details.

3. **Clarifying points related to materiality**
- It would be helpful if the guidance were clear that risks and opportunities can be material even if the **likelihood** of the effect is not probable or the most likely scenario. This is especially true if the effect in that scenario is large.
- The document often focuses on monetary effects when discussing financial materiality. It would be helpful if there were an example or an FAQ that illustrated one of the **other mechanisms**, such as cost or access to capital or debt.

4. **Reporting boundaries: From own operations to value chain (chapter 2.3 in VCIG)**

- We are concerned that the **concept of operational control** should be applied for standards that do not require such an assessment. We suggest that the guidance clearly states that the concept of operational control shall only be applied when explicitly required by a (sector-agnostic or future sector-specific) standard. Consequently, para. 45 should be deleted and para. 47 accordingly rephrased.
- We believe that the treatment of impacts arising from **Joint operations** is not sufficiently well explained in the table in para. 52. It is not clear how to reconcile the term "belong to the reporting undertaking" with the recognition rules in financial accounting. This applies in particular to cases in which the reporting undertaking recognises its share of any assets/liabilities held jointly. If, in such a case, a "proportionate share" of the impact should be included in the reporting undertaking's own operations, this should be clearly stated, including guidance on how a proportionate share should be determined (e.g. according to the share of interest or another measure for e.g. number of accidents or cases of corruption). If, on the other hand, such cases of so-called "proportional consolidation" are to be excluded from own operations (unless operational control applies), this should also be clearly stated.
- We would like to point out that the reporting boundary as laid out in para. 53 could result in a **deviation from the GHG Protocol.** Specifically, this is true in cases where an entity has financial control but not operational control (e.g. company A owns a building but the building is controlled operationally by company B for a hotel business). The decision tree suggests (also by the "+" sign) that the operational control concept's sole purpose is to add further entities/facilities/sites etc. to the own operations, but not to exclude. In the example above, this means that company A must report the scope 1 and 2 emissions of the building despite the lack of operational control. If this is the intended outcome, we recommend that the guidance clearly states this, and acknowledges that there are differences between the standard and the GHG Protocol (in which case the ESRS needs to be followed).

We encourage EFRAG to use the proposed delay of certain ESRS by two years, to develop further guidance and to work closely with the ISSB and GRI to deliver a single set of global sectoral standards.

Finally, we suggest that EFRAG develops additional guidance on the following topics as they are prevalent topics where there are a wide range of views:

- Operational control: conceptual guidelines and practical examples
- Guidance for the relationship between taxonomy aligned activities and materiality in order to include also uncovered topics such as the relationship with positive impacts
- Transition plans / alignment with Paris Agreement
- Anticipated financial effects.

If you would like to discuss any point that we have raised in this letter or in our detailed response, please do not hesitate to contact me (henry.daubeney@pwc.com), Peter Flick (peter.flick@pwc.com) or Olivier Schérer (olivier.scherer@pwc.com).

Yours sincerely,

PricewaterhouseCoopers

Henry Daubeney
PwC Global Chief Accountant and Head of Reporting

Appendix

Draft IG 1 Materiality Assessment feedback comments

Feedback on chapter 2

Paragraphs 37, 38

Double materiality assessments are clearly going to be complex for preparers, and it is noted that in paragraph 38 there are a number of examples which highlight when material risks and opportunities arise without material impacts. We support these examples.

In paragraph 37 it is acknowledged that for most material impacts, a material risk and/or opportunity may arise over time. This is assumed to be the case given the assessment of risks and/or opportunities are carried out over the short, medium and long term and are not limited to matters that have a significant present value impact at the reporting date. However, without examples where a material impact exists without a material financial risk and/or opportunity there could be a misunderstanding as to how the standards should be applied. The MAIG states that impacts, risks or opportunities should not be excluded when the undertaking has not addressed these material IROs through policies, targets and action plans (paragraph 26). However it is not clear whether the **materiality assessment itself of risks and opportunities** should take into account an **entity's own remediating actions**. For example, an impact could create a risk of significant damage to an entity's brand, but the cost of mitigating that impact in the future is not significant. This guidance appears to allow an entity to assume that planned mitigation actions should be taken into account when assessing the risks and/or opportunities and therefore deem such a matter immaterial from a financial perspective. Clarity of this point would be helpful. It would also be helpful to have an example of a situation where a matter is material from a financial perspective, but not from an impact perspective.

Paragraph 50

"However, there could be cases where a piece of information is significant to depict the impacts of the undertaking on people or the environment, without necessarily being a relevant input for the users of the sustainability statement in its decision-making." Even though we see that this statement is aligned with ESRS 1, we think that an **example** for such a case would be insightful to illustrate the existence of significance of information in the absence of decision-usefulness.

Additional suggested edits

Note: Additions are underlined, deleted parts are striked through.

1) In paragraph 24: Amend the following sentence "The terms "material" and "materiality" are used throughout the ESRS to refer to double materiality, unless specified otherwise (referred to in this document as "materiality")." as follows:

"The terms "material" and "materiality" are used throughout the ESRS to refer to double materiality (referred to in this document as "materiality"), unless specified otherwise ~~(referred to in this document as "materiality")~~."

This is to enhance clarity about the term "materiality".

2) In paragraph 37 (green box, second paragraph): Amend the following sentence "Most of the materials also give rise to financial risks…" as follows:

"Most of the material~~s~~ impacts also give rise to financial risks…"

3) In paragraph 31: Amend the following sentence "However, the undertaking shall provide explanations if it concludes that it has no material IROs with respect to climate change and therefore omits required disclosures per ESRS E1 Climate Change." as follows:

"However, the undertaking shall provide explanations if it concludes that it has no material IROs with respect to climate change and therefore omits required disclosures per ESRS E1 Climate Change and shall include a forward-looking analysis of the conditions that could lead the undertaking to conclude that climate change is material in the future (ESRS 2 paragraph 57).

The underlined part should be added for completeness of disclosure requirements.

4) In paragraph 49: Amend the following sentence "Determining the materiality of information is a step that follows the MA leading to the identification of material matters to be reported on…" as follows:

"Determining the materiality of information is a step that follows on from ~~the MA leading to~~ the identification - through the MA - of material matters to be reported on…"

This is to make clear that the 'leading to the identification of material matters' is referring to the outcome of the MA and not to the outcome of the intended 'determining the materiality of information'.

5) In paragraph 50: Amend the following sentence "When a matter is material from both an impact and a financial perspective, the information needs of the two groups of users (investors and others) will highly likely be the same in practice." as follows:

"When a matter is material from both an impact and a financial perspective, the ~~information needs~~ information necessary to allow users to understand its impacts on sustainability matters, and how sustainability matters affect the undertaking's development, performance and position, of the two groups of users (investors and others) will highly likely be the same in practice."

This is to make it clear what the information needs.

Feedback on chapter 3

Paragraph 106
The wording implies that consultation is the preferred method for stakeholder engagement and that alternatives are only permitted if consultation is not possible. We cannot identify such an order or hierarchy from the requirements in the ESRS. It should be clarified that such a **hierarchy** does not exist for an ESRS-compliant DMA process.

Paragraph 117
We note that the figure provided serves as an illustration of a visualisation of the impact assessment. We also note that the figure implies a "max-approach" for the impact assessment itself, i.e. that an impact is automatically assessed as material if either scale or scope or irremediable character is assessed to be "high" ("automatism"). However, ESRS 1.AR11 states that any of the three characteristics (scale, scope, and irremediable character) can make a negative impact severe. We strongly recommend clarifying whether EFRAG interprets this wording ("can") as an **automatism** (as suggested by figure 4) **or whether a case-by-case assessment** is appropriate in such cases.

Paragraph 123 and FAQ3
It would be helpful to further clarify that there is a significant difference in the scope of financial materiality in the financial statements and in sustainability reporting despite the definition being the same.

Additional suggested edits
In paragraph 92: Amend the following sentence "In both cases, information is considered material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that primary users of general-purpose financial reports take on the basis of the undertaking's sustainability statement, relating to providing resources to the undertaking." as follows:
"~~In both cases,~~ Information is considered financially material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that primary users of general-purpose financial reports take on the basis of the undertaking's sustainability statement, relating to providing resources to the undertaking."
This is to make it clear this paragraph is only covering the financial materiality.

In paragraphs 123 and 156(a), it would be clearer if the references to management commentary were removed as this is separate from the financial statements.

Feedback on chapter 5.1

FAQ 2 “What is meant by the undertaking being “connected” with an impact?”
We appreciate the examples illustrating the different ways that an undertaking can be connected with an impact. Paragraph 149 indicates that a different assessment or categorization of the negative impact can be appropriate depending on the type of involvement. Clarification on this aspect is needed because the ESRS do not differentiate between the type of involvement. Rather, one reading of ESRS 1.43, AR12 could be that the undertaking is either connected with or not (i.e. an either-or-decision). FAQ2, on the other hand, seems to imply that rather a “**degree of connectedness**” is to be determined, which has an impact on the severity of the impact. Such a reading would indeed have significant consequences on the impact assessment and should be clarified.

FAQ 2 “Can positive impacts be netted against negative impacts”
We suggest amending this FAQ in two places:
1) Paragraph 151 states that “Impacts are to be assessed on a gross basis.” That FAQ 2 does not address such an assessment (i.e. consideration of mitigating actions as defined in FAQ 23) as the FAQ relates to netting of positive impacts against negative. There is a high risk of misinterpretation because it could be understood that positive impacts are the same as mitigating actions. Therefore, we suggest changing this sentence as follows “Impacts are to be considered on their own, i.e. without taking into account any other impacts.”
2) Paragraph 153 states: “Netting should not be confused with compensation/offsetting.” This suggests two different treatments whereas we think it is the same treatment with regard to impact assessment (chapter 5.1 deals with impact materiality). We suggest clarifying that even though netting and compensation/offsetting are conceptually different things, both are not allowed to be considered in the assessment of impact materiality (also referencing FAQ 23). In this context, we also suggest deleting the last sentence of paragraph 153 because it conflates netting and reporting (in our view, the reporting requirements in E1 and E4 on carbon credits and biodiversity credits do not mean that such measures are to be considered in the impact assessment).

Please, also refer to our comments on FAQ 23 with regard to the treatment of mitigating actions.

Additional suggested edits
1) Numbering of FAQs on pages 33-34. The FAQ after paragraph 149 should read FAQ 3, with consequent renumbering of FAQs 2, 3, 4 to read 4, 5 and 6.
2) In paragraph 152: Paragraph 152(a) explains that an undertaking should not net positive impacts of a different nature. It then states that ‘This contradicts ESRS 1 paragraph 56…’ Presumably, this is intended to say that the paragraph 152(a) is consistent with the requirements

of ESRS 1 paragraph 56. In the same paragraph 152(a), “qualitative characteristics of quality” is probably intended as “qualitative characteristics of information”.

Feedback on chapter 5.2

Suggested edits

In paragraph 158: Include examples in the lettered list to enhance clarity
“(a) (...) These may include impairments that could arise as a result of closure of plants in an area of water shortage” and
“(b) (...) Impacts of a new rule recognising gig economy workers as employees with a right to the minimum wage, sick leave and other benefits.”

Feedback on chapter 5.3

Paragraph 185

Clarification is needed on the **benefit of the transitional provision related to entity-specific disclosures**. This relates in particular to the **mandatory** scope of reporting when a company makes use of the transitional provision (ESRS 1.131). The transitional provision only regulates what a company may report ("may as a priority") but it does not regulate the minimum mandatory scope of reporting during the transitional period. This is also referred to in para. 185 of the MAIG (“allows undertakings to carry forward their previous sustainability disclosures”). However, it must be clarified whether entity-specific disclosures are required at all within the first 3 years (consequently not required before reporting year 4) or whether these are to be included in the sustainability statement only on a best efforts basis over the 3-year period (e.g. using the sources mentioned in ESRS 1.131 (a) and (b) as a starting point with the aim of full disclosures in reporting year 4).

Additional suggested edits

In paragraph 165: Amend the following sentence “Given that sector-specific ESRS have not been finalised yet, sector-specific sustainability matters shall be identified and assessed on an entity-specific basis, as long as the sector standards are released (see ESRS 1 paragraph 131 (b)).” as follows:
“Given that sector-specific ESRS have not been finalised yet, sector-specific sustainability matters shall be identified and assessed on an entity-specific basis, ~~as long as~~ until the sector standards are released (see ESRS 1 paragraph 131 (b)).”

Feedback on chapter 5.6

Paragraph 208

We are concerned about the potential consequences of paragraph 208 because it suggests that all policies, actions and targets in place with regard to a material sustainability matter and all datapoints on policies, actions and targets in the MDR and the topical standards need to be reported - irrespective of whether the matter is material because of a positive or negative impact, risks or opportunity. According to paragraph 208, the "undertaking does not differentiate between information relevant from financial perspective and information relevant from impact perspective. The undertaking will describe the content of policies, actions and targets in place." We believe that reporting should be limited to policies, actions and targets (PATs) for the management of material IROs. For example, if a company has PATs for the management of a material risk and these PATs are distinct from PATs for immaterial (and therefore non-reportable) impacts, then reporting is limited to the risk-relevant PATs. We see our understanding confirmed by the wording in ESRS 1.31 ("The applicable information…") and in all topical standards:

- Example from ESRS E1.22: The undertaking shall describe its policies adopted to manage its material impacts, risks and opportunities related to climate change mitigation and adaptation. If there are no material risks and opportunities but only material impacts, reporting should be limited to the respective impact-relevant PATs.
- Example from ESRS S4.31: ESRS S4.31(a) requires companies to disclose actions taken, planned or underway to prevent, mitigate or remediate material negative impacts on consumers and/or end-users. If there are no material negative impacts identified but only material positive impacts, there would consequently be no disclosure.

This connection between material IROs and PATs should be made clear in paragraph 208 by adding "**to manage and address its impacts, risks and/or opportunities depending on which of them is material**" to the last sentence which then reads as follows: "The undertaking will describe the content of policies, actions and targets in place to manage and address its impacts, risks and/or opportunities depending on which of them is material."

FAQ 23 "When an undertaking has actions in place to avoid, minimise, restore or compensate environmental impacts, shall it report on the impacts before those actions?"

Firstly, we would like to emphasise that the issue of gross or net assessment is very complex and requires a holistic approach that also includes social, governance as well as risks and opportunities (please, also refer to our feedback on paragraphs 37, 38). In this respect, we suggest that principles be defined for these areas as well, at least at a high level, in order to ensure a consistent overall concept.

Secondly, we believe it is critical to avoid conflating the **assessment** of impacts with the **reporting** of impacts in paragraphs 215-218. We recommend separating the questions of assessment and reporting and clearly stating:
- whether assessment of actual and potential impacts is based on gross impacts, or whether assessment of net impact, i.e. taking into account mitigating actions, is acceptable; and
- whether reporting of the impacts, risks and opportunities is to be on a gross or net basis or with other words whether impacts are reported pre-mitigating actions or are reported after mitigating actions are taken into account.

It would be helpful to further separate the guidance on the difference between mitigation that has already taken place and mitigation that is yet to take place in relation to each of (i) assessment and (ii) reporting.

The rationale for our recommendations is set our in more detail below:

Paragraph 215 states that actual environmental impacts are considered on a gross basis in the materiality assessment. This would support the objective of the CSRD and ESRS for undertakings to provide information about material IROs, how impacts are managed over time. However the third sentence of this paragraph states that 'users of the sustainability statement will receive information on the actual impacts where no distinction is made between gross and net', implying that - for reporting purposes - just the residual impact is to be disclosed (which we support). As the FAQ relates to reporting, if this third sentence in paragraph 215 is the answer to that question, we recommend answering the question directly to this effect.

However, this raises the question as to how information on the 'management of impacts' is to be provided (second sentence). It appears that such information would not need to be provided if reporting is on a net basis (see also paragraph below). Further, the examples set out in paragraphs 217(a) and (b) do not provide clarity on the **reporting** aspect as they illustrate what is taken into account in **assessing** impacts.

Similarly, paragraph 218 states that technical or other management measures for avoiding or mitigating potential impacts can be considered within the materiality **assessment** when certain conditions are met, including that there is an ‘accurate description **in the report**’. However, if a company were to conclude that an impact is not material due to the inclusion of such measures in the assessment, it would not be required to report on such immaterial impact. The above condition can therefore never be met, unless immaterial sustainability matters were required to be reported. The confusion is further exacerbated by the example in paragraph 218(a), which states that the mitigating technology can be considered as a part of the management of the material impact but cannot be taken into account in the materiality assessment. This is inconsistent with the statement above.

As noted above, the confusion would be easily remedied by setting out separate questions on **assessment** and **reporting** considerations.

Draft IG 2 Value Chain feedback comments

<u>Feedback on chapter 2</u>

Paragraphs 45 and 47

We are concerned that the **concept of operational control** should be applied for standards that do not require such an assessment. We suggest that the guidance clearly states that the concept of operational control shall only be applied when explicitly required by a (sector-agnostic or future sector-specific) standard. Consequently, para. 45 should be deleted and para. 47 accordingly rephrased.

Paragraph 52 and table (line "Joint operation")

We believe that the treatment of impacts arising from **Joint operations** is not sufficiently well explained in the table in para. 52. It is not clear how to reconcile the term "belong to the reporting undertaking" with the recognition rules in financial accounting. This applies in particular to cases in which the reporting undertaking recognises its share of any assets/liabilities held jointly. If, in such a case, a "proportionate share" of the impact should be included in the reporting undertaking's own operations, this should be clearly stated, including guidance on how a proportionate share should be determined (e.g. according to the share of interest or another measure for e.g. number of accidents or cases of corruption). If, on the other hand, such cases of so-called "proportional consolidation" are to be excluded from own operations (unless operational control applies), this should also be clearly stated.

Paragraph 53 and decision tree

We would like to point out that the reporting boundary as laid out in para. 53 could result in a **deviation from the GHG Protocol.** Specifically, this is true in cases where an entity has financial control but not operational control (e.g. company A owns a building but the building is controlled operationally by company B for a hotel business). The decision tree suggests (also by the "+" sign) that the operational control concept's sole purpose is to add further entities/facilities/sites etc. to the own operations, but not to exclude. In the example above, this means that company A must report the scope 1 and 2 emissions of the building despite the lack of operational control. If this is the intended outcome, we recommend that the guidance clearly states this, and acknowledges that there are differences between the standard and the GHG Protocol (in which case the ESRS needs to be followed).

Additional suggested edits

1) Paragraph 20(d) - Amend the following sentence "ESRS 1 requires the inclusion of material VC information when this is necessary to allow users to understand the undertaking's material IROs

and to produce information that meets the qualitative characteristics of information set for in Appendix C of ESRS 1 (ESRS 1 paragraph 65).” as follows:
“ESRS 1 requires the inclusion of material VC information when this is necessary to allow users to understand the undertaking’s material IROs and to produce information that meets the qualitative characteristics of information set for in ~~Appendix C~~ Appendix B of ESRS 1 (ESRS 1 paragraph 65).”
2) Decision tree in paragraph 53 - Amend the sentence in the grey box “Include as VC for the share of IROs attributable to the reporting undertaking’s products and services as for other actors in the VC (ESRS 1 par 63, 67 and ESRS E1 par 46)” and replace “share of IROs” with “share of impacts”. We believe that this should sentence should be focussed on the “share of impacts” to be consistent with ESRS 1.67 (“...but shall be taken into account on the basis of the impacts that are connected with the undertaking’s products and services through its business relationships.”)

Draft IG 3 List of ESRS datapoints feedback comments

Feedback on ESRS 2 sheet

ESRS Reference: ESRS 2.11(b) ii. and ESRS 2.12
Row 21 includes one combined data point "Disclosure of assumptions, approximations and judgements made in measurement" for ESRS 2.11(b) ii and ESRS 2.12. However, ESRS 2.12 is voluntary while ESRS 2.11 is not. Having the two paragraphs as one data point can obscure the voluntary nature of paragraph 12.

Suggested change:
We suggest separating the two data points and tag paragraph 12 as voluntary.

Feedback on ESRS 2 MDR sheet

ESRS Reference: ESRS 2.81(a), ESRS 2.72
According to the draft guidance, ESRS 2.81(a) first part of the sentence (Disclosure of timeframe for setting of measurable outcome-oriented targets) is a voluntary disclosure whereas ESRS 2.81(a) second part of the sentence (Description of reasons why there are no plans to set measurable outcome-oriented targets) is a mandatory disclosure if targets have not been set. This is not correct as ESRS 2.81(a) is in total a voluntary disclosure. The mandatory disclosure derives from ESRS 2.72 which is missing in the draft guidance.
The difference is important because the disclosure of ESRS 2.72 are backward-looking (why has the undertaking not yet set targets) whereas ESRS 2.81(a) is forward-looking (why are there no plans in the future to set targets).

Suggested change:
Mark ESRS 2.81(a) (both rows) as voluntary disclosures.
Add ESRS 2.72 as mandatory disclosure: "Disclosure of reasons for not having set targets"

Feedback on ESRS E.1 sheet

1) ESRS Reference: ESRS E1.16(c)
E1.16(c) states by reference to the climate change mitigation actions (as required by Disclosure Requirement E1-3), an explanation and quantification of the undertaking's investments and funding supporting the implementation of its transition plan, with a reference to the key performance indicators of taxonomy-aligned CapEx, and where relevant the CapEx plans, that

the undertaking discloses in accordance with Commission Delegated Regulation (EU) 2021/2178.

However, in the datapoint list, this requirements above is broken down as:
- Disclosure of significant operational expenditures (Opex) and (or) capital expenditures (Capex) required for implementation of action plan
- Financial resources allocated to action plan (OpEx)
- Financial resources allocated to action plan (CapEx)

The breakdown in the datapoint list seems to be more ambiguous as compared to the disclosure in the ESRS and this gives room for misinterpretation.

Suggested change:
The datapoint could be broken down as such for clarity:
- Disclosure of operational expenditures (Opex) and (or) capital expenditures (Capex) required for implementation of its transition plan, with a reference to the key performance indicators of taxonomy-aligned CapEx.
- Where relevant, the CapEx plans, that the undertaking discloses in accordance with Commission Delegated Regulation (EU) 2021/2178
- Financial resources allocated to action plan (OpEx)
- Financial resources allocated to action plan (CapEx)

2) ESRS Reference: ESRS E1.34(c)
According to E1.34(c) the undertaking shall disclose its current base year and baseline value, and from 2030 onwards, update the base year for its GHG emission reduction targets after every five-year period thereafter. The undertaking may disclose the past progress made in meeting its targets before its current base year provided that this information is consistent with the requirements of this Standard.
This requirement seems to consist of 2 datapoints. However, the excel list referred only to the second half of the requirements. This could be misleading and seen as applying to ESRS E1.34(c) as a whole.

Suggested change:
This datapoint should be split into two and a clear distinction should be made between mandatory and voluntary information.

3) ESRS Reference: ESRS E1-5 AR 34
The percentages of energy consumption from nuclear, renewable and fossil sources (row 88, 93 and 99) are only included in the table in AR 34 and not in E1.37. As AR 34 is voluntary ("may be presented using the following tabular format"), the rows in the data point list regarding percentages should be voluntary.

Suggested change:
Tag row 88, 93 and 99 as voluntary.

4) ESRS Reference: (E1-9, E2-6, E3-5, E4-6, E5-6)
The phasing-in provisions on anticipated financial effects (E1-9, E2-6, E3-5, E4-6, E5-6) do not seem to be reflected correctly in the list of datapoints.

According to ESRS 1, App. C an undertaking may omit the information prescribed by ESRS E1-9 for the first year of preparation of its sustainability statement. In addition, for the first 3 years of preparation of its sustainability statement, an undertaking may comply with the DRs on anticipated financial effects by reporting only qualitative disclosures. We understand that both provisions apply independently from each other. The relief from disclosing any information on anticipated financial effects for the first year also applies to the qualitative (marked as “narrative”) disclosures of anticipated financial effects.
However, not all data points concerning anticipated financial effects are marked in column I as subject to phasing-in provisions.

Suggested change:
All data points concerning anticipated financial effects (E1-9, E2-6, E3-5, E4-6, E5-6) should be labelled as being subject to phasing-in provisions applicable to all undertakings (= should be marked in column I as subject to phasing-in provisions).
Please note that this feedback cuts across all E standards but that we only raise it once.

5) Overall comment on the “name” column and the “relevant AR” column
We found the “name” column to be missing important details compared to the standards themselves. Thematically “whether and how” disclosures are particularly affected by this. They are inconsistently reflected in the current datapoint list (E1 for example only includes a summary of the "how" disclosure, while E3 usually includes a full reflection of the “whether and how” lifted straight from the standard). Additional examples of missing detail (not exhaustive) include:

E1 - Paragraph 25 requires the disclosure of whether and how the undertaking's policy reflects the following sustainability matters: climate change mitigation (25a), climate change adaptation (25b), energy use (25c), renewable energy deployment (25d), other sustainability matters (25d). EFRAG datapoint list only includes: “Sustainability matters addressed by policy for climate change” which does not capture the full extent of the required disclosures.

We understand that the name column is not necessarily intended to be a full reflection of the disclosures but the varying level of detail about the disclosure currently captured in the name column affects the consistent useability of the datapoint list.

The “relevant AR” column is not sufficiently defined and currently does not reflect all the ARs included in the standard which raises the question as to whether they are not relevant to practitioners. We ask for a more precise definition of what “relevant” means in this case for additional clarity.

Feedback on ESRS E.2 sheet

1) ESRS Reference: ESRS E2.19
Row 13 "Layer in mitigation hierarchy to which action can be allocated to (pollution)" is not tagged as voluntary.

Suggested change:
Row 13 (ESRS E2.19) should be labelled as a voluntary data point.

2) ESRS Reference: ESRS E2-4 AR 23
The list of ESRS data points includes the voluntary datapoint for AR 23(c), but no datapoints for AR 23 (a) and (b).

AR 23. When providing contextual information on the emissions, the undertaking may consider:
(a) the local air quality indices (AQI) for the area where the undertaking’s air pollution occurs;
(b) the degree of urbanisation (DEGURBA)66 for the area where air pollution occurs; and

Suggested change:
For completion, AR 23(a-b) should be added and indicated as voluntary.

Feedback on ESRS E.3 sheet

ESRS Reference: ESRS E3-4 AR 29
AR 29 states that: "When disclosing contextual information on water consumption performance required by paragraph 26, the undertaking shall explain the calculation methodologies and more specifically the share of the measure obtained from direct measurement, from sampling and extrapolation, or from best estimates".

The List of ESRS data points describes this requirement as "narrative". However, the "share of the measure" is also required.

Suggested change:
This data point should be described as "narrative/percentage".

Feedback on ESRS E.4 sheet

1) ESRS Reference: ESRS SBM3-E4.16(a)ii.
Paragraph 16(a)ii. does not mention "in or near biodiversity-sensitive areas" in the standard. However, this is included in the data point in row 5.

Suggested change:
Align wording of data point with standard.

2) Overall comment to the “name” column and the “relevant AR” column
We found the “name” column to be missing important details compared to the standards themselves. Thematically “whether and how” disclosures are particularly affected by this. They are inconsistently reflected in the current datapoint list (E1 for example only includes a summary of the "how" disclosure, while E3 usually includes a full reflection of the “whether and how” lifted straight from the standard). Additional examples of missing detail (not exhaustive) include:

E4 - Paragraph 32a requires disclosures on whether biodiversity and ecosystem targets are informed by, and/or aligned with the Kunming-Montreal Global Biodiversity Framework, relevant aspects of the EU Biodiversity Strategy for 2030 and other biodiversity and ecosystem-related national policies and legislation
EFRAG datapoint list summarises this to “Target is informed by relevant aspects of EU Biodiversity Strategy for 2030” which does not reflect the full extent of the disclosures.

We understand that the name column is not necessarily intended to be a full reflection of the disclosures but the varying level of detail about the disclosure currently captured in the name column affects the consistent useability of the datapoint list.

The “relevant AR” column is not sufficiently defined and currently does not reflect all the ARs included in the standard which raises the question as to whether they are not relevant to practitioners. We ask for a more precise definition of what “relevant” means in this case for additional clarity.

Feedback on ESRS E.5 sheet

-

Feedback on ESRS S.1 sheet

1) ESRS Reference: ESRS S1.50(a) AR 57
"Average number of employees" is presented in the EFRAG list as a disclosure in addition to data points for "Number of employees" in several cases (row 97, 100 and 104 in addition to row 96, 99 and 103).

Suggested change:
Reporting on employees as averages across the reporting period (as opposed to year end) is a policy choice, cf. ESRS S1.50(d). As such, having separate (mandatory) data points for both "number of employees" and "average number of employees" can be misleading and should be clarified.

Further classification (and/or colour coding) could be helpful (in addition to "voluntary", "phase-in" etc.) to label data points where the reporting depends on a policy choice provided by the standard.

2) ESRS Reference: ESRS S1.60(b)
Row 125 for ESRS S1.60(b) does not include that it is only countries with significant employment that should be reported.

Suggested change:
The row for ESRS S1.60(b) should mention that it is only for countries with significant employment (i.e., at least 50 employees and representing at least 10% of total number of employees).

3) ESRS Reference: ESRS S1.60b
Phase-in options in column I for ESRS S1-8 are incorrect as the phase-in option in ESRS 1 Appendix C only relates to employees outside the EEA, e.g. there is no phase-In option for disclosure in acc. with ESRS S1.60(b).

Suggested change:
Update column I for ESRS S1-8 to have the right phase-in options. The Phase-In should be removed for paragraphs 60b and 63a as these areas specifically address EEA countries, i.e not subject to phase-in.

4) ESRS Reference: ESRS S1.60a, ESRS S1.61, ESRS S1.62, ESRS S1.63b
Phase-in options in column I for ESRS S1-8 are not completely reflected in the list of datapoints: "The undertaking may omit this Disclosure Requirement with regard to its own employees in non-EEA countries for the first year of preparation of its sustainability statement.")

Suggested change:
In addition to the update to reflect the correct phase-ins for S1-8 suggested in number 3) of this feedback, paragraphs 60a, 61, 62, 63b should be reflected as "partially" subject to phase-in, specifically only related to non-EEA countries. This needs to be clarified so that a company does not "filter" the file to remove this datapoint from first years reporting. Suggestion to indicate this with another letter and add explanation.

5) ESRS Reference: ESRS S1.66 (a-b)
ESRS S1.66(a) requires gender distribution in number and percentage whereas ESRS S1.66(b) requires the 'distribution'' without specifying whether this should be presented as a number or percentage. The list of datapoints however lists both, number and percentage which is more information than there is in the standard.

Suggested change:
The datapoints from ESRS S1.66(b) should only say "distribution" and leave it open whether this requires percentage and number or only one of the two since the standard does not specifically require such a presentation.

6) ESRS Reference: ESRS S1-8 AR 70
Row 131: "Own workforce in region (non-EEA) covered by collective bargaining agreements by coverage rate and by region".

This data point from ESRS S1.AR70 seems to be covered by row 126 which is based on ESRS S1.61(c). It is unclear how these two data points differ.

Suggested change:
Consider deleting row 131 or make it clear how it differs from row 126.

7) ESRS Reference: ESRS S1.88(d-e)
ESRS 1 Appendix C includes the provision "The undertaking may omit the data points on cases of work-related ill-health and on the number of days lost to injuries, accidents, fatalities and work-related ill health for the first year of preparation of its sustainability statement".
This Phase-In option is not reflected.

Suggested change:
88d and 88e should have a 'Y' in column 'I'

8) ESRS Reference: ESRS S1.88a, ESRS S1.88b, ESRS S1.88c, ESRS S1.90 ESRS S1.AR81, ESRS S1.AR 82, ESRS S1.AR 94
ESRS 1 Appendix C includes the provision "The undertaking may omit reporting on non-employees for the first year of preparation of its sustainability statement." This Phase-In option is not fully reflected in the list of datapoints.

Suggested change:
Paragraphs 88a, 88b (first row/table information), 88c, 90,AR81, AR 82, AR 94 should be "partially" subject to phase-in, specifically only related to non-employees. This needs to be clarified so that a company does not "filter" the file to remove this datapoint from first years reporting. Suggestion to indicate this with another letter and add explanation.

In this context, we suggest that EFRAG clarifies whether the disclosure requirements for “other workers working on the undertaking’s site” (ESRS S1.88b) is subject to the Phase-in provision or not.

9) Overall comment on the “name” column and the “relevant AR” column
We found the “name” column to be missing important details compared to the standards themselves. Thematically “whether and how” disclosures are particularly affected by this. They are inconsistently reflected in the current datapoint list (E1 for example only includes a summary of the "how" disclosure, while E3 usually includes a full reflection of the “whether and how” lifted straight from the standard). Additional examples of missing detail (not exhaustive) include:

S1 - Paragraph 14b requires disclosures around material negative impacts concerning the undertakings workforce and specifically whether they are widespread (14bi) or related to individual incidents (14bii)
EFRAG datapoint list only includes: “Material negative impact occurrence (own workforce)” which does not capture the full extent of the required disclosures.

We understand that the name column is not necessarily intended to be a full reflection of the disclosures but the varying level of detail about the disclosure currently captured in the name column affects the consistent useability of the datapoint list.

The “relevant AR” column is not sufficiently defined and currently does not reflect all the ARs included in the standard which raises the question as to whether they are not relevant to practitioners. We ask for a more precise definition of what “relevant” means in this case for additional clarity.

Feedback on ESRS S.2 sheet
-

Feedback on ESRS S.3 sheet
-

Feedback on ESRS G.1 sheet

1) ESRS Reference: ESRS G1 (ESRS 2 IRO 1)
Data point from paragraph 6 is missing (IRO 1 - Description of the processes to identify and assess material impacts, risks and opportunities in relation to business conduct matters).

Suggested change:
Add the data point to the list.

2) ESRS Reference: ESRS G1.24(b)
Data point from paragraph 24(b) is missing (any actions taken to address breaches in procedures and standards of anticorruption and anti-bribery).

Suggested change:
Add the data point to the list.

3) ESRS Reference: ESRS G1-4

Row 32 (MDR-A) is allocated to DR G1-4. This allocation does not fit because DR G1-4 is a metric. In addition, the reference to “consumers and end-users” does not fit. Furthermore, we would like to point out that G1 does not contain any reference to the MDR. Therefore, we question whether MDR-A is applicable for G1.

Suggested change:
Firstly, we suggest that EFRAG clarifies whether the MDR are applicable for G1. If no, row 32 should be deleted. If yes, the reference to all applicable MDR should be added and row 32 should be renamed and allocated appropriately to the “IRO management”-pillar.