Draft EU Sustainability Reporting Standards

Overview and Frequently Asked Questions

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Following the legal mandate provided by the EU Corporate Sustainability Reporting Directive (CSRD), the EU must develop and adopt standards covering all sustainability areas, in line with the broader EU policy framework, including sustainable finance legislation, EU Climate Law and the bloc's objectives and commitments on climate, nature and human rights.

The draft EU Sustainability Reporting Standards (ESRS) have been developed in an extensive and transparent multistakeholder process, and were approved without a dissent by EFRAG's Sustainability Reporting Board, which includes representatives of Accounting Standards Committee of Germany, the Autorité des Normes comptables of France, the Dutch Accounting Standards Board, Organismo Italiano di Contabilità (OIC), as well as European stakeholders including Accountancy Europe, Business Europe, European Issuers, EFAMA, European Banking Federation, and representatives of civil society and of the European Trade Union Confederation, among others. The draft ESRS were submitted to the EU Commission in November for its final adoption via Delegated Act in the first half of 2023.

The ESRS are urgently needed to tackle major gaps[1] on the quality, consistency and comparability of corporate disclosures and provide a full picture of companies' management of their risks and impacts on people and planet. The implementation of these standards is key to achieve a timely and orderly transition to a sustainable economy and prevent systemic risks arising from late transformation[2]. Without adequate sustainability information from companies, public and private investment will continue to be misallocated, seriously undermining the ability of the EU economy to meet the objectives of the European Green Deal and the UN Sustainable Development Goals.

The draft ESRS lay down a framework for sustainability reporting which is based on international standards, provide clarity on what are minimum requirements, set a common structure for reporting on both impacts and risks, and address the most pressing conceptual and methodological challenges companies are facing (e.g. how to report on climate transition or biodiversity or human rights). The ESRS are indispensable for levelling the playing field and tackling greenwashing.

Moreover, the proposals delivered this November to the EU Commission will close the information gap between companies, investors and other financial market participants. Mandatory metrics in the draft ESRS are almost entirely based on investors' risk assessment and disclosure obligations.

This briefing addresses the most common questions or concerns with direct responses, based on evidence and expert background information including:

1. How are the ESRS balancing the improvement of corporate ESG disclosures without entering into excessive prescriptive practices?
2. What are the challenges and how do the ESRS help businesses overcome them?
3. What about expected costs vs benefits? Will companies lose or increase competitiveness?
4. Will the ESRS for large companies end up affecting SMEs in their value chain (trickle down effect)?
5. Are the ESRS aligned with international developments and leading standards including ISSB proposals, TCFD or GRI?
6. How can the ESRS tackle greenwashing (specifically on climate)?
7. Do companies have enough time to adapt to the new rules?
8. Are companies at risk of reporting confidential or commercially sensitive information? What about increased liability?

Lastly, please find an overview of disclosure requirements proposed in the draft ESRS in the Annex.

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[1] For example, in the studies published by the Alliance for Corporate Transparency, 32% of the analysed corporations in 2021 obliged to report under the Non-Financial Reporting Directive disclosed their full GHG emissions, 39 % reported their climate targets and 28 % claimed the targets to be science-based or aligned with the Paris Agreement goals - of which a majority was not backed by a clear plan. Another recent study from World Benchmarking Alliance shows that 37% of leading financial institutions assessed have disclosed long-term net-zero targets. However, from these commitments, only 2% have been translated into interim targets applied across the institution's financing activities, of which only 1% are backed by scientific evidence.

[2] See conclusions from the study commissioned by EFRAG for a cost-benefit analysis including the following assessment: *Proper implementation of the ESRS will most likely lead to improved sustainability, and the following three indirect benefits can be achieved: a reduction in systemic risks to the economy; increased capital flows to undertakings addressing sustainability issues; and the strengthening of the social contract between undertakings and citizens. All of these benefits strengthen the potential of the single market to contribute to the European Green Deal*

1 How are the ESRS balancing the improvement of corporate ESG disclosures without entering into excessive prescriptive practices?

- The CSRD defines transparency rules, it does not prescribe corporate actions, such as adopting strategies, targets or plans. For example, companies should report on how they identify and assess material impacts and risks stemming from the value chain, but the disclosure requirements are focused on ensuring transparency of the scope of the company's assessment and outcomes.
- Mandatory disclosures (those whose application is not subject to materiality assessment by the company) are strictly linked to the core CSRD requirements and to the SFDR indicators and select own workforce data. The only prescribed value chain metrics include GHG Scope 3 emissions, and basic data on non-employee workforce such as use of agency workers (to the extent this is considered value chain).
- The ESRS adopted by EFRAG's multistakeholder board addressed the inputs and concerns emerging from the public consultation, resulting in standards that are manageable for preparers (i.e. reporting companies) and ensure focused and relevant disclosures for users. The number of datapoints in the ESRS was reduced by approximately 50%. Currently, companies need to deal with often very divergent information requests and demands from various reporting standards, frameworks, ratings and indices. Smaller companies have to report an array of ESG data to large companies supplying from them. Starting in 2023, investors and banks will require data they themselves need to report. EFRAG's draft standards have drawn from internationally accepted standards and guidelines, providing a comprehensive and workable disclosure framework for companies, which will eventually streamline and reduce disclosure requests from external parties.

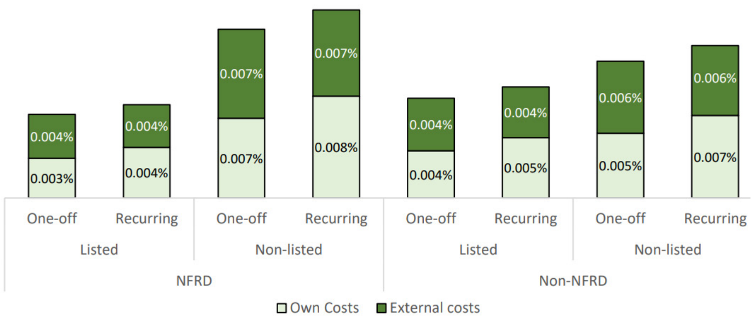
2 What are the challenges and how do the ESRS help businesses overcome them?

- In line with the TCFD and ISSB, the draft ESRS require information on four areas: Governance, Strategy, Impacts, risks and opportunities (IRO) management (i.e. policies and actions), and Metrics and targets.
- Only basic, commonly accepted metrics from existing reporting frameworks such as GRI, or from EU legislation were incorporated in the draft ESRS. In particular, mandatory metrics correspond to the disclosure obligations of investors and other financial market participants stemming from the SFDR. Gathering the underlying data and reporting these KPIs should not be an issue.
- The most challenging metric concerns GHG emissions Scope 3, which had to be included because it is requested in the CSRD and it is indispensable to connect investors' risk assessment and disclosure under SFDR. Additionally, reporting on Scope 3 is also included in global proposals at the ISSB as well as other major jurisdictions such as China, India or South Africa.
- Very large multinational corporate groups will have to meet the requirements for the breakdown of the composition and characteristics of their workforce (headcount, breakdown to permanent and temporary and non-guaranteed hours, and turnover) on a country-by-country basis. This will involve establishing data collection systems by parent companies, but each subsidiary has this kind of information in their possession already.
- **Disclosure requirements on targets, as well as on policies and actions** apply only if the company has adopted such measures (and the ESRS explicitly require only generalised, summary descriptions of key actions, etc). The draft ESRS prescribe how companies shall describe such policies, actions or targets - for its material topics -, but the company may simply state that they have not adopted them.
- **The disclosures on Governance and Strategy, as well as determination of material topics for IRO management,** require companies to identify and assess material impacts and risks. These are highly predictable based on business activities and geographical areas. In this respect, the draft ESRS do not prescribe any metrics to measure impacts in the value chain. Instead, it standardises what should be disclosed about the process of identification and assessment, and provides guidance to companies on how to report on the outcomes and how to determine their own metrics. Although it is not strictly required in the draft standards, the ESRS motivate companies to better understand their value chain to be able to better determine what are their material impacts and risks.
- All of the above implement explicit CSRD requirements, provide clarity to companies and are based on existing reporting frameworks, in particular GRI, TCFD and proposals of the ISSB.

3 What about expected costs vs benefits? Will companies lose or increase competitiveness?

- A cost-benefit analysis commissioned by EFRAG, which was based on data and estimations reported by companies, has revealed that the additional costs will be marginal (see figure 3.4). This confirms the conclusion of the impact assessment that accompanied the CSRD proposal that the average recurring cost to the company from the legislation is negligible in relation to the overall costs of the business and is proportionate to the size of the company.

Figure 3.4 Administrative costs per preparer (% of turnover)



Source: CEPS (2022).

- EFRAG's latest commissioned study recognises that preparers with complex value chains, manufacturing products with large environmental impact, expect to see the most significant increases in administrative costs. However, this is also connected to the fact that the majority of companies consulted for the study expect the first set of standards to "*lead to better coordination and cooperation between undertakings in the value chain*". Additionally, the conclusions of the study also state that "*In practice, if the ESRS give more specific guidance on data collection, the administrative costs will be reduced.*"
- The cost-benefit analysis also highlights the importance of standardised and easily accessible sustainability information for investors and the public in order to increase competitive advantages for more sustainable companies. From those companies consulted, most consider disclosing according to the first set of ESRS "*will deliver a competitive advantage*", specifically stressing "*higher probability of winning tender*"s and public *competitions, becoming more attractive to new customers and/or easier access to finance*".
- Looking at the broader picture, the study concludes: the proposed ESRS have the ability to mitigate the systemic social and environmental risks that are threatening financial stability as they facilitate corporate accountability.

4 Will the ESRS for large companies end up affecting SMEs in their value chain (trickle down effect)?

- Large companies already and increasingly require their SMEs to provide them with data. The ESRS is expected to contribute to the standardisation of the practice and improve the coordination and communication between companies on sustainability, as shown in the cost-benefit analysis commissioned by EFRAG.
- In line with the risk-based approach concept of due diligence (which informs the CSRD and ESRS) large companies should screen their value chains for potential adverse impacts. In doing so, they may prioritise segments of their value chain where the risk of severe adverse impacts is highest. Therefore, it is key to consider that a regular SME operating in the EU (given that their strategy is not dependent on precarious employment conditions (e.g. agency workers, seasonal workers) or outsourcing from high-risk regions of the world), is not considered high-risk. Furthermore, large companies should not and cannot push the responsibility for the assessment of impacts in further tiers of the supply chain on their suppliers.
- On the contrary, the draft ESRS do not set any standardised metrics concerning impacts in the value chain, with the exception of GHG emissions Scope 3. Companies can precise their Scope 3 calculations by asking their suppliers for data on their consumption of energy, production of waste, and materials used (i.e. if they know their geographical origin and whether they are recycled). It is important to note that such data is not indispensable. The GHG Protocol enable the use of estimations and applications of coefficients - and thus large companies don't have to strictly require their suppliers to provide the data. It is also important to consider that these are basic data, which are not difficult to collect and which are highly relevant for the suppliers themselves.
- See also above (question 2) concerning the nature of supply chain related information required in the draft ESRS. Multiple studies have pointed to the need to ensure SMEs (especially those operating in high-risk sectors) are included in a mandatory reporting framework, as well as the increased benefits for SMEs to access public and private finance.

5 Are the ESRS aligned with international developments and leading standards including ISSB proposals, TCFD or GRI?

- The draft ESRS are aligned with the proposed standards by the International Sustainability Standards Board under the IFRS Foundation. The architecture of the ESRS mirrors the ISSB standards, which are based on the TCFD, and integrate all of the proposed IFRS disclosures and principles (subject to specifications to ensure alignment with requirements stemming from EU legislation, including the SFDR). The financial materiality assessment is aligned with the ISSB.
- Furthermore, the draft ESRS are aligned with the Global Reporting Initiative's (GRI) Reporting Standards, integrating GRI's indicators to the extent they are applicable across all sectors. The impact materiality assessment is aligned with GRI and sustainability due diligence norms (in particular UN Guiding Principles for Business and Human Rights and the OECD Guidelines for Multinational Enterprise). On biodiversity, the draft ESRS are also aligned with the latest recommendations by the Task Force on Nature-related Financial Disclosures.
- The draft ESRS is therefore a one stop shop for impact as well as financial materiality reporting (subject to sector specifications). The topical ESRS cover the full spectrum of environmental, social and governance topics, and are designed in a way that complement each other and create a coherent system. The ISSB latest announcements this December show that the global efforts to establish a common international baseline are drawing and adapting its work plan to follow the European path.

6 How can the ESRS tackle greenwashing (specifically on climate)?

- The United Nations latest report on net-zero presented during COP27 paints an unflattering picture of global efforts to tackle climate change, with UN's Secretary General Antonio Guterres stating "The planet cannot afford delays, excuses, or more greenwashing". Multiple studies have shown the lack of relevant information from companies transition plans, targets or risk assessments. A recent study by Accenture concluded that only 34% out of 2000 global large companies have stated net zero targets, while 93% of these are expected to miss their targets based on their current trajectories. Another recent study from World Benchmarking Alliance shows that only 37% of leading financial institutions assessed have disclosed long-term net-zero targets. However, from these commitments, only 2% have been translated into interim targets applied across the institution's financing activities, of which only 1% are backed by scientific evidence. A 2021 CDP report shows that only one third of organizations disclosing through CDP reported developing a low carbon transition plan, and no G20 country had more than 4% of organizations headquartered in its jurisdiction with a credible climate transition plan. Legislative action is the only way to level the playing field and get much needed data to banks, investors, supervisory authorities and governments.
- The draft ESRS provide a framework for reporting on transition plans regarding alignment of companies' business models with the goals of the Paris Agreement to limit global warming to 1.5°C. It further provides guidance on how companies can work with and utilise scenarios developed by the International Panel on Climate Change, general and sectoral objectives and pathways set in the EU and national law, and private initiatives such as the Science-based Targets Initiative and the One Earth Climate Model.
- Furthermore, the draft ESRS on climate require disclosure of investments (if relevant), carbon footprint and data on energy consumption (these two being the sole hard metrics required), specifies the type of information that must be disclosed on GHG emission reduction targets and provide a clear framework to present carbon removals and credits (offsets) from these.

7 Do companies have enough time to adapt to the new rules?

- Due to the urgent need to improve ESG corporate disclosure, the new rules were initially proposed to enter into effect by 2023 for all large companies in the EU. However, the final political agreement reached in June among EU policymakers delayed the application date one additional year and proposed a gradual application (2024 for large listed companies with more than 500 employees; 2025 for other large companies listed and non-listed with more than 250 employees; 2026 for listed SMEs with two-year opt-out period)

- Over half a trillion expected to be mobilised in the next few years to reach 2030 goals on climate, pollution or biodiversity. Therefore, countries and companies that take longer to incorporate the new framework will be put at a disadvantage to access sustainable finance flows.
- Companies improve their reporting over time, and benefit greatly from legal clarity and certainty. Following the implementation of the previous EU legislation (EU Non-Financial Reporting Directive), multiple research showed considerable improvements, while still identifying important gaps. The comprehensive approach of the EU CSRD and first set of sector-agnostic standards covering the entire ESG spectrum, combined with the development of subsequent sets of sector specific standards provide adequate guidance for companies to disclose key sustainability information on risks, impacts and opportunities. Comprehensive and strategic being the defining pillars of the EU reporting framework. Companies first report may not contain all the relevant information, but will serve for companies to identify gaps and improve process and disclosure of data. Furthermore, the legal framework and EU standards include a three year period for companies to gather and report on information connected to their value chain.

8 Are companies at risk of reporting confidential or commercially sensitive information? What about increased liability?

- The European legal framework for corporate sustainability reporting (CSRD) does not set up or include any liability provisions. It is focused on transparency. If companies breach existing national, European or international law, then they may have legal responsibility for unlawful behaviour, but not because of the ESRS.
- Furthermore, draft ESRS 1 clarifies that when companies report on strategy, plans and actions, if there is a specific piece of information that correspond to intellectual property, know-how or the results of innovation that is relevant to meet a disclosure requirement, the company can omit this information if it has commercial value connected to its secrecy, has been kept by the company as such and is not known/readily accessible by people who would usually deal with this sort of information (see ESRS 1, 7.7)

We call for a swift adoption of the ESRS framework by the European Commission and endorsement by the EU Parliament and Member States. We warn against further cuts into the proposed standards, which would severely undermine its functionality and hinder EU's efforts to create a more sustainable and just economy.

ANNEX: Overview of Disclosure Requirements

CROSS-CUTTING STANDARDS

ESRS 1: Application rules

General application rules when preparing and presenting sustainability-related information under the Accounting Directive as amended by the Corporate Sustainability Reporting Directive (CSRD).

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

2 Qualitative characteristics of information

3 Double materiality as the basis for sustainability disclosures

4 Sustainability due diligence

5 Value chain

6 Time horizon

7 Preparation and presentation of sustainability information

8 Structure of sustainability statements

9 Linkages with other parts of corporate reporting and connected information

10. Transitional provisions

ESRS 2: Mandatory strategic information

Governance-related disclosures (GOV)

GOV-1: The role of the administrative, management and supervisory bodies

Provide an understanding of:

a) the composition and diversity of the administrative, management and supervisory bodies;

b) the roles and responsibilities of the administrative, management and supervisory bodies in exercising oversight of material impacts, risks and opportunities, including management's role in governance processes; and

c) the expertise of its administrative, management and supervisory bodies on sustainability matters or access to such expertise and skills.

GOV-2: Sustainability matters dealt addressed by the undertaking's administrative, management and supervisory bodies

Provide an understanding of how administrative, management and supervisory bodies are informed about sustainability-related matters as well as what information and matters they addressed. This in turn allows an understanding of whether the members were adequately informed and whether they were able to fulfil their roles.

GOV-3: Integration of sustainability-related performance in incentive schemes (board level)

Provide an understanding of whether incentive schemes are offered to members of the administrative, management and supervisory bodies that are linked to sustainability matters.

GOV-4: Statement on sustainability due diligence

Provide a mapping that explains how and where its application of the main aspects and steps of the sustainability due diligence process are reflected in its sustainability reporting, to allow a depiction of the actual practices of the undertaking with regard to due diligence.

GOV-5: Main features of risk management and internal control system in relation to the sustainability reporting process

Provide an understanding of the undertaking's risk management and internal control processes in relation to sustainability reporting.

Strategy and business model (SBM)

DR SBM-1: Market position, strategy, business model(s) and value chains

Description of the undertaking's market position; the elements of its general strategy that relate to or impact sustainability matters and the undertaking's business model and key value chains, in order to provide an understanding of the undertaking's exposure to impacts, risks and opportunities and where they originate.

SBM-2: Interests and views of stakeholders taken into account in business model and strategy

Provide an understanding of how stakeholders' interests and views inform the undertaking's strategy and business model(s).

SBM-3: Material impacts, risks and opportunities and their interaction/effects on business model and strategy

Provide an understanding of the outcome of the undertaking's materiality assessment and how material impacts, risks and opportunities originate from and trigger adaptation of the undertaking's strategy and business model(s).

Impacts, risks and opportunities management (IRO)

IRO-1: Description of the processes to identify and assess material impacts, risks and opportunities

Provide an understanding of the processes through wich the undertaking identifies impacts, risks and opportunities and assesses of their materiality, as the basis for determining the disclosures in its sustainability reporting.

IRO-2: Summary of disclosures (list of DRs applied)

Provide an understanding of the Disclosure Requirements included in the undertaking's sustainability reporting and of the topics that have been omitted as not material as a result of the materiality assessment.

Cross-cutting Requirements on policies and actions (CCR)

CCR-1: Rules for reporting on policies

Provide an understanding of the policies that the undertaking has in place to address the identification, assessment, management and/or remediation of material sustainability matters.

CCR-2: Actions and resources

Provide an understanding of the key actions taken and/or planned to address material impacts, risks and opportunities, and where applicable achieve the objectives and targets of related policies.

CCR-3: Tracking effectiveness of policies and actions through targets for material topics

Provide an understanding of:

a) measurable time-bound outcome-oriented targets set by the undertaking to meet the policy's objectives, defined in terms of expected results for people, the environment or the undertaking regarding material impacts, risks and opportunities;

b) the overall progress towards the adopted targets over time;

c) if and how the undertaking tracks the effectiveness of its actions to address material impacts, risks and opportunities and measures the progress in achieving its policy objectives if no measurable outcome-oriented targets exist; and

d) whether and how stakeholders have been involved in target setting for material sustainability topics.

ENVIRONMENT

E1: CLIMATE CHANGE

E1-1: Transition plan for climate change mitigation

Allow an understanding of the undertaking's past, current, and future mitigation efforts to ensure that its business model and strategy are compatible with the transition to a sustainable economy, and with the limiting of global warming to 1.5 °C in line with the Paris Agreement and with the objective of achieving climate neutrality by 2050 and, where relevant, the undertaking's exposure to coal, oil and gas-related activities.

E1-2: Policies related to climate change mitigation and adaptation

Enable an understanding of the extent to which the undertaking has policies that address the identification, assessment, management and/or remediation of its material climate change mitigation and adaptation impacts, risks and opportunities.

E1-3: Action plans and resources

Provide an understanding of the key actions taken and planned to achieve climate-related policy objectives and targets.

E1-4 Targets, incl. GHG reduction targets

Enable an understanding of the targets the undertaking has set to support its climate change mitigation and adaptation policies and address its material climate-related impacts, risks and opportunities.

E1-5 Energy consumption and mix

Provide an understanding of the undertaking's total energy consumption in absolute value, improvement in energy efficiency, exposure to coal, oil and gas-related activities, and the share of renewable energy in its overall energy mix

E1-6 Scope 1, 2 and 3 and total GHG emissions

Provide an understanding of

a) the direct impacts of the undertaking on climate change and the proportion of its total GHG emissions that are regulated under emission trading schemes.

b) the indirect impacts on climate change caused by the undertaking's consumed energy whether externally purchased or acquired.

c) the GHG emissions that occur in the undertaking's value chain beyond its Scope 1 and 2 GHG emissions.

d) the undertaking's GHG emissions and whether they occur from its own operations or the value chain (rerequisite for measuring progress towards reducing GHG emissions in accordance with the undertaking's climate-related targets and EU policy goals).

E1-7 Removal of emissions and carbon credits (if used; not to be mixed with GHG targets)

Provide transparency and comparable information on the undertaking's actions to permanently remove or actively support the removal of GHG from the atmosphere, potentially for achieving net-zero targets) and provide an understanding of the extent and quality of carbon credits the undertaking has purchased from the voluntary market and cancelled in the reporting period, potentially for supporting its GHG neutrality claims.

E1-8 Internal carbon pricing

Whether it applies internal carbon pricing schemes, and if so, how these support its decision making and incentivise the implementation of climate-related policies and targets.

E1-9 Potential financial effects from material physical risks, material transition risks and climate-related opportunities, incl. exposure to fossil fuel activity

Provide an understanding of
a) how these risks have a material influence (or are likely to have a material influence) on the undertaking's cash flows, performance, position, development, cost of capital or access to finance over the short-, medium- and longterm time horizons,

b) how the undertaking may financially benefit from material climate-related opportunities (complementary to the information requested under the Taxonomy Regulation).

E2: POLLUTION

E2-1: Policies

Enable an understanding of the extent to which the undertaking has policies that address the identification, assessment, management and/or remediation of material pollution-related impacts, risks and opportunities.

E2-2: Actions and Resources

Enable an understanding of the key actions taken and planned to achieve the pollution-related policy objectives and targets.

E2-3: Targets

Enable an understanding of the targets the undertaking has adopted to support its pollution-related policies and to address its material pollution-related impacts, risks and opportunities

E2-4: Pollution of air, water and soil incl. emissions to water, to air and inorganic pollutants

Provide an understanding of the emissions that the undertaking generates in the air, water and soil in its own operations.

E2-5: Substances of concern and of very high concern incl. Ozone-depleting substances, hazardous substances, microplastics

Enable an understanding of
a) impact of the undertaking on health and the environment through substances of concern and substances of very high concern on their own and

b) undertaking's material risks and opportunities, including exposure towards those substances and risks arising from changes in regulations.

E2-6: Potential financial effects from impacts, risks and opportunities

Provide an understanding of:

a) potential financial effects due to material risks arising from pollution-related impacts and how these risks have a material influence (or are likely to have a material influence) on the undertaking's cash flows, performance, position, development, cost of capital or access to finance over the short-, medium- and long-term time horizons; and

b) potential financial effects due to material pollution-related opportunities and how the undertaking may financially benefit from material pollution-related opportunities.

E3: WATER AND MARINE RESOURCE

E3-1: Policies

Enable an understanding of the extent to which the undertaking has policies that address the identification, assessment, management and/or remediation of its material water and marine resources-related impacts, risks and opportunities.

E3-2: Pollution actions and resource

Enable an understanding of the key actions taken and planned to achieve the water and marine resources-related policy objectives and targets.

E3-3: Targets

Enable an understanding of the targets the undertaking has adopted to support its water and marine resources-related policies and address its material water and marine resources-related impacts, risks and opportunities.

E3-4: Water consumption (overall and with regard to at risk areas incl. amount of recycled water)

Provide an understanding of the undertaking's water cycle at its level and any progress by the undertaking in relation to its targets.

E3-5: Potential financial effects from impacts, risks and opportunities

Provide an understanding of:

a) potential financial effects due to material risks arising from water and marine resources-related impacts and dependencies and how these risks have a material influence (or are likely to have a material influence) on the undertaking's cash flows, performance, position, development, cost of capital or access to finance over the short-, medium- and long-term time horizons; and

b) potential financial effects due to material opportunities arising from water and marine resources-related material impacts and dependencies and how the undertaking may financially benefit from material water and marine resources related opportunities.

E4: BIODIVERSITY AND ECOSYSTEMS

E3-1: Transition plan on biodiversity and ecosystems

Enable an understanding of the compatibility of the transition plan of the undertaking with regard relevant local, national and global ecological thresholds and boundaries as well as public policy targets related to biodiversity and ecosystems.

E4-2: Policies

Enable an understanding of the extent to which the undertaking has implemented policies that address the identification, assessment, management and/or remediation of its material biodiversity and ecosystemrelated impacts, dependencies, risks and opportunities, and how they are connected to and in alignment with the Post-2020 Global Biodiversity Framework and the EU Biodiversity Strategy for 2030.

E4-3: Actions and resources

Enable an understanding of the key actions taken and planned that significantly contribute to the achievement of biodiversity and ecosystems-related policy objectives and targets.

E4-4: Targets

Allow an understanding of the targets the undertaking has adopted to support its biodiversity and ecosystems policies and address its material related impacts, dependencies, risks and opportunities.

E4-5: Impact metrics incl. land in protected and valuable areas, and land use change and impact on ecosystems and endangered species

Mandatory: Total surface area of the plots of all assets
Enable an understanding of the performance of the undertaking against impacts identified as material in the materiality assessment on biodiversity and ecosystems change.

E4-6: Potential financial effects from impacts, risks and opportunities

Provide an understanding of:
a) potential financial effects due to material risks arising from biodiversity- and ecosystem-related impacts and dependencies and how these risks have a material influence (or are likely to have a material influence) on the undertaking's cash flows, performance and position, development, cost of capital or access to finance over the short-, medium- and long-term time horizons; and

b) potential financial effects due to biodiversity- and ecosystem-related material opportunities and how the undertaking may financially benefit from such material opportunities.

E5: RESOURCE USE AND CIRCULAR ECONOMY

E5-1: Policies

Enable an understanding of the extent to which the undertaking has policies that address the identification, assessment, management and/or remediation of its material impacts, risks and opportunities related to resource use and circular economy.

E5-2: Actions and resources

Enable an understanding of the key actions taken and planned to achieve the resource use and circular economy-related policy objectives.

E5-3: Targets

Enable an understanding of the targets the undertaking has adopted to support its resource use and circular economy policy and to address its material impacts, risks and opportunities.

E5-4: Resource inflows incl. description of resources used, and quantification of products and materials used

Enable an understanding of the resource use in the course of the undertaking's own operations and value chain.

E5-5: Resource outflows, waste, incl. recycling and reuse, materials and products with circular design

Provide an understanding of:

a) how the undertaking contributes to circular economy by i) designing products and materials in line with circular principles and ii) the extent to which products, materials and waste processing are recirculated in practice after first use; and

b) the undertaking's waste management strategy and the extent to which the undertaking knows how its waste is managed in its own activities.

E5-6: Potential financial effects from impacts, risks and opportunities (E3-6)

Provide an understanding of:

a) potential financial effects due to material risks arising from resource use and circular economy-related impacts and dependencies and how these risks may have a material influence (or are likely to have a material influence) on the undertaking's cash flows, performance, position, development, cost of capital or access to finance over the short- , medium- and long-term time horizons; and

b) potential financial effects due to material opportunities arising from resource use and circular economy-related material impacts and how the undertaking may financially benefit from material resource use and circular economy-related opportunities.

SOCIAL

S1 OWN WORKFORCE

S1-1: Policies

Enable an understanding of the extent to which the undertaking has policies that address the identification, assessment, management and/or remediation of material impacts on the undertaking's own workforce specifically, as well as policies that cover material impacts, risks and opportunities related to own workforce.

S1-2: Engagement process

Enable an understanding of how the undertaking engages, as part of its ongoing sustainability due diligence process, with its own workers and workers' representatives about material, actual and potential, positive and/or negative impacts that do, or may, affect them, and whether and how perspectives of own workers are taken into account in the decision-making processes of the undertaking.

S1-3: Processes to remediate negative impacts and channels for own workers to raise concerns

Enable an understanding of the formal means by which own workers can make their concerns and needs known directly to the undertaking and/ or through which the undertaking supports the availability of such channels (for example, grievance mechanisms) in the workplace of own workers, and how follow up is performed with these workers regarding the issues raised and the effectiveness of these channels.

S1-4: Actions taken to manage impacts, mitigate risks and pursue opportunities

Enable an understanding of

a) any processes, initiatives or engagements through which the undertaking seeks to improve workers' lives, whether by: working to prevent, mitigate and remedy the negative material impacts on own workers; and/or seeking to achieve positive material impacts for own workers.

b) the ways in which the undertaking is addressing the material risks and pursuing the material opportunities related to own workers.

S1-5: Targets

Enable an understanding of the extent to which the undertaking is using outcome-oriented targets to drive and measure its progress in addressing its material negative impacts and/or advancing positive impacts on its own workforce, and/or in managing material risks and opportunities related to its own workforce.

S1-6: Characteristics of own staff (by tenure and relationship, gender and region)

Provide insight into the undertaking's approach to employment, including the scope and nature of impacts arising from its employment practices, to provide contextual information that aids an understanding of the information reported in other disclosures, and to serve as the basis for calculation for quantitative metrics to be disclosed under other disclosure requirements in this Standard.

S1-7: Characteristics of non-employee workers (self-employed workers)

Provide insight into the undertaking's approach to employment, including the scope and nature of impacts arising from its employment practices, to provide contextual information that aids the understanding of the information reported in other disclosures, and to serve as the basis for calculation for quantitative metrics to be disclosed under other disclosure requirements in this Standard. It also allows an understanding of how much the undertaking relies on workers who are not employees.

S1-8: Collective bargaining and social dialogue

Enable an understanding of the coverage of collective bargaining agreements and social dialogue for its own workforce.

S1-9: Diversity indicators

Enable an understanding of gender diversity at top management level and the age distribution of its employees.

S1-10: Adequate (fair) wages

Enable an understanding of whether or not all of an undertaking's own workers are paid an adequate wage, in line with applicable benchmarks.

S1-11: Social protection

Enable an understanding of whether the undertaking's own workers are covered by social protection against loss of income due to major life events, and, if not, the countries where this is not the case and the percentages in those countries that are not protected.

S1-12: Persons with disabilities

Enable an understanding of the extent to which persons with disabilities are included among the undertaking's employees.

S1-13: Staff training and development

Enable an understanding of the training and skills development-related activities that have been offered to employees, within the context of continuous professional growth, to upgrade employees' skills and facilitate continued employability.

S1-14: OHS indicators (own workforce)

Allow an understanding of the coverage, quality and performance of the health and safety management system established to prevent work-related injuries.

S1-15: Work-life balance indicators (with a focus on parenthood)

Provide an understanding of the entitlement and actual practices amongst the employees to take family-related leave in a gender equitable manner, as it is one of the dimensions of work-life balance.

S1-16: Compensation indicators, incl. gender pay gap and wage differential

Allow an understanding of the extent to which work-related incidents and severe cases of human rights issues and incidents are affecting its own workforce.

S1-17: Serious labour and human rights incidents

Allow an understanding of the extent to which work-related incidents and severe cases of human rights issues and incidents are affecting its own workforce.

S2 WORKERS IN THE VALUE CHAIN
S3 AFFECTED COMMUNITIES
S4 CONSUMERS AND END-USERS

S2-1 / S3-1 / S4-1 Policies

S2-2/ S3-2 / S4-2: Engagement process of the affected stakeholder group on impacts

S2-3, S3-3, S4-3: Processes to remediate negative impacts and channels to raise concerns, including grievance mechanisms

S2-4, S3-4, S4-4: Actions taken to manage impacts, mitigate risks and pursue opportunities

S2-5, S3-5, S4-5: Targets

GOVERNANCE

G1 BUSINESS CONDUCT

G1-1: Corporate culture and business conduct policies

Provide an understanding of how the administrative, management and supervisory bodies are involved in forming, monitoring, promoting and assessing the corporate culture. It shall also provide an understanding of the undertaking's ability (i) to mitigate any negative impacts and maximise positive impacts related to business conduct, and (ii) to monitor and manage the related risks.

G1-2: Management relationship with suppliers

Provide an understanding of the undertaking's management of its procurement process including fair behaviour with suppliers.

G1-3: Prevention and detection of corruption/ bribery

Provide transparency on the key procedures of the undertaking to prevent, detect, and address allegations about corruption/ bribery. This includes the training provided to own workers and/or information provided internally or to suppliers.

G1-4: Confirmed incidents of corruption or bribery

Provide transparency on the confirmed incidents relating to corruption or bribery during the reporting period and the related outcomes.

ESRS G1-5: Political influence and lobbying activities

Provide transparency on the activities and commitments related to its political influence, including lobbying activities including the types, purpose and cost of these during the reporting period.

G1-6: Payment practices

Provide insights on the contractual payment terms and the average actual payment terms especially as to how these impact SMEs and specifically with respect to late payments to SMEs.