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EFRAG Sustainability Reporting Board Consultation Survey 1

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EFRAG Sustainability Reporting Board Consultation Survey 1A - 1C, 2

Consultation survey structure

1. Overall European Sustainability Reporting Standards (ESRS) Exposure Drafts' relevance (Survey 1)

- 1A. Architecture
- 1B. Implementation of Corporate Sustainability Reporting Directive (CSRD) principles
- 1C. Exposure Drafts' content

2. European Sustainability Reporting Standards (ESRS) implementation prioritisation / phasing-in (Survey 1)

3. Adequacy of Disclosure Requirements (Survey 2)

- 3A. Cross cutting standards
- 3B Environmental standards
- 3C Social standards
- 3D Governance standards

Respondent Profile

1. Personal details

* Organisation name

50 character(s) maximum

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* First name

50 character(s) maximum

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* Surname

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* Country of origin

50 character(s) maximum

Germany

*** 2. Type of respondent**

- ○ Academic / research institution
- ○ Audit firm, assurance provider and/or accounting firm
- ○ Business association
- ○ Consumer organization
- ○ ESG reporting initiative
- ○ EU Citizen
- ○ Financial institution (Bank)
- ○ Financial institution (Other financial Market Participant, including pension funds and other asset managers)
- ○ Financial institution (Insurance)
- ○ National Standard Setter
- ◉ Non-governmental organisation
- ○ Non-financial corporation with securities listed on EU regulated markets
- ○ Non-financial corporation with securities listed outside EU regulated markets
- ○ Public authority/regulator/supervisor
- ○ Rating agency and analysts
- ○ Trade unions or other workers representatives
- ○ Unlisted non-financial corporations
- ○ Other

*** 3. Size**

- ○ Micro (1 to 9 employees)
- ◉ Small (10 to 49 employees)
- ○ Medium (50 to 249 employees)
- ○ Large (250 or more employees)
- ○ Not relevant

*** 4. User/Preparer perspective**

- (x) User
- ( ) Preparer
- ( ) Both
- ( ) Neither

*** 5. Subject to CSRD**

Separate non-financial corps subject to CSRD from those not subject to CSRD?

- ( ) Yes
- (x) No

EFRAG Sustainability Reporting Board Consultation Survey 1A - 1C, 2

1A. Overall ESRS Exposure Drafts' relevance – Architecture

Cross-cutting and topical standards

To facilitate a coherent coverage of the CSRD topics and reporting areas (as per Article 19a paragraph 2 and Article 19b paragraph 2 – see Appendix II) the Exposure Drafts ("EDs") submitted for public consultation are based upon two categories of standards:

• **Cross-cutting ESRS** which:

1. Establish the general principles to be followed when preparing sustainability reporting in line with the CSRD provisions
2. Mandate Disclosure Requirements ("DRs") aimed at providing an understanding of (a) strategy and business model, (b) governance and organisation, and (c) materiality assessment, covering all topics.

• **Topical ESRS** which, from a sector-agnostic perspective:

1. Provide topic-specific application guidance in relation to the cross-cutting DRs on strategy and business model, governance, materiality assessment
2. Mandate DRs about the undertaking's implementation of its sustainability-related objectives (i.e. on its policies, targets, actions and action plans, and allocation of resources)
3. Mandate performance measurement metrics.

A full list of standards and whether they are cross-cutting standards or topical standards can be found in Appendix I.

Q1: in your opinion, to what extent do the structure and articulation of cross-cutting and topical standards adequately support the coverage of CSRD topics and reporting areas?

- ( ) Not at all

- (selected) To a limited extent with strong reservations
- To a large extent with some reservations
- Fully
- No opinion

Please explain your reservations or your suggestions for improvement or any other comment you might have

DSW welcomes the publication of the ESRS that provide key elements framing the architecture and clarifying key concepts and content of the CSRD proposal. The data is of tremendous importance for investors and the general public in line with the objective of the EU to “shift the trillions” towards a more sustainable economy.
Apart from the amendments introduced to CSRD in June 2022, we consider that the ESRS adequately supports the coverage of CSRD topics and reporting areas. In that regard, we would like to explicitly point to the introduction of a “limited assurance”, a requirement to be adopted by the EU Commission before 1 October 2026 in order to set out the procedures that the auditor shall perform in order to draw its conclusions on the assurance of sustainability reporting, including engagement planning, risk consideration and response to risks and type of conclusions to be included in the audit report. DSW would have welcomed a “reasonable assurance” requirement to be immediately included in the CSRD, in order to avoid creating an unlevel playing field between financial and non-financial reporting. DSW therefore recommends that EFRAG, within its mandate, seeks to ensure the highest level of alignment possible between the audit assurance of financial and non-financial reporting standards.
Furthermore, DSW points to the need to provide guidance and clarification to certain terms within in the ESRS. (Further examples are provided further below in our feedback.) For example, we see a need to clarify the use of the words “shall” and “may”. We would understand that “shall” has a stronger meaning than “may” and would be used for ESRS disclosure requirements while “may” would be used for optional disclosures. However, for example Optional Disclosure S1-12 also uses the word “shall” which seem to contradict our assessment. We would furthermore like to receive clarification, whether the description of “policies, targets, actions and action plans, and resources in relation to entity-specific sustainability matters” is optional or required. While ESRS 1 para. 23 (c) seems to require disclosure from undertakings (“When developing entity-specific disclosures the undertaking shall … provide information…”), ESRS 1 para. 93 seems to contradict this requirement (“when the undertaking decides to describe…”).
DSW wishes to also underline that the standards are rather complex and detailed and will oblige undertakings to comply with more than 1,000 pages including 116 Disclosure Requirements, thereof 47 of qualitative and 69 of quantitative nature which will be a very challenging exercise, especially as data availability in certain areas is still scarce and a Taxonomy does currently only exist for environmental topics. Given that the global reporting landscape is particularly significant for large, multinational undertakings, it is important for them to understand the various proposals’ similarities and differences.
While data availability is key for investors to make informed investment decisions, it must be ensured that this data can be provided by undertakings to avoid the risk of greenwashing. Furthermore, an overload reporting with unnecessary information generates more bureaucracy for companies and may make the sustainability report less easy to assess. In the opinion of DSW, the ambition should therefore be scalable to something that is at the same time in line with data asked from investors and feasible for undertakings. Already now, the cost-benefit analysis seems to be quite challenging, and undertakings need to know how far they should report the data.
DSW furthermore recommends consolidating all generic requirements for reporting on General, Strategy, Governance and Materiality Assessment and on Policies, targets, action plans and resources in the cross-cutting standards to reduce the unnecessary duplication and complexity introduced by the current structure. It should be noted that aspects like the assessment of double materiality and the way topical standards relate to one another is open for interpretation and more concrete guidance in that respect will benefit investors and all other stakeholders.
As a final general remark, DSW would like to stress that the scope of the public consultation is very detailed. The questionnaire extremely lengthy, very technical and only available in English, while at the same time the consultation period is rather short. All this makes it difficult for user representatives and impossible for end users themselves to reply to the whole set of questions, which could affect the conclusions. In that context, DSW is of the opinion that the methodology of the analysis of the answers to the public consultation should be disclosed and explained, in particular how EFRAG and/or third-party contractors will handle the answers and attribute weight to the different contributions. See more in our Annex.

Alignment and interoperability with international standards and frameworks

- Article 19b paragraph 3a of the CSRD requires that “When adopting delegated acts pursuant to paragraph 1, the Commission shall take account of the work of global standard-setting initiatives for sustainability reporting, and existing standards and frameworks for natural capital accounting, responsible business conduct, corporate social responsibility, and sustainable development.”
- ESRS EDs were drafted accordingly, with the objective of fostering as much alignment as possible considering the constraints imposed by other provisions included in articles 19a and 19b as per the CSRD proposal. Details of these provisions and how they are covered by the ESRS EDs can be found in Appendix I.
- The structure and organisation of the reporting areas was one aspect of alignment to which particular attention was paid. Thus, the two categories of standards are organised to cover the reporting areas in relation to governance, strategy, assessment/management of impacts, risks and opportunities, and targets/metrics (as considered by the Task Force on Climate-Related Financial Disclosures - TCFD and source of inspiration for the IFRS Sustainability standards). A detailed mapping of the ESRS EDs disclosure requirements with TCFD recommendations and with IFRS Sustainability Exposure Drafts can be found in Appendices 5 and 6.

Q2: in your opinion, to what extent is the TCFD framework of reporting areas (governance, strategy, risk management and metrics/targets) compatible with the structure of the ESRS?

- ○ Not at all
- ○ To a limited extent with strong reservations
- ◉ To a large extent with some reservations
- ○ Fully
- ○ No opinion

Please explain your reservations or your suggestions for improvement or any other comment you might have

Investors including individual investors do not only need more data on climate- or sustainability-related risks and opportunities,(According to a survey of PwC, more than three out of four investors state that they would be able to make better-informed decisions if companies applied uniform ESG standards in their reports and relied on a recognised framework: https://www.pwc.de/de/nachhaltigkeit/pwc-global-investor-survey-2021.pdf) they need better, more comparable, and comprehensible data to understand the risks and opportunities undertakings are exposed to. Undertakings on the other hand face a growing need to report in detail and comprehensively on their material, non-financial sustainability information. The requirements for undertakings on sustainability reporting are manifold (ESRS, CSDR, Taxonomy, MiFID sustainability preferences etc).
EFRAG's proposed climate standard (ESRS E1) takes into consideration the EU Taxonomy. It has an architecture centered around three key elements: strategy, implementation, and performance measures. In our view, EFRAG incorporated most TCFD recommendations into its proposed ESRS E1 standard to ensure that they become disclosure requirements. Moreover, it is not only aligning with TCFD guidelines but significantly adding detail to TCFD's recommended disclosures, most notably to incorporate the EU double materiality framework into the rules.
One way through which the ESRS can ensure near full correspondence between the TCFD framework of reporting areas on governance, strategy, risk management and metrics/targets is by integrating the ESRS 1 Section 3.2 in ESRS 2 IRO.
Please also note that TCFD does not have any members representing individual ("retail") investors.

Q3: in your opinion, to what extent does the approach taken to structure the reporting areas promote interoperability between the ESRS and the IFRS Sustainability Exposure Drafts?

- ○ Not at all
- ● To a limited extent with strong reservations
- ○ To a large extent with some reservations
- ○ Fully
- ○ No opinion

Please explain your reservations or your suggestions for improvement or any other comment you might have

As climate risk is a global theme, investors need regulators and standard setters to take a global and coordinated approach that paves the way for high-quality, distinct and comparable sustainability- and especially climate-related disclosures. Comparable and comprehensive disclosures will strengthen individual (In reference to “individual” investors, the meaning and definition refer to “individual non-professional investors”) investors’ understanding of how the transition to a lower carbon economy is progressing across the entire economy. It is furthermore key to avoid unnecessary regulatory fragmentation that may have negative consequences for globally invested investors and globally operating companies. Diverging or – even worse - competing standards would have negative and significant consequences for investors and undertakings while a collaborative approach would create an effective regulatory model to support existing and future national, international, and inter-governmental policies, such as the Paris Agreement. Appropriate convergence and full compatibility are key to avoid “duplicative reporting” for EU undertakings operating globally, with ESRS inside the EU and non-EU local regimes inspired from the ISSB’s global baseline standards outside the EU. In this regard, it is especially key to ensure that definitions are aligned to the maximum possible extent and DSW recommends that EFRAG, together with the ISSB, collaborates closely in that regard to ensure maximum harmonization of definitions and metrics.
The key difference between the ESRS and the ISSB standards obviously is the concept of materiality. DSW welcomes the approach of EFRAG, following the preconditions of the CSRD.
Financial materiality and the enterprise value are in our view interconnected with impact materiality, i.e., the impact an undertaking has on climate or any other dimension of sustainability. Material environmental impacts may also translate into financial risks. This would make disclosures more useful to the growing number of individual investors seeking to align their investment practices with climate or wider sustainability goals. And it will provide the information and level of transparency that is necessary for investors to get a full picture of an undertaking’s sustainable performance.
An undertaking’s financial sustainability is interdependent with the sustainability of the planet and the society. The undertakings’ ability to address their negative externalities effectively and substantially is ultimately dependent on the transformation of their business model. There seems to be a dynamic nature of the two materiality perspectives. Very easily, sustainability matters can come to be considered as financial dependencies, risks, and opportunities over time.
We assume that the gap between both approaches will diminish in the future. Negative influence factors of the undertaking on the environment are being understood as a risk in the valuation of the undertaking. Especially from the perspective of institutional investors the undertaking’s influence on climate change is already recognized and integrated as transitory risk.
Another difference is the scope of disclosure of GHG emissions. While ISSB standard S2 requires undertakings to disclose Scope 3 emissions, ESRS require such disclosure only for Scope 3 emissions from “significant Scope 3 categories” (ESRS E1 para. 45). Moreover, while ISSB requires the separate disclosure of Scope 1 and 2 emissions for consolidated accounting groups, associates, joint ventures, and subsidiaries /affiliates, the ESRS only require the disclosure of gross Scope 1 and 2 emissions. To identify where the major contributions to GHG emissions stem from within a group, DSW considers the ISSB approach to provide more meaningful information for investors in that respect. The different approaches between ESRS S1 and IFRS S2 could lead to confusion and impact the integrity of the reporting. For example, while both IFRS S2 and ESRS E1 require companies to report their gross GHG emissions, IFRS S2 permits companies to count offsets in achieving their GHG emission reduction targets which is not permitted in ESRS E1. This difference in the approach to targets could lead to differences in the information that users receive, and targets may appear more ambitious under one of standards than in the other. Thus, a collaborative approach between both EFRAG and the ISSB is crucial in ensuring that investors have adequate information about the role that offsetting plays in climate targets as it is the key to combat greenwashing.

Consideration given to EU policies and legislation

Article 19b paragraph 3 of the CSRD also requires that “When adopting delegated acts pursuant to paragraph 1, the Commission shall take account of:

1. the information that financial market participants need to comply with their disclosure obligations laid down in Regulation (EU) 2019/2088 and the delegated acts adopted pursuant to that Regulation - **Su stainable Finance Disclosure Requirements**;
2. the criteria set out in the delegated acts adopted pursuant to Regulation (EU) 2020/852 - **Taxonomy Regulation**;
3. the disclosure requirements applicable to benchmarks administrators in the benchmark statement and in the benchmark methodology and the minimum standards for the construction of EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks in accordance with Commission Delegated Regulations (EU) 2020/1816*8, (EU) 2020/1817 and (EU) 2020/1818 - **Benchmark Regulation**;
4. the disclosures specified in the implementing acts adopted pursuant to Article 434a of Regulation (EU) No 575/2013; **Prudential requirements for Credit Institutions and Investment Firms**;
5. Commission Recommendation 2013/179/EU; **European Commission recommendation on the life cycle environmental performance of products and services**;
6. Directive 2003/87/EC of the European Parliament and of the Council; **GHG allowance Directive**;
7. Regulation (EC) No 1221/2009 of the European Parliament and of the Council; **EMAS regulation**.

Q4: in your opinion, have these European legislation and initiatives been considered properly?

- ○ Not at all
- ○ To a limited extent with strong reservations
- ○ To a large extent with some reservations
- ○ Fully
- ◉ No opinion

Please explain your reservations or your suggestions for improvement or any other comment you might have

Q5: are there any other European policies and legislation you would suggest should be considered more fully?

Coverage of sustainability topics

Article 19b paragraph 2 of the CSRD proposal defines the sustainability subject matters (referred to as sustainability topics or subtopics in the ESRS) that the sustainability reporting standards shall address when defining the sustainability information required by article 19a paragraphs 1 and 2 of the CSRD.

The ESRS architecture was designed to cover all the detailed subject matters listed in article 19b paragraph 2 for environment-, social- and governance-related matters and to ensure that sustainability information is reported in a carefully articulated manner.
In terms of timing of adoption of European sustainability reporting standards, article 19b paragraph 1 of the CSRD requires the Commission to adopt:

- a first set of sustainability standards covering the information required by article 19a and at least specifying information needed by financial market participants subject to the SFDR reporting obligations
- a second set of standards covering information that is specific to the sector in which undertakings operate.

Also, article 19c of the CSRD proposal on sustainability reporting standards for SMEs requires the Commission to adopt SME-proportionate standards in a second set.
As a consequence, as per article 19b paragraph 1, are only included in this first set of ESRS Exposure Drafts:

1. the two cross-cutting standards on General principles (ESRS 1) and on General, strategy, governance and materiality assessment (ESRS 2);
2. the eleven topical (sector-agnostic) standards covering environment- (ESRS E1 to E5), social- (ESRS S1 to S4) and governance-related (ESRS G1 and G2) sustainability topics.

A detailed list of ESRS EDs can be found in Appendix I. And the detailed provisions of the CSRD and how they are covered by the ESRS EDs can be found in Appendix II.

Q6: in your opinion, to what extent does the proposed coverage of set 1 adequately address CSRD sustainability topics?

- ○ Not at all
- ○ To a limited extent with strong reservations
- ● To a large extent with some reservations
- ○ Fully
- ○ No opinion

Please explain your reservations or your suggestions for improvement or any other comment you might have.

> The final text of the CSRD (Article 19b (3) (a) of the Directive of the European Parliament and of the Council amending Directive 2013/34/EU, Directive 2004/109/EC, Directive 2006/43/EC and Regulation (EU) No 537 /2014, as regards corporate sustainability reporting: https://www.consilium.europa.eu/media/57644/st10835-xx22.pdf) has been agreed upon in June 2022. Certain amendments to the draft text may not have been fully anticipated by EFRAG and revisions will be necessary. DSW asks EFRAG to ensure that important reporting requirements will not be deleted. We point, as an example, to the amendment to Article 19b of CSRD dealing with disclosures on governance aspects. (See our respective remarks to questions 1, 13 and 18 in our response to the ESRS consultation paper.) Other cases also include strengthened requirements in the area of transition plans and climate change mitigation targets.

Q7: in your opinion, to what extent does the proposed coverage of set 1 (see Appendix I) adequately address SFDR reporting obligations?

- ◯ Not at all
- ◯ To a limited extent with strong reservations
- ◯ To a large extent with some reservations
- ◯ Fully
- ◉ No opinion

If you think this coverage and its implementation could be improved in any way, please specify how and to what specific SFDR indicator your comment relates

Sustainability statements and the links with other parts of corporate reporting

For clarity and ease of use, standardised sustainability reporting shall be easily identifiable within the management report (MR). To that effect, ESRS 1 – General principles (paragraphs 145 to 152) prescribes how to organise the information required by ESRS. It offers three options (paragraphs 148 and 149) for undertakings to consider when preparing their sustainability reporting:

- a single separately identifiable section of the MR;
- four separately identifiable parts of the MR:

1. General information;
2. Environment;
3. Social;
4. Governance

- one separately identifiable part per ESRS in the MR.

The first option is the preferred option. When applying the other two options the entity shall report a location table to identify where disclosures are presented in the MR.
In order to foster linkage throughout the undertaking's corporate reporting, ESRS 1 also:

- prescribes that the undertaking adopts presentation practices that promote cohesiveness between its sustainability reporting and: (a) the information provided in the other parts of the management report, (b) its financial statements (FS), and (c) other sustainability-related regulated information (paragraphs 131 to 134)
- promotes the incorporation of information by reference to other parts of the corporate reporting in order to avoid redundancy (paragraphs 135 and 136)
- organises connectivity with the financial statements by prescribing how to include monetary amounts or other quantitative data points directly presented in the financial statements (paragraphs 137 to 143).

Q8: Do you agree with the proposed three options?

- ◯ Yes

- [x] No
- [ ] No opinion

Q9: would you recommend any other option(s)?

If so, please describe the proposed alternative option(s)

We understand that the restricted mandate of EFRAG with regard to the audit assurance required a clear distinction between the financial and non-financial reporting. Art. 34 of the Accounting Directive provides that statutory auditors shall express an opinion on whether the management report is consistent with the financial statements for the same reporting year and whether the management report has been prepared in accordance with the applicable regulatory requirements. It was therefore needed to include the sustainability reporting, for which until 1 October 2026 only a limited assurance is required, as (a) separate identifiable section/s in the management report. DSW as the German organization of individual investors shares however a common interest in comparable, consistent, and reliable sustainability-related information on investment and stewardship decisions.

From the individual investors' point of view the objective is to link the sustainability reporting with the financial reporting and to publish a common management report as, consistency between financial and non-financial statements is key for investors. This can only work if the financial data in the sustainability part complies with the data and assumptions in the financial reporting part. Consequently, it is decisive that all information is based on the same requirements with respect to precision, quality, and comparability. This can best be achieved by requiring the same level of audit assurance as for financial statements and would ensure that sustainability- and climate-related reporting gains the same importance as financial reporting - also with respect to auditing.

DSW therefore strongly prefers that EFRAG proposes only one option which would have made the management reports more comparable across undertakings. Also, we would have preferred an integrated reporting of financial and non-financial information in the management report both subject to a full audit. Similarly, while in principle the incorporation of information in the sustainability section by reference to other parts of the management report does support cohesiveness, it is necessary to point out that that lack of standardization would affect the way investors can access information and therefore impact the usefulness of sustainability data. A single format, machine-readable approach would enhance investor useability and enable them to make better informed decisions.

DSW recommends that the key audit matters identified by the external auditors would also apply to sustainability reporting. Interestingly, the independence of the external statutory auditor is not tackled at all in the ESRS. DSW strongly advises EFRAG to also add respective reporting requirements to help investors understand and verify if the statutory auditor can be considered being independent.

Q10: in your opinion, to what extent do you believe that connectivity between the sustainability reporting and other parts of the management report has been appropriately addressed?

- [ ] Not at all
- [x] To a limited extent with strong reservations
- [ ] To a large extent with some reservations
- [ ] Fully
- [ ] No opinion

Please explain your reservations or your suggestions for improvement or any other comment you might have

As stated in Q9, we would have preferred a fully-fledged integrated reporting required by the ESRS but welcome that the ESRS aim at ensuring a high level of connectivity by requiring the undertaking to identify "anchor points" to create connectivity to financial reporting together with the necessary reconciliations or cross-references. DSW wishes to remind that EU Law rightly requires information provided to "individual" investors to be CLEAR, i.e. "presented in a way that is likely to be understood by, the average member of the group to whom it is directed, or by whom it is likely to be received"(Commission Delegated REGULATION Article 44, Fair, clear and not misleading information requirements (Article 24(3) of Directive 2014/65/EU), 2. (d)). Thus, EFRAG should consider how disclosed information can be more accessible for digital consumption, enabling broader spectrum of investors to understand the impacts of their current and future investment decisions. Several sustainability frameworks such as SASB, GRI, and TCFD already enable digital consumption of sustainability-related financial information and have machine-readable versions or taxonomies, which enable easier extraction and comparison of information. However - as noted above - investors and in fact all stakeholders, will benefit from greater accessibility of standards and disclosures through other media including smartphones. Individual retail investors have a different level of knowledge and expertise, and the digital disclosures should serve in their interests and be accessible and inviting for a broad spectrum of investors. This will improve investor experience and help them make more informed investment decisions.

Q11: in your opinion, to what extent does the incorporation of information in the Sustainability section by reference to other parts of the management report support cohesiveness throughout corporate reporting?

- ○ Not at all
- ● To a limited extent with strong reservations
- ○ To a large extent with some reservations
- ○ Fully
- ○ No opinion

Please explain your reservations or your suggestions for improvement or any other comment you might have

While in principle the incorporation of information in the Sustainability section by reference to other parts of the management report does support cohesiveness throughout corporate reporting to a large extent, it is necessary to point out that such reference will only be useful if the information is indeed relevant, reliable, understandable and comparable and thus not affecting the quality of information. It is necessary to point out that that lack of standardization would affect the way investors can access information and therefore impact the usefulness of sustainability data. A single format, machine-readable approach would enhance investor useability and enable them to make better informed decisions.
More generally and importantly, EFRAG should consider reviewing the wording of the draft standards to comply with EU Law's requirement for clear and intelligible information to investors (Commission Delegated Regulation (EU) 2017/565, Article 44. 2d), or at least add 'Plain Language' summaries making these standards and reports actually accessible for EU citizens as investors and end users.

Q12: in your opinion, to what extent do the requirements and provisions on how to include monetary amounts and other financial statement-related quantitative data into sustainability reporting support connectivity with the financial statements?

- ○ Not at all
- ○ To a limited extent with strong reservations
- ● To a large extent with some reservations
- ○ Fully
- ○ No opinion

Please explain your reservations or your suggestions for improvement or any other comment you might have

> It seems from the Basis of Conclusion (ESRS 1, BC139) that the ESRS prefer a narrative disclosure of monetary amounts/other financial statement-related quantitative data into sustainability reporting. While the management report of course is built on narrative disclosure, certain material information is regularly highlighted through tables by undertakings. This should also be required for sustainability-related information defined by the undertaking as material.

1B. Overall ESRS Exposure Drafts relevance – Implementation of CSRD principles

Characteristics of information quality

Article 19a paragraph 2 of the CSRD proposal states that "the sustainability reporting standards referred to in paragraph 1 shall require that the information to be reported is understandable, relevant, representative, verifiable, comparable, and is represented in a faithful manner."
As a consequence, ESRS 1 - *General principles* defines how such qualities of information shall be met:

- Relevance is defined in paragraphs 26 to 28
- Faithful representation is defined in paragraphs 29 to 32
- Comparability is defined in paragraphs 33 and 34
- Verifiability is defined in paragraphs 35 to 37
- Understandability is defined in paragraphs 38 to 41

Q13: to what extent do you think that the principle of relevance of sustainability information is adequately defined and prescribed?

- ○ Not at all
- ◉ To a limited extent with strong reservations
- ○ To a large extent with some reservations
- ○ Fully
- ○ No opinion

Please explain your reservations or your suggestions for improvement or any other comment you might have

> The ESRS consider sustainability information as relevant "when it has a substantive influence on the assessments and decisions of users of sustainability reports under a double materiality approach." (ESRS 1, para. 26). DSW in principle agrees with this approach but would like to point out that the relevance of information may diminish over time. The older an information is, the less useful it generally becomes. We therefore suggest that "timeliness of information" is included as a factor to the principle of relevance.

Q14: to what extent do you think that the principle of faithful representation of sustainability information is adequately defined and prescribed?

- ○ Not at all

- ◉ To a limited extent with strong reservations
- ○ To a large extent with some reservations
- ○ Fully
- ○ No opinion

Please explain your reservations or your suggestions for improvement or any other comment you might have

The ESRS prescribe that sustainable information is faithfully represented when the information included is complete, neutral and accurate (ESRS 1, para. 29). While DSW in principle agrees with this approach, we note that the ESRS allow for netting of information as long as any such presentation does not obscure relevant information and includes a clear explanation about the effects of the netting. For investors, however, not only the effects of netting need to be explained to enable them assessing the sustainability information. Also, the reasons for an exceptional netting are needed in order to understand why the undertaking exceptionally deviates from the general rule that information shall not be netted or compensated.

Q15: to what extent do you think that the principle of comparability of sustainability information is adequately defined and prescribed?

- ○ Not at all
- ○ To a limited extent with strong reservations
- ◉ To a large extent with some reservations
- ○ Fully
- ○ No opinion

Please explain your reservations or your suggestions for improvement or any other comment you might have

The ESRS understand comparable sustainability information as being consistent over time and, to the greatest extent possible, presented in a way that enables comparisons between undertakings (across sectors and within a specific sector), ESRS 1, para. 33. DSW agrees with this approach.
It is important to note that lack of standardization regarding where to publish the relevant information in the management report for example, would affect the way investors can access information and therefore impact the usefulness of sustainability data. A single format, machine-readable approach would enhance investor useability and enable them to make better informed decisions.

Q16: to what extent do you think that the principle of verifiability of sustainability information is adequately defined and prescribed?

- ○ Not at all
- ◉ To a limited extent with strong reservations
- ○ To a large extent with some reservations
- ○ Fully
- ○ No opinion

Please explain your reservations or your suggestions for improvement or any other comment you might have

The ESRS define sustainability information as being verifiable if it is possible to corroborate such information itself or the inputs used to derive it (ESRS 1, para. 35). In line with EFRAG we consider that verifiability is

about ensuring the reliability of the presented information and the process of its generation. Nevertheless, we consider that further clarification is needed to enable undertakings and investors to understand what exactly should be understood by “reliability”. According to the Standards, information is reliable when different independent observers with reasonable expertise would be able to reach a similar conclusion and consider that a particular disclosure conveys a faithful representation. This leaves a lot of room for interpretation.
Moreover, to ensure understandability and comparability of information, guidance on specific methodologies should be provided for investors and other stakeholders. While not directly linked to the EFRAG consultation, the methodology behind ESG ratings is also very relevant to investors. Ensuring consistent and comparable metrics and methodologies among ESG rating providers are being used against the methodology of the ESRS will ultimately support all stakeholders with precise data.

Q17: to what extent do you think that the principle of understandability of sustainability information is adequately defined and prescribed?

- ○ Not at all
- ● To a limited extent with strong reservations
- ○ To a large extent with some reservations
- ○ Fully
- ○ No opinion

Please explain your reservations or your suggestions for improvement or any other comment you might have

The ESRS require sustainability information to be clear and concise to be understandable and continue that understandable information enables all (knowledgeable) intended users to readily comprehend the information being communicated (ESRS 1, para. 38 and 39). The restriction to knowledgeable users seems to contradict the General Principles, para. 24 (b), according to which the undertaking shall report material information necessary to allow users of its sustainability report to understand its impact on sustainability matters. DSW recommends an alignment in line with the spirit of the Standards that information shall be understandable to all intended users. DSW wishes to remind that EU Law rightly requires information provided to “individual” investors to be CLEAR, i.e. “presented in a way that is likely to be understood by, the average member of the group to whom it is directed, or by whom it is likely to be received” (Commission Delegated REGULATION Article 44, Fair, clear and not misleading information requirements (Article 24(3) of Directive 2014/65/EU), 2. (d)). Thus, EFRAG should consider reviewing the wording of the draft standards to comply with EU Law’s requirement for clear and intelligible information to investors (Commission Delegated Regulation (EU) 2017/565, Article 44. 2d), or at least add ‘Plain Language’ summaries making these standards and reports accessible for EU citizens as investors and end users.
EFRAG should also consider how disclosed information can be more accessible for digital consumption, enabling broader spectrum of investors to understand the impacts of their current and future investment decisions. Several sustainability frameworks such as SASB, GRI, and TCFD already enable digital consumption of sustainability-related financial information and have machine-readable versions or taxonomies, which enable easier extraction and comparison of information. However - as noted above - investors and other stakeholders, will benefit from greater accessibility of reporting disclosures through other media including smartphones. “Individual” investors have different levels of knowledge and expertise, and the digital disclosures should serve in their interests and be accessible and inviting for a broad spectrum of investors.

Double materiality

Double materiality is a principle that is central to the CSRD proposal and is represented accordingly in the ESRS materiality assessment approach that sustains the definition of mandatory requirements by the cross-cutting and topical standards. This is also true of the materiality assessment any undertaking is expected to perform, per ESRS 2 – *General, strategy, governance and materiality assessment*, to identify its principal sustainability risks, impacts and opportunities. This in turn, defines what sustainability information must be reported by the undertaking.

Double materiality assessment supports the determination of whether information on a sustainability matter has to be included in the undertaking's sustainability report. ESRS 1 paragraph 46 states that "a sustainability matter meets the criteria of double materiality if it is material from an impact perspective or from a financial perspective or from both." Further indications as to how to implement double materiality is given by ESRS 2 Disclosure Requirement 2-IRO 1, paragraph 74b(iii) and AG 68.

While recognising that both perspectives are intertwined the Exposure Drafts contain provisions about how to implement the two perspectives in their own rights.

Q18: in your opinion, to what extent does the definition of double materiality (as per ESRS 1 paragraph 46) foster the identification of sustainability information that would meet the needs of all stakeholders?

- ○ Not at all
- ● To a limited extent with strong reservations
- ○ To a large extent with some reservations
- ○ Fully
- ○ No opinion

Please explain your reservations or your suggestions for improvement or any other comment you might have

DSW welcomes that the CSRD apply the principle of double materiality and considers that the ESRS definition fosters the identification of sustainability information to meet the needs of stakeholders. An undertaking's financial sustainability is interdependent with the sustainability of the planet and the society. The undertakings' ability to address negative externalities effectively and substantially is ultimately dependent on the transformation of the business model. There seems to be a dynamic nature of the two materiality perspectives. Very easily, sustainability matters can come to be considered as financial dependencies, risks, and opportunities over time.

Financial materiality and the enterprise value are in our view interconnected with impact materiality, i.e. the impact an undertaking has on climate or any other dimension of sustainability. Material environmental impacts may also translate into financial risks. Reporting on both dimensions makes disclosures more useful to the growing number of individual investors seeking to align their investment practices with climate or wider sustainability goals. And it will provide the information and level of transparency that is necessary for investors to get a full picture of an undertaking's sustainable performance. DSW considers that more guidance on the definitions of double materiality and financial materiality needs to be provided to avoid a different understanding of financial materiality for sustainability information on the one side, and of financial materiality for financial information on the other.

Several studies have investigated how materiality in sustainability reporting influences analyst forecast accuracy, financial performance stock price informativeness and reveal the importance of identifying and disclosing material sustainability issues from the perspective of different stakeholder groups. They find that a narrow focus on investors may be detrimental to goals of enhancing investor returns.(M. Khan, G. Serafeim, A. Yoon (2016), "Corporate sustainability: First evidence on materiality": https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2575912; J. Grewal, C. Hauptmann, G. Serafeim (2020), "Material sustainability information

and stock price informativeness: https://link.springer.com/article/10.1007/s10551-020-04451-2; K. van Heijningen (2019), “The impact of ESG factor materiality on stock performance of firms”: https://www.rsm.nl/fileadmin/Faculty-Research/Centres/EPSVC/The_impact_of_ESG_factor_materiality_on_stock_performance_of_firms_Heijningen.pdf)
It has to be noted, however, that research has also defined poor disclosure of the process of determining material sustainability issues and variation in the approach used by organizations to apply the voluntary GRI concept of materiality, despite the fact that GRI has pioneered and led the practice of sustainability reporting since 1997.(These findings are even worse taking into account that the GRI standards are the world’s most widely used standards for sustainability reporting.) This may bring into question the credibility of sustainability reports and can lead to an inaccurate portrayal of sustainability performance. (M. Guix, M.J. Bonilla-Priego, X. Font (2018), “The process of sustainability reporting in international hotel groups: An analysis of stakeholder inclusiveness, materiality and responsiveness: https://www.tandfonline.com/doi/abs/10.1080/09669582.2017.1410164?journalCode=rsus20; B.A.A. Machado, L.C.B. Dias, A. Fonseca (2020), “Transparency of materiality analysis in GRI-based sustainability reports”: https://onlinelibrary.wiley.com/doi/abs/10.1002/csr.2066)
To enhance standardized, comparable, neutral and accurate information, a mandatory double materiality approach is therefore welcomed from an investor perspective. This is especially important as the market of ESG investment products is growing significantly (Boffo, R., and R. Patalano (2020), “ESG Investing: Practices, Progress and Challenges”, OECD Paris, www.oecd.org/finance/ESG-Investing-Practices-Progress-and-Challenges.pdf) and consequently investors and analysts need to understand both the risk and the opportunity of any investment. This is difficult to achieve when the information required to distinguish and assess various investment products is diffuse, disaggregated, and hard to interpret. Research suggests that information asymmetry of this kind impedes ESG labels from carrying substantive information to investors leading to situations where mainstream and sustainability indices contain to a large extent the same companies. (D. Brakman Reiser, A. Tucker (2020), „Buyer Beware: Variation and Opacity in ESG and ESG Index Funds”: https://readingroom.law.gsu.edu/cgi/viewcontent.cgi?article=4011&context=faculty_pub)

Q19: to what extent do you think that the proposed implementation of double materiality (as per ESRS 2-IRO 1, paragraph 74b(iii) and AG 61) is practically feasible?

- ○ Not at all
- ○ To a limited extent with strong reservations
- ○ To a large extent with some reservations
- ○ Fully
- ◉ No opinion

Please explain your reservations or your suggestions for improvement or any other comment you might have

Impact materiality

- A definition of impact materiality is given by ESRS 1 paragraph 49: “a sustainability matter is material from an impact perspective if the undertaking is connected to actual or potential significant impacts on people or the environment over the short, medium or long term. This includes impacts directly caused or contributed to by the undertaking and impacts which are otherwise directly linked to the undertaking's upstream and downstream value chain."

- A description of how to determine impact materiality and implement impact materiality assessment can be found in ESRS 1 *paragraph 51* and is complemented by ESRS 2 *Disclosure Requirement* 2-IRO 1, paragraph 74b(iii), AG 64 and AG 68.

Q20: in your opinion, to what extent is the definition of impact materiality (as per ESRS 1 paragraph 49) aligned with that of international standards?

- ○ Not at all
- ● To a limited extent with strong reservations
- ○ To a large extent with some reservations
- ○ Fully
- ○ No opinion

Please explain your reservations or your suggestions for improvement or any other comment you might have

ESRS 1 consider that "an impact is 'directly' linked to the undertaking's operations, products or services, if it occurs in relation to any tier of the business relationships, provided in the value chain but notes that "GHG emissions of a business partner that are not connected to the undertaking's value chain, are neither 'directly linked' nor part of its Scope 3 emissions (ESRS 1, para. 50). While understanding that a further extension of the double materiality approach may not be feasible under a cost-benefit analysis at this stage, DSW would like to point out that undertakings' operations, products and services are more largely interconnected than only within the value chain. Value chain is defined in Appendix VI as the "full range of activities or processes needed to create a product or service. This includes entities with which the undertaking has a direct or indirect business relationship, both upstream and downstream of its own activities, which either (a) supply products or services that contribute to the organisation's own products or services, or (b) receive products or services from the organisation." This means, that, as an example, where raw materials are needed to produce the hardware or the cloud server on which for example Microsoft products are running, these do not seem to be captured by the ESRS definition of value chain. Consequently, these are also not captured by the materiality assessment and thereby its impact on the enterprise value of this specific undertaking, even though the Microsoft software is useless without the respective hardware. Undertakings in fact do not operate in silos but are part of an ecosystem that is interconnected whereby risks and opportunities of stakeholders, particularly those in the value chain closer to the undertaking, may eventually become risks and opportunities of the undertaking. Whilst it may be challenging in the beginning to collect information from the value chain, we believe it is necessary. DSW therefore advocates to review and enlarge the scope of the term "value chain" in the mid- to long-term.
In addition, from our viewpoint, the key issue with materiality is the lack of a standardized methodology. The guidance in the ESRS is rather high-level and directional, leaving undertakings with a lot of leeway in deciding on the severity of its positive and negative impacts on society or the environment. Here, GRI provides far more guidance by recommending to analyse the scale (how grave/beneficial the impact is), the scope (how widespread the impact is), the irremediable character and the likelihood of the potential impacts occurring. To ensure that the materiality concept is uniformly understood amongst users and preparers, DSW proposes to provide clear and detailed guidance on how to perform a materiality assessment. This will provide greater clarity around the concept and how to apply it in practice. Without clear process guidance, it will be difficult for undertakings to comply with the ESRS and may lead to inconsistent application.
In addition, more guidance on the disclosure of materiality evaluation processes is needed if the information is supposed to be verifiable for investors.

Q21: to what extent do your think that the determination and implementation of impact materiality (as proposed by ESRS 1 paragraph 51) is practically feasible?

- ( ) Not at all
- ( ) To a limited extent with strong reservations
- ( ) To a large extent with some reservations
- ( ) Fully
- (x) No opinion

Please explain your reservations or your suggestions for improvement or any other comment you might have

Financial materiality

- A definition of financial materiality is given by ESRS 1 paragraph 53: “a matter is material from a financial perspective if it triggers or may trigger significant financial effects on the undertaking, i.e., it generates risks or opportunities that influence or are likely to influence the future cash flows and therefore the enterprise value of the undertaking in the short, medium or long term, but it is not captured or not yet fully captured by financial reporting at the reporting date.”
- A description of how to determine financial materiality and implement financial materiality assessment can be found in ESRS 1 paragraphs 54 to 56 and is complemented by ESRS 2 Disclosure Requirement 2-IRO 1, paragraph 74b(iii), AG 65 and AG 69.

Q22: in your opinion, to what extent is the definition of financial materiality (as per ESRS 1 paragraph 53) aligned with that of international standards?

- ( ) Not at all
- (x) To a limited extent with strong reservations
- ( ) To a large extent with some reservations
- ( ) Fully
- ( ) No opinion

Please explain your reservations or your suggestions for improvement or any other comment you might have

ESRS 1 underlines that the definition of financial materiality for sustainability reporting is different from the concept of materiality used in determining which information should be included in the undertaking’s financial statements (ESRS 1, para. 52). This deviation is explained in the Basis of Conclusions (ESRS 1, BC 49 and 50): EFRAG sees a need to go beyond the boundaries defined by related conceptual frameworks (esp. IFRS) in order to provide meaningful information about environmental, social and governance-related value drivers that have – due to their more medium- or long-term nature – not yet materialized in financial reporting terms. Based on the double materiality approach, this is comprehensible. Nevertheless, this understanding may lead to diverging disclosures for investors (both for financial and sustainability reporting but also when comparing company disclosures) which will not be directly visible to them.

DSW therefore recommends providing undertakings with guidance on how to properly address and disclose these limitations to comparability.
In addition, DSW notes that a definition of the term “enterprise value” (sometimes also referred to as “enterprise value creation”) is lacking in the ESRS. In the ISSB, “enterprise value” is defined as “The total value of an entity. It is the sum of the value of the entity’s equity (market capitalisation) and the value of the entity’s net debt).” (See IFRS S 1, Appendix A, https://www.ifrs.org/content/dam/ifrs/project/general-sustainability-related-disclosures/exposure-draft-ifrs-s1-general-requirements-for-disclosure-of-sustainability-related-financial-information.pdf) We recommend adding a definition of how the ESRS understand the term “enterprise value” and to align it as far as possible with the definition of the ISSB.

Q23: to what extent do you think that the determination and implementation of financial materiality (as proposed by ESRS 1 paragraphs 54 to 56) is practically feasible?

- ○ Not at all
- ○ To a limited extent with strong reservations
- ○ To a large extent with some reservations
- ○ Fully
- ● No opinion

Please explain your reservations or your suggestions for improvement or any other comment you might have

(Materiality) Rebuttable presumption

Central to the ESRS is the critical combination of two key elements:

- the mandatory nature of disclosure requirements prescribed by ESRS, and
- the pivotal importance of the assessment by the undertaking of its material impacts, risks and opportunities.

The combination of the two is designed to make sure that the entity will report on its material impacts, risks and opportunities, but on all of them.
The assessment of materiality applies not just to a given sustainability matter covered by a given ESRS (like ESRS E3 on biodiversity for example), but also to each one of the specific disclosure requirements included in that ESRS. However, this excludes the cross-cutting standards and related disclosure requirements, which are always material and must be reported in all cases.
When a sustainability matter is deemed material as a result of its materiality assessment, the undertaking must apply the requirements in ESRS related to these material matters (except for the few optional requirements identified as such in ESRS). Conversely, disclosure requirements in ESRS that relate to matters that are not material for the undertaking are not to be reported.
The (materiality) rebuttable presumption mechanism described in ESRS 1 paragraphs 57 to 62 aims at supporting the implementation and documentation of the materiality assessment of the undertaking at a granular level.

ESRS 1 paragraphs 58 to 62 describe how to implement the rebuttable presumption principles. In particular, “The undertaking shall therefore assess for each ESRS and, when relevant, for a group of disclosure requirements related to a specific aspect covered by an ESRS if the presumption is rebutted for:

1. all of the mandatory disclosures of an entire ESRS or
2. a group of DR related to a specific aspect covered by an ESRS,

Based on reasonable and supportable evidence, in which case it is deemed to be complied with through a statement that:

1. the ESRS or
2. the group of DR is “not material for the undertaking”.

Q24: to what extent do you think that the (materiality) rebuttable presumption and its proposed implementation will support relevant, accurate and efficient documentation of the results of the materiality assessment?

- ○ Not at all
- ◉ To a limited extent with strong reservations
- ○ To a large extent with some reservations
- ○ Fully
- ○ No opinion

Please explain your reservations or your suggestions for improvement or any other comment you might have

> The approach of the ESRS mandates that all mandatory disclosure requirements established by ESRS are presumed to be material. This presumption can be rebutted based on reasonable and supportable evidence (ESRS 1, para. 57-62) – either in a group of disclosure requirements, or an entire ESRS. DSW supports this mechanism as it helps undertakings shaping and justifying the undertaking’s materiality concept. We consider, though, that more guidance is needed for undertakings clarifying the concept.
> In addition, DSW acknowledges that the set of disclosure requirements is rather comprehensive, hence, the rebutted disclosure requirements may form a significant part of the whole set of standards. Taking into account that presumptions can be rebutted for an entire ESRS, or a group of disclosure requirements related to a specific aspect covered by an ESRS we consider that the disclosure will not overburden undertakings or investors, though. Investors and other stakeholders alike will benefit from further guidance on how to apply the rebuttable presumption.

Q25: what would you say are the advantages of the (materiality) rebuttable presumption and its proposed implementation?

> The rebuttable presumption mechanism would shift the burden of proof to the undertaking in case of material misstatements and will require a much higher degree of documentation which in turn will be helpful to investors but also to the external auditors of undertakings.

Q26: what would you say are the disadvantages of the (materiality) rebuttable presumption and its proposed implementation?

Under the current approach, undertakings have to document for each disclosure requirement its materiality. This exercise may, especially during the first years of application of the new standards, be costly and burdensome for undertakings.

Q27: how would you suggest it can be improved?

We can see two alternative approaches: One approach would be to combine a narrow set of sector agnostic-disclosure requirements for companies, which is mandatory (basic disclosures requirements especially for the environmental objectives other than climate-related which are required from all companies) with comprehensive and elaborated sector-specific standards set with tailored information. This could serve clarity and transparency of information on the market and comparability on capital markets.
Another approach would be to shift the sector-agnostic ESRS on environmental objectives other than climate mitigation and adaption to the sector-specific ESRS, so that the materiality presumption for those topics would be made at the sector-specific level. This would free companies in sectors for which such topics are not material from the obligation to justify their materiality assessment. It should, moreover, be clarified whether companies have to justify each time they use the presumption to waive a disclosure requirement.
It is worth mentioning that while another approach may be suggested with reference to "comply or explain", which is a familiar approach for undertakings from their governance disclosures for example, it does leave a large margin for explanations and potential divergence from disclosures.

Reporting boundary and value chain

ESRS 1 paragraphs 63 to 65 define the reporting boundary of the undertaking and how and when it is expanded when relevant for the identification and assessment of principal impacts, risks and opportunities upstream and downstream its value chain – as the financial and/or impact materiality of a sustainability matter is not constrained to matters that are within the control of the undertaking.

Paragraphs 67 and 68 address the situation when collecting the information about the upstream and downstream value chain may be impracticable, i.e. the undertaking cannot collect the necessary information after making every reasonable effort, and allows approximation based on the use of all reasonable and supportable information, including peer group or sector data.

Due to the dynamics and causal connections between levels within the undertaking's reporting boundary, material information is not constrained to one particular level. Paragraphs 72 to 77 prescribe how the undertaking shall consider the appropriate level of disaggregation of information to ensure it represents the undertaking's principal impacts, risks and opportunities in a relevant and faithful manner.

Q28: in your opinion, to what extent would approximation of information on the value chain that cannot (practically) be collected contribute to the reporting of understandable, relevant, verifiable, comparable, and faithfully represented sustainability information?

- ◯ Not at all
- ◯ To a limited extent with strong reservations
- ◉ To a large extent with some reservations
- ◯ Fully
- ◯ No opinion

Please explain your reservations or your suggestions for improvement or any other comment you might have

> The use of approximations may be necessary to prepare sustainability-related information which are long-term and often forward-looking. Where `reliable information (practically) cannot be collected, a reasonable independent approximation seems to be the second-best option to inform investors about an undertaking's material impacts. DSW however sees a need to inform users about the methodology used to arrive at approximations. For example, for a more reliable approximation, the use of an independent external consultant may be more appropriate than basing approximations on sampling data from suppliers, clients etc.

Q29: what other alternative to approximation would you recommend in cases where collecting information is impracticable?

> We believe in limiting options for approximation as it can cause a fragmented approach and thus lead to greenwashing practices, whether intended or not.

Q30: in your opinion, to what extent will the choice of disaggregation level by the undertaking as per ESRS 1 paragraphs 72 to 77 contribute to the reporting of understandable, relevant, verifiable, comparable and faithfully represented sustainability information?

- ○ Not at all
- ● To a limited extent with strong reservations
- ○ To a large extent with some reservations
- ○ Fully
- ○ No opinion

Please explain your reservations or your suggestions for improvement or any other comment you might have

> Our reservation is linked to ESRS 1 para. 74 (b) which requires that a disaggregation shall be adopted in relation to a significant site or a significant asset when relevant in respect of other EU regulations. We struggle to see the logic behind the restriction to disaggregate information only if considered relevant in respect of other EU regulations and would like to receive a clarification if for example a production site with significant GHG emissions could be aggregated e.g. with data from low GHG production sites in the same country. This may lead to a "greening" of an undertaking and would not be considered by DSW as a faithful representation of information.

Time horizon

ESRS 1 paragraph 83 defines short-, medium- and long-term for reporting purposes, as

- One year for short term
- Two to five years for medium term
- More than five years for long-term.

Q31: do you think it is relevant to define short-, medium- and long-term horizon for sustainability reporting purposes?

- [x] Yes
- [ ] No
- [ ] I do not know

Please explain why

Agreement over timeframes would be a crucial step towards enabling relevant insights into a company's sustainability efforts and comparability when it comes to reporting. This is particularly relevant in the case of transition plans whereby for example agreed timeframes will allow for comparison of companies' forward-looking plans.

Q32: if yes, do you agree with the proposed time horizons?

- [x] Yes
- [ ] No
- [ ] I do not know

Please explain why

We agree as far as the topical standards specify the time horizons for individual material matters where necessary, as is the case for certain climate change related disclosures in the ESRS E1. ESRS 1 should clearly explain that the undertakings should consult the topical standards to this end, when providing assessment of their impacts, risks and opportunities in accordance with the ESRS 2.

Q33: if you disagree with the proposed time horizons, what other suggestion would you make? And why?

Disclosure principles for implementation of Policies, targets, action and action plans, and resources

In order to harmonise disclosures prescribed by topical standards, ESRS 1 provides disclosure principles (DP) to specify, from a generic perspective, the key aspects to disclose:

1. when the undertaking is required to describe policies, targets, actions and action plans, and resources in relation to sustainability matters and
2. when the undertaking decides to describe policies, targets, actions and action plans, and resources in relation to entity-specific sustainability matters.

DP 1-1 on policies adopted to manage material sustainability matters describes (paragraphs 96 to 98) the aspects that are to be reported for the relevant policies related to sustainability matters identified as material following the materiality assessment performed by the undertaking.
DP 1-2 on targets, progress and tracking effectiveness defines (paragraphs 99 to 102) how the undertaking is to report measurable outcome-oriented targets set to meet the objectives of policies, progress against these targets and if non-measurable outcome-oriented targets have been set, how effectiveness is monitored.

DP 1-3 on actions, action plans and resources in relation to policies and targets defines (paragraphs 103 to 106) the aspects that are to be reported by the undertaking relating to actions, action plans and resources in relation to policies and targets adopted to address material impacts, risks and opportunities.

Q34: in your opinion, to what extent will DP 1-1 contribute to the reporting of understandable, relevant, verifiable, comparable and faithfully represented information on sustainability related policies?

- [ ] Not at all
- [ ] To a limited extent with strong reservations
- [ ] To a large extent with some reservations
- [ ] Fully
- [x] No opinion

Please explain your reservations or your suggestions for improvement or any other comment you might have

Q35: in your opinion, to what extent will DP 1-2 contribute to the reporting of understandable, relevant, verifiable, comparable, and faithfully represented information on sustainability-related targets and their monitoring?

- [ ] Not at all
- [ ] To a limited extent with strong reservations
- [ ] To a large extent with some reservations
- [ ] Fully
- [x] No opinion

Please explain your reservations or your suggestions for improvement or any other comment you might have

Q36: in your opinion, to what extent will DP 1-3 contribute to the reporting of understandable, relevant, verifiable, comparable, and faithfully represented information on sustainability-related action plans and allocated resources?

- [ ] Not at all
- [ ] To a limited extent with strong reservations
- [x] To a large extent with some reservations
- [ ] Fully
- [ ] No opinion

Please explain your reservations or your suggestions for improvement or any other comment you might have

> The ESRS require detailed information on actions, action plans and allocation of resources for example scope or time horizon or expected outcomes of actions, in relation to the contribution of the actions. What is lacking in our opinion is a requirement to report on actions to prevent, remediate or mitigate potential negative/adverse impacts.

Bases for preparation

Chapter 4 of ESRS 1 provides for principles to be applied when preparing and presenting sustainability information covering general situations and specific circumstances. Aspects covered include:

- general presentation principles (paragraphs 108 and 109);
- presenting comparative information (paragraphs 110 and 111);
- estimating under conditions of uncertainty (paragraphs 112 and 113);
- updating disclosures about events after the end of the reporting period (paragraphs 114 to 116);
- changes in preparing or presenting sustainability information (paragraphs 117 and 118);
- reporting errors in prior periods (paragraphs 119 to 124);
- adverse impacts and financial risks (paragraphs 125 and 126);
- optional disclosures (paragraph 127);
- consolidated reporting and subsidiary exemption (paragraphs 128 and 129);
- stating relationship and compatibility with other sustainability reporting frameworks (paragraph 130).

Q37: is anything important missing in the aspects covered by the bases for preparation?

- (x) Yes
- ( ) No
- ( ) I do not know

If yes, please indicate which one(s).
Please share any comment you might have on the aspects already covered (make sure to indicate which one you are referring to)

> General presentation principles: As stated already, DSW prefers the fully, single audited integrated reporting approach while the general presentation principles (ESRS 1, para. 108) explicitly require a clear distinction between sustainability and financial information in the management report.
> Updating disclosures: Undertakings are required to update disclosures in certain circumstances, see ESRS 1, para. 114. DSW notes that distinct disclosure requirements already exist under MAR/MAD and suggests ensuring that no contradiction to existing laws or regulations may occur.
> Estimations: More guidance is needed on the methods used when estimating under certain conditions.

1C. Overall ESRS Exposure Drafts relevance – Exposure Drafts content

For the purpose of the questions included in this section, respondents are encouraged to consider the following:

- when sharing comments on a given ESRS Exposure Draft, and as much as possible, reference to the specific paragraphs being commented on should be included in the written comments,
- in the questions asked, for each ESRS, about the alignment with international sustainability standards, these include but are not limited to the IFRS Sustainability Standards and the Global Reporting Initiative Standards. Other relevant international initiatives may be considered by the respondents. When commenting on this particular question, respondents are encouraged to specify which international standards are being referred to.

ESRS 1 – General Principles

This [draft] Standard prescribes the mandatory concepts and principles to apply for preparation of sustainability reporting under the Corporate Sustainability Reporting Directive (CSRD) proposal.
It covers the applicable general principles:

1. when reporting under European Sustainability Reporting Standards;
2. on how to apply CSRD concepts;
3. when disclosing policies, targets, actions and action plans, and resources;
4. when preparing and presenting sustainability information;
5. on how sustainability reporting is linked to other parts of corporate reporting; and
6. specifying the structure of the sustainability statements building upon the disclosure requirements of all ESRS.

Most questions relevant for ESRS 1 are covered in the previous sections of the survey (section 1 Overall ESRS Exposure Drafts relevance – architecture and section 2 Overall ESRS Exposure Drafts relevance – implementation of CSRD principles).

Q38: in your opinion, to what extent can ESRS 1 – *General principles* foster alignment with international sustainability reporting standards (in particular IFRS Sustainability Reporting S1 Exposure draft)?

- ○ Not at all
- ● To a limited extent with strong reservations
- ○ To a large extent with some reservations
- ○ Fully
- ○ No opinion

Please explain your reservations or your suggestions for improvement or any other comment you might have

> As climate risk is a global theme, investors need regulators and standard setters to take a global and coordinated approach that paves the way for high-quality, distinct and comparable sustainability- and especially climate-related disclosures. Comparable disclosures will strengthen “retail” investors’ understanding of how the transition to a lower carbon economy is progressing across the entire economy. It is furthermore key to avoid unnecessary regulatory fragmentation that may have negative consequences for globally invested investors and globally operating companies. Diverging or – even worse - competing standards would have negative and significant consequences for investors and undertakings while a collaborative approach would create an effective regulatory model to support existing and future national, international, and inter-governmental policies, such as the Paris Agreement. Appropriate convergence and

full compatibility are key to avoid "duplicative reporting" for EU undertakings operating globally, with ESRS inside the EU and non-EU local regimes inspired from the ISSB's global baseline standards outside the EU. In this regard, it is especially key to ensure that definitions are aligned to the maximum possible extent and DSW recommends that EFRAG, together with the ISSB, collaborates closely in that regard to ensure maximum harmonization of definitions and metrics.
DSW welcomes that the ESRS and the ISSB standards seem to align with the TCFD standards which is a good basis for more harmonization. We note, however, that both ISSB and ESRS have added details to the disclosures recommended by the TCFD, for the ESRS most notably to incorporate the double materiality approach into the rules which is obviously the key difference between the ESRS and the ISSB standards.
DSW welcomes the approach of EFRAG, following the preconditions of the CSRD. To enhance standardized, comparable, neutral and accurate information, a mandatory double materiality approach is welcomed from an investor perspective. This is especially important as the market of ESG financial products is growing significantly, and consequently, investors and analysts need to understand both the risks and the opportunities of any investment.
Financial materiality and the enterprise value are in our view interconnected with impact materiality, i.e., the impact an undertaking has on climate or any other dimension of sustainability. Material environmental impacts may also translate into financial risks. This would make disclosures more useful to the growing number of "retail" investors seeking to align their investment practices with climate or wider sustainability goals. And it will provide the information and level of transparency that is necessary for investors to get a full picture of an undertaking's sustainable performance.
An undertaking's financial sustainability is interdependent with the sustainability of the planet and the society. The undertakings' ability to address their negative externalities effectively and substantially is ultimately dependent on the transformation of their business model. There seems to be a dynamic nature of the two materiality perspectives. Very easily, sustainability matters can come to be considered as financial dependencies, risks, and opportunities over time.
We assume that the gap between both approaches will diminish in the future. Negative influence factors of the undertaking on the environment are being understood as a risk in the valuation of the undertaking. Especially from the perspective of institutional investors the undertaking's influence on climate change is already recognized and integrated as transitory risk.
Ensuring that investors have adequate information about the role that offsetting plays in climate targets is key to combat greenwashing. The different approaches between ESRS S1 and IFRS S2 could lead to confusion and impact the integrity of the reporting. For example, while both IFRS S2 and ESRS E1 require companies to report their gross GHG emissions (i.e., without any offset efforts), IFRS S2 permits companies to count offsets in achieving their GHG emission reduction targets which is not permitted in ESRS E1. This difference in the approach to targets could lead to differences in the information that users receive, and targets may appear more ambitious under one of standards than in the other.
Another difference is the scope of disclosure of GHG emissions. While ISSB standard S2 requires undertakings to disclose Scope 3 emissions, ESRS require such disclosure only for Scope 3 emissions from "significant Scope 3 categories" (ESRS E1 para. 45).

ESRS 2 – General, strategy, governance and materiality assessment

This [draft] standard sets out the disclosure requirements of the undertaking's sustainability report that are of a cross-cutting nature. Those disclosures can be grouped into those that are:

1. of a general nature;
2. on the strategy and business model of the undertaking;
3. on its governance in relation to sustainability; and
4. on its materiality assessment of sustainability impacts, risks and opportunities.

Q39: Please, rate to what extent do you think ESRS 2 – General, strategy, governance and materiality assessment

	Not at all	To a limited extent with strong reservations	To a large extent with some reservations	Fully	No opinion
A. Covers sustainability information required by articles 19a and 19b of the CSRD proposal (see Appendix II for CSRD detailed requirements)	○	○	●	○	○
B. Supports the production of relevant information about the sustainability matter covered	○	○	●	○	○
C. Fosters comparability across sectors	○	●	○	○	○
D. Covers information necessary for a faithful representation from an impact perspective	○	○	●	○	○
E. Covers information necessary for a faithful representation from a financial perspective	○	○	●	○	○
F. Prescribes information that can be verified / assured	○	●	○	○	○
G. Meets the other objectives of the CSRD in term of quality of information	○	○	○	●	○
H. Reaches a reasonable cost / benefit balance	○	○	○	○	●
I. Is sufficiently consistent with relevant EU policies and other EU legislation	○	○	○	○	●
J. Is as aligned as possible to international sustainability standards given the CSRD requirements	○	○	○	○	●

For part H, please explain why costs would be unreasonable and / or what particular benefit ESRS 2 offers
For part I, please specify what European law or initiative you think is insufficiently considered
For part J, please explain how you think further alignment could be reached

Please share any comments and suggestions for improvement you might have relating to the above questions, referring explicitly to the part of the question you are providing comment

ESRS E1 – Climate change

The objective of this [draft] standard is to specify Disclosure Requirements which will enable users of sustainability reporting to understand:

1. how the undertaking affects climate change, in terms of positive and negative material actual or potential adverse impact;
2. its past, current, and future mitigation efforts in line with the Paris Agreement (or an updated international agreement on climate change) and limiting global warming to 1.5°C;
3. the plans and capacity of the undertaking to adapt its business model(s) and operations in line with the transition to a sustainable economy and to contribute to limiting global warming to 1.5°C;
4. any other actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential adverse impacts;
5. the nature, type and extent of the undertaking's material risks and opportunities related to the undertaking's impacts and dependencies on climate change, and how the undertaking manages them; and
6. the effects of risks and opportunities, related to the undertaking's impacts and dependencies on climate change, on the undertaking's development, performance and position over the short-, medium- and long- term and therefore on its ability to create enterprise value .

This [draft] standard derives from the [Draft] Corporate Sustainability Reporting Directive stating that the sustainability reporting standards shall specify which information to disclose about climate change mitigation and climate change adaptation.
This [draft] standard covers Disclosure Requirements related to 'Climate change mitigation', 'Climate change adaptation' and 'Energy'.

Q40: Please, rate to what extent do you think ESRS E1 – Climate change

	Not at all	To a limited extent with strong reservations	To a large extent with some reservations	Fully	No opinion
A. Covers sustainability information required by articles 19a and 19b of the CSRD proposal (see Appendix II for CSRD detailed requirements)	○	○	●	○	○
B. Supports the production of relevant information about the sustainability matter covered	○	○	●	○	○
C. Fosters comparability across sectors	○	○	●	○	○
D. Covers information necessary for a faithful representation from an impact perspective	○	○	●	○	○
E. Covers information necessary for a faithful representation from a financial perspective	○	○	●	○	○

F. Prescribes information that can be verified / assured	○	◉	○	○	○
G. Meets the other objectives of the CSRD in term of quality of information	○	○	◉	○	○
H. Reaches a reasonable cost / benefit balance	○	○	○	○	◉
I. Is sufficiently consistent with relevant EU policies and other EU legislation	○	○	○	○	◉
J. Is as aligned as possible to international sustainability standards given the CSRD requirements	○	○	○	○	◉

For part H, please explain why costs would be unreasonable and / or what particular benefit ESRS E1 offers
For part I, please specify what European law or initiative you think is insufficiently considered
For part J, please explain how you think further alignment could be reached

Please share any comments and suggestions for improvement you might have relating to the above questions, referring explicitly to the part of the question you are providing comment

Requirements regarding transition plans and carbon offsetting need to be comparable across ESRS standards and others to enhance clarity and understanding for “individual” investors. Given the key role of transition plans in fighting climate change and helping investors navigate and understand their investment landscape, uncertainties around the content of transition plans will cause further divergence among entities and stakeholders. EFRAG must therefore collaborate closely with the ISSB on developing reporting requirements in the absence of transition plans as well as mid/long-term target dates, mid/long term reviews, GHG emissions in absolute terms and carbon offset alignment. A lack of appropriate guidance and level of detail under the requirements, could compromise the integrity of the information reported and thus increase greenwashing.

ESRS E2 – Pollution

The objective of this [draft] standard is to specify Disclosure Requirements which will enable users of the sustainability reporting to understand:

1. how the undertaking affects pollution of air (both indoor and outdoor), water (including groundwater) and soil, living organisms and food resources (referred to in this [draft] Standard as “pollution”), in terms of positive and negative material actual or potential adverse impacts;
2. any actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential adverse impacts;
3. the plans and capacity of the undertaking to adapt its strategy, business model(s) and operations in line with the transition to a sustainable economy concurring with the needs for prevention, control and elimination of pollution across air (both indoor and outdoor), water (including groundwater), soil, living organisms and food resources, thereby creating a toxic-free environment with zero pollution also in support of the EU Action Plan ‘Towards a Zero Pollution for Air, Water and Soil’;

4. the nature, type and extent of the undertaking's material risks and opportunities related to the undertaking's impacts and dependencies arising from pollution, as well as from the prevention, control, elimination or reduction of pollution (including from regulations) and how the undertaking manages them; and
5. the effects of risks and opportunities, related to the undertaking's impacts and dependencies on pollution, on the undertaking's development, performance and position over the short, medium and long term and therefore on its ability to create enterprise value.

This standard derives from the (Draft) Corporate Sustainability Reporting Directive stating that the sustainability reporting standards shall specify the information that undertakings are to disclose about environmental factors, including information about 'pollution'.
This standard sets out Disclosure Requirements related to pollution of air (both indoor and outdoor), water (including groundwater), soil, substances of concerns, most harmful substances and enabling activities in support of prevention, control and elimination of pollution.

Q41: Please, rate to what extent do you think ESRS E2 - Pollution

	Not at all	To a limited extent with strong reservations	To a large extent with some reservations	Fully	No opinion
A. Covers sustainability information required by articles 19a and 19b of the CSRD proposal (see Appendix II for CSRD detailed requirements)	○	○	○	○	●
B. Supports the production of relevant information about the sustainability matter covered	○	○	○	○	●
C. Fosters comparability across sectors	○	○	○	○	●
D. Covers information necessary for a faithful representation from an impact perspective	○	○	○	○	●
E. Covers information necessary for a faithful representation from a financial perspective	○	○	○	○	●
F. Prescribes information that can be verified / assured	○	○	○	○	●
G. Meets the other objectives of the CSRD in term of quality of information	○	○	○	○	●
H. Reaches a reasonable cost / benefit balance	○	○	○	○	●
I. Is sufficiently consistent with relevant EU policies and other EU legislation	○	○	○	○	●

J. Is as aligned as possible to international sustainability standards given the CSRD requirements	○	○	○	○	◉

For part H, please explain why costs would be unreasonable and / or what particular benefit ESRS E2 offers
For part I, please specify what European law or initiative you think is insufficiently considered
For part J, please explain how you think further alignment could be reached

Please share any comments and suggestions for improvement you might have relating to the above questions, referring explicitly to the part of the question you are providing comment

ESRS E3 – Water and marine resources

The objective of this [draft] standard is to specify disclosure requirements which will enable users of the sustainability reporting to understand:

1. how the undertaking affects water and marine resources, in terms of positive and negative material actual or potential adverse impacts;
2. any actions taken, and the result of such actions, to protect water and marine resources, also with reference to reduction of water withdrawals, water consumption, water use, water discharges in water bodies and in the oceans, habitat degradation and the intensity of pressure on marine resources;
3. to what extent the undertaking is contributing to the European Green Deal's ambitions for fresh air, clean water, a healthy soil and biodiversity as well as to ensuring the sustainability of the blue economy and fisheries sectors, to the EU water framework directive, to the EU marine strategy framework, to the EU maritime spatial planning directive, the SDGs 6 Clean water and sanitation and 14 Life below water, and respect of global environmental limits (e.g. the biosphere integrity, ocean acidification, freshwater use, and biogeochemical flows planetary boundaries) in line with the vision for 2050 of 'living well within the ecological limits of our planet' set out in in the 7th Environmental Action Programme, and in the proposal for a decision of the European Parliament and the Council on the 8th Environmental Action Programme;
4. the plans and capacity of the undertaking to adapt its business model and operations in line with the transition to a sustainable economy as well as with the preservation and restoration of water and marine resources globally;
5. the nature, type and extent of the undertaking's material risks and opportunities related to the undertaking's impacts and dependencies on water and marine resources, and how the undertaking manages them; and
6. the effects of risks and opportunities, related to the undertaking's impacts and dependencies on water and marine resources, on the undertaking's development, performance and position over the short, medium and long term and therefore on its ability to create enterprise value.

This standard derives from the [Draft Corporate Sustainability Reporting Directive] stating that the sustainability reporting standards shall specify information to disclose about two sub-subtopics: ‘water’ and ‘marine resources’.

Q42: Please, rate to what extent do you think ESRS E3 – Water and marine resources

	Not at all	To a limited extent with strong reservations	To a large extent with some reservations	Fully	No opinion
A. Covers sustainability information required by articles 19a and 19b of the CSRD proposal (see Appendix II for CSRD detailed requirements)	○	○	○	○	●
B. Supports the production of relevant information about the sustainability matter covered	○	○	○	○	●
C. Fosters comparability across sectors	○	○	○	○	●
D. Covers information necessary for a faithful representation from an impact perspective	○	○	○	○	●
E. Covers information necessary for a faithful representation from a financial perspective	○	○	○	○	●
F. Prescribes information that can be verified / assured	○	○	○	○	●
G. Meets the other objectives of the CSRD in term of quality of information	○	○	○	○	●
H. Reaches a reasonable cost / benefit balance	○	○	○	○	●
I. Is sufficiently consistent with relevant EU policies and other EU legislation	○	○	○	○	●
J. Is as aligned as possible to international sustainability standards given the CSRD requirements	○	○	○	○	●

For part H, please explain why costs would be unreasonable and / or what particular benefit ESRS E3 offers
For part I, please specify what European law or initiative you think is insufficiently considered
For part J, please explain how you think further alignment could be reached

Please share any comments and suggestions for improvement you might have relating to the above questions, referring explicitly to the part of the question you are providing comment

ESRS E4 – Biodiversity and ecosystems

The objective of this [draft] standard is to specify Disclosure Requirements which will enable users of sustainability reporting to understand:

1. how the undertaking affects biodiversity and ecosystems, in terms of positive and negative material actual or potential adverse impacts;
2. any actions taken, and the result of such actions, to prevent, mitigate or remediate, actual or potential adverse impacts and to protect and restore biodiversity and ecosystems;
3. to what extent the undertaking contributes to (i) the European Green Deal's ambitions for protecting the biodiversity and ecosystems, the EU Biodiversity Strategy for 2030, the SDGs 2 Zero Hunger, 6 Clean water and sanitation, 12 Responsible consumption, 14 Life below water and 15 Life on land, the Post-2020 Global Biodiversity Framework and (ii) the respect of global environmental limits (e.g. the biosphere integrity and land-system change planetary boundaries);
4. and the plans and capacity of the undertaking to adapt its business model and operations in line with the transition to a sustainable economy and with the preservation and restoration of biodiversity and ecosystems globally in general; and in particular in line with the objective of (i) ensuring that by 2050 all of the world's ecosystems and their services are restored to a good ecological condition, resilient, and adequately protected and (ii) contributing to achieving the objectives of the EU Biodiversity Strategy at latest by 2030;
5. the nature, type and extent of the undertaking's material risks and opportunities related to the undertaking's impacts and dependencies on biodiversity and ecosystems, and how the undertaking manages them;
6. the effects of risks and opportunities, related to the undertaking's impacts and dependencies on biodiversity and ecosystems, on the undertaking's development, performance and position over the short, medium and ling term and therefore on its ability to create enterprise value.

This standard derives from the [Draft Corporate Sustainability Reporting Directive] stating that the sustainability reporting standards shall specify information to disclose about 'biodiversity and ecosystems'. This standard sets out Disclosure Requirements related to the undertaking's relationship to terrestrial, freshwater and marine habitats, ecosystems and populations of related fauna and flora species, including diversity within species, between species and of ecosystems and their interrelation with many indigenous and local communities.

Q43: Please, rate to what extent do you think ESRS E4 – Biodiversity and ecosystems

	Not at all	To a limited extent with strong reservations	To a large extent with some reservations	Fully	No opinion
A. Covers sustainability information required by articles 19a and 19b of the CSRD proposal (see Appendix II for CSRD detailed requirements)	○	○	○	○	●

B. Supports the production of relevant information about the sustainability matter covered	○	○	○	○	◉
C. Fosters comparability across sectors	○	○	○	○	◉
D. Covers information necessary for a faithful representation from an impact perspective	○	○	○	○	◉
E. Covers information necessary for a faithful representation from a financial perspective	○	○	○	○	◉
F. Prescribes information that can be verified / assured	○	○	○	○	◉
G. Meets the other objectives of the CSRD in term of quality of information	○	○	○	○	◉
H. Reaches a reasonable cost / benefit balance	○	○	○	○	◉
I. Is sufficiently consistent with relevant EU policies and other EU legislation	○	○	○	○	◉
J. Is as aligned as possible to international sustainability standards given the CSRD requirements	○	○	○	○	◉

For part H, please explain why costs would be unreasonable and / or what particular benefit ESRS E4 offers
For part I, please specify what European law or initiative you think is insufficiently considered
For part J, please explain how you think further alignment could be reached

Please share any comments and suggestions for improvement you might have relating to the above questions, referring explicitly to the part of the question you are providing comment

ESRS E5 – Resource use and circular economy

The objective of this [draft] standard is to specify Disclosure Requirements which will enable users of the sustainability reporting to understand:

1. the impact of the undertaking on resource use considering the depletion of non-renewable resources and the regeneration of renewable resources and its past, current and future measures to decouple its growth from extraction of natural resources;
2. the nature, type and extent of risks and opportunities arising from the resource use and the transition to a circular economy including potential negative externalities;

3. the effects of circular economy-related risks and opportunities on the undertaking's development, performance and position over the short-, medium- and long-term and therefore on its ability to create enterprise value in;
4. the plans and capacity of the undertaking to adapt its business model and operations in line with circular economy principles including the elimination of waste, the circulation of products and materials at their highest value, and the nature's regeneration.

This [draft] standard derives from the [Draft] Corporate Sustainability Reporting Directive stating that the sustainability reporting standards shall specify information to disclose about 'resource use and circular economy'.

Q44: Please, rate to what extent do you think ESRS E5 – Resource use and circular economy

	Not at all	To a limited extent with strong reservations	To a large extent with some reservations	Fully	No opinion
A. Covers sustainability information required by articles 19a and 19b of the CSRD proposal (see Appendix II for CSRD detailed requirements)	○	○	○	○	◉
B. Supports the production of relevant information about the sustainability matter covered	○	○	○	○	◉
C. Fosters comparability across sectors	○	○	○	○	◉
D. Covers information necessary for a faithful representation from an impact perspective	○	○	○	○	◉
E. Covers information necessary for a faithful representation from a financial perspective	○	○	○	○	◉
F. Prescribes information that can be verified / assured	○	○	○	○	◉
G. Meets the other objectives of the CSRD in term of quality of information	○	○	○	○	◉
H. Reaches a reasonable cost / benefit balance	○	○	○	○	◉
I. Is sufficiently consistent with relevant EU policies and other EU legislation	○	○	○	○	◉
J. Is as aligned as possible to international sustainability standards given the CSRD requirements	○	○	○	○	◉

For part H, please explain why costs would be unreasonable and / or what particular benefit ESRS E5 offers
For part I, please specify what European law or initiative you think is insufficiently considered
For part J, please explain how you think further alignment could be reached

Please share any comments and suggestions for improvement you might have relating to the above questions, referring explicitly to the part of the question you are providing comment

ESRS S1 – Own workforce

The objective of this [draft] standard is to specify Disclosure Requirements which will enable users of the sustainability reporting to understand:

1. how they affect the undertaking affects own workforce, in terms of positive and negative material impacts;
2. any actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential adverse impacts;
3. the nature, type and extent of the undertaking's material risks and opportunities related to its impacts and dependencies on own workforce, and how the undertaking manages them and,
4. the effects of risks and opportunities, related to the undertaking's impacts and dependencies on own workforce, on the undertaking's development, performance and position over the short, medium and long term and therefore on its ability to create enterprise value.

In order to meet the objective, this [draft] Standard also requires an explanation of the general approach the undertaking takes to identify and manage any material actual and potential impacts on its own workforce in relation to:

1. working conditions (impacts related to e.g. living wage, health and safety, social security, working hours, water and sanitation);
2. access to equal opportunities (impacts related to e.g. discrimination, including on the rights of workers with disabilities or on women workers, as well as impacts related to issues of equality in pay and work-life balance, precarious work);
3. other work-related rights, (impacts related to e.g. trade union rights, freedom of association and collective bargaining, child labour, forced labour, privacy, adequate housing).

This draft standard derives from the [Draft] Corporate Sustainability Reporting Directive stating that the sustainability reporting standards shall specify the information that undertakings are to disclose regarding social factors.
This [draft] Standard covers an undertaking's "own workforce", which is understood to include both workers who are in an employment relationship with the undertaking ("employees") and non-employee workers who are either individuals with contracts with the undertaking to supply labour ('self-employed workers') or workers provided by undertakings primarily engaged in 'employment activities' (NACE Code N78). This [draft] Standard does not cover (i) workers in the upstream or downstream undertaking's value chain for whom neither work nor workplace are controlled by the undertaking; or (ii) workers whose work and/or

workplace is controlled by the undertaking but are neither employees, nor individual contractors ("self-employed workers"), nor workers provided by undertakings primarily ,engaged in "employment activities" (NACE Code N78); these categories of workers are covered in ESRS S2 Workers in the Value Chain.

Q45: Please, rate to what extent do you think ESRS S1 – *Own workforce*

	Not at all	To a limited extent with strong reservations	To a large extent with some reservations	Fully	No opinion
A. Covers sustainability information required by articles 19a and 19b of the CSRD proposal (see Appendix II for CSRD detailed requirements)					X
B. Supports the production of relevant information about the sustainability matter covered					X
C. Fosters comparability across sectors					X
D. Covers information necessary for a faithful representation from an impact perspective					X
E. Covers information necessary for a faithful representation from a financial perspective					X
F. Prescribes information that can be verified / assured					X
G. Meets the other objectives of the CSRD in term of quality of information					X
H. Reaches a reasonable cost / benefit balance					X
I. Is sufficiently consistent with relevant EU policies and other EU legislation					X
J. Is as aligned as possible to international sustainability standards given the CSRD requirements					X

For part H, please explain why costs would be unreasonable and / or what particular benefit ESRS S1 offers
For part I, please specify what European law or initiative you think is insufficiently considered
For part J, please explain how you think further alignment could be reached

Please share any comments and suggestions for improvement you might have relating to the above questions, referring explicitly to the part of the question you are providing comment

ESRS S2 – Workers in the value chain

The objective of this [draft] standard is to specify Disclosure Requirements which will enable users of the sustainability reporting to understand:

1. how the undertaking affects workers in its value chain through its own operations and its upstream and downstream value chain (including its products and services, its business relationships and its supply chain), in terms of material positive and negative actual or potential adverse impacts;
2. any actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential adverse impacts;
3. the nature, type and extent of the undertaking's material risks and opportunities related to its impacts and dependencies on workers in the value chain, and how the undertaking manages them; and
4. the effects of risks and opportunities, related to the undertaking's impacts and dependencies on workers in the value chain, on the undertaking's development, performance and position over the short-, medium- and long-term and therefore on its ability to create enterprise value.

In order to meet the objective, the [draft] standard requires an explanation of the general approach the undertaking takes to identify and manage any material actual and potential impacts on value chain workers in relation to impacts on those workers':

1. working conditions (impacts related to e.g. living wage, health and safety, social security, working hours, water and sanitation);
2. access to equal opportunities (impacts related to e.g. discrimination, including on the rights of workers with disabilities or on women workers, as well as impacts related to issues of equality in pay and work-life balance, precarious work);
3. other work-related rights, (impacts related to e.g. trade union rights, freedom of association and collective bargaining, child labour, forced labour, privacy, adequate housing).

This draft standard derives from the [Draft] Corporate Sustainability Reporting Directive stating that the sustainability reporting standards shall specify the information that undertakings are to disclose regarding social factors.
This [draft] standard covers all workers in the undertaking's upstream and downstream value chain who are or can be materially impacted. This also includes all non-employee workers whose work and/or workplace is controlled by the undertaking but are not included in the scope of "own workforce" ("own workforce" includes: employees, individual contractors, i.e., self-employed workers, and workers provided by third party undertakings primarily engaged in 'employment activities'). Own workforce is covered in ESRS S1 Own workforce.

Q46: Please, rate to what extent do you think ESRS S2 – Workers in the value chain

	Not at all	To a limited extent with strong reservations	To a large extent with some reservations	Fully	No opinion

A. Covers sustainability information required by articles 19a and 19b of the CSRD proposal (see Appendix II for CSRD detailed requirements)	○	○	○	○	●
B. Supports the production of relevant information about the sustainability matter covered	○	○	○	○	●
C. Fosters comparability across sectors	○	○	○	○	●
D. Covers information necessary for a faithful representation from an impact perspective	○	○	○	○	●
E. Covers information necessary for a faithful representation from a financial perspective	○	○	○	○	●
F. Prescribes information that can be verified / assured	○	○	○	○	●
G. Meets the other objectives of the CSRD in term of quality of information	○	○	○	○	●
H. Reaches a reasonable cost / benefit balance	○	○	○	○	●
I. Is sufficiently consistent with relevant EU policies and other EU legislation	○	○	○	○	●
J. Is as aligned as possible to international sustainability standards given the CSRD requirements	○	○	○	○	●

For part H, please explain why costs would be unreasonable and / or what particular benefit ESRS S2 offers
For part I, please specify what European law or initiative you think is insufficiently considered
For part J, please explain how you think further alignment could be reached

Please share any comments and suggestions for improvement you might have relating to the above questions, referring explicitly to the part of the question you are providing comment

ESRS S3 – Affected communities

The objective of this [draft] standard is to specify Disclosure Requirements which will enable users of the sustainability reporting to understand:

1. how the undertaking affects its local communities through its own operations and its upstream and downstream value chain (including its products and services, its business relationships and its supply chain), in terms of material positive and negative actual or potential adverse impacts;
2. any actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential adverse impacts;
3. the nature, type and extent of the undertaking's material risks and opportunities related to the undertaking's impacts and dependencies on affected communities, and how the undertaking manages them; and
4. the effects of risks and opportunities, related to their impacts and dependencies on local communities, on the undertaking's development, performance and position over the short-, medium- and long-term and therefore on its ability to create enterprise value.

In order to meet the objective, the [Draft] standard requires an explanation of the general approach the undertaking takes to identify and manage any material actual and potential impacts on affected communities in relation to:

1. impacts on communities' economic, social and cultural rights (e.g. adequate housing, adequate food, water and sanitation, land-related and security-related impacts);
2. impacts on communities' civil and political rights (e.g. freedom of expression, freedom of assembly, impacts on human rights defenders); and
3. impacts on particular rights of Indigenous communities (e.g. free, prior and informed consent, self-determination, cultural rights).

This draft standard derives from the [Draft] Corporate Sustainability Reporting Directive stating that the sustainability reporting standards shall specify the information that undertakings are to disclose regarding social factors.

Q47: Please, rate to what extent do you think ESRS S3 – Affected communities

	Not at all	To a limited extent with strong reservations	To a large extent with some reservations	Fully	No opinion
A. Covers sustainability information required by articles 19a and 19b of the CSRD proposal (see Appendix II for CSRD detailed requirements)	○	○	○	○	●
B. Supports the production of relevant information about the sustainability matter covered	○	○	○	○	●
C. Fosters comparability across sectors	○	○	○	○	●
D. Covers information necessary for a faithful representation from an impact perspective	○	○	○	○	●
E. Covers information necessary for a faithful representation from a financial perspective	○	○	○	○	●

F. Prescribes information that can be verified / assured	○	○	○	○	◉
G. Meets the other objectives of the CSRD in term of quality of information	○	○	○	○	◉
H. Reaches a reasonable cost / benefit balance	○	○	○	○	◉
I. Is sufficiently consistent with relevant EU policies and other EU legislation	○	○	○	○	◉
J. Is as aligned as possible to international sustainability standards given the CSRD requirements	○	○	○	○	◉

For part H, please explain why costs would be unreasonable and / or what particular benefit ESRS S3 offers
For part I, please specify what European law or initiative you think is insufficiently considered
For part J, please explain how you think further alignment could be reached

Please share any comments and suggestions for improvement you might have relating to the above questions, referring explicitly to the part of the question you are providing comment

ESRS S4 – Consumers and end-users

The objective of this [draft] standard is to specify Disclosure Requirements which will enable users of the sustainability reporting to understand:

1. how the undertaking affects the consumers and end-users of its products and/or services (referred to in this [draft] Standard as “consumers and end-users”), in terms of material positive and negative actual or potential adverse impacts connected with the undertaking’s own operations and upstream and downstream value chain, including its business relationships and its supply chain;
2. any actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential adverse impacts;
3. the nature, type and extent of the undertaking’s material risks and opportunities related to its impacts and dependencies on consumers and end-users, and how the undertaking manages them; and
4. the effects of risks and opportunities, related to their impacts and dependencies on consumers and end-users, on the undertaking’s development, performance and position over the short-, medium- and long-term and therefore on its ability to create enterprise value.

In order to meet the objective, the [draft] standard requires an explanation of the general approach the undertaking takes to identify and manage any material actual and potential impacts on the consumers and /or end-users related to their products and/or services in relation to:

1. information-related impacts for consumers/end-users, in particular privacy, freedom of expression and access to information; .
2. personal safety of consumers/end-users, in particular health & safety, security of a person and protection of children; and
3. social inclusion of consumers/end-users, in particular non-discrimination and access to products and services.

This draft standard derives from the [Draft] Corporate Sustainability Reporting Directive stating that the sustainability reporting standards shall specify the information that undertakings are to disclose regarding social factors.

Q48: Please, rate to what extent do you think ESRS S4 – Consumers and end-users

	Not at all	To a limited extent with strong reservations	To a large extent with some reservations	Fully	No opinion
A. Covers sustainability information required by articles 19a and 19b of the CSRD proposal (see Appendix II for CSRD detailed requirements)	○	○	○	○	●
B. Supports the production of relevant information about the sustainability matter covered	○	○	○	○	●
C. Fosters comparability across sectors	○	○	○	○	●
D. Covers information necessary for a faithful representation from an impact perspective	○	○	○	○	●
E. Covers information necessary for a faithful representation from a financial perspective	○	○	○	○	●
F. Prescribes information that can be verified / assured	○	○	○	○	●
G. Meets the other objectives of the CSRD in term of quality of information	○	○	○	○	●
H. Reaches a reasonable cost / benefit balance	○	○	○	○	●
I. Is sufficiently consistent with relevant EU policies and other EU legislation	○	○	○	○	●
J. Is as aligned as possible to international sustainability standards given the CSRD requirements	○	○	○	○	●

For part H, please explain why costs would be unreasonable and / or what particular benefit ESRS S4 offers
For part I, please specify what European law or initiative you think is insufficiently considered
For part J, please explain how you think further alignment could be reached

Please share any comments and suggestions for improvement you might have relating to the above questions, referring explicitly to the part of the question you are providing comment

ESRS G1 – Governance, risk management and internal control

The objective of this [draft] standard is to specify disclosure requirements which will enable users of the undertaking's sustainability report to understand the governance structure of the undertaking, and its internal control and risk management systems.
This [draft] standard derives from the [Draft Corporate Sustainability Reporting Directive] stating that the sustainability reporting standards shall specify information to disclose information about governance factors, including:

1. the role of the undertaking's administrative, management and supervisory bodies, including with regard to sustainability matters, and their composition, as well as a description of the diversity policy applied and its implementation;
2. the undertaking's internal control and risk management systems, including in relation to the undertaking's reporting process.

Q49: Please, rate to what extent do you think ESRS G1 – Governance, risk management and internal control

	Not at all	To a limited extent with strong reservations	To a large extent with some reservations	Fully	No opinion
A. Covers sustainability information required by articles 19a and 19b of the CSRD proposal (see Appendix II for CSRD detailed requirements)				●	
B. Supports the production of relevant information about the sustainability matter covered			●		
C. Fosters comparability across sectors				●	
D. Covers information necessary for a faithful representation from an impact perspective			●		

E. Covers information necessary for a faithful representation from a financial perspective	○	○	●	○	○
F. Prescribes information that can be verified / assured	○	○	○	●	○
G. Meets the other objectives of the CSRD in term of quality of information	○	○	○	●	○
H. Reaches a reasonable cost / benefit balance	○	○	○	○	●
I. Is sufficiently consistent with relevant EU policies and other EU legislation	○	●	○	○	○
J. Is as aligned as possible to international sustainability standards given the CSRD requirements	○	●	○	○	○

For part H, please explain why costs would be unreasonable and / or what particular benefit ESRS G1 offers
For part I, please specify what European law or initiative you think is insufficiently considered
For part J, please explain how you think further alignment could be reached

Please share any comments and suggestions for improvement you might have relating to the above questions, referring explicitly to the part of the question you are providing comment

ESRS G1 strictly follows the wording of CSRD. It describes for example the role of the undertaking's administrative, management and supervisory bodies, including with regard to sustainability matters, and their composition, or the undertaking's internal control and risk management systems. However, the standard seems to overlook the general concept of CSRD, i.e., that disclosures shall meet the characteristics of information quality (relevance and faithful representation as well as the enhancing qualities of information, i. e., comparability, verifiability and understandability). Especially with regard to the enhancing qualities of information, the G1 standard lacks ambition. Based on the information provided, investors will not be able to monitor and verify the actions of the governance bodies nor will they be able to assess and compare them against those of their peers.
An undertaking's governance forms the basis for its sustainable development. Good governance promotes accountability, transparency, efficiency and rule of law at all levels and allows efficient management of human, natural, economic and financial resources for equitable and sustainable development, guaranteeing civil society participation in decision-making processes.(M. Kardos, The reflection of good governance in sustainable development strategies (2012), https://www.sciencedirect.com/science/article/pii /S1877042812045600/pdf?md5=c0e7b3c9eed116ba2525973f65c054d0&pid=1-s2.0-S1877042812045600-main.pdf) For investors but also for other stakeholders, understanding the governance of a company is crucial as it provides the basis upon which sustainability activities are built and evaluated. Strong corporate governance indicates strong corporate culture, which in turn signals robust long-term resilience. DSW therefore strongly recommends consolidating all governance-related DR in ESRS 2 because governance-related issues are genuinely cross-cutting and material for all undertakings.
According to CSRD Article 19b para. 1 (a), the Commission shall adopt delegated acts that "at least" specify information corresponding to the needs of financial market participants subject to the disclosure obligations of Regulation (EU) 2019/2088. (CSRD Proposal, https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52021PC0189) This information is therefore considered essential. Especially disclosures

with regard to climate change have been identified by stakeholders as critical to push the transformation towards a sustainable economy. The transformation of the economy needs to be encompassed by a robust governance of undertakings. We therefore urge EFRAG to give the highest priority to ESRS E1 and ESRS G1. In that context, DSW is very concerned that the G1 standard may be subject to revisions, because of amendments to the final version of Article 29b (2) (c) (i) CSRD, especially the deletion of the word "including" ("The reporting standards shall … specify the information that undertakings are to disclose about the following governance factors: (i) the role of the undertaking's administrative, management and supervisory bodies, including*with regard to sustainability matters, and their composition, and their expertise and skills to fulfil this role or access to such expertise and skills"). This may lead to a deletion of standards G3, G5, G6 and maybe also G4 while the remaining standards may be moved to ESRS 2 or left in G1. While we would – as stated above – welcome the integration of G1 into ESRS 2, we would consider the deletion of large parts of the G1 DR as a huge step backwards in the quality of governance reporting.
While disclosure is lacking on outcomes (see more in our Annex), the whole set of G1 provides a good picture about an undertaking's governance processes. Furthermore, in its current form, ESRS would require undertakings to report on governance topics in the management report only. Such a consolidated reporting is needed, as a respective EU-wide requirement does currently not exist. In Germany, for example, the corporate governance report or the remuneration report do not necessarily have to be included in the management report, leaving the corporate governance information scattered, i.e., difficult to retrieve for investors.(Article 20 (2) of the Accounting Directive leaves it to Member States to permit the corporate governance statement to be set out either in a separate report published together with the management report OR in a document publicly available on the undertaking's website, to which reference is made in the management report.)
Last but not least, we would like to point to a further key element of good corporate governance which is the independence of the external statutory auditor. This topic is not tackled at all in the ESRS. DSW strongly advises EFRAG to also add respective reporting requirements to help investors understand and verify if the statutory auditor can be considered being independent.

ESRS G2 – Business conduct

The objective of this [draft] standard is to specify disclosure requirements for the undertaking to provide information about its strategy and approach, processes and procedures as well as its performance in respect of business conduct.
This [draft] standard derives from the [Draft Corporate Sustainability Reporting Directive] stating that the sustainability reporting standards shall specify information to disclose about business ethics and corporate culture, including anti-corruption and anti-bribery.
In general, business conduct covers a wide range of behaviours that support transparent and sustainable business practices to the benefit of all stakeholders. This [draft] standard focusses on a limited number of practices as follows:

1. business conduct culture;
2. avoiding corruption, bribery and other behaviours that often have been criminalised as they benefit some in positions of power with a detrimental impact on society; and
3. transparency about anti-competitive behaviour and political engagement or lobbying.

This [draft] standard is addressing business conduct as a key element of the undertaking's contribution to sustainable development. This [draft] standard requires the undertaking to report information about its overall policies and practices for business conduct, rather than information for specific material sustainability topics.

Q50: Please, rate to what extent do you think ESRS G2 – Business conduct

	Not at all	To a limited extent with strong reservations	To a large extent with some reservations	Fully	No opinion
A. Covers sustainability information required by articles 19a and 19b of the CSRD proposal (see Appendix II for CSRD detailed requirements)	○	○	●	○	○
B. Supports the production of relevant information about the sustainability matter covered	○	○	●	○	○
C. Fosters comparability across sectors	○	●	○	○	○
D. Covers information necessary for a faithful representation from an impact perspective	○	●	○	○	○
E. Covers information necessary for a faithful representation from a financial perspective	○	●	○	○	○
F. Prescribes information that can be verified / assured	○	○	●	○	○
G. Meets the other objectives of the CSRD in term of quality of information	○	○	●	○	○
H. Reaches a reasonable cost / benefit balance	○	○	○	○	●
I. Is sufficiently consistent with relevant EU policies and other EU legislation	○	○	○	○	●
J. Is as aligned as possible to international sustainability standards given the CSRD requirements	○	○	○	○	●

For part H, please explain why costs would be unreasonable and / or what particular benefit ESRS G2 offers
For part I, please specify what European law or initiative you think is insufficiently considered
For part J, please explain how you think further alignment could be reached

Please share any comments and suggestions for improvement you might have relating to the above questions, referring explicitly to the part of the question you are providing comment

As stated in the Objective (para. 3.), business conduct covers "a wide range of behaviours that support transparent and sustainable business practices to the benefit of all stakeholders." G2, however, focuses on business conduct culture, anti-corruption, anti-bribery, anti-competitive behaviour, and political engagement only. This despite the fact that CSRD requires the Commission to take to the greatest extent possible - account of "the work of global standard-setting initiatives for sustainability reporting, and existing standards

and frameworks for natural capital accounting and for greenhouse gas accounting, responsible business conduct, corporate social responsibility, and sustainable development;" (Article 19b (3) (a) of the Directive of the European Parliament and of the Council amending Directive 2013/34/EU, Directive 2004/109/EC, Directive 2006/43/EC and Regulation (EU) No 537/2014, as regards corporate sustainability reporting: https://www.consilium.europa.eu/media/57644/st10835-xx22.pdf)
While DSW notes that the areas covered by the ESRS are of high importance for stakeholders, we are concerned that other, likewise important areas, are left out of this Standard. For example, we explicitly point out that transparency about taxation matters is not covered by the Standard. Taxes are however a key mechanism by which companies contribute to the economy of the countries in which they operate. Companies have an obligation to comply with tax legislation and a responsibility to their stakeholders to meet expectations of good tax governance. DSW considers that, in line with the double materiality approach, tax reporting should be part of the sustainability reporting as tax behavior of undertakings may severely impact various dimensions of sustainability, e.g., citizens, environment. Besides, tax reporting increases transparency and promotes trust and credibility in the tax practices of the reporting companies with investors and other stakeholders. This understanding of business conduct is in line with for example the GRI Standards (GRI 207 recommends companies to disclose their approach to tax; tax governance, control and risk management; stakeholder engagement and management of concerns related to tax, as well as country-by-country-reporting.). DSW recommends expanding the scope of business culture at least in the mid-term. In addition, we consider that G2-1, G2-2, and G2-8 would be better placed in the cross-cutting standards (ESRS 2) as they should not be subject to a materiality assessment by undertakings and are transversal to all sustainability subject matters, as defined in Article 19b of CSRD.

2. ESRS implementation prioritisation / phasing-in

Application provisions

In order to facilitate the first-time application of set 1, ESRS 1 includes two provisions:

- Application Provision AP1 which exempts undertaking to reports comparatives for the first reporting period, and
- Application Provision AP2 which proposes transitional measures for entity-specific disclosures which consists in allowing the undertaking to continue to use, for 2 years, disclosures it has consistently used in the past, providing certain conditions are met, as described in paragraph 154.

Q51: to what extent do you support the implementation of Application Provision AP1?

- ○ Not at all
- ○ To a limited extent with strong reservations
- ◉ To a large extent with some reservations
- ○ Fully
- ○ No opinion

Q52: to what extent do you support the implementation of Application Provision AP2?

- ○ Not at all
- ○ To a limited extent with strong reservations
- ◉ To a large extent with some reservations
- ○ Fully
- ○ No opinion

Q53: what other application provision facilitating first-time application would you suggest being considered?

None. In relation to AP1, the ESRS could benefit by clarifying that companies that do have the relevant data /information for the previous reporting period, should in fact be encouraged to report it.

Please explain why

See our comment to Q54.

ESRS implementation prioritisation / phasing-in options

Set 1 proposes a comprehensive set of standards aimed at achieving the objectives of the CSRD proposal, with the exception of the standards to be included in Set 2.

Acknowledging the fact that the proposed vision of a comprehensive sustainability reporting might be challenging to implement in year one for the new preparers and potentially to some of the large preparers as well, EFRAG will consider using some prioritisation / phasing-in levers to smoothen out the implementation of the first set of standards.

The following questions aim at informing EFRAG's and ultimately the European Commission's decision as to what disclosure requirements should be considered for phasing-in, based on implementation feasibility / challenges and potentially other criteria, and over what period of time their implementation should be phased-in.

Q54: for which one of the current ESRS disclosure requirements (see Appendix I) do you think implementation feasibility will prove challenging? and why?

Bearing in mind that sector-specific and SME-proportionate standards will be adopted in a second step, DSW considers that the ESRS are overall striking the right balance between the need to make significant progress in improving the quality of sustainability information and meeting the growing needs of users. Investors as primary user of sustainability-related financial reporting have different objectives and interests resulting from diversified and long-term portfolios, often representing global capital markets. They therefore need a broad, not narrow, set of sustainability reporting information from undertakings. We consequently welcome that EFRAG has decided to start with a broad range of sustainability information to be included in undertakings' sustainability reporting.
It needs to be ensured, though, that sustainability-related information will be well integrated in the financial disclosure and will not lead to an overload of information which would make the reports less easy to assess.
DSW in addition notes that the deadline for the adoption of the Delegated Acts and the entry into force of the legislation is extremely challenging, especially as the ESRS' scope is very broad and there seems to be a gap of data that is not available yet. This combined with the mandatory approach prescribed by the CSRD will prove to be challenging for undertakings. This hints to a need for sufficient time and resources to allow undertakings to gather that information and implement the system to ensure that data provided to investors

is reliable and faithfully presented. For example, the scope of the reporting requirements in the value chain as well as the definition of stakeholders and the scope of their expected level of implication in the different steps of the governance processes need to be clarified and better delimited.
From the investors' perspective there is need for clear and understandable information thereby avoiding an information overload. For example, regarding the value chain, there is uncertainty of what is being asked to be reported, particularly as some information to be reported will be new data for the undertakings. More in particular, the reporting boundary needs to be more clearly defined, better specifying the levels in companies of the value chain for which it is deemed useful to obtain disclosure. It may be premature to claim to obtain this large amount of information for the entire value chain. The broad definition of the value chain may create difficulties in reporting data outside the control of an undertaking (problems of verifiability, quality and control of the data). It may also be difficult to ask and perform an assurance activity for data that is not directly controlled by the undertaking, and this may also lead to potential duplication of information.

Given the critical importance of implementation prioritisation / phasing-in, please justify and illustrate your response

Q55: over what period of time would you think the implementation of such "challenging" disclosure requirements should be phased-in? and why?

Given the critical importance of implementation prioritisation / phasing-in, please justify and illustrate your response

Q56: beyond feasibility of implementation, what other criteria for implementation prioritisation / phasing-in would recommend being considered? And why?

Given the critical importance of implementation prioritisation / phasing-in, please justify and illustrate your response

Q57: please share any other comments you might have regarding ESRS implementation prioritisation / phasing-in

If you have other comments in the form of a document please upload it here

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