



Att Sven Gentner
Head of Unit for Corporate Reporting, Audit and Credit Rating Agencies
DG FISMA
European Commission

7 July 2023

Dear Sven

Feedback on the draft delegated regulation on European Sustainability Reporting Standards

PwC International Ltd (PwC), on behalf of the PwC network, welcomes the opportunity to provide feedback on the draft delegated regulation supplementing Directive 2013/34/EU of the European Parliament and of the Council as regards sustainability reporting standards (the draft ESRS). We welcome that the revised draft ESRS incorporate many of the recommendations that we raised in response to the public consultation (see [here](#)), and we commend the European Commission (EC) in particular for the additional phase-in provisions and the fact that the information required by the topical standards is subject to the double materiality assessment. In our view this will facilitate the usability for preparers and will better enable companies to deliver high-quality reporting, both initially, and when the full requirements are implemented. In addition, we welcome the engagement between EFRAG and the EC and the ISSB to achieve greater interoperability of standards as well as the editorial changes.

High-quality reporting is essential if it is to fulfil its purpose of delivering accurate, reliable and decision-useful information to stakeholders on sustainability matters. The responsibility for the preparation of high-quality reporting is primarily that of the Directors and their management teams. They are responsible for establishing appropriate processes, internal controls and governance to enable this. Importantly too, they will be responsible for making appropriate judgements over what information is material to report.

We expect that many companies will initially find it challenging to identify, collect and summarise the information with appropriate accuracy and reliability to prepare high-quality sustainability reporting. As a result, we expect a relatively high proportion of early assurance reports will be qualified. We expect that this will improve as the ecosystem matures.

Reporting standards which are appropriately prescriptive, with clear criteria and appropriate application guidance, would benefit all players in the ecosystem, including preparers of reporting, assurance providers and users. With this context, our key suggestions below are focussed on areas where we believe further clarity could be incorporated into the draft ESRS.

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Materiality

The ESRS currently do not define or illustrate what an appropriate process for double materiality assessment should cover. In our view, this is important as it will drive consistency across the preparers' community and will lead to better understanding for users as well as to improved auditability.

- All guidance on double materiality assessment is marked as "shall consider", but without a benchmark for the company on how to appropriately exercise its judgement in this area. In our view, the benchmark of "appropriate to identify all material impacts, risks and opportunities and to report all material information" should be added as a guideline for the exercise of judgement for any "shall consider"-requirements.
- We call on the EC to issue guidance on appropriate double materiality assessments and related disclosures, as this would improve the auditability of the standards. We would welcome an opportunity to provide comments on the draft guidance through a public consultation.

The current double materiality concept in ESRS also lacks sufficient clarity. It is based on a two-step approach: "materiality of matters" and "materiality of information". We would welcome clarification in the ESRS on the concept of "materiality of information":

- Whereas ESRS 1.48 informs the decision whether information is of financial materiality, such a definition is missing for impact materiality. We suggest adding such a definition in section 3.4 of ESRS 1.
- We understand that the introduction of "materiality of information" does not only apply to reporting on metrics but also to the reporting of disclosure requirements and datapoints about policies, actions and targets and therefore is an overarching principle for sustainability reporting. We recommend clarifying whether the materiality of information shall be considered as an overarching principle to determine which information shall be reported on policies, actions, targets and metrics to cover an entity's material impacts, risks and opportunities.

Definitions

The use of undefined terms, for example "own operations" or "misuse of products", results in a lack of precision within the standards. For any such undefined terms we recommend that either a definition is included, or that the ESRS require the reporting entity to disclose the definitions used.

Alignment

Materiality is a foundational concept and alignment of the definition of what is considered material information from a financial perspective will be crucial for the interoperability of ESRS and IFRS SDS. However, the current definitions in the draft ESRS and in the IFRS SDS are not aligned. This is a critical issue, and we call on the EC to make the necessary changes so that the definitions do not lead to different outcomes between ESRS and IFRS SDS. This can be achieved by deleting the terminology in ESRS 1.48 "but is not limited to" and by deleting ESRS 1.47. Our suggested deletions would not change the intended outcome but only make it clearer.



Going forward, we would recommend that the EC adopts further guidance on the following:

- Transition plan / alignment with Paris Agreement (E1),
- Anticipated financial effects (E1-E5), and
- Operational control (E1 and E2).

Please see our detailed comments on the standards in the table below (note that our most important comments are marked in bold). We would welcome the opportunity to discuss our suggestions. If you would have any questions regarding our response please contact me (gillian.lord@pwc.com), Peter Flick

(peter.flick@pwc.com) or Olivier Scherer (olivier.scherer@pwc.com).

Yours sincerely,

A handwritten signature in cursive script that reads 'Gilly Lord'.

Gilly Lord

Global Leader for Public Policy and Regulation, PwC

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2. Specific comments on the main text of the draft delegated act

None

3. Specific comments on Annex I

Standard	Paragraph or AR number or appendix	Comment
All ESRS	<i>n/a</i>	Annex I includes all cross-cutting and sector-agnostic standards. We suggest including the title of the respective standard on each page to ease navigating the standards (e.g. in the header). <i>[Editorial]</i>



<p>ESRS 1</p>		
<p>ESRS 1</p>	<p>Para. 11, 18 all voluntary disclosures</p>	<p>It would be helpful to clarify that the concept of “truly” voluntary disclosures is intended to grant a relief. For further clarity and to avoid conflicting provisions (ESRS 1.11 requires entity-specific disclosures to fill any “gaps”) we recommend clarifying in ESRS 1 whether voluntary disclosure requirements remain voluntary in all cases, i.e. even if the respective information and the corresponding sustainability matter are considered to be material. <i>[Voluntary disclosure and role of entity-specific disclosure]</i></p>
<p>ESRS 1</p>	<p>Para. 11, 129, 130, App. C</p>	<p>The phase-in provisions and the requirement to disclose entity-specific information are partly competing regulations. For example, even if an undertaking's (with ≤ 750 employees) scope 3 emissions are material, it may omit this information in accordance with App. C. At the same time, there is a risk that the undertaking must report its scope 3 emissions to be compliant with the entity-specific disclosure requirements (in particular para. 130 (b)).</p> <p>To remedy this, we suggest clarifying that phased-in information does not implicitly become mandatory from the first reporting period due to the entity-specific disclosure requirements, i.e. that all transitional provisions in chapters 10.2-10.4 take precedence over the requirement to disclose entity-specific disclosures (ESRS 1.11, chapter 10.1).</p> <p><i>[Phase-in provisions and role of entity-specific disclosure]</i></p>
<p>ESRS 1</p>	<p>Para. 18</p>	<p>As we noted in our general comments, ESRS do not define or illustrate what an appropriate process for double materiality should cover. Without the standard specifying what an appropriate process would cover, there is a risk that the assessment will not be appropriately performed, or that it will be performed inconsistently by different preparers, reducing the usability of the reported information. Without this additional guidance, high quality assurance is going to be hard to achieve.</p>



		<p>All guidance on double materiality assessment is marked as "shall consider", but without a benchmark for the company on how to appropriately exercise its judgement in this area. In our view, the benchmark of "appropriate to identify all material IROs and to report all material information" should be added as a guideline for the exercise of judgement for any "shall consider" requirements, e.g. in ESRS 1.18.</p> <p><i>[Materiality assessment under the double materiality concept]</i></p>
ESRS 1	Para. 18	<p>We suggest including a definition of "may consider" in para. 18 to clearly define the term and to show how the term differs from "shall consider". <i>[Inconsistency]</i></p>
ESRS 1	Para. 32	<p>As suggested in our general comments, we believe that the current double materiality concept which is based on a two-step approach ("materiality of matters" and "materiality of information") would benefit from more clarity, mainly with regard to the provisions on "materiality of information".</p> <p>We understand that the introduction of "materiality of information" does not only apply to reporting on metrics (para. 33) but also to the reporting of disclosure requirements and datapoints about policies, actions and targets and therefore, i.e. it is an overarching principle for sustainability reporting. However, the wording of ESRS 1.32 creates confusion whether such an overarching principle is intended. Therefore, it should be clarified whether the materiality of information shall be considered as an overarching principle to determine which information shall be reported on policies, actions, targets and metrics to cover an entity's material impacts, risks and opportunities.</p> <p>In addition, we suggest deleting "Subject to paragraph 33, " in para. 32 as this creates uncertainty on the intended reservation.</p> <p><i>[Materiality assessment under the double materiality concept]</i></p>

<p>ESRS 1</p>	<p>Para. 33, 36</p>	<p>ESRS 1.33 and ESRS 1.36 contain a reference to App. B in ESRS 2. Para. 33 and 36 contain requirements for reporting on metrics, whereas App. B in ESRS 2 contains more datapoints, e.g. also on policies. The reference to App. B in ESRS 2 in para. 33 and 36 does not seem appropriate, hence we suggest deleting the reference to App. B in para. 33 and 36. <i>[Inconsistency]</i></p>
<p>ESRS 1</p>	<p>Para. 33, 34, 35</p>	<p>As suggested in our general comments, clarification in the ESRS is needed on “materiality of information”.</p> <ul style="list-style-type: none"> - We understand that para. 34 and 35 both complement ESRS 1.33. If our understanding is correct, this should be clarified. - In addition, the content of (a) and (b) within para. 34 should be connected by “and” instead of “or”. <i>[Materiality assessment under the double materiality concept]</i>
<p>ESRS 1</p>	<p>Chapter 3.4</p>	<p>As suggested in our general comments, clarification in the ESRS is needed on “materiality of information”.</p> <p>Whereas ESRS 1.48 informs the decision whether information is of financial materiality, such a definition for materiality of information from an impact perspective is missing. We therefore suggest that such a definition should be developed and added to chapter 3.4, e.g. before para. 26 on the materiality of a sustainability matter. This is even more important as the broad definition of value chain is only limited through materiality (see ESRS 1.64). <i>[Materiality assessment under the double materiality concept]</i></p>
<p>ESRS 1</p>	<p>Para. 47-48</p>	<p>Materiality is a foundational concept and alignment of the definition of what is considered material information from a financial perspective will be crucial for the interoperability of ESRS and IFRS SDS. However, the current definitions in the draft ESRS and in the IFRS SDS are not aligned. This is a critical issue and we call on the EC to make the necessary changes so that the definitions do not lead to different outcomes between ESRS and IFRS SDS. This can be achieved by deleting the terminology in ESRS 1.48 “but is not limited to” and by deleting ESRS 1.47. Our suggested deletions would not change the intended outcome but only make it clearer. <i>[International interoperability / Materiality assessment]</i></p>

<p>ESRS 1</p>	<p>Para. 62-67 Chapter 5.1</p>	<p>We observe that the ESRS occasionally lack clarity and consistency with regard to the reporting boundaries. However, for users of corporate reporting consistency between the different pieces of corporate reporting (financial statements, management report including sustainability statement) is key, even though we are aware that reporting on the value chain will lead to a larger scope of reporting. Against this background, we recommend the EC to clarify the following:</p> <p>1) We understand that para. 62 sets out the principle of the scope of consolidation for consolidated sustainability reporting. In this regard, we suggest that the following clarification in para. 62 might be helpful:</p> <ul style="list-style-type: none"> - Para. 62 should define the scope of consolidation for the consolidated sustainability statement by clarifying that the scope of consolidation between the reporting undertaking’s consolidated financial statements and the consolidated sustainability statement is the same, i.e. the parent and all of its subsidiaries (as defined by the applied accounting rules), in line with ESRS 2.5. - In addition, we suggest adding a definition for “scope of consolidation” to Annex II (i.e. the scope of consolidation for the consolidated sustainability statement is the same as for the reporting undertaking’s consolidated financial statements, i.e. the parent and all of its subsidiaries as defined by the applied accounting rules). <p>2) We observe that “own operations” should be equal to the “scope of consolidation” but we can’t find explicit guidance on this principle. Therefore, we ask that this principle is clarified, e.g. in para. 62, and to add a definition for “own operations” to Annex II.</p> <p>3) Based on that, we understand para. 67 to be read as follows:</p> <p>For all entities that are not part of the scope of consolidation but in which the reporting undertaking either has a shareholding or other kind of interest, including but not limited to entities that are proportionally consolidated or accounted for under the equity method, the reporting undertaking shall analyse whether those entities are part of the reporting undertaking's value chain, and in that case apply para 63-66 on “value chain information” consistent with the approach adopted for the other business relationships in the value chain.</p>
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		It would be helpful if this would be confirmed in guidance. <i>[Reporting boundaries]</i>
ESRS 1	Chapter 5.1	<p>If the above clarification is adjusted, there are a number of follow up questions on the reporting boundaries, two of which we would like to bring to the EC’s attention for clarification:</p> <ul style="list-style-type: none"> - We understand that subsidiaries that are not fully consolidated for materiality reasons in consolidated financial reporting should be reassessed for consolidated sustainability reporting purposes in accordance with the provisions of chapter 3 of ESRS 1. It would be helpful if this would be confirmed in guidance. With regard to unconsolidated subsidiaries of an investment entity (IFRS 10.27), we understand the provision of ESRS E1.47 to set out the rule that these unconsolidated subsidiaries (“investments”) are not part of the “scope of consolidation” for consolidated sustainability reporting. If our understanding is correct, we ask the EC to consider this to be a general principle which in this case should be part of ESRS 1. <i>[Reporting boundaries]</i>
ESRS 1	Para. 67	Please replace the term “impacts that are directly linked to” with the new term “impacts that are connected with” in the last sentence of para. 67 that is used throughout the ESRS. <i>[Inconsistency]</i>
ESRS 1	Para. 84	In order to ensure international interoperability where possible, we recommend that the requirements for restating comparative figures based on changes to estimates are aligned with those in IFRS S1, namely B50 and B51. The requirements of para. 84 should include a provision stating that restatement is not required when the metric is forward-looking. <i>[International interoperability]</i>
ESRS 1	Para. 84, 95	We recommend that the term “estimate” is defined in Annex II, e.g., using the definition from IFRS S1. 85: “Estimates are approximations that an entity might need to revise as additional information becomes known”.



		Furthermore, the definition of “prior period errors” in ESRS 1.96 should also be included in Annex II. It should be clarified how the two terms differ from each other. <i>[International interoperability]</i>
ESRS 1	Para. 92	It is unclear what the "approved for issuance" date is. Instead of introducing the term “approved for issuance”, we recommend referring to the requirements applied for the (consolidated) management report / financial statement to ensure consistency between all elements of corporate reporting. <i>[Consistency between elements of corporate reporting]</i>
ESRS 1	Para. 112	<p>According to our understanding, Taxonomy disclosures are to be reported alongside the CSRD/ESRS disclosures in the same sustainability statement but these disclosures follow their own reporting framework. Therefore, ESRS should clarify which requirements of the ESRS should also apply to Taxonomy reporting instead of saying what doesn't apply as currently drafted in para. 112.</p> <p>For example, it is stated in para. 112 that the qualitative characteristics of information do not apply to the disclosures pursuant to Article 8 of the Taxonomy Regulation. This indicates that the remaining parts of ESRS 1 apply when disclosing information in relation to the Taxonomy Regulation including the materiality assessment of chapter 3.</p> <p>In addition, we would like to draw your attention to the contradictory provisions regarding the requirement to report comparative information in the first reporting period. While ESRS 1.135 grants relief, such a general relief is not included in the Article 8 Disclosures Delegated Act.</p> <p><i>[Inconsistency within EU legislation]</i></p>
ESRS 1	Para. 127	Question whether the reference to para. 123 should be a reference to para. 125. <i>[Editorial error]</i>



ESRS 1	Chapter 10.1	Chapter 10.1 refers to "section 1.4 Entity-specific disclosures". However, there is no section with this title. We therefore suggest deleting the reference. <i>[Editorial error]</i>
ESRS 1	Para. 130	<p>We understand the general need for entity-specific disclosure requirements but would like to raise awareness that since the term "sustainability matters" is not defined in any finite sense, both preparers and auditors will face a challenge to conclude that reporting is complete. Against this background, we welcome the transitional provisions of chapter 10.1 in principle, but point out that the wording of para. 130 - in particular the term "shall as a priority" - casts a doubt on the intended relief.</p> <p>Therefore, we suggest more clarity in para. 130, e.g. by using the terms "limit to" and/or "progressively complement".</p> <p><i>[Transitional provisions for entity-specific disclosures]</i></p>
ESRS 1	Para. 131	We welcome the CSRD provision that allows companies an additional three years to report on their value chain on a comply or explain basis ("best-effort clause"). We ask for clarification whether para. 131 also applies to the process of identification and assessment of material impacts, risks and opportunities, i.e. to the double materiality assessment of chapter 3. <i>[Reporting boundaries / Materiality assessment under the double materiality concept]</i>
ESRS 1	Para. 134	Please update the reference in ESRS 1.134 so it refers to para. 63 instead of para. 67. <i>[Editorial error]</i>
ESRS 1	App. C	Please update the following reference in App. C: Reference to ESRS E2 in relation to information on the operating and capital expenditures should be to para. 40 (b) instead of para. 38 (b). <i>[Editorial error]</i>



ESRS 1	App. C	Please update the following reference in App. C: Reference to ESRS 2 SBM-1 in relation to ESRS sector information should be to para. 40 (b) and para. 40 (c) instead of para. 38 (b) and para. 38 (c). <i>[Editorial error]</i>
ESRS 1	App. E	Please update the flowchart and ensure alignment with ESRS 1, in particular with ESRS 1.33 and ESRS 1.32. <i>[Materiality assessment under the double materiality concept / Editorial error]</i>
ESRS 2		
ESRS 2		<p>Preconditions for providing high quality assurance are clear criteria for the information to be provided by sustainability reporting. The draft disclosure requirements sometimes lack the necessary precision, mainly due to undefined terms. In our comments on the topical standards, we have identified different cases where terms that are key for reporting are not defined. We recommend that either a definition is added, or that the ESRS require the reporting entity to disclose the definitions used and to explain significant judgement applied.</p> <p>This could be done with an easy fix by adding a general disclosure requirement to ESRS 2 to disclose a company’s “reporting policy” (i.e. definition of relevant terms, significant judgement applied, assumptions, models used, source of input data etc.). This disclosure requirement could, for example, be a new DR in the basis for preparation or become part of the minimum disclosure requirements for metrics (MDR-M).</p>
ESRS 2	Para. 17	We noticed that companies with ≤ 750 employees making use of certain phase-in provisions need to comply with the disclosure requirements of para. 17. We acknowledge that para. 17 picks up the wording

		<p>of the CSRD, but there remains uncertainty on the required minimum disclosures for compliance with these provisions, namely:</p> <ul style="list-style-type: none"> - Para. 17 (a): We suggest deleting the sentence “The undertaking may identify the matter at the level of topic, sub-topic or sub-sub-topic” to avoid confusion whether it introduces different materiality assessments than already included in ESRS 1. - Para. 17 (b)-(d): <ul style="list-style-type: none"> - It should be clarified whether ESRS 1.32 takes precedence, i.e. whether companies that did not adopt policies, actions and/or targets shall report this to be the case. - It should be clarified whether the minimum disclosure requirements (MDR-P, MDR-A and MDR-T) apply. - Para. 17 (e): The term “metrics relevant to the matters in question” raises concerns whether relevant metrics refer to those metrics that are set by the topical standards. We suggest clarifying whether this is the intention as this seems to be in conflict with the ESRS 1 App. C (“may omit all DR of the topical standard”). Alternatively, it could be clarified that companies must disclose the metrics relevant to the matters in question under those metrics they use internally and/or have previously reported. <p><i>[Voluntary disclosure and role of entity-specific disclosure]</i></p>
ESRS 2	Para. 36 (c)	We would like to emphasise that reporting on “actual and potential” risks identified is in itself a contradiction, because risks and opportunities are by definition uncertain future events. We therefore suggest deleting “actual and potential” from para. 36 (c). <i>[Inconsistency]</i>
ESRS 2	Para. 48 (a)	Para. 48 (a) includes impacts, risks and opportunities. However, the datapoints in i. to iv. only relate to impacts. We therefore suggest that “risks and opportunities” are deleted from para. 48 (a) or included in the subsequent datapoints, in particular in i. <i>[Editorial error / Inconsistency]</i>

<p>ESRS 2</p>	<p>Para. 52</p>	<p>Without the standard specifying what an appropriate process would cover, there is a risk that the assessment will not be appropriately performed. Preparers should report transparently on the exercise of their judgement in this respect to enable users to assess the appropriateness of the process and its outcome. Therefore, we suggest to add to ESRS 2.52 that the objective of IRO-1 is also to provide an understanding of the appropriateness of the process. <i>[Materiality assessment under the double materiality concept]</i></p>
<p>ESRS 2</p>	<p>Para. 53</p>	<p>To support the suggested addition to para. 52 (see above), we recommend the following additions to para. 53 (changes underlined):</p> <p>b) an overview of the process to identify, assess and prioritise the undertaking’s potential and actual impacts on people and the environment, informed by the undertaking’s due diligence process, including an explanation of whether and how the process:</p> <p>[...]</p> <p>iii) includes consultation with affected stakeholders to understand how they may be impacted and with external experts. <u>If no consultation with affected stakeholders and/or external experts took place, the undertaking shall disclose this to be the case, and provide reasons for not consulting stakeholders or external experts;</u></p> <p>[...]</p> <p>c) an overview of the process used to identify, assess and prioritise risks and opportunities that have or may have financial effects. The disclosure shall include:</p> <p>[...]</p>

		<p><u>iii) whether and how the process includes the use of scenario analysis. If no scenario analysis took place, the undertaking shall disclose this to be the case, and provide reasons for not performing a scenario analysis and what was done instead to assess long-term time horizons.</u></p> <p><i>[Materiality assessment under the double materiality concept]</i></p>
ESRS 2	Para. 67	<p>We recommend that the terms “CapEx” and “OpEx” are either defined in Annex II, e.g., through reference to relevant EU legislation such as the Taxonomy Regulation, or that the disclosure requires information on the definitions applied by the undertaking. <i>[Lack of definition]</i></p>
ESRS 2	Chapter 5	<p>The year-to-year comparability of metrics and targets can be significantly limited if there is a change in the reporting boundary, i.e. in the composition of the reporting entity / scope of consolidation due to major acquisitions or disposals and in the value chain. We understand that E1.48 already requires transparency on the effects of such changes to reported GHG emissions. We think it would be beneficial for users of sustainability statements if such transparency became a general principle for reporting on metrics and targets.</p> <p>Therefore, we ask the EC to consider introducing a requirement to disclose significant changes to the composition of the reporting entity and its value chain and to explain the effect of such changes on the year-to-year comparability of the reported targets and metrics in chapter 5.</p> <p><i>[Reporting boundary]</i></p>
ESRS 2	App. B	<p>We suggest moving App. B that is currently located in ESRS 2 to ESRS 1 due to the following:</p> <ul style="list-style-type: none"> - ESRS 2 does not include references to App. B but ESRS 1.33, 36 and 132 includes references to App. B. - To avoid unclarity about whether the datapoints in App. B are mandatory to disclose, since ESRS 1.7 states that "ESRS 2 establishes Disclosure Requirements on the information that the undertaking shall

		<p>provide at a general level across all material sustainability matters." If our understanding is correct, this should also be clarified in an introductory sentence to App. B.</p> <p>Furthermore, we would like to point out that we welcome that the information required by the topical standards is subject to the double materiality assessment. However, we acknowledge that this might be a problem for financial sector companies as they have specific information needs to fulfil their own reporting requirements, e.g. from SFDR. We therefore call on the EC to consider how the coherence and consistency of different reporting requirements stemming from the various pieces of legislation on disclosures of sustainability-related information can be streamlined.</p> <p><i>[Inconsistency]</i></p>
ESRS 2	App. C	<p>Please update the following references in App. C:</p> <ul style="list-style-type: none"> - References to SBM-3 in E1 should be para. 18 to 19 instead of para. 18. - References to IRO-1 in E1 should be para. 20 to 21 instead of para. 16 to 17. <i>[Editorial error]</i>
ESRS E1		
ESRS E1	Para. 16	The reference in ESRS E1.16 should be corrected to para. 14 instead of para. 13. <i>[Editorial error]</i>
ESRS E1	Para. 16 (f)	We recommend that further guidance is provided regarding when CapEx is “significant” or that undertakings are required to explain their judgements. <i>[Lack of definition]</i>
ESRS E1	Para. 21	The reference in ESRS E1.21 should be corrected to para. 20 (b) and 20 (c) instead of para. 19 (b) and 19 (c). <i>[Editorial error]</i>



ESRS E1	Para. 47	It is unclear whether “unconsolidated subsidiaries (investment entities)” is meant to be understood as “unconsolidated subsidiaries of an investment entity” as defined in IFRS 10. Please clarify the definition, e.g. by referencing IFRS 10. <i>[Reporting boundaries]</i>
ESRS E1	Para. 47	Please update the reference in ESRS E1.47 to para. 67 instead of para. 71. <i>[Editorial error]</i>
ESRS E1	Para. 48	<p>We welcome the provision of para. 48 because it provides for relevant information on the comparability of the reported information. We suggest including this provision as a general disclosure requirement in ESRS 2.</p> <p>For improved clarity, we recommend adapting the wording of para. 48 by replacing the term “definition” with the term “composition” as we understand that it is not the (theoretical) definition that changes but the (actual) composition of the reporting entity, e.g. due to acquisitions or disposals. <i>[Reporting boundaries]</i></p>
ESRS E1	Para. 65	<p>The title of DR E1-9 and the following paragraphs (para. 65-71) refer to potential financial effects, all other environmental standards use the following wording “Anticipated financial effects from XXX-related impacts, risks and opportunities”</p> <p>We recommend the consistent use of the word “anticipated” even when talking about opportunities and propose the following as a suggestion: “Anticipated financial effects from climate-related impacts, risks and opportunities”. <i>[Inconsistency]</i></p>
ESRS E1	Para. 67	<p>In relation to anticipated financial effects, ESRS E2, E3, E4 and E5 provide the following relief: “(...) where not possible without undue cost or effort, qualitative information.”</p> <p>This relief is not applicable to E1. Please check whether this is the intention. If not, then this relief should be applied consistently to E1 (para. 67). <i>[Inconsistency]</i></p>

ESRS E1	Para. 52, AR 47 (d)	<p>According to ESRS E1.52 and AR 47 (d) undertakings are required to disclose only GHG emissions from each significant scope 3 category i.e., each scope 3 category that is a priority for the undertaking. Although a variety of references were given such as in the GHG protocol, the lack of clear criteria can result in different applications from a user’s perspective, which lead to limited comparability of information and could cause some difficulties.</p> <p>We recommend, in addition to the stated disclosure, the following to be added: "Undertaking shall explain why the significant scope 3 categories are a priority and explain why the left out categories are no priority to them". [Lack of definition]</p>
ESRS E1	AR 28	<p>We noted that ESRS E2, E3 and E5 still include a reference to SBTN when setting targets (see e.g. ESRS E2, AR 16), while the reference to SBTi or other guidance with a scientifically acknowledged methodology has been deleted in E1. The inclusion of references to private sources of information and possible guidance should be consistent throughout the standards. [Inconsistency]</p>
ESRS E1	AR 46 (e)	<p>AR 46 (e) consists of a note with further details related to the requirements in AR 46 (d). AR 46 (d) includes a similar note for the location-based method. To ensure consistency, we recommend transferring the note from AR 46 (e) to AR 46 (d). [Editorial error]</p>
ESRS E1	AR 47 (g)	<p>AR 47 (g) states the following: "(...) the undertaking shall: the extent to which the undertaking’s Scope 3 GHG emissions (...)". The structure of the sentence is not comprehensible. The sentence should begin with a verb, e.g., “explain” or “assess”. Furthermore, please clarify in AR 47 (g) what is meant by "the extent". [Editorial error]</p>
ESRS E2		
ESRS E2	Para. 26, 29, AR 27	<p>From para. 29 we understand that the reporting boundary for the metric for pollutants and microplastics shall go beyond “own operations” by including emissions from sites on which the undertaking has operational control. It should be clarified that “operational control” is understood as in Annex II, the term should be bold and in italics.</p>

		<p>In para. 26 it is stated that the undertaking shall disclose the pollutants that it emits through its “own operations”. For consistency with para. 29 it should be clarified that “own operations” for this DR is extended.</p> <p>In AR 27 it is stated that this DR shall be provided “at the level of the reporting undertaking”. To avoid confusion with para. 29 the term "at the level of the reporting undertaking" should be deleted in AR 27. <i>[Reporting boundaries]</i></p>
ESRS E2	AR 20-24	<ul style="list-style-type: none"> - Paragraphs are numbered incorrectly after AR 19. Please update the numbering of the ARs after AR 19. - AR 25 - 32 to be renumbered as 20-27. <i>[Editorial error]</i>
ESRS E2	AR 28 (d)	Please delete AR 28 (d) as it includes no text. <i>[Editorial error]</i>
ESRS E2	N/A	Please align the title of DR E2-6 and the listing of the DR in the ESRS E2 table of contents by including the word "material" in the table of contents before “pollution-related impacts, risks and opportunities”. <i>[Inconsistency]</i>
ESRS E2	Par. 32-35, AR 35	<p>According to AR 35 the information provided under this DR on substances of concern and substances of very high concern may refer to information the undertaking is already required to report under other existing legislation (i.e., IED, E- PRTR...). In addition, the definitions for “substances of concern” and “substances of very high concern” in Annex II refer to REACH (Regulation (EC) No 1907/2006) and CLP (Regulation (EC) No 1272/2008). Therefore, the requirements in para. 32 to 25 should not exceed that legislation which defines respective concentration thresholds for substances and mixtures placed on the market regarding information duties.</p> <p>We strongly recommend adding a threshold for substances of concern and substances of very high concern that is in line with existing regulations such as REACH and CLP. <i>[Inconsistency within EU legislation]</i></p>

ESRS E3		
ESRS E3	N/A	Please align the title of DR E3-5 and the listing of the DR in the ESRS E3 table of contents by including the word "material" in the table of contents before "water and marine resources-related impacts, risks and opportunities". <i>[Inconsistency]</i>
ESRS E4		
ESRS E4	Para. 22 (a), 34	According to para. 22 (a) a biodiversity and ecosystem protection policy should cover "(...) operational sites owned, leased, or managed in or near a protected area or an area of high biodiversity-value (...)". It should be clarified what defines "managed" in this regard. If the concept is identical to "operational control" in E1, we suggest updating the wording to ensure consistency ("operational control" understood as in Annex II, the term should be bold and in italics). <i>[Reporting boundaries]</i>
ESRS E4	Para. 22 (a)	"Biodiversity-sensitive area" has been replaced with "area of high biodiversity-value". However, in other parts of the standard (e.g. para. 17 (a) and (b), para. 34 and AR 7) and in Annex II, it is still referred to as a "biodiversity-sensitive area". We recommend consistent wording and adding the definition of "area of high biodiversity-value" to Annex II. <i>[Inconsistency]</i>
ESRS E4	Para. 26 (a)	E2 and E3 contain the following wording (see e.g. ESRS E2.19): "In addition to ESRS 2 MDR-A, the undertaking may specify to which layer in the following mitigation hierarchy an action and resources can be allocated: (...)".

		<p>E5 contains another wording (see ESRS E5.20 (f)): "In addition to ESRS 2 MDR-A, the undertaking may specify whether and how an action and resources cover: (...) (f) Optimisation of waste management in line with the waste hierarchy."</p> <p>E4 requires that "(...) the undertaking shall: (a) disclose how it has applied the mitigation hierarchy with regard to its actions (avoidance, minimisation, restoration/rehabilitation, and compensation or offsets)".</p> <p>Please ensure that the use of "may" and "shall" with regard to classification of each action according to a layer of the mitigation hierarchy is consistent throughout the environmental standards. <i>[Inconsistency]</i></p>
ESRS E4	Para. 26 (b)	<p>Para. 26 (b) includes the term "key performance indicator". Besides this paragraph, the term is only used in reference to KPIs reported in accordance with the Taxonomy Regulation. "Key performance indicator" is not defined in Annex II and it is unclear what is meant by key performance indicators in relation to biodiversity offsets. We strongly recommend that the term is defined in Annex II. <i>Lack of definition]</i></p>
ESRS E4	Para. 30 (a)	<p>There is a conflict between para. 30 (a) and para. 31 (shall vs. may for the disclosure of whether ecological thresholds were applied) and in addition, there is nothing after the term "shall specify".</p> <p>We recommend deleting (a) in para. 30 as we presume that the information to be included after the "shall specify" in para. 30 (a) is already contained in para. 31. <i>[Inconsistency]</i></p>
ESRS E4	AR 6-9	<p>The wording "may consider" in AR 6 vs. "shall consider" in AR 7 to 9 could be confusing. According to AR 6 an undertaking "(...) may consider conducting its materiality assessment in line with the first three phases of the LEAP approach (...)". AR 7 to 9 start with: "To identify these relevant sites the undertaking shall consider".</p> <p>We propose to amend AR 7 to 9 as follows: "Subject to AR 6, if an undertaking conducts its materiality assessment in line with the first three phases of the LEAP approach, it shall consider..." <i>[Inconsistency]</i></p>



ESRS E4	AR 16	The wording “(...) to avoid negative impacts on biodiversity and ecosystems in its operations and related value chain (upstream and downstream)” should not be part of the introductory sentence, but become letter (a) of the listing. <i>[Editorial error]</i>
ESRS E4	AR 21	The reference to SBTN or any other guidance with a scientifically acknowledged methodology has been deleted for target setting in E4 (previously AR 23), but ESRS E2, E3 and E5 still include a reference to SBTN when referring to ecological thresholds when setting targets (see e.g. E2, AR 16). The inclusion or deletion of references to private sources of information and possible guidance should be consistent throughout the standards. <i>[Inconsistency]</i>
ESRS E4	AR 25	We are confused about the impact of AR 25. We understand, esp. AR 25 (a) is not intended to override the general minimum disclosure requirements on metrics as set out in ESRS 2.76 (MDR-M). Please clarify whether MDR-M is still applicable for E4-5. <i>[Inconsistency]</i>
ESRS E4	N/A	Please align the title of DR E4-6 and the listing of the DR in the ESRS E4 table of contents by including the word "material" in the table of contents before “biodiversity and ecosystem-related impacts, risks and opportunities”. <i>[Editorial error]</i>
ESRS E4	N/A	We recommend that “Avoidance”, “Ecological condition”, “Ecosystem conversion” and “Mitigation hierarchy” are either defined in Annex II or that the disclosure requires information on the definitions applied by the undertaking. <i>[Lack of definition]</i>

ESRS E5		
ESRS E5	Para. 30	We recommend that “critical raw materials” and “rare earths” are either defined in Annex II or that the disclosure requires information on the definitions applied by the undertaking. <i>[Lack of definition]</i>
ESRS E5	Para. 31 (b)	We recommend that “certification scheme” and “cascading principle” are either defined in Annex II or that the disclosure requires information on the definitions applied by the undertaking. <i>[Lack of definition]</i>
ESRS E5	Para. 35, AR 26	From para. 35 we understand that the DR only applies to “production processes” from “own operations” and not to retailers and distributors. The reference to “and that a company puts on the market (including packaging)” in AR 26 does not increase the scope of what has been reported. If this understanding is not correct, please clarify in para. 35. <i>[Reporting boundaries]</i>
ESRS E5	N/A	Please align the title of DR E5-6 and the listing of the DR in the ESRS E5 table of contents by including the word “material” in the table of contents before “resource use and circular economy-related impacts, risks and opportunities”. <i>[Inconsistency]</i>
ESRS S1-S4		
ESRS S1 ESRS S2 ESRS S3	n/a	We have noted several inconsistencies in similar/identical disclosure requirements within the Social standards. These include, but are not limited to: <ul style="list-style-type: none"> - “may disclose” or “shall consider” in relation to explanations for significant changes to policies (AR 10 in S1, AR 12 in S2 and AR 9 in S3 and S4)

<p>ESRS S4</p>		<ul style="list-style-type: none"> - "Such circumstances arise when a material impact on own workers/value chain workers/affected communities could lead to financial effects for the undertaking" is removed from para. 18 (S1), para. 13 (S2), para. 11 (S3) but not from S4 - S1, S2 and S3 now include a sentence with regard to referring to disclosures made under G1-1 in relation to protection of individuals that use channels to raise concerns (para. 33 (S1) para. 28 (S2), para. 27 (S3)). A similar sentence has not been added to S4 (para. 26) - "Therefore, no distinction is to be made per se, but what the target is aiming at is to be disclosed (i.e. material impact and/or risks and opportunities)" is removed from AR 50 (S1) and AR 48 (S2, S3) but not from S4 (AR 43) - Bullet about measurable/verifiable target has been removed from AR 49 (S1) and AR 47 (S2, S3) but not in S4 (AR 42) <p>We recommend to align the wording across the social standards for requirements that are identical or very similar to avoid confusion and misinterpretation. <i>[Inconsistency]</i></p>
<p>ESRS S2-S4</p>		
<p>ESRS S2 ESRS S3 ESRS S4</p>	<p><i>Table of Content, Titles</i></p>	<p>Please ensure alignment of the titles named in the table of contents, the title of the Disclosure Requirements and the Application Requirements throughout the standards. We have noted inconsistencies for DR 4. <i>[Editorial error]</i></p>
<p>ESRS S1</p>		
<p>ESRS S1</p>	<p><i>n/a</i></p>	<p>Several datapoints, application requirements and definitions in S1 refer to "national legislation", e.g. the definition of employee, AR 56 and AR 85. It should be clarified in the relevant definitions if the requirements refer to the national legislation of the country of registration for the reporting undertaking, the country of registration for the entity that has the employment relationship or the country where the employee is (physically) based.</p>

		AR 56 (relating to definition of contract types) specifies that it is "the national laws of the countries where the employees are based that shall be used to calculate country-level data [which] shall then be added up to calculate the total numbers, disregarding differences in national legal definitions". Based on this, it is our understanding that any references to national legislation in ESR S1 relates to the legislation where the employee is based and that no modification should be made to consolidate reporting on employees using one uniform definition. If our understanding is correct, we recommend defining this general definition at the beginning of S1 or in Annex II. Alternatively, we recommend that undertakings are required to disclose which national legislation has been applied when preparing the sustainability statement. <i>[Lack of definition]</i>
ESRS S1	S1-4	We recommend that "decent pay" is either defined in Annex II or that the disclosure requires information on the definition applied by the undertaking. <i>[Lack of definition]</i>
ESRS S1	S1-10	We recommend that "basic wage", "pay category" and "fixed additional payments" are either defined in Annex II or that the disclosure requires information on the definitions applied by the undertaking. <i>[Lack of definition]</i>
ESRS S1	S1-17	We recommend that "complaint" is either defined in Annex II or that the disclosure requires information on the definition applied by the undertaking. <i>[Lack of definition]</i>
ESRS S1	n/a	We welcome the clarification that disclosure on ill health in para. 88 (d) is subject to legal restrictions on the collection of data. However, we note that there may be other areas of S1, such as gender, where national legislation can prevent the collection and/or disclosure of certain information. We propose to add a general principle in ESR S1 or in the social standards specifying that "a disclosure is only required if it is legal to collect and disclose this information". This principle should further specify how to proceed if data is not available due to national laws, e.g., requirement to disclose the information for countries where it is not against national legislation to collect and disclose the information and disclose which countries are excluded due to national legislation. <i>[Right not to self-incriminate]</i>

ESRS S1	Table of content, Titles	Please ensure alignment of the titles named in the table of contents, the title of the Disclosure Requirements and the Application Requirements. We have noted inconsistencies for S1-4 and S1-16. <i>[Inconsistency]</i>
ESRS S1	Para. 12, AR 5	<p>AR 5 of ESRS S1 DR related to ESRS 2 SBM-2 requires that the undertaking “shall consider the views of workers' representatives when applicable to fulfil this disclosure”. To avoid misinterpretation, we recommend to align the wording with other social standards, e.g. AR 5 of ESRS S2 includes the requirement that “The undertaking may disclose the views of the value chain workers and value chain workers’ representatives”.</p> <p>Furthermore, the wording of ESRS S1 related to ESRS SBM-2 differs from the wording used in other social standards. For example, ESRS S2 para. 9 refers to value chain workers who can be materially impacted whereas S1 refers to people in its own workforce only. We recommend implementing consistent wording in para. 12 and the related ARs throughout the social standards. <i>[Inconsistency / Editorial error]</i></p>
ESRS S1	Para. 83, AR 78	<p>AR 78 related to Training and Skills Development metrics includes the calculation of “number/proportion of performance reviews per employee” and “number of reviews in proportion to the agreed number of reviews by the management”. DR-13 requires the disclosure of the percentage of employees that participated in regular performance and career development reviews broken down by employee category and by gender.</p> <p>As the calculations in AR 78 have no effect on the percentage to be disclosed pursuant to para. 83 (a), we suggest the following changes to AR 78:</p> <p>“(…) the undertaking shall use the employee headcount figures provided in Disclosure Requirement ESRS S1-6 in the denominator <u>when calculating the percentage per paragraph 83 (a) to calculate the: (a) number/proportion of performance reviews per employee; and (b) number of reviews in proportion to the agreed number of reviews by the management.</u>” <i>[Editorial error]</i></p>
ESRS S1	Para. 88	Undertakings are required to include the number of fatalities for other workers working on the undertaking’s sites, such as value chain workers if they are working on the undertaking’s sites. However, there is no clear definition of

		“sites”. Please clarify if this only includes sites owned by the undertaking or also other sites, e.g. leased sites or sites with operational control as defined in Annex II. <i>[Reporting boundaries]</i>
ESRS S1	Para. 92 (b)	We recommend that “total fair value of long-term incentives” and “benefits in kind” are either defined in Annex II or that the disclosure requires information on the definitions applied by the undertaking. <i>[Lack of definition]</i>
ESRS S1	Para. 100 et seq.	We recommend that further guidance is provided on when a human rights incident is “significant” or that undertakings are required to explain their judgements. <i>[Lack of definition]</i>
ESRS S1	Para. 103 (c), 104 (b)	<p>Para. 103 (c) to the ESRS S1-17 requires an undertaking to disclose “the total amount of material fines, penalties, and compensation for damages as a result of the incidents and complaints disclosed (...)” whereas para. 104 (b) requires an undertaking to disclose “the total amount of fines, penalties and compensation for damages for the incidents described [in para. 104 (a)] (...)”.</p> <p>We recommend deleting the word “material” in para. 103 (c) as materiality of information is already captured by ESRS 1.33. <i>[Inconsistency]</i></p>
ESRS S1	AR 25	Please update the reference in AR 25 so it refers to para. 24 instead of para. 28. <i>[Editorial error]</i>
ESRS S1	AR 55	<ul style="list-style-type: none"> - The mandatory templates for disclosing employee numbers in ESRS S1-6 include full-time and part-time employees. However, disclosing those datapoints is voluntary, cf. para. 52. - It is stated by table 4 that reporting on full-time and part-time employees is voluntary but this is not included for the requirement to disclose table 3. Reporting on para. 50 (b), the split of employment type by region, is now voluntary. This is also not reflected in AR 55. - Furthermore, it is unclear if undertakings can modify the templates by removing the rows if not disclosing those two types of contracts or if they are to be left blank.

		<ul style="list-style-type: none"> - We would also like to point out that undertakings that decide to disclose the information required in table 3 (and table 4) by headcount would need to disclose the information required by table 1 twice. We also observed an inconsistency in the wording (e.g. “not reported” in table 1 vs. “not disclosed” in table 3). - It should be clarified which parts of the tables are mandatory and which are voluntary. This information should be consistent with the text of the DR. Furthermore, the tables should be consistent in wording. Specifically, we suggest including a sentence about voluntary reporting on full-time and part-time employees for table 3. <i>[Editorial error]</i>
ESRS S2		
ESRS S2	Para. 9	Para. 9 appears to be missing the last part of the first sentence. We suggest including the following text: “(...), inform its strategy and business model.” <i>[Editorial error]</i>
ESRS S4		
ESRS S4	Para. 4	<p>The unlawful use or misuse of the undertaking’s products and services by consumers and end-users now fall outside the scope of this standard. However, the term “misuse” has not been defined.</p> <p>We recommend the EC to either provide a definition of “misuse of products” in Annex II or to require undertakings to disclose the definition applied. <i>[Lack of definition]</i></p>



ESRS G1		
ESRS G1	Para. 21 (b)	<p>It is currently unclear if reporting on the percentage of functions-at-risk covered by training programs is limited to training within the reporting period. Several companies have biennial training, i.e. training that occur every second year.</p> <p>For example, “Company Y” has 100 employees in functions-at-risk in year X1. All of them receive the respective training. In the reporting year X2, 20 employees left the company and 15 new employees joined. The 15 new employees receive the respective training. Would the company report in X2:</p> <ul style="list-style-type: none"> a) 15 out of 95 who received respective training b) 95 out of 95 who received respective training <p>We recommend clarifying in the DR whether the information demanded in para. 21 (b) refers to the reporting year only or that undertakings are required to disclose the applied reporting period for this specific disclosure. <i>[Lack of definition]</i></p>



4. Specific comments on Annex II

Defined term	Comment
Consumer	The definition of consumer appears to be missing the word “end-users” in the end of the definition. We recommend adding this word to the definition. <i>[Editorial error]</i>
Financial effects	Please include reference to “access to finance or cost of capital”. <i>[Editorial error]</i>
Financial materiality	We notice that the definition of “financial materiality” only includes the definition of a material sustainability matter from a financial perspective. We strongly recommend adding the definition of materiality of information from a financial perspective in line with the IFRS SDS definition. <i>[Materiality assessment under the double materiality concept]</i>
Impracticable	ESRS throughout use the term “impracticable”. We recommend defining this term and aligning it with the definition of ISSB: “Applying a requirement is impracticable when an entity cannot apply it after making every reasonable effort to do so” (IFRS S1, Appendix A). <i>[International interoperability]</i>
Materiality of information	We would highly welcome a definition of “materiality of information”. <i>[Lack of definition]</i>
Operational control	We appreciate that there is no reference for the definition of “operational control” to the GHG Protocol . However, we notice that the wording of the definition of “operational control” is not fully aligned with the wording of the GHG Protocol. We see the risk that this might lead to different outcomes which will ultimately undermine the comparability of reporting. If this is not intended, we propose to align the wording of the definition of “operational control” between ESRS and the GHG Protocol. <i>[Interoperability with GHG Protocol]</i>

<p>Site</p>	<p>The definition of “site” is limited to “manufacturer of (a) substance(s)”. This definition seems to be inappropriate to capture the different nature of all topical standards that use this term, e.g., ESRS 1, E2, E3, E4, S1, S2, S3, S4. Therefore, we ask for a definition that is fit for these various purposes.</p> <p>In addition, please consider whether the reference to the Water Policy Directive is appropriate. <i>[Reporting boundary]</i></p>
<p>Sustainability-related financial risks (or ‘risks’)</p>	<p>This definition comes from draft ESRS 2 of November 2022 and should be deleted as a new definition for “risks = Sustainability-related financial risks arising from environmental, social or governance matters that may negatively affect the undertaking’s financial position, financial performance, cash flows, access to finance or cost of capital in the short, medium or long term.” was added to Annex II. <i>[Editorial error]</i></p>
<p>Sustainability-related financial opportunities (or ‘opportunities’)</p>	<p>This definition comes from draft ESRS 2 of November 2022 and should be deleted as a new definition for “opportunities = Sustainability-related financial opportunities from environmental, social or governance matters that may positively affect the undertaking’s financial position, financial performance, cash flows, access to finance or cost of capital over the short, medium or long term.” was added to Annex II. <i>[Editorial error]</i></p>
<p>Substances of concern</p>	<p>Letter c) refers to “any other substance that are set out in applicable EU legislation (in this regard, legislation in the wake of the EU Chemicals Strategy for Sustainability will be of particular importance)”. Dynamic references to upcoming legislation should be avoided. Letter c) should be deleted. <i>[Inconsistency]</i></p>
<p>n/a</p>	<p>The hyperlinks in the footnotes do not work, e.g. for pollutants [10], pollution [11]. They seem to link to an internal drive. <i>[Editorial error]</i></p>