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ESRS 1 – General Requirements - V1

November 2025

UNAPPROVED DRAFT

[NOTE: the EFRAG Secretariat proposes to issue as addendum to IG 3 in December 2025 the following, from NMIG 1: Mapping of sub-topics to disclosures in topical standards (ID 177)]

 EXPOSURE DRAFT

ESRS 1

GENERAL REQUIREMENTS

 JULY 2025

ESRS 1 General Requirements is set out in paragraphs 1–132.

Appendix A: List of topics - This Appendix is an integral part of ESRS 1 and provides non-binding guidance to support the application of provisions in this Standard.

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The questionnaire for submitting comments is available here in both online and PDF formats. Comments must be received by end of day CEST on 29 September 2025. All comments will be on the public record and posted on our website at www.efrag.org unless the respondent requests confidentiality.

About EFRAG

EFRAG's mission is to serve the European public interest in both financial and sustainability reporting by developing and promoting European views in the field of corporate reporting. EFRAG builds on and contributes to the progress in corporate reporting. In its sustainability reporting activities, EFRAG provides technical advice to the European Commission in the form of draft European Sustainability Reporting Standards ('ESRS') elaborated under a robust due process and supports the effective implementation of the ESRS. EFRAG seeks input from all stakeholders and obtains evidence about specific European circumstances throughout the standard setting process. Its legitimacy is built on excellence, transparency, governance, due process, public accountability and thought leadership. This enables EFRAG to speak convincingly, clearly, and consistently, and be recognised as the European voice in corporate reporting and a contributor to global progress in corporate reporting.



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Reproduction and use rights are strictly limited. For further details, please contact efragsecretariat@efrag.org - **Appendix B: Qualitative characteristics of information** - This Appendix is an integral part of ESRS 1 and has the same authority as the other parts of the Standard.⁴¹

Revised structure and drafting conventions

As compared to ESRS Set 1 (Delegated Regulation (EU) 2023/2772 adopted by the European Commission in July 2023), the structure of the Standards has been revised and streamlined.

- All the ‘shall disclose/shall include/shall report/shall describe/shall explain’ are presented in the main body of the Standard. They have been counted as separate datapoints.
- Below the text of each Disclosure Requirement (‘DR’) in topical standards (or chapter for ESRS 1), boxed content presents the streamlined corresponding mandatory methodological guidance, which is still named ‘Application Requirements’ (‘ARs’). This includes ‘shall consider’ as element of methodology for preparing the disclosure, and ‘may (present)’ for presentation options — which does not represent voluntary disclosure but brings flexibility on how to present the disclosure.
- All the ‘may’ disclosures have been either eliminated or redrafted as application requirements (which do not include separate datapoints but methodology content).
- A minority of the deleted datapoints is gathered in a document named ‘Non-Mandatory Illustrative Guidance’ (‘NMIG’) and has been redrafted to fit this classification. While the content of ‘shall disclose’ datapoints in the main body of the standard and of application requirements are drafted to become part of the delegated act, the legal status of the NMIG (either as appendices in the Delegated Act or as document to be issued by EFRAG independently of the Delegated Act) will be considered by the European Commission (‘EC’) in due course. EFRAG recommends NMIG not to be part of the Delegated Act.
- The ESRS use several terms to indicate similar concepts: matters, topic, sub-topic, sub-subtopic. In Amended ESRS ‘sub-subtopics’ have been eliminated. In addition, to simplify the content and eliminate one term (matter), the Standards only refer to topics and sub-topics. For this reason, in all the documents the term ‘matter’ has been replaced by ‘topic’ where ‘topic’ is meant to refer either to topic or sub-topic depending on the context of the relevant disclosure. When used in this way, the bold italic format is used (***topic***), as this is a defined term. When used to express one of the 10 topics in Appendix A of [Draft] Amended ESRS 1, a normal font is used.
- The paragraph numbering has been revised to reflect the draft amendments. Where applicable, the paragraph number of the 2023 Delegated Act is indicated in brackets — for example, ‘4. (24)’ or ‘4 (24 amended)’ in paragraph [Draft] Amended ESRS 1.

ITEMS NOT ADDRESSED AS UNDER DISCUSSION IN LEVEL 1 REGULATION

The following are items not addressed in ESRS 1 Exposure Draft (ED), as they are currently under discussion for possible amendments in the level 1 regulation as part of the Omnibus discussions:–

- definition of value chain for financial institutions;–
- possible exemption to consolidate subsidiaries by undertakings that are financial holdings;
- relief for omission of confidential/sensitive information;–
- phasing in provisions (maintained as in the 2023 Delegated Act);
- clarification of the meaning of ‘compatibility with 1.5 degrees’ for the Transition Plans disclosure (maintained as in the 2023 Delegated Act).–

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Objective

1. (1 amended) The European Sustainability Reporting Standards ('ESRS' (ESRS)) specify the sustainability information that an undertaking shall disclose about sustainability matters and/or factors, as stipulated by in accordance with the Accounting Directive (Directive 2013/34/EU of the European Parliament and of the Council), as amended by the Corporate sustainability Reporting Directive (Directive (EU) 2022/2464 of the European Parliament and of the Council).
2. (2 amended) The ESRS use the term sustainability '**topic**' or '**sub-topic**' to be understood as synonymous with sustainability matters and/or factors. Disclosures in the ESRS require the undertaking to disclose information about its ~~ESRS are structured into topics. A topic is further disaggregated into sub-topics. In the ESRS, the term 'topic' is used to indicate either a topic or a sub-topic, depending on the most appropriate level of granularity needed to meet the respective disclosure objective.~~
2. The objective of sustainability reporting prepared in accordance with the ESRS is to present fairly (see Chapter 2) the undertaking's material **impacts** on people and the environment, as well as the and about its material sustainability-related risks and opportunities (collectively referred to as 'impacts, risks and/or opportunities') in relation to environmental, social and governance topics. Reporting under these two perspectives constitutes the **double materiality** principle. An ESRS (see Chapter 3).
3. (new) The objective of the **sustainability statement** covers governance, strategy, ~~policies, actions, targets and metrics for topics~~, taken as whole, is to present fairly (see Chapter 2) all the undertaking's sustainability-related to material **impacts, risks and opportunities**.
3. The ESRS require and how the undertaking ~~to disclose~~ manages them. The reported information ~~that is shall be decision-useful to~~ for the users of general-purpose sustainability statements.
4. (22(b) amended) **Users of general-purpose sustainability statements**, which are:
 - (a) primary users of general-purpose financial ~~reporting reports~~, such as existing and potential investors, lenders and other creditors, including asset managers, credit institutions and insurance undertakings; and
 - (b) other users of general-purpose sustainability statements, such as the undertaking's business partners, trade unions and social partners, civil society and non-governmental organisations, governments, analysts and academics. ~~Civil society, non-governmental organisations and trade unions as users are proxies for affected stakeholders.~~
5. The ESRS do not mandate behaviour but set Disclosure Requirements ('DRs') regarding ~~topics~~ related to (new) In its **sustainability statement**, the undertaking is required to disclose information about the material **impacts, risks and opportunities** connected with the undertaking's own operations, products or services and organised under **topics** to which they relate. This information shall cover the following reporting areas: (a) governance, (b) strategy including **financial effects**, (c) impacts, risks and opportunities management, through ~~business relationships~~ in its upstream and downstream **value chain policies and actions**, and (d) **metrics and targets**.
- 5-6. (new) ESRS do not mandate behaviour except for behaviour specifically related to the reporting of sustainability information. Reporting in accordance with ~~the~~ ESRS does not exempt the undertaking from other obligations laid down in EU law.

APPLICATION REQUIREMENTS – ARs

AR 1 for para. 4 (General-purpose)

(new) The terms 'general-purpose financial reports' and 'general-purpose **sustainability statements**' refer to reports that:

- (a) are addressed to **users** with a reasonable knowledge of the general subject matters of such reports; and
- (b) consider the information needs of groups of users.

1. ESRS Standards and drafting conventions

1.1. ESRS standards and entity-specific disclosures

~~6.7.~~ (6 amended) ~~This [Draft] Standard Amended~~ ESRS 1 *General Requirements* explains drafting conventions and sets out general requirements for ~~identification of~~ **identifying** the undertaking's material **impacts, risks** and **opportunities**, ~~as well as~~ **and** for preparing and presenting information ~~about the topics related to them~~ **reported**. It also sets out general requirements for the basis of ~~the~~ preparation of ~~a~~ **the sustainability statement**.

1. ESRS Standards, reporting areas and drafting conventions

1.1. ESRS standards, reporting areas and entity-specific disclosures

~~7.8.~~ (5 amended) The undertaking shall apply this Standard in conjunction with ~~{Draft} Amended~~ ESRS 2 *General disclosures* **Disclosures** (both referred to as 'cross-cutting standards') and with **the** topical standards. ~~The requirements of this Standard are accompanied by mandatory Application Requirements (ARs), presented at the end of each chapter.~~

~~8.9.~~ (7 amended) ~~{Draft} Amended~~ ESRS 2 *General disclosures* **Disclosures** establishes Disclosure Requirements (DRs) on the information that the undertaking shall provide ~~for at a general level across all the topics related to which its~~ material **impacts, risks**, and **opportunities** ~~on~~ **relate**, covering the reporting areas ~~of (i) governance, strategy, impact, risk and opportunity management, as well as (ii) policies, actions, targets and metrics, listed in paragraph 5.~~

~~9.10.~~ (8 amended) Topical standards address **topics** and sub-topics ~~and reflect, complementing the same requirements provided in ESRS 2 General Disclosures, and encompass the~~ reporting areas as ~~{Draft} Amended ESRS 2 General disclosures listed in paragraph 5.~~ The table in Appendix A *List of topics* provides an overview of the topics and sub-topics covered by topical ~~ESRS standards.~~

~~10.11.~~ (11 amended) If the undertaking concludes that a **topic** related to ~~one or more~~ material **impacts, risks** ~~impact, risk~~ or **opportunities** ~~opportunity~~, is not covered, or not covered with sufficient granularity, by an ESRS, it shall provide ~~additional~~ entity-specific disclosures **taking account of the provisions on that topic, fair presentation in Chapter 2.** This may be the case due to sectorial specificities ~~and/or~~ other facts and circumstances relevant to the undertaking itself. ~~Depending on the undertaking's facts and circumstances, there may be topics other than those covered in ESRS topical requirements that the undertaking shall cover, following its materiality assessment, such as where its business model and strategy are associated with material impacts, risks and opportunities that do not correspond to the ESRS topics.~~

~~11.12.~~ (AR 4(b) amended) When developing its entity-specific disclosures, the undertaking shall consider comparability over time and with other undertakings that operate in the same sector(s). ~~For this purpose, it may use available best practices and/or available frameworks or reporting standards, such as IFRS industry-based guidance and GRI Sector Standards.~~

APPLICATION REQUIREMENTS – ARs

<p>AR 2 for para. 11 (Entity-specific topics)</p>	<p>(11 amended) Depending on the undertaking's facts and circumstances, there may be topics other than those covered in ESRS topical requirements that the undertaking shall cover following its materiality assessment. This may be the case where its business model and strategy are associated with material impacts, risks and opportunities that do not correspond to ESRS topics.</p>
<p>AR 1AR 3 for para. 11-11 (Entity-Specific Disclosures)(Requirements for entity-specific disclosures)</p>	<p>(AR 2) When developing entity-specific disclosures, the undertaking shall ensure <u>that</u> they:</p> <ul style="list-style-type: none"> (a) meet the qualitative characteristics of information as set out in Chapter 2 <u>Appendix B of this Standard</u>; and (b) <u>for topics related to material impacts, risks or opportunities not covered or covered with sufficient granularity by ESRS, include material information related to that cover the relevant reporting areas of governance, strategy, impact, risk and opportunity management (i.e. policies and actions), and metrics and targets (see [Draft] Amended ESRS 2) listed in paragraph 5.</u>
<p>AR 2AR 4 for para. 11-11 (Entity-Specific Disclosures specific disclosures and metrics)</p>	<p>(AR 3 amended) When determining the usefulness of metrics for inclusion in its entity-specific disclosures, the undertaking shall consider whether <u>ensure that</u>:</p> <ul style="list-style-type: none"> (a) its chosen performance metrics provide relevant information about the material impacts, risks and opportunities; (b) the measurement does not involve an excessive number of assumptions and unknowns that would render the metrics too arbitrary to provide a <u>ensures faithful representation based on information and assumptions that are reasonable, supportable, and verifiable</u>; and (c) it has provided sufficient contextual information.
<p>AR 5 for para. 12 (Sources for entity-specific disclosures)</p>	<p>(131(b) amended) In developing its entity-specific disclosures, the undertaking may use available best practices, frameworks or reporting standards, such as IFRS industry-based guidance and GRI Standards (including GRI topic and sector standards).</p>

1.2. Drafting conventions

12. (14) In all ESRS, the terms:

- (a) ~~impacts~~ refer to actual and potential, positive and negative impacts; and
- (b) ~~'risks'~~ and ~~'opportunities'~~ refer to the undertaking's financial risks and opportunities, including those deriving from the undertaking's ~~impacts~~ and ~~dependencies~~ on natural, human and social resources, as identified through a ~~financial materiality~~ assessment (see Chapter 3.3.2).

13. (15) Throughout ~~the~~ ESRS, the terms that are defined in the Glossary of Definitions (Annex II of Delegated Regulation (EU) 2023/2772) are denoted in **bold italic**, except when a defined term is used more than once in the same paragraph.

14. (2 amended) ESRS use the terms sustainability **'topic'** and **'sub-topic'** understood as synonymous with the terms **'sustainability matters'** or **'sustainability factors'** as used in the Accounting Directive (Directive 2013/32/EU). Disclosures in ESRS are structured into topics. A topic is further disaggregated into sub-

topics. In ESRS, the term ‘topic’ (in ***bold italic***) is used to indicate either a topic or a sub-topic depending on the most appropriate level of granularity needed to meet the respective disclosure objectives.

15. (14) In all ESRS:

- (a) ‘***impacts***’ refers to actual and potential, positive and negative impacts on people and the environment; and
- (b) ‘***risks***’ and ‘***opportunities***’ refer to the undertaking’s ***sustainability-related risks*** and ***opportunities*** that affect (or could reasonably be expected to affect) the undertaking’s cash flows, access to finance or cost of capital over the short, medium or long term.

16. (new) Material ***impacts***, ***risks*** and ***opportunities*** reported in the ***sustainability statement*** are understood to be the same as the undertaking’s principal impacts, risks and opportunities referred to in the Accounting Directive (Directive 2013/34/EU).

~~14-17.~~ (16 amended) The structure of information in ESRS is based on ‘Disclosure Requirements’ (DRs, ~~which~~). Each DR consists of one or more distinct datapoints. ~~They~~ DRs are ~~introduced~~ signaled by the ~~term~~ terms ‘shall disclose’, ‘shall include’, ‘shall report’, ‘shall describe’ and ‘shall explain’ to indicate that ~~the provision~~ an information is prescribed, subject to ***materiality*** of information (see ~~Chapter 3.1~~ paragraphs 1 and 24).

~~15-18.~~ (17) In addition to DRs per se, ~~{Draft} Amended~~ amended) ESRS contain mandatory ‘Application Requirements’ (ARs) that support the application of, and have the same authority as, the requirements prescribed in the main body of the standards. ARs in ESRS 2 *General disclosures* and in topical standards contain mandatory ‘Application Requirements’ relating to DRs, included within boxed text. ~~Its content supports~~ support the preparation of information and/or disclosures that meet the qualitative characteristics of information (see Appendix B) ~~and has the same authority as other parts of a standard. ARs also include text where~~ (18 amended). ARs use the term ‘shall consider’ ~~is used~~ to indicate issues, resources or methodologies that the undertaking is expected to take into account or to use in the preparation of a given disclosure. ~~They~~ ARs also include presentation options, indicating that a given piece of information may be provided in a tabular form ~~or in~~, as narrative text; or in other types of ***presentation*** options.

2. Fair presentation and qualitative characteristics of information

~~16. (new)~~ Fair presentation requires disclosure of relevant information ~~that meets the conditions in paragraph 21~~, about the undertaking’s material ***impacts***, ***risks*** and ***opportunities*** in accordance with Chapter 3; and their faithful representation in accordance with the requirements set out in this Standard.

17. Applying the ESRS is presumed to result in a ***sustainability statement*** that achieves a fair presentation.

~~18. Fair presentation requires the undertaking to apply the qualitative characteristics of information, as defined and described in Appendix B, i.e.:~~

- ~~(a) (for relevance and faithful representation (fundamental characteristics); and~~
- ~~(b) comparability, verifiability and understandability (enhancing characteristics).~~

19. see Appendix B). To achieve faithful ~~presentation~~ representation, the undertaking shall provide information ~~that meets the conditions in paragraph 21 and that is necessary for~~ a complete, neutral and accurate depiction of its material impacts, risks and opportunities.

20. (new) Fair presentation also requires that the undertaking discloses:

- (a) information that is comparable, verifiable and understandable (see Appendix B); and
- (b) entity-specific information when applying ESRS is not sufficient to enable ***users*** to understand the undertaking’s material ***impacts***, ***risks*** and ***opportunities***.

21. (new) Applying ESRS, including the **materiality** filter as set out in paragraph 24, and with entity-specific disclosures, when necessary (see paragraph 11), is presumed to result in a **sustainability statement** that achieves fair presentation.

APPLICATION REQUIREMENTS – ARs

<p>AR 6 for paras. 1 – 20</p> <p>(Information considered as a whole)</p>	<p>(new) To meet the objective of its sustainability statement set out in paragraph 1, the undertaking shall consider the overall picture of the reported information. This can result in the addition of entity-specific information, as well as the implementation of the provision in paragraph 24.</p> <p>Making use of one or more of the provisions in Chapters 5.4, 7.3, 7.4, or 7.7 is not detrimental to fair presentation provided that the undertaking provides explanations that enable users to understand the consequences on the reported information and the resulting limitations.</p>
<p>AR 7 for para. 20(b)</p> <p>(Additional information in other reporting frameworks)</p>	<p>(new) Other reporting frameworks refer to ‘additional information’ as the content that an undertaking shall disclose beyond the requirements provided in the standards to ensure a fair presentation. In ESRS, the term ‘entity-specific disclosures’ serves the same purpose.</p>

3. Double materiality as the basis for sustainability reporting

~~20.22.~~ (21) The undertaking ~~shall report on topics~~ determines the material information to be disclosed based on ~~the its~~ **double materiality** principle as defined in ~~assessment (see paragraph 3 and 1)~~ explained in this Chapter.

3.1. Materiality of information as a general filter for reported information

21. The ~~sustainability statement~~ shall include material information. (new) Information is material when:

23. omitting, misstating or obscuring that information could reasonably be expected to influence:

- (a) decisions that primary **users** of general-purpose financial reports make based on those reports, including financial statements and the **sustainability statement**, relating to providing resources to the undertaking; or
- (b) it is necessary for decisions, including informed assessments, that other users of general-purpose sustainability statements to understand make based on the sustainability statement regarding the undertaking’s material impacts, risks and opportunities and how the undertaking manages them.

24. (new) The undertaking is not required to disclose information prescribed by an ESRS DR if that information is not material.

3.1. Assessing topic and information materiality

3.1.1. Steps in determining the information to be reported

25. The undertaking determines the information to be reported in two steps:

- ~~(b)~~(a) it identifies and manages them material **topics** on the basis of the related material **impacts, risks or opportunities** (see Chapters 3.2.1 and 3.2.2); and then,

- (b) it determines the information to be reported on each of those **topics** (see paragraphs 29, 30 and 31 of this Standard).
26. With respect to the identification of **topics**, the undertaking shall report material information on a topic when the topic is related to one or more material **impacts, risks** or **opportunities** identified based on the criteria in Chapters 3.2.1. and 3.2.2.
27. The undertaking may derive a conclusion, without further assessment, on the **materiality** or non-materiality of its **impacts, risks** or **opportunities** for a **topic** or sub-topic, on the basis of an analysis of its strategy and **business model**, taking into account its sector(s) of operations, its **geographies**, and the features of its upstream and downstream **value chain** ('top-down' approach to materiality assessment). In this approach, if there is still uncertainty on the materiality conclusion for one or more impacts, risks or opportunities on the basis of the analysis of the strategy and business model, the undertaking shall perform a specific assessment of them.
28. The undertaking may also rely on a **materiality assessment** conducted only at the level of **impacts, risks** and **opportunities** ('bottom-up' approach to materiality assessment).
29. (new) The undertaking is required to determine the information to be reported:
- (a) by applying the provision in ESRS 2 *General Disclosures*;
 - (b) (30 amended) about a **topic** or sub-topic related to its material **impacts, risks** and **opportunities** by:
 - (i) applying the provisions in ESRS 2 GDR-P, GDR-A, GDR-M, and GDR-T when reporting on material information about **policies, actions, metrics** and **targets**;
 - (ii) disclosing information in accordance with the DRs (including ARs) relevant to that specific topic or sub-topic in the corresponding topical standards; and
 - (iii) by adding entity-specific information when this is necessary in accordance with paragraph 11.
30. (new) When a material **impact, risk** or **opportunity** relates to a particular sub-topic, the undertaking is required to report only the material information related to the sub-topic concerned.
31. When the undertaking uses the reliefs that are available under the ESRS, it shall disclose the information prescribed in Sub-Chapters 5.4, 7.3, 7.4, and 7.7.

APPLICATION REQUIREMENTS – ARs

AR 3 for para. 21	The term 'general purpose' refers to interests and viewpoints assessed based on groups of users.
AR 8 for para. 24 AR 4 (Top-down approach)	<p>Material impacts, risks and opportunities identified under the double materiality principle and therefore reported on in the sustainability statement are understood to be the same as the undertaking's principal impacts, risks and opportunities referred to in the CSRD (Directive (EU) 2022/2464).</p> <p>Some existing standards and frameworks also use the term 'most significant impacts' when referring to the threshold used to identify the impacts that are described in the ESRS as 'material impacts'. Following the 'top-down approach' to materiality assessment, the conclusion can be drawn at topic level for the combined impacts, risks and opportunities.</p>

AR 9 for paras. 27-28 (Combining approaches)	The undertaking may combine a top-down approach for some topics, with an analysis at level of impacts , risks and opportunities for others.
AR 10 for para. 27 (Geographies)	Geographies or geographic contexts can be analysed at different levels, e.g., country, region, county, water basin, ecosystem or a site , on the basis of the level considered relevant for assessment purposes.
AR 11 for para. 29 (ESRS 2 DRs)	(new) The DRs in ESRS 2 are fundamental in nature and therefore likely to result in material information for all undertakings.

3.1.2. Interaction between topics to be reported Bases for assessing materiality

32. (AR 17 amended) In conducting its **double materiality** assessment, the undertaking:

- (a) shall use reasonable and supportable evidence that is available at the reporting date without undue cost or effort (see Chapter 7.4);
- (b) (39 amended) shall focus on areas of own operations and upstream and downstream **value chain** where material **impacts**, **risks** and **opportunities** are deemed likely to arise based on the undertaking's strategy and **business model**, **geographies**, sectors, **business relationships**, nature of the activities, or other factors; and
- (c) The undertaking shall report on a given **topic** when the topic relates to one or more material **impacts**, **risks** and **opportunities** across all areas of its operations and upstream and downstream value chain.

33. (new) For the **geographies** identified under paragraph 32(b), the undertaking shall consider the specific context to assess the **materiality** of its **impacts**, **risks**, and **opportunities**, as identified through its **double**.

22-34. (new) The undertaking may be able to conduct the **materiality** assessment. The regarding upstream and downstream **value chain** without direct information shall be presented either at topical level or at from **actors in the value chain**, by using average regional, sector data or generally available information about the existence of **impacts**, **risks** and **opportunities** level, depending on what provides the most relevant information, such as reflecting their nature or the way they are managed (refer to the general requirement on level of disaggregation in Chapter 3.7). in the given context.

23. The ESRS are structured on the basis of 10 topical standards. Each topical standard covers a number of related **topics** and is organised as a series of DRs. The topics addressed in the ESRS topical standards are set out in Appendix A. In addition, paragraph 10 requires the undertaking to report on entity-specific material topics related to one or several material **impacts**, **risks** and **opportunities** that are not covered, or not sufficiently covered, by these topical standards (refer to AR 21 for the application of this requirement when only a sub-topic is material).

3.3

APPLICATION REQUIREMENTS – ARs

AR 12 for para. 32	In accordance with the use of reasonable and supportable information that is available at the reporting date without undue cost and effort (Chapter 7.4):
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(Reasonable and supportable information and identifying impacts, risks and opportunities)	<p>(a) <u>a qualitative analysis may be sufficient for an undertaking to reasonably conclude whether impacts, risks, and opportunities are material or not. If a qualitative analysis is not sufficient, using a scoring system may be necessary to determine materiality; and</u></p> <p>(b) <u>the undertaking is not required to perform an exhaustive search for information to identify material impacts, risks and opportunities.</u></p>
AR 13 for para. 32 (Usual internal and external sources)	<p>(new) <u>The undertaking may consider the following usual internal and external sources to support the materiality assessment: the undertaking’s sustainability due diligence and general risk management processes; its engagement with affected stakeholders; peer experience; reports and statistics, scientific data, and expert advice.</u></p>
AR 14 for para. 32 (Time horizon and characteristics of severity)	<p><u>Unless further assessment is necessary to be able to determine that an impact, risk or opportunity is material, the undertaking need not:</u></p> <p>(a) <u>analyse every time horizon for all impacts, risks and opportunities; and</u></p> <p>(b) <u>in the case of impacts, analyse separately each characteristic of severity (see Chapter 3.2.1).</u></p>
AR 15 for para. 33 (Level of the materiality assessment)	<p><u>The following paragraphs support the determination of the level at which the materiality assessment takes place. For the determination of the level of aggregation, disaggregation adopted for reporting purposes, see Chapter 3.3.2.</u></p> <p><u>For environmental topics, factors that influence the existence of negative impacts in a specific context of the geography include: local quality of air, water and soil; water availability in areas at water risk; and the presence of threatened species and ecosystems in biodiversity sensitive areas.</u></p> <p><u>As it relates to nature-related impacts and dependencies, the first three phases of the LEAP approach (locate, evaluate and assess) provide a valuable reference for how to:</u></p> <p>(a) <u>locate where, within own operations and upstream and downstream value chain, interfaces with nature occur;</u></p> <p>(b) <u>evaluate the related dependencies and impacts; and</u></p> <p>(c) <u>assess the associated risks and opportunities.</u></p> <p><u>For social topics, factors that influence the existence of negative impacts in a specific context of the geography include, among others: conflict-affected, high-risk areas and the presence of vulnerable populations such as Indigenous people or migrant workers.</u></p>

3.1.3. Periodicity of the double materiality assessment

35. (new) At each reporting date, the undertaking shall consider whether significant changes have occurred that could affect the conclusions of the **materiality** assessment conducted in previous reporting periods. If such changes are identified, the materiality assessment shall be reviewed and updated accordingly. Significant changes may relate to the undertaking’s activities, structure, **business relationships**,

understanding of **impacts, risks** or **opportunities**, assessment methodologies, or in the external environment.

3.2. Double materiality assessment: Impact materiality and financial materiality

~~24. (25) Performing a **materiality** assessment (see Chapters 3.3.1 and 3.3.2) is necessary to identify the undertaking's material **impacts, risks** and **opportunities** and the related **topics** to be reported.~~

~~25-36. (37, 38, 39 amended) **Double materiality** has two dimensions: **impact materiality** and **financial materiality**, which are interrelated. These interdependencies shall be considered in the assessment, and the undertaking shall consider how they interact. An impact ~~may~~can be financially material from ~~inception~~the start or become financially material ~~when, if it could~~is reasonably ~~be~~ expected to affect the undertaking's financial ~~position, financial~~ performance, financial position, cash flows, its access to finance or the cost of capital over the short, medium or long term. ~~Impacts are captured by the~~can be material exclusively from an impact ~~materiality~~ perspective, irrespective of whether ~~or not~~ they are financially material.~~

~~26-37. In general, the starting point is the assessment of **impacts**, although, The undertaking shall as well evaluate whether there ~~may also be~~ material **risks** ~~and/or~~ **opportunities** that are not related to the undertaking's impacts, such as physical risks.~~

~~27. The following are usual internal and external sources of evidence and information that the undertaking may use in conducting a **materiality** assessment: the undertaking's sustainability due diligence and risk management processes; engagement with affected **stakeholders**; industry and peer group experience; external ratings, reports and statistics and scientific data; experts' engagement.~~

~~28-38. (42 amended) When applying The undertaking shall determine which **impacts, risks** and **opportunities** are material, based on the criteria ~~set under~~described in Chapters 3.3.1 and 3.3.2, the undertaking shall ~~set 2.2, and supported by~~ appropriate qualitative ~~and/~~considerations or quantitative thresholds to determine which **impacts, risks** and **opportunities** are identified and assessed by the undertaking as material and, as a result, to determine the **topics** to be reported (refer to AR 17 for the option to adopt a top-down approach in performing the double **materiality** assessment).~~

~~29. The undertaking shall update the conclusions of the **materiality** assessments conducted in the previous reporting periods to take into account changed circumstances and/or assumptions. Because of changes in its individual circumstances or in the external environment, some types of information included in its ESRS **sustainability statement** for prior periods might no longer be material; conversely, some types of information not previously disclosed might become material.~~

3.3.1. Impact materiality assessment

~~39. (43 amended) The **impact materiality** assessment corresponds to the identification of the undertaking's material impacts.~~

~~30-40. The undertaking shall report information about a given **topic** from an impact perspective if that **topic** relates to the undertaking's material actual or potential, positive or negative **impacts** on people or the environment over the short, medium or long term. Impacts include those connected with ~~its~~the undertaking's own operations, ~~and its upstream and downstream~~ **value chain**, including through its **products, or and** services, ~~including as well as~~ through its **business relationships** in its upstream and downstream value chain. Business relationships are not limited to direct contractual relationships.~~

~~31-41. (45 amended) For actual negative **impacts, materiality** shall be assessed based on the severity of the impact. For potential negative impacts, it shall be assessed based on a combination of ~~the~~ severity and likelihood ~~of the impact~~. Severity shall be assessed based on the following factors: ~~the~~ scale, scope and irremediable character of the impact. In the case of a potential negative human rights impact, the severity of the impact takes precedence over its likelihood.~~

~~32-42.~~ (46) For actual positive **impacts**, **materiality** shall be **assessed** based on the scale and scope of the impact, ~~while for~~. For potential **positive** impacts, **materiality shall be assessed** based on **the** scale, scope and likelihood of the impact.

~~33-43. (24 amended)~~ The results of ~~the~~ engagement with affected **stakeholders** ~~provides~~ **carried out in the context of ongoing sustainability due diligence activities is** a key input to the **impact materiality** assessment. ~~Such engagement is central to the ongoing sustainability due diligence.~~ Affected stakeholders are individuals or groups whose interests are affected or could be affected ~~—positively or negatively—~~ by the undertaking's activities and its direct and indirect **business relationships** ~~across~~ **in** its upstream and downstream **value chain**.

~~44. When assessing~~ The information about how the undertaking manages its material **impacts**, **risks** and **opportunities** through **policies** and **actions** may be relevant to **users**, and therefore the **materiality** ~~corresponding topic may have to be reported, irrespective of how effectively they are managed or irrespective of how effectively the corresponding topics are regulated, particularly for topics that are identifiable as material based on the analysis of the undertaking's strategy and business model, as described in paragraph 27.~~

~~45. (new)~~ Without prejudice to paragraph 44:

~~34.(a) the severity of actual negative impacts— those that occurred~~ **manifest** during the reporting year ~~or in prior years—the severity of the impact shall be evaluated considering the outcomes of any mitigation or prevention measures implemented before the impact occurred— shall be assessed as they actually manifested during the reporting year. Actual impacts in the include those that have originated in the previous reporting periods and continue to exist in the current reporting period—include both newly arisen impacts and those persisting from previous periods. If the undertaking has taken remediation actions during the reporting— Their severity is assessed based on the current reporting period to address actual negative—, i.e. taking into account how they were mitigated in the previous periods. Remediation of impacts, these actions— realised during the reporting period shall not be considered—when assessing the materiality of the impact. Where the impact is deemed material based on this assessment, the undertaking shall disclose the remediation actions undertaken and their expected or actual outcomes—; and~~

~~35.(b) When supportable evidence exists that mitigation or prevention actions taken reduce the severity—the severity and/or likelihood of potential negative impacts (i.e.— those that could occur—may manifest in the future)—, the effect of these actions is considered in assessing the materiality of the impacts. However, if the undertaking needs to maintain significant ongoing mitigation and/or prevention actions, to contain the severity and/or likelihood of occurrence of the potential impact below a materiality level, the impact— shall be assessed without considering the mitigation and/or prevention actions. Future remediation actions and taking into account only implemented prevention and mitigation policies are and actions that effectively reduce the severity or likelihood. Actions or policies that have not yet been implemented shall not be considered in the materiality assessment of potential impacts.~~

~~36-46. (new)~~ The undertaking's **positive impacts** shall be assessed in their own right ~~and shall not be netted, i.e. without netting off against its—negative impacts. The results of the undertaking's prevention, mitigation or remediation actions onto address negative impacts caused by to which the undertaking is connected, or contributed to by its—the undertaking's compliance with law and regulation, are not positive impacts. However, if its—Positive impacts include the effects of the undertaking's business activities, products and services impacts mitigate or remediate negative impacts of another party, this—when the undertaking is considered a positive impact of the undertaking— not connected with those impacts.~~

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<p>AR 5 for para. 30 (Steps of impact materiality assessment)</p>	<p>(AR 9) The undertaking shall consider the following steps in the impact materiality assessment process, but it may implement either a top down or bottom-up approach, as described in AR 17 below, through:</p> <ul style="list-style-type: none"> (a) understanding the context in relation to its impacts, including its activities, business relationships, and stakeholders; (b) identifying actual and potential impacts (both negative and positive); and (c) assessing the materiality of actual and potential impacts and determining the topics to be reported. In this step, the undertaking shall adopt thresholds to determine which impacts will be covered in its sustainability statement.
<p>AR 6 for para. 30 AR 16 (Impacts for paras. 39 - 40 (Examples of impacts connected with the undertaking))</p>	<p>(AR 12) The following are two examples of impacts that are connected with the undertaking:</p> <ul style="list-style-type: none"> (a) if the undertaking uses cobalt in its products, which that is mined by using childrenchild labour, the negative impact that arises from child labour (i.e. impact on the health and well-being of children) is connected with the undertaking's products through the tiers of business relationships in its upstream value chain. These business relationships include the undertaking's suppliers and their workers, the smelter and minerals trader and the mining enterprise that uses child labour; and (b) if the undertaking provides financial loans to an undertaking for business activities that, in breach of agreed environmental standards, result in the contamination of water and land surrounding the operations, this negative impact is connected with the undertaking through its relationship with the undertaking it provides the loans to.
<p>AR 17 for paras. 39 - 40 (Qualitative considerations and quantitative thresholds)</p>	<p>(new) If a conclusion on materiality is derived based on the analysis of the undertaking's strategy and business model as described in paragraph 38, the use of quantitative thresholds is not needed.</p>
<p>AR 18 for paras. 39 - 40 (Steps in the impact materiality assessment)</p>	<p>(AR 9) The undertaking shall consider the following steps in the impact materiality assessment process:</p> <ul style="list-style-type: none"> (a) understand the context in relation to its impacts, including its activities, business relationships and stakeholders; (b) identify actual and potential impacts (both negative and positive); and (c) assess the materiality of actual and potential impacts and determine the topics to be reported.

<p>AR 19 for paras. 39 – 40 (Terms used in other reporting frameworks)</p>	<p>(42) The term ‘most significant impacts’ is used in some existing reporting frameworks to refer to impacts that are described in ESRS as ‘material impacts’.</p>
<p>AR 7AR 20 for para. 41 (Characteristics of severity)(Scale, scope and irremediable character)</p>	<p>(AR 10) The severity <u>of a negative impact</u> is assessed based on a combination of its factors, i.e. scale, scope and irremediable character. The undertaking shall also take into account the practical considerations mentioned in AR 18(b):</p> <ul style="list-style-type: none"> (a) scale: how serious the negative impact is or how beneficial the positive impact is for people or the environment; (b) scope: how widespread the negative or positive impacts are. In the case of environmental impacts, the scope ‘scope’ may be understood as the extent of environmental damage or <u>as</u> a geographical perimeter. In the case of impacts on people, the scope ‘scope’ may be understood as the number of people adversely/negatively affected; and (c) <u>irremediable character</u>: whether and to what extent the negative impacts could be remediated, i.e. <u>by</u> restoring the environment or affected people to their prior state. <p>(e)(AR 11) Any of the three characteristics (scale, scope and irremediable character) can make a negative impact severe.</p>
<p>AR 8 for para. 31 (Characteristics of severity)</p>	<p>(AR 11) Any of the three characteristics (scale, scope and irremediable character) can make a negative impact severe. The undertaking shall also take into account the practical consideration mentioned in AR 18(b).</p>
<p>AR 9 for para. 31 (Assessing actual and potential impacts for materiality)</p>	<p>Appendix C provides an overview for assessing actual and potential impacts for materiality.</p>
<p>AR 10AR 21 for para. 43 (Stakeholders and their relevance to the materiality assessment))</p>	<p>(AR 6) Common <u>The typical</u> categories of affected stakeholders of an undertaking are: <u>employees</u>workers and for – workers’ <u>workers’ representatives, suppliers</u>, in the undertaking’s <u>own workforce</u> and in its <u>upstream and downstream value chains</u>, communities affected by its business operations or upstream and downstream value chain activities, and <u>consumers</u> or end-users <u>and</u> affected communities and persons in <u>of its products and services</u>. <u>Consideration of affected stakeholders requires particular attention to the stakeholders within these categories who are in particularly vulnerable situations.</u></p> <p>(AR 7) Nature may be considered a silent affected stakeholder.</p>
<p>AR 11AR 22 for para. 3343 (Stakeholders and their relevance to the</p>	<p><u>(24 and AR 8 amended)</u> If the undertaking engages with affected stakeholders as part of its due diligence process <u>(if any)</u> to identify, assess and address negative impacts, the results of this engagement will provide a <u>critical/valuable</u> input to its materiality assessment, without necessarily putting in place a separate engagement process for the materiality assessment. However, the undertaking may also seek direct input into its materiality assessment from</p>

<p>materiality assessment <u>(Engagement with affected stakeholders)</u></p>	<p>affected stakeholders or their representatives (such as employee representatives or trade unions), as well as users of sustainability reporting and other experts. This includes feedback on the undertaking's conclusions regarding the identification of material impacts, risks and opportunities, as well as regarding the topics to be reported. Under the CSRD, the management of the undertaking shall inform the workers' representatives at the appropriate level and discuss with them the relevant information and the means of obtaining and verifying sustainability information. The workers' representatives' opinion shall be communicated, where applicable, to the relevant administrative, management or supervisory bodies.</p>
<p>AR 12 for paras. 34/35 AR 23 (Assessing actual and potential impacts for materiality) <u>for para. 43</u> (Workers' representatives)</p>	<p>In this context, the reference to actions taken shall be understood to also include aspects of the corresponding implemented policies, as policies are implemented through actions. (new) In accordance with the Accounting Directive (Directive 2013/34/EU of the European Parliament and of the Council), as amended by the Corporate Sustainability Reporting Directive (Directive (EU) 2022/2464 of the European Parliament and of the Council), the management of the undertaking shall inform workers' representatives at the appropriate level and discuss with them the relevant information and the means of obtaining and verifying sustainability information. Such a process and, where applicable, the related communication to the relevant administrative, management and supervisory bodies constitute a valuable element of engagement with stakeholders.</p>
<p>AR 24 for para. 45(b) (Contingency plans)</p>	<p>(new) Contingency plans, such as those reducing the damage of an industrial accident, may be taken into account.</p>
<p>AR 13 for para. 34 AR 25 (Assessing actual and potential impacts for materiality) <u>for para. 45(b)</u> (Policy in isolation)</p>	<p>If potential impacts are assessed as material, disclosing significant planned or ongoing/ implemented remediation actions – if any – and their expected effects shall be considered material information that needs to be reported in accordance with DRs on actions and [Draft] Amended ESRS 2 GDR A. (new) If a policy implies substantial future actions to ensure that it is effective in reducing severity or likelihood, the existence of that policy shall not be considered in assessing the materiality of impacts.</p>

3.3.2.2. Financial materiality assessment

~~37-47.~~ (48 ~~amended~~) The **financial materiality** assessment corresponds to the identification of information that is considered material for primary **users** of general-purpose financial reports in making decisions relating to providing resources to the undertaking. ~~In particular, information is considered material for primary users of general purpose financial reports if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that they make on the basis of its sustainability statement. (see paragraph 23(a)).~~

~~38-48.~~ (47 and 49 ~~amended~~) The scope of **financial materiality** for sustainability reporting is an expansion of the scope of **materiality** used in the process of determining which information shall be included in the undertaking's financial ~~statements~~ statements. The financial materiality of a **topic** is not ~~constrained-limited~~ to topics that are within the control of the undertaking but includes information on material **risks** and **opportunities** attributable to **business relationships** ~~beyond the scope of consolidation used in the preparation of financial statements in the upstream and downstream value chain.~~

~~39-49.~~ (49) The undertaking is required to report information about a given **topic** ~~shall be reported~~ from a **financial materiality** perspective, if ~~it~~ ~~that~~ **topic** triggers, or could reasonably be expected to trigger, material **financial effects** on the undertaking. This is the case when the **risks** or **opportunities** related to a topic have, or could reasonably be expected to have, a material influence on its development, financial position, financial performance, cash flows, access to finance or cost of capital over the short, medium or long term. ~~Risks and opportunities may derive from past or future events.~~

~~40-50.~~ (50 amended) **Risks and opportunities** may arise from past or future events. Material risks and opportunities ~~derive~~ ~~arise~~ from the ~~undertaking's~~ ~~undertakings~~:

- (a) material **impacts**, as identified through the **impact materiality** assessment;
- (b) **dependencies** on natural, human and social resources; and
- (c) other factors, such as exposure to climate hazards or changes in regulation that address **systemic risks**.

~~41-51.~~ (40) ~~The~~ ~~amended~~ In identifying **risks** and **opportunities**, the undertaking shall consider ~~how it is affected by its dependencies as sources of financial effects, either in terms of cash flows or in terms of resources not recognised in financial statements. Dependencies may be sources of risks or opportunities, irrespective of its the undertaking's potential impacts on those resources. Dependencies may influence its ability to continue to use or obtain the the natural, human and social resources needed in business processes, as well as the quality and pricing of those resources, and the ability to rely it relies on relationships needed in its business processes on acceptable terms.~~

~~42-52.~~ (51) The **materiality** of **risks** and **opportunities** is assessed based on a combination of the likelihood of occurrence and the potential magnitude of the **financial effects**.

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<p>AR 26 for para. 41 (Identification of risks and opportunities, likelihood and magnitude) for para. 50</p> <p>AR 14 (Internal risk management)</p>	<p>In the identification of risks and opportunities, the undertaking shall consider its dependencies as sources of financial effects, either in terms of cash flows or in terms of resources not recognised in financial statements. (new) The internal risk management framework of the undertaking is a valuable source of input for the materiality assessment of risks and opportunities. In case of credit institutions and insurance undertakings, consistency is expected between the materiality assessment of their risks and opportunities, and the applicable prudential regulatory framework.</p>
<p>AR 27 for para. 41 (Identification of risks and opportunities, likelihood and magnitude) for para. 50</p> <p>AR 15 (Dependencies)</p>	<p>(AR 15) In assessing risks and opportunities for materiality, the undertaking shall consider their contribution to financial effects in the short, medium and long term based on:</p> <ul style="list-style-type: none"> (a) scenarios/forecasts that are deemed likely to materialise; and anticipated financial effects that are not (or are not yet) reflected in financial statements and that arise from material impacts, risks and opportunities and related topics. This may derive from situations that do not yet lead to the recognition of assets/liabilities, or income/expenses, in financial statements, in accordance with the accounting recognition criteria. (50 amended) Dependencies may influence: <ul style="list-style-type: none"> (a) the undertaking's ability to continue to use or obtain the resources needed in its business processes;

	<p>(b) the quality and pricing of those resources; or</p> <p>(b)(c) the ability to rely on acceptable terms on the relationships that are needed in its business processes.</p>
<p>AR 28 for para. 41 (Identification of risks and opportunities) for para. 50</p> <p>AR 16 (Contribution to financial effects)</p>	<p>Internal risk management processes are a critical source of input for (AR 15) In assessing the materiality assessment of risks. Leveraging them contributes and opportunities, the undertaking shall consider their contribution to the consistency of financial and sustainability reporting effects in the short, medium and long term based on:</p> <p>(a) scenarios/forecasts that are deemed likely to materialise; and</p> <p>(b) anticipated financial effects that are not (or are not yet) reflected in financial statements and that arise from material risks and opportunities. This may derive from situations that do not yet lead to the recognition of assets and liabilities or income and expenses in financial statements in accordance with the accounting recognition criteria.</p>

3.4.3 Specific circumstances

3.3.1 Material impacts or risks arising from actions to address **impacts or risks related to** other topics

43. ~~(52 amended)~~ The ~~undertaking's **materiality** assessment may lead to the identification of~~ identify situations ~~in which~~ where its **actions taken** to address certain **impacts or risks**, or ~~to benefit from certain **opportunities** in relation, related to~~ **one topic**, might have negative ~~may create~~ material **negative** impacts or ~~cause~~ material risks ~~in relation to~~ for one or more other topics.

44. ~~(53)~~ In such situations, the undertaking ~~(Chapter 9.2 applies):~~

- ~~(a) discloses under is required to present its disclosure in a way that facilitates the understanding of the other **topic** the negative material impacts or **material risks** together with the **actions** that cause them, with a cross-reference to the related topic; and~~
- ~~(b) provides a description of how the material negative **impacts** or material **risks** are addressed under the **topic** to which they relate.~~

~~53. 3.5 Practical considerations in determining the material impacts, risks and opportunities and their related connections between different topics to be reported.~~

45. In conducting its **double materiality** assessment, the undertaking is expected to:

- ~~(a) focus the assessment of the undertaking's own operations and upstream and downstream **value chains** on areas where material **impacts, risks** and **opportunities** are deemed likely to arise based on the **business model**, the nature of the activities, **business relationships**, geographies or other factors; and~~
- ~~(b) use reasonable and supportable evidence to estimate the levels of severity and likelihood of impacts and the likelihood and magnitude of **financial effects** of risks and opportunities.~~

46. The undertaking is not required to assess every possible **impact, risk** and **opportunity** across all areas of its operations and upstream and downstream **value chains** to identify the **topics** to be reported.

47. To identify material **impacts, risks** and **opportunities**, the undertaking shall use reasonable and supportable information that is available without undue cost or effort (see Chapter 7.3). Information that is used by the undertaking in preparing its financial statements, operating its **business model**, setting its strategy, conducting its sustainability due diligence, and managing its impacts, risks and opportunities is considered available to the undertaking without undue cost or effort.

48. The undertaking may avoid unnecessary complexity:

- (a) ~~by starting from the **topics** or sub-topics for which a conclusion on the **materiality** of its **impacts**, **risks** and **opportunities** can be derived on the basis of its **business model**, upstream and downstream **value chain**, peer analysis and the strategic and business priorities, and therefore no further investigation is necessary to include or exclude them from the **sustainability statement**; and~~
- (b) ~~by subsequently addressing **topics** or sub-topics related to other **impacts**, **risks** and **opportunities**, noting that for those likely to be material, a limited further assessment may be sufficient.~~

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<p>AR 17 for para. 48(a)</p> <p>AR 29 (Practical considerations) for para. 1 (Impacts or risks arising from actions)</p>	<p>The undertaking may adopt a top-down or a bottom-up approach to perform its materiality assessment.</p> <p>In the top-down approach, the undertaking starts from the topic (topic or when appropriate sub-topic in Appendix A or entity-specific topic) unless an assessment at the individual level of impacts, risks and opportunities is needed to conclude on their materiality. Once the undertaking concludes on the necessity to report on a topic, it needs to identify the related material impacts, risks and opportunities, which will be presented in accordance with {Draft} Amended ESRS 2 IRO-2.</p> <p>In the bottom-up approach, the starting point is the level of material potential impacts, risks and opportunities, which are assessed for materiality. Once identified as material, they are aggregated into topic(s) for reporting purposes, unless not appropriate.</p> <p>Adopting a top-down approach may be more pragmatic and reduce the complexity of the process, and is expected to lead to the same outcome of the materiality assessment as the bottom-up approach. <u>(53) The following is an illustration of these situations. The climate-mitigation transition plan may result in negative material impacts or risks related to own workforce. In such situations, to promote connected information (refer to Chapter 9.2), the undertaking:</u></p> <ul style="list-style-type: none"> <u>(a) discloses under own workforce the negative material impacts or material risks resulting from its transition plan, together with the actions that cause them, with a cross-reference to the climate disclosure; and</u> <u>(b) provides a description of how the climate-related material negative impacts or material risks are addressed, in its climate disclosure.</u>
<p>AR 18 for para. 48</p> <p>(Practical considerations)</p>	<p>Unless more investigation is necessary to be able to determine that an impact, risk, or opportunity is material, the undertaking does not need:</p> <ul style="list-style-type: none"> (a) to analyse every time horizon for all impacts, risks and opportunities; (b) (for impacts) to analyse separately each characteristic of severity (see Chapter 3.3.1).

AR 19 for para. 48

(Practical considerations)

The use of quantitative information or quantitative scoring is not required in all cases. A qualitative analysis may be sufficient for the undertaking to reasonably conclude that the **impacts, risks** and **opportunities** related to a given **topic** are material or not material.

3.6. Determining the information to be reported in accordance with [Draft] Amended ESRS 2 and topical standards

49. The **sustainability statement** shall include general material information in accordance with [Draft] Amended ESRS 2 and, when necessary, on an entity-specific basis.

50. (30 amended) In addition, in accordance with paragraph 22, it shall include topical material information by:

- (a) applying the provisions in [Draft] Amended ESRS 2 GDR P, GDR A, GDR M, and GDR T when reporting on material information about **policies, actions, metrics and targets**;
- (b) disclosing material information in accordance with the DRs (including ARs) related to that specific topic or sub-topic in the corresponding topical ESRS; and
- (c) disclosing any material entity-specific information (see paragraph 10 and related ARs).

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AR 20 for paras. 49 and 50

[Draft] Amended ESRS 2 datapoints and GDR P, GDR A, GDR M, GDR T

The DRs in [Draft] Amended ESRS 2 (including GDR P, GDR A, GDR M, GDR T) are fundamental in nature and therefore likely to result in material information for all undertakings.

AR 21 For para. 50

(Determining the information to be reported at sub-topic level)

When a material **impact, risk** or **opportunity** relates to a particular sub-**topic**, the undertaking needs only to report the material information related to that sub-topic within the relevant topical standard.

3.7.2 Level of aggregation, disaggregation and group reporting

~~51.54.~~ (54 amended) The undertaking shall aggregate or disaggregate the ~~reported~~ information ~~to reflect in a way that reflects~~ the level at which significant variations of material **impacts, risks** or **opportunities** arise, such as by **topic**, sector, subsidiary, ~~country, location, water basin, site geography~~, asset ~~or other~~ appropriate level of aggregation/disaggregation. (54 amended). In doing so, the ~~The~~ undertaking shall consider relevant facts and circumstances in line with its **materiality** assessment, to determine the ~~appropriate level~~ level of aggregation that supports faithful representation of aggregation its impacts, risks or opportunities.

~~52.55.~~ (56 amended) The undertaking shall ensure that the level of aggregation and disaggregation does not obscure material information ~~that is material.~~

56. (55) The disaggregation used to present a given disclosure shall reflect the level that provides the most relevant information to **users**, i.e. **topic**, group of **impacts, risks or opportunities**, individual impact, risk or opportunity. This should reflect factors such as the nature of the impacts, risks and opportunities in question or the way they are managed.

~~53-57.~~ (102) When ~~the undertaking is~~ reporting at a consolidated level, ~~it~~~~the undertaking~~ shall ~~perform~~~~it~~~~carry out the~~ assessment of material **impacts, risks and opportunities** for the ~~entire~~ consolidated group regardless of ~~it~~~~the~~ group's legal structure. It shall ensure that ~~all~~~~the activities of its~~ subsidiaries are covered in a way that allows for the unbiased identification of material impacts, risks and opportunities at group level. (103) ~~If the undertaking identifies significant differences between material impacts, risks or opportunities at group level and material impacts, risks or opportunities of one or more of its subsidiaries, it shall disaggregate and present information in a way that allows an adequate understanding of the material impacts, risks and opportunities, of the subsidiary or subsidiaries concerned. Conversely, if a material impact, risk or opportunity determined at group level is not relevant for all subsidiaries or activities in a group, the information may be provided at a disaggregated level, covering only the subsidiaries or activities for which the impact, risk or opportunity is relevant (see also the reliefs for metrics in paragraph 94).~~

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AR 22 for para. 51	Information on material impacts, risks and opportunities related to specific locations may be appropriately aggregated where they share common characteristics and the activities to which they are associated with affect the same ecological area – such as water basin, region, ecosystem, or landscape. The appropriate level of aggregation or disaggregation shall not obscure systemic interactions or specific local drivers of impacts.
AR 23 for para. 52	The undertaking shall consider disaggregating reported information by location – such as by site, water basin or local ecosystem – when material impacts, risks or opportunities are highly dependent on local context, in line with [Draft] Amended ESRS 1 paragraph 51.
AR 30 for para. 52 54 AR 24 (Material geographies)	(103) Where the undertaking identifies significant differences between material impacts, risks or opportunities at group level and material impacts, risks or opportunities of one or more of its subsidiaries, it shall disaggregate and present information in a way that allows an adequate understanding of the impacts, risks and opportunities, as appropriate, of the subsidiary or subsidiaries concerned. Conversely, if a material impact, risk or opportunity determined at group level is not relevant for all subsidiaries or activities in a group, the information can be provided at a disaggregated level reflecting only the activities for which the impact, risk or opportunity is relevant. <u>The undertaking shall consider disaggregating reported information by material geographies (see paragraph AR 10) at appropriate level, when the severity of the underlying material impacts is highly dependent on the characteristics of the context of those geographies, or when there are significant differences in the undertaking's activities affecting those geographies.</u> <u>The adopted level of aggregation shall not obscure systemic interactions or drivers of impacts that exist in specific geographic contexts.</u>
AR 31 for para. 52-55 AR 25 (Inappropriate level of aggregation)	Information may be obscured where an inappropriate level of aggregation could be reasonably expected to influence the decision of primary users of general-purpose financial statements and/or the ability <u>decisions including assessments of other users of the general-purpose sustainability statements to understand</u>

~~the undertaking's impacts.~~ An inappropriate level of aggregation of **impacts**, **risks** and **opportunities** may result from aggregating those which do not have shared characteristics or disaggregating those which have shared characteristics. Information may also be obscured ~~as a result of if~~ material information ~~being~~ hidden by immaterial information.

4. Due diligence

~~54.~~ (59) Due diligence is the process by which the undertaking identifies, prevents, mitigates, remediates and brings to an end actual and potential negative **impacts** on people and the environment connected with its business. The description of such a process is available in the international instruments of the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. Due diligence is an ongoing practice that responds to and may trigger changes in the undertaking's strategy, **business model**, activities, **business relationships**, operating, sourcing and selling contexts.

~~55-58.~~ (58) ~~The amended~~ ESRS do not impose any conduct requirements in relation to due diligence, nor do they extend or modify the role of the **administrative, management and supervisory bodies** of the undertaking with regard to the conduct of due diligence. The provisions of ESRS are without prejudice of the provisions of the Corporate Sustainability Due Diligence Directive for undertakings in the scope of it.

~~56-59.~~ (58) The outcome of the undertaking's sustainability due diligence process (referred to as 'due diligence' in the international instruments) informs the assessment of its material negative ~~material~~ **impacts**.

~~57-60.~~ (60) The international instruments identify a number of steps in the due diligence process. One of these steps is the identification and assessment of negative **impacts** connected with the undertaking's own operations, **products** or services, including through **business relationships** in the undertaking's upstream and downstream **value chain**. Where the undertaking cannot address all impacts at once, the due diligence process allows for **action** to be prioritised based on the severity and likelihood of ~~the~~ impacts. ~~It is this aspect of~~ The impact identification and assessment steps in the due diligence process ~~that informs~~ inform the assessment of material impacts for reporting purposes (see Chapter 3.32.1). The identification of material negative ~~material~~ impacts also supports the identification of material sustainability **risks** and **opportunities**, which are often a result of such impacts.

APPLICATION REQUIREMENTS – ARs

AR 32 for para. 60

AR 26 (Due diligence steps)

(61 amended) The due diligence steps laid out by the international instruments detailed in paragraph ~~57~~60 are: embedding due diligence in governance, strategy and **business model**; engaging with affected **stakeholders**; identifying and assessing negative **impacts** on people and the environment; taking **action** to address negative impacts on people and the environment; and tracking the effectiveness of these efforts.

5. Reporting undertaking and upstream and downstream value chain

5.1. Reporting undertaking and own operations

~~58-61.~~ (62 amended) The **sustainability statement** shall be for the same reporting undertaking as for the financial statements. If the parent undertaking prepares a consolidated financial ~~statement~~~~statements~~, the sustainability statement shall be for the ~~same consolidated group parent and its subsidiaries in accordance with the applicable accounting requirement~~. This requirement does not apply if the undertaking is not required to prepare financial statements, or if its consolidated sustainability reporting is prepared in accordance with Article 48(i) of Directive 2013/34/EU.

~~59-62.~~ **(new)** In the case of group reporting, the reporting undertaking usually - except for specific circumstances, such as leasing and assets that are held by the undertaking's long-term employee benefit scheme - considers as part of its own operations: the assets ~~and~~, liabilities, ~~income~~ **revenues** and ~~expense~~ **expenses** of the parent undertaking and its subsidiaries, located in or outside the EU, as determined in accordance with the applicable accounting ~~requirement~~ **requirements**. Paragraphs ~~63 to 73~~ **63 to 76** provide further provisions and exceptions for determining the reporting boundaries of own operations and upstream and downstream **value chain**. ~~The~~ **In addition, the** undertaking may exclude from the sustainability reporting boundary a subsidiary that has been excluded from the scope of the consolidated financial statements due to its non-materiality from a financial perspective, unless there are specific facts and circumstances that expose the group to ~~material impacts, risks and opportunities~~ **material impacts, risks and opportunities** arising from such subsidiary, that meet the materiality thresholds set material for the group.

APPLICATION REQUIREMENTS – ARs

<p>AR 27 AR 33 for para. 62</p> <p>(subsidiary) (Subsidiary with different reporting period)</p>	<p>The undertaking may include (new) When including subsidiaries with different reporting periods in the consolidated report, by adopting sustainability statement, the <u>undertaking may make use of</u> applicable accounting provisions <u>providing relief in that deal with</u> those circumstances.</p>
<p>AR 34 for para. 62</p> <p>(Joint operations share)</p>	<p>(new) Without prejudice to the relief in paragraph 93, the undertaking shall classify as 'own operations' the impacts, risks and opportunities connected with the share of its joint operation's assets, liabilities, revenues and expenses recognised in the financial statements.</p>

5.2. Inclusion of upstream and downstream value chain information

~~60-63.~~ **(63 amended)** To the extent necessary for an understanding of the undertaking's material **impacts, risks and opportunities** and to meet the qualitative characteristics of information (see Appendix B), the reported information shall be extended beyond own operations to cover material impacts, risks and opportunities connected with the undertaking through its direct and indirect **business relationships** in the upstream and ~~or~~ downstream **value chain** ~~('(value chain information')~~. ~~This shall be done, based on reasonable and supportable information that is available), without undue cost or effort, when this is necessary~~ **prejudice to allow an understanding of the undertaking's material impacts, risks and opportunities and to meet the qualitative characteristics of information (see Appendix B)** ~~relief on acquisitions in Chapter 5.4.~~

~~61.~~ **(63 amended)** The undertaking shall include material upstream and downstream **value chain** information:

~~(a)~~ **following in accordance with** the outcome of its **double materiality** assessment as ~~informed by any due diligence process in place; described in this standard~~ **informed**

~~(b)~~ **64. in accordance with** any specific requirements related to the upstream and downstream value chain in ~~the other~~ ESRS.

65. Applying paragraph 64 does not require information on each and every actor in the upstream and downstream **value chain** but only the inclusion of material information.

~~62-66.~~ **(69 amended)** ~~In the identification of~~ **To identify** material **impacts, risks and opportunities** that are connected with the undertaking through its **business relationships** in the upstream and downstream **value chain**, and ~~when reporting on metrics that comprise of upstream and downstream value chain information to report on them~~, the undertaking may use information collected directly from counterparties in the upstream and downstream value chain, or it may use estimates, depending on

practicability and reliability considerations related to the necessary input. When developing estimates, ~~the undertaking~~ may use internal and external information, such as data from indirect sources, sector-average data, sample analyses, market and peer groups data, ~~other proxies or spend-based data or other proxies.~~

~~63. In this context,~~ (67 amended) When applying paragraph 66, the information required by the ~~ESRS undertaking is not expected to be obtained~~ collect from ~~other~~ undertakings in ~~the~~its upstream and ~~for~~ downstream **value chain** ~~shall not exceed the limit~~ information that exceeds any limits set by ~~the~~ relevant EU law and regulation. This limitation also applies to non-EU undertakings.

~~67. (64) Paragraph 60 does not require information on each and every actor in the value chain, but only the inclusion of material upstream and downstream value chain information of the reporting undertaking.~~

~~64-68. (64 amended)~~ Different **impacts, risks or opportunities** can be material in relation to different parts of the undertaking's upstream and downstream **value chain**. ~~The information shall be extended to include upstream and downstream value chain information only in relation to the parts of the value chain for which material impacts, risks or opportunities exist or are likely to exist (in line with paragraph 31).~~

~~65. The materiality assessment regarding upstream and downstream value chain may be conducted without direct information from counterparts, using average regional or sector data, or generally available information about the incidence of impacts, risks and opportunities in the given context. Where the materiality of specific impacts, risks or opportunities remains unclear, the undertaking may need to seek additional information from entities in its value chain.~~

~~66. (66) When determining at which level within its own operations and its upstream and downstream value chain a material impact, risk or opportunity arises, the undertaking shall use its assessment of impacts, risks and opportunities following the double materiality principle (see Chapter 3.3).~~

~~67-69. (71 amended)~~ The information reported about **policies, actions, and targets** shall include upstream and ~~for~~ downstream **value chain** information only ~~when (and to the extent that) those the value chain is within the scope of the undertaking's policies, actions and targets address material impacts, risks and opportunities in the value chain. With reference to metrics, in many cases, in particular for environmental topics for which proxies are available, the undertaking may be able to comply with the reporting requirements by using an estimate without collecting data from the actors in its upstream and downstream value chain, especially from SMEs, such as, for instance, when calculating its greenhouse gas ('GHG') Scope 3 emissions (see Chapters 7.2, 7.3 and 7.4).~~

~~68-70. Business relationships include (new) Investments, including shareholding positions in associates and joint ventures, as well as other investments are treated as business relationships.~~

~~69-71. (67) In amended)~~ Without prejudice to the relief in paragraph 93, in some cases, associates or joint ventures that are accounted for under the equity method are also part of the undertaking's upstream and downstream **value chain** beyond the shareholding relationship, such as when they are also **suppliers** or customers. In these cases, the undertaking ~~shall include~~ is required to disclose information related to ~~these~~ supply ~~or~~ customer relationship ~~with them~~, in accordance with paragraph 63, consistent with the approach adopted for ~~the other~~ similar **business relationships** in the value chain. In these cases, when determining **metrics**, the data of the associate or joint venture is not limited to the share of equity held, but it shall reflect the **impacts, risks and opportunities** that are connected with the undertaking through the supply ~~relationships and the related risks and opportunities or customer relationship~~. This means that the undertaking considers both its relationship as investor in the associate or joint venture and its supply ~~or~~ customer relationship ~~in calculating the relevant metrics, while avoiding double counting with them.~~

APPLICATION REQUIREMENTS – ARs

AR 35 for para. ~~67~~**63**

AR 28 (Metrics and value chain)

~~Metrics~~ in topical ESRS do not require inclusion of upstream and ~~downstream value chain~~ data, with the exception of **GHG** emissions Scope 3. For the following items, the standardised metric in ESRS is limited to own operations, however the disclosure is able to inform about aspects of the value chain: removals of GHG (~~{Draft} Amended ESRS E1-9~~), secondary microplastic (~~{Draft} Amended ESRS E2-4~~), substances of very high concern in procured components and articles (~~{Draft} Amended ESRS E2-5~~), and waste (~~{Draft} Amended ESRS E5-5~~). When necessary, in accordance with paragraph 10 the undertaking shall on an entity-specific basis, include upstream and downstream value chain data when disclosing on metrics. ~~(new)~~ The undertaking is required to include entity-specific metrics to cover its upstream and downstream **value chain**, when this is necessary in accordance with paragraph 11, as the **metrics** defined in ESRS topical standards only cover own operations, with the exception of **GHG** emissions (ESRS E1-8).

5.3. Provisions and exceptions for determining the respective reporting boundaries of own operations and value chain

~~70-72.~~ **(new)** **Impacts, risks** and **opportunities** arising from the use of relating to a leased asset ~~do not depend~~ might have different sources, depending on whether ~~they result from the use of~~ the asset is legally owned or leased from its ownership. The lessee is ~~causing~~ using the leased asset, and contributing is required to report the impacts connected with the use of the leased asset, therefore reports the impacts and related risks and opportunities in its own operations, during the lease period. The lessor is directly connected with the impacts of the leased asset; therefore, it reports provides the right to use the impacts and related risks and opportunities asset to the lessee, and is required to reports the impacts connected with the use of the asset as part of its downstream **value chain**. Whether risks and opportunities relating to a leased asset, as well as impacts other than those connected with the use of the leased asset, accrue to the lessor or the lessee depends on the provisions of the lease contract, which should be reflected in the reported information.

~~71-73.~~ **(new)** The **impacts, risks** or **opportunities** arising from assets that are held by ~~an~~ the undertaking's long-term employee benefit funds ~~scheme~~ are connected with the undertaking through its **business relationships** in the upstream **value chain**.

74. **(new)** The provisions of paragraph 72 and 73 take precedence over topical standards including ESRS E1-8 – Gross scopes 1, 2, 3 GHG emissions.

APPLICATION REQUIREMENTS – ARs

AR 36 for para. **72**

(Leased assets)

(new) For example, the lessor is not the one causing **pollution**, using energy or consuming water in a leased factory, but rather the lessee. The lessee therefore assesses the material **impacts** connected with the use of the leased assets in its own operations.

5.4. Relief for acquisitions and disposals

~~72-75.~~ **(new)** If the undertaking acquires a subsidiary or a business in the reporting period, it may defer the inclusion of the subsidiary or business in the **materiality** assessment and in the **sustainability statement** to the subsequent reporting period. ~~Similarly, when it~~ If the undertaking loses control over a subsidiary or business in the reporting period, it may adjust the scope of the materiality assessment and the reporting boundaries **as** from the beginning of the current reporting period.

~~73-76. (new)~~ If the undertaking uses ~~this~~^{the} relief for major acquisitions (disposals) and based on ~~of~~^{paragraph 75, it is required to use} available information, ~~it shall to~~ disclose significant events that affected ~~during the acquired (sold) reporting period the~~ subsidiary or business ~~between the date of acquired or sold since acquisition and the end of the reporting period (between the start of the reporting period and the date of or until disposal), when they could have, if this has~~ an effect on the subsidiary's or business's group's exposure to material **impacts, risks** and **opportunities**.

6. Reporting period, base year and time horizons

6.1. Reporting period and base year

~~74-77.~~ (73 amended) The reporting period for the undertaking's **sustainability statement** – including for the calculation of **metrics** – shall be consistent with that of its financial statements.

~~75-78.~~ (75) A base year is the historical reference date or period for which information is available and against which subsequent information can be compared over time.

~~76-79.~~ (76) The undertaking shall present comparative information in respect of the base year for **metrics** reported in the current period when reporting ~~the~~ progress towards a **target**, unless the relevant DR specifically ~~defines how to report progress. It may also include historical information about achieved~~^{requires otherwise. If} milestones between the base year and the reporting period ~~have been reached, reporting about these achievements is useful contextual information.~~

6.2. Time horizon: definition of short-, medium- and long-term for reporting purposes

~~77-80.~~ (77) When preparing its **sustainability statement**, the undertaking shall adopt the following time intervals as of the end of the reporting period:

~~(e)(a)~~ short-term time horizon: the length of the period adopted for its financial statements;

~~(e)(b)~~ medium-term time horizon: from the end of the short-term period up to five years; and

~~(e)(c)~~ long-term time horizon: more than five years.

~~78-81.~~ (78) The undertaking shall use additional breakdowns for a long-term time horizon ~~when~~^{if} **impacts** or **actions** are expected ~~in over~~ a period longer than five years ~~and as~~ adding such a breakdown provides relevant information.

~~79-82.~~ (80) The undertaking may adopt a different definition for medium- ~~and/or~~ long-term time horizons ~~when~~^{if} the use of ~~the~~ medium- or long-term horizons defined in paragraph ~~77~~⁷⁸ results in non-relevant information. This may happen ~~when~~^{if} the undertaking uses a different definition for (i~~a~~) its processes of identification and management of material **impacts, risks** and **opportunities** or (i~~b~~) its **actions** and **targets**. These circumstances may be due to industry-specific characteristics, such as cash flow and business cycles ~~or planning horizons typically used in the industry for decision-making~~, the expected duration of capital investments, the time horizons over which ~~the users~~ conduct their assessments, ~~or the planning horizons typically used in their industry for decision-making.~~

~~80-83.~~ (81) References to 'short-term', 'medium-term' and 'long-term' in ~~the~~ ESRS refer to ~~the~~ time horizon~~horizons~~ as determined by the undertaking in accordance with the provisions in paragraphs ~~77 to 79~~^{80–82}.

7. Preparation ~~and presentation~~ of sustainability information

~~7.1. Presenting comparative~~ 7.1. Comparative information

~~81-84.~~ (83) The undertaking ~~shall~~^{is required to} disclose comparative information in respect of the previous period for all quantitative **metrics** and amounts. ~~When~~^{if} relevant to an understanding of the current period's **sustainability statement**, it ~~shall~~^{is} also ~~required to~~ disclose comparative information for narrative disclosures.

~~85.~~ (95) The definition and calculation of **metrics**, including metrics used to set **targets** and monitor progress towards those targets, shall be consistent over time. The undertaking shall provide contextual information and restated comparative figures unless it is **impracticable** to do so **if it has:**

- (a) **redefined or replaced a metric or target; or**
- (b) **identified new information in relation to the estimated figures disclosed in the preceding period, and the new information provides evidence of circumstances that existed in the preceding period.**

~~82-86.~~ (85) ~~When amended~~ If it is **impracticable** to adjust comparative information for **metrics** for one or more prior periods, the undertaking ~~shall~~ **is required to** disclose this fact.

~~83-87.~~ (86) When an ESRS requires the undertaking to present more than one comparative period for a **metric** or datapoint, the requirements of that ESRS shall prevail.

~~84-88.~~ (84 amended) For **metrics** and monetary amounts:

- (a) ~~(84) when~~ if the undertaking reports comparative amounts that significantly differ from the information reported in the previous period, it shall provide the reasons for the change and the difference between the amounts reported in the previous period and the revised amounts;
- (b) the undertaking is not required to present comparative information ~~for related to reported topics or~~ new material **impacts, risks** and **opportunities** ~~or, and related new reported topics~~ **DRs or datapoints** for the reporting period ~~where, if~~ they are reported for the first time; **and**
- (c) **without prejudice to the relief on acquisitions (see Chapter 5.4),** when necessary to provide an understanding of ~~the progresses against~~ progress towards meeting a **target**, following a major acquisition or disposal, the undertaking ~~shall adjust~~ **is required to describe how** the ~~base year and transaction affects~~ the comparative information provided. ~~When progress towards meeting the undertaking applies the relief for acquisitions (or disposals) in paragraph 72, the timing of this adjustment shall reflect the timing adopted for the inclusion (exclusion) of the subsidiary in the sustainability statement.~~ **target.**

APPLICATION REQUIREMENTS – ARs

<p>AR 37 for para. 85(b)</p> <p>(Restating comparatives)</p>	<p>(new) The undertaking is not required to restate the comparative figure for new information received, if the estimation methodology for the relevant metric relies systematically at the reporting date on an input of the previous period.</p>
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7-2.7.2. Judgement, measurement uncertainty and outcome uncertainty

~~85-89.~~ (87 and 88 amended) The undertaking ~~shall~~ **is required to** disclose information to enable **users** to understand:

- (a) the judgements it makes that have the most significant effect on the reported information;
- (b) the significant uncertainties affecting the ~~qualitative information, quantitative information, metrics and monetary amounts~~ presented, including whether ~~they rely~~ **relies** on estimates; and
- (c) significant assumptions and limitations in the estimates.

~~86-90.~~ (91) Some ESRS require the disclosure of information **that have uncertain outcomes**, such as explanations about possible future events ~~that have uncertain outcomes~~. In judging whether information about such possible future events is material, the undertaking shall refer to the criteria in Chapter 3.32.2 and consider:

- (a) the **anticipated financial effects** of the events (the possible ~~outcome~~); **outcomes**);

- (b) the severity and likelihood of the **potential impacts** on people or the environment resulting from possible future events; and
- (c) the range of possible outcomes and the likelihood of the possible outcomes within that range.

APPLICATION REQUIREMENTS – ARs

<p>AR 29AR 38 for para. 8589</p> <p>(About judgements)</p>	<p>(26) In preparing its sustainability statement, the undertaking makes various judgements, beyond those involving estimations, that can significantly affect the reported information, such as when:</p> <p>(a) identifying material information to include in the sustainability statement (see paragraph 1); and</p> <p>(a) identifying material impacts, risks and opportunities, associating them to the relevant topic(s), and assessing whether an update of the materiality assessment is necessary (see paragraph 30); and</p> <p>(b) identifying material information to include in the sustainability statement. Chapter 3).</p>
<p>AR 30AR 39 for para. 8589</p> <p>(Use of reasonable and supportable assumptions and estimates)</p>	<p>(89) The use of reasonable and supportable assumptions and estimates, including when in developing scenario or sensitivity analysis, is an essential part of preparing the undertaking's sustainability statement. It does not undermine the usefulness of that information, provided that the significant assumptions and estimates are accurately explained. Even a high level of measurement uncertainty would not necessarily prevent such an assumption or estimate from providing useful information or meeting the qualitative characteristics of information (see Appendix B).</p>
<p>AR 31AR 40 for para. 89</p> <p>(Use of reasonable and supportable assumptions and estimates)</p>	<p>(new) The requirement in paragraph 85(b) 89 for the undertaking to disclose information about the uncertainties affecting the reported amounts 89 relates to the estimates that require the most difficult, subjective or complex judgements.</p>
<p>AR 32 for para. 8686</p> <p>(Future events that have uncertain outcomes)</p>	<p>When assessing the possible outcomes, considerations for the undertaking include the relevant facts and circumstances, including information about low probability and high-impact outcomes, which, when aggregated, could become material. The undertaking might be exposed to several impacts or risks, each of which could cause the same type of disruption, such as disruptions to its upstream value (supply) chain. Information about an individual source of risk might not be material if disruption from that source is highly unlikely to occur. However, information about the aggregate risk of supply chain disruption from all sources might be material.</p>

~~7.3. Use of reasonable and supportable information that is available without undue cost or effort~~

~~The undertaking shall use reasonable and supportable information available~~ **7.3. Reliefs for preparing the ESRS sustainability statement**

91. ~~(new)~~ The undertaking may exclude activities from **metric** calculations if, due to their nature, they are not a significant driver of the **impacts, risks** and **opportunities** that the metric purports to represent

(see also paragraph 55), and if their exclusion from the calculation is not expected to impair the relevance and faithful representation of the reported information. The undertaking shall specify if this relief is used and include any relevant information to enable **users** to understand the scope limitations.

92. (new) With the exception of ESRS E1-8 *GHG Emissions* metrics, if the undertaking can provide without incurring undue cost or effort reliable direct or estimated data only for an objectively defined part of its own operations or its upstream or downstream **value chain**, it shall specify that it has identified material **impacts, risks** and **opportunities** but that the corresponding **metric** can currently only be reported on a partial reporting scope or for a subset of the value chain. In this circumstance, the undertaking is required to disclose the **actions** it has taken to increase the coverage and quality of reported information in future periods and the progress made compared to the previous period. The coverage of reported information is expected to increase over time, particularly for metrics in own operations. This paragraph applies without prejudice to the applicability of the provisions in Sub-Chapter 7.4.

93. (new) The undertaking may exclude joint operations over which it does not have operational control from the scope of the calculation for environmental **metrics** reported in accordance with ESRS E2 *Pollution*, ESRS E3 *Water*, ESRS E4 *Biodiversity and Ecosystems* and ESRS E5 **Resource Use and Circular Economy**. The undertaking shall specify if this relief is being used and include any relevant information to allow an understanding of the scope limitations.

APPLICATION REQUIREMENTS – ARs

<p>AR 41 for para. 92</p> <p>(Relief and Scope 3 GHG emissions)</p>	<p>(new) The practical expedients applicable to the calculation of Scope 3 in the GHG Protocol are also applicable in this circumstance.</p>
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7.4. Reasonable and supportable information that is available without undue cost or effort

~~87-94.~~ (89) The undertaking shall use all reasonable and supportable information that is available to the undertaking at the reporting date without undue cost or effort ~~(see paragraph 90):~~

- (a) to identify material **impacts, risks** and **opportunities**;
- (b) to determine the scope of its upstream and downstream **value chain**, including its breadth and composition, in relation to material impacts, risks and opportunities;
- (c) when extending the information to include upstream ~~or~~ and downstream value chain information, as required by paragraph 63 ~~and to determine the scope of its value chain, including its breadth and composition, in relation to material impacts, risks and opportunities; and;~~
- ~~(d) to prepare information on metrics.~~

~~88.(d) Reasonable and supportable information shall cover factors that are specific to the undertaking, as well as general conditions in the external environment. Reasonable and supportable information includes information about past events, current conditions and forecasts of future conditions.~~

- (e) to report on current and **anticipated financial effects**.

~~89-95.~~ (new) The assessment of what constitutes undue cost or effort depends on the undertaking's specific circumstances and requires a balanced consideration of the costs ~~and efforts~~ for the undertaking and the benefits of the resulting information for **users**. ~~That assessment can change over time as circumstances change.~~

7.4. Reliefs for metrics

90. ~~Activities within the undertaking or group may be excluded from **metric** calculations if, due to their nature, they are not expected to be a significant driver of the **impacts, risks**(new) Reasonable and **opportunities** the metric purports to represent, and their exclusion from the calculation is not expected to impair the relevance or faithful representation of the reported supportable information.~~
91. ~~Except for [Draft] Amended ESRS E1-6 GHG Emissions, when that is available without undue cost and/or effort the undertaking is able to use reliable direct or estimated data only for part of the scope of the relevant reporting boundary (or part of the **value chain**), the undertaking shall specify, when relevant, that it has identified material **impacts, risks** and **opportunities** in its own operations or value chain, but the corresponding metric can currently only be partially estimated. In this circumstance, the undertaking shall disclose the **actions** it has taken to increase the coverage and quality in future reporting periods, and the progress compared to the previous subject to reassessment for each reporting period. The undertaking shall also assess at the subsequent reporting dates whether reliable data or input to be used in the estimate has become available, and if this and, reflecting the enhanced reporting experience of the undertaking, may change the result of its **actions** to improve data availability or the higher availability of external information. As a result, availability of information is the case, adjust the estimates and the disclosure accordingly.~~
- 92-96. ~~The undertaking may exclude joint operations expected to improve over which it does not have **operational control** from the calculation scope of environmental **metrics** reported in accordance with [Draft] Amended ESRS E2 *Pollution*, [Draft] Amended ESRS E3 *Water*, [Draft] Amended ESRS E4 *Biodiversity and ecosystems* and [Draft] Amended ESRS E5 *Resource use and circular economy*. time.~~

APPLICATION REQUIREMENTS – ARs

<p><u>AR 42 for para. 94</u></p> <p><u>(Reasonable and supportable information available without undue cost or effort)</u></p>	<p><u>(new) Reasonable and supportable information covers factors that are specific to the undertaking, as well as general conditions in the external environment. Reasonable and supportable information includes information about past events, current conditions and forecasts of future conditions.</u></p> <p><u>When assessing whether the preparation of a disclosure would involve undue cost or effort at the reporting date, the undertaking shall consider, individually or jointly, criteria such as:</u></p> <ul style="list-style-type: none"> <u>(a) its size, resources and technical readiness in relation to the scale and complexity of its upstream and downstream value chain; and</u> <u>(b) the availability of tools to access and share information, including digital tools.</u> <p><u>The undertaking is not required to carry out an exhaustive search for such information.</u></p> <p><u>In identifying information that is reasonably available, the undertaking:</u></p> <ul style="list-style-type: none"> <u>(a) shall use internal and external information that is available to the undertaking at the reporting date, acknowledging that the availability at the reporting date reflects the improvements in data gathering implemented since the previous period;</u> <u>(b) is expected to consider available without undue cost or effort the information deriving from:</u> <ul style="list-style-type: none"> <u>(i) internal resources, such as the undertaking’s risk management processes; information that is used by the undertaking in preparing its financial statements, operating its business model, setting its strategy, conducting its sustainability due diligence and managing its impacts, risks and opportunities; and</u> <u>(ii) external resources, such as industry and peer group experience, scientific research.</u>
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7.5.- Updating disclosures about events after the end of the reporting period

- ~~93.~~ (93) ~~When the undertaking receives information~~ If, after the reporting period but before the management report is ~~approved~~ authorised for issuance, ~~issue, the undertaking receives information~~ providing evidence or insights about:
- ~~(a) 97.~~ conditions ~~existing that existed~~ at the end of the reporting period, the undertaking shall, ~~where appropriate, update estimates and sustainability~~ its disclosures in the light of the new information; and.
 - ~~(b) 98. (94)~~ (94) The undertaking is required to disclose information about material transactions, other events and conditions that ~~arise occur~~ after the end of the reporting period, ~~the undertaking shall, where appropriate, but before the date on which the management report is authorised for issue and~~ provide narrative information indicating the existence, nature and potential consequences of these post-year-end events.

7.6. Changes in the preparation or presentation of sustainability information

~~94. 7.6. (95) The definition and calculation of metrics, including metrics used to set targets and monitor progress towards those targets, shall be consistent over time. The undertaking shall provide contextual information and restated comparative figures unless it is impracticable to do so when it has:~~

- ~~(a) redefined or replaced a metric or target; and~~
- ~~(b) identified new information in relation to the estimated figures disclosed in the preceding period, and the new information provides evidence of circumstances that existed in that period (change in estimate).~~

7.7. Reporting errors in prior periods

~~95-99. (96) The undertaking shall correct material prior period errors by restating the comparative amounts for the prior period(s) disclosed unless it is impracticable to do so. This requirement does not extend to reporting periods before the first year of application of the ESRS by the undertaking.~~

~~96-100. (99) Potential errors in the current reporting period errors discovered in that period are corrected before the management report sustainability statement is authorised for issue. However, material errors are sometimes not discovered until a subsequent period. In case of material errors discovered in a subsequent period, when if it is impracticable to determine the effect of an error on all prior periods presented, the undertaking shall restate the comparative information to correct the error from the earliest date practicable.~~

~~97. (101) Corrections of errors are distinguished from changes in estimates. Estimates may need to be revised as additional information becomes known.~~

APPLICATION REQUIREMENTS – ARs

<p>AR 33AR 43 for para. 99</p> <p>(Prior Period Errors)</p>	<p>(97) Prior period errors are omissions from, and misstatements in, the undertaking's sustainability statement for one or more prior periods. Such errors arise from a failure to use, or the misuse of, reliable information that:</p> <ul style="list-style-type: none"> (a) was available when the management report that includes the sustainability statement for those periods was authorised for issuance is; (b) could reasonably be expected to have been obtained and considered in the preparation of sustainability disclosures included in these reports. <p>(98) Such errors include: the effects of mathematical mistakes, mistakes in applying the definitions for metrics or targets, oversights or misinterpretations of facts, and fraud.</p> <p>(b) (101) Corrections of errors are distinguished from changes in estimates. Estimates may need to be revised as additional information becomes known.</p>
<p>AR 34 for para. 95</p> <p>(Prior Period Errors)</p>	<p>Such errors include: the effects of mathematical mistakes, mistakes in applying the definitions for metrics or targets, oversights or misinterpretations of facts, and fraud.</p>

7.8. ~~Classified and sensitive information, and information on intellectual property, know-how or results of innovation~~

~~(105) 7. Omission of information in accordance with applicable Union law and regulations~~

- ~~98. (new)~~ The undertaking is ~~not required to disclose **classified information** or **sensitive information** even if such information is considered material.~~
- ~~99. (106)~~ When ~~relieved from disclosing qualitative and quantitative information about its **strategy**, required by an ESRS if applicable Union law and **action plans**, where a specific piece of information corresponding to intellectual property, know-how or the results of innovation is relevant to meet the objective of a DR, regulations prohibits~~ the undertaking ~~may omit that specific piece of information if it:~~
- ~~(a) is secret in the sense that it is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question;~~
 - ~~(b) has commercial value because it is secret; and~~
- ~~(c) 101. has been subject to reasonable steps by from disclosing or allows the undertaking to keep it secret, omit such disclosure. If the undertaking omits material information for that reason, it shall identify the type of information not disclosed and explain the source of the restriction.~~
- ~~100. (107)~~ If the undertaking omits ~~**classified information** or **sensitive information** or a specific piece of information corresponding to intellectual property, know-how or the results of innovation because it meets the criteria established in the previous information in accordance with paragraph 7.1,~~ it shall comply with the DR in question by disclosing all other required information.
- ~~101-102. (108)~~ The undertaking shall make every ~~et reasonable effort~~ to ensure that beyond ~~the~~ **this** omission of the ~~**classified information** or **sensitive information**, or of the specific piece of information corresponding to intellectual property, know-how or the results of innovation,~~ the overall relevance of the disclosure in question is not impaired.

APPLICATION REQUIREMENTS – ARs

AR 44 for para. ~~98~~1

AR 35 (Member states option)

~~(105-108)~~ The CSRD leaves to the Member States (~~‘MS’~~) ~~an the~~ option to provide the following relief, which is therefore available to undertakings in ~~MS~~ **Member States** that have exercised this option~~–~~:

The undertaking may limit information relating to impending developments or matters in the course of negotiation in exceptional cases where, in the duly justified opinion of the members of the administrative, management and supervisory bodies, acting within the competences assigned to them by national law and having collective responsibility for that opinion, the disclosure of such information would be seriously prejudicial to the commercial position of the undertaking, provided that such omission does not prevent a fair and balanced understanding of the undertaking’s development, performance and position, and the impact of its activity.

If the undertaking elects to use this exemption, disclosing this fact provides useful information.

7.98. Reporting on **material opportunities**

- ~~102-103. (109)~~ **amended** When reporting on **material opportunities**, the disclosure shall consist of descriptive information allowing ~~the reader~~ **users** to understand the ~~opportunity~~ **opportunities**. The undertaking shall not report general opportunities for the sector but only opportunities that are

currently being pursued or incorporated in its general strategy. The provisions on **financial effects** in ~~{Draft} Amended ESRS 2~~ apply when reporting on material opportunities.

8. Presentation requirements and structure of the sustainability statement

8.1. General presentation requirement, structure and content of the sustainability statement

~~103-104.~~ (112~~110~~ amended) The undertaking shall present all the disclosures required by ~~the~~ ESRS within a dedicated section of the management report identified as the undertaking's **sustainability statement** ~~except for which also includes~~ those incorporated by reference in accordance with Chapter 9.3.

~~104-105.~~ (111) Sustainability information shall be presented:

- (a) in a way that allows for clear identification of information required by ~~the~~ ESRS ~~and from~~ other information included in the management report; and
- (b) under a structure that facilitates access to and understanding of the **sustainability statement** in a format that is both human-readable and machine-readable.

~~105-106.~~ (115 amended) The undertaking shall structure its **sustainability statement** in four parts in the following order: general information, environmental information, social information and governance information. It may use appendices or separate sub-parts in accordance with paragraphs ~~107–1~~ 112.

~~106-107.~~ (113 amended) If the undertaking prepares disclosures pursuant to Article 8 of Regulation (EU) 2020/852 of the European Parliament and the Council and to the Commission Delegated Regulations, it ~~shall~~ is required to include them in its **sustainability statement**, and ~~it may include them do so~~ in a separate appendix within the management report. These disclosures are not subject to the provisions of ESRS, with the exception of this paragraph.

8.2. ~~8.2.~~ Presentation of ~~additional supplementary~~ information included in the sustainability statement

~~107.~~ (114 ~~amended~~) The undertaking may include in its **sustainability statement** ~~additional disclosures supplementary information~~ stemming from (i) other legislation which requires ~~the undertaking~~ it to disclose sustainability information, or (ii) generally accepted ~~sustainability~~ reporting standards ~~and/or~~ frameworks, including non-mandatory guidance and sector-specific guidance, published by other standard-setting bodies (such as ~~technical material issued by the International Sustainability Standards Board or the Global Reporting Initiative~~), even if that information is not material. Such ~~disclosures in~~ information shall:

~~(a) 108.~~ be clearly identified with an appropriate reference to the related legislation, standard or framework; ~~and,~~

~~(b) – (new)~~ If needed to meet the ~~requirements for qualitative characteristics~~ data demands of information specified in Chapter 2 and Appendix B.

~~108.~~ The ~~a specific user, the~~ undertaking may include in its **sustainability statement** ~~additional supplementary~~ disclosures that ~~do are~~ not ~~relate to a topic to be reported following~~ material. Such information shall be clearly identified as not resulting from the materiality assessment, such as when this information is needed by a specific user. In these cases, the additional disclosures shall:

~~(a) 109.~~ and shall be ~~clearly identified and~~ presented in a way that ~~they do does~~ not obscure material information; ~~and,~~

~~(b) 110.~~ (new) Disclosures made in accordance with paragraphs 1 and (a) shall provide a faithful representation of the ~~relevant item of information–phenomena they purport to represent.~~

8.3. ~~8.3.~~ Options ~~infor~~ presenting information across parts of the sustainability statement

~~109-111.~~ (new) The undertaking may provide an executive summary in the **sustainability statement** which includes the key messages about its material environmental, social and governance **impacts, risks** or **opportunities** and their management. The content and presentation of this executive summary shall

meet the qualitative characteristics of information. ~~It may also and is an integral part of the sustainability statement prepared in accordance with the provisions of ESRS. Alternatively, the undertaking may~~ incorporate information by reference to an executive summary placed outside its sustainability statement, such as in another section of the management report, provided that it meets the conditions for incorporation by reference. ~~(see Sub-Chapter 9.3).~~

~~110-112.~~ **(new)** The undertaking may use appendices or separate sub-parts in its **sustainability statement**:

- (a) to present more detailed information related to any of the four parts; ~~and~~
- (b) to facilitate readability with content indices, tables mapping different disclosures, or cross-reference tables; ~~and~~
- (c) to present ~~the additional~~ **supplementary** information prepared in accordance with **Sub-Chapter 8.2** above.

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AR 36 for para. 109 (Presentation of more detailed information)	The undertaking may present more detailed information about the calculation of its reported GHG emissions in a dedicated appendix or section of its sustainability statement , with an internal cross-reference to the environmental disclosures.
AR 45 for para. 109 111 AR 37 (Presentation of more detailed information)	(new) The undertaking may use internal references across different parts or sub-parts subparts (including appendices) in the sustainability statement to facilitate the understanding of linkages that exist between the respective contents, different items of information. These internal references are not incorporation by reference; see Chapter 9.

9. Connected information and linkages with other parts of corporate reporting

9.1. Connected information

~~111-113.~~ (118 amended) The undertaking shall provide information that enables **users** of its **sustainability statement** to understand the connections:

- (a) within the sustainability statement; and
- (b) between the sustainability statement and other corporate reporting documents published by the undertaking, including its ~~related~~ financial statements.

~~112-114.~~ **(new)** Repeating the same ~~content in two or more parts (including appendices) of information within~~ the **sustainability statement** may obscure material information and impair the provision of concise and understandable information. ~~When~~ **If** the same information is relevant to more than one DR ~~in the ESRS~~, the undertaking may present the information where it considers it to be ~~more appropriate~~ **most relevant** and **cross**-refer to that location ~~in the other parts as appropriate.~~

~~113.~~ If the description of the material ~~impacts, risks and opportunities~~ prepared in accordance with ~~[Draft] Amended ESRS 2 IRO 2~~ is not presented alongside the respective ~~policies, actions and targets~~, the undertaking shall make explicit which policies, actions and targets relate to which material impacts, risks, or opportunities, in accordance with paragraph 22.

APPLICATION REQUIREMENTS – ARs

<p>AR 38 for para. 111(a) AR 46 for para. 113(a) (Connections within the sustainability statement)</p>	<p>(new) Connections within the sustainability statement include those between the general disclosures on governance and strategy and the disclosures about a specific topic, as well as those between material impacts, risks and opportunities management and the respective policies, actions, targets and metrics.</p>
<p>AR 39 for para. 113 (Presenting connected information about policies, actions and targets)</p>	<p>(AR 18) The undertaking that covers environmental and social topics in the same policy may report on the policy in its environmental disclosures and cross-refer to it from the relevant social disclosures, or vice versa.</p>

9.2. Direct ~~and~~ indirect connectivity with financial statements ~~and, including~~ consistency of assumptions

~~114-115.~~ The undertaking may cross-refer its financial statements when reporting on (124 amended) If the **sustainability statement** includes monetary amounts or other quantitative information also presented in the undertaking's financial statements, the undertaking shall cross-reference to its financial statements ('direct connectivity').

~~115-116.~~ (125 amended) If the **sustainability statement** includes monetary amounts or other quantitative datapoints that are ~~either an aggregation of, or a part of,~~ monetary amounts or quantitative data presented in the undertaking's financial statements ('indirect connectivity'), the undertaking ~~may shall,~~ explain how these amounts or datapoints relate to the most relevant amounts presented in the financial statements.

~~116-117.~~ (90 amended) Data and assumptions used in preparing the **sustainability statementsstatement** shall ~~be consistent,~~ to the extent possible, ~~be consistent~~ with the corresponding data and assumptions used in preparing the financial statements; ~~to.~~ To support the understanding of significant data and assumptions, the undertaking ~~shall is required to~~ explain any significant differences in assumptions between those used in preparing the level of consistency sustainability statements and those used in preparing the financial statements.

APPLICATION REQUIREMENTS – ARs

<p>AR 47 for para. 115 (Currency to be used)</p>	<p>(124) For monetary amounts the undertaking shall use the same currency as in the financial statements.</p>
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9.3. Incorporation by reference

~~117-118.~~ (119) Provided that the conditions in paragraph ~~118~~119 are met, information or a specific datapoint prescribed by a DR may be incorporated in the **sustainability statement** by cross-reference to:

- (a) another section of the management report;
- (b) the financial statements;
- (c) the corporate governance statement (if not part of the management report);
- (d) the remuneration report required by Directive 2007/36/EC of the European Parliament and of the Council;
- (e) the universal registration document, as referred to in Article 9 of Regulation (EU) 2017/1129; and

- (f) public disclosures under Regulation (EU) No 575/2013 of the European Parliament and of the Council (Pillar 3 disclosures). In this case, the information shall match the scope of consolidation used for the sustainability statement by complementing the incorporated information with additional elements as necessary.

~~118-119.~~ (120 amended) The undertaking may incorporate information by reference to the documents, or part of the documents, listed in paragraph 118, provided that the information incorporated by reference:

- (a) constitutes a separate element of information clearly identified in the source document as addressing the relevant ESRS DR or datapoint;
- (b) is published before or at the same time as the management report;
- (c) is in the same language as the **sustainability statement**;
- (d) is subject to at least the same level of assurance as the rest of the sustainability statement ~~(i.e. In this case it is not required that the entire document containing the information incorporated by reference is considered as part of the ESRS sustainability statement is subject to assurance, not to the entire document referred to);~~ and
- (e) ~~meets~~allows the same technical digitalisation requirements as the other information in the sustainability statement.

~~119-120.~~ (121) Provided that the conditions established in paragraph ~~118~~119 are met, information prescribed by an ESRS DR or datapoint may be incorporated in the **sustainability statement** by reference to the undertaking's report prepared in accordance with the EU Eco-Management and Audit Scheme (~~'EMAS'~~) Regulation (EU) No 1221/2009. In this case, the undertaking shall ensure that the information incorporated by reference is produced using the same basis for preparation of ESRS information, including scope of consolidation and treatment of upstream and downstream **value chain** information.

~~120-121.~~ (122 amended) The undertaking shall consider the overall cohesiveness of the reported information and ensure that the incorporation by reference does not impair the readability of the **sustainability statement**.

10. Transitional provisions

~~121-122.~~ ~~The (new) Unless otherwise stated, the~~ transitional provisions in this Chapter apply ~~only~~ from the first financial year the undertaking is subject to the preparation and publication of a **sustainability statement**, ~~as required by Directive 2013/34/EU.~~ as required by Directive 2013/34/EU. Accordingly, earlier voluntary application of ESRS does not limit the use the reliefs in this chapter and does not trigger the start of the phase-in provisions. In this chapter financial year refers to the reporting period of an undertaking's sustainability statement starting on or after January 1 of the respective year.

10.1. Transitional provision related to Chapter 7.1 Comparative information

~~123.~~ (136) To ease the first-time application of this Standard, the undertaking is not required to disclose the comparative information required by Chapter 7.1 in the first year of preparation of the sustainability statement under ESRS. For DRs listed in Chapter 10.3, this transitional provision applies with reference to the first year of mandatory application of the phased-in DR.

10.2. Transitional provision: Transitional provision related to Chapter 5 Value chain

~~122-124.~~ (132 ~~amended~~) For the first ~~three~~3 years of ~~preparation of~~ the undertaking's sustainability statement ~~reporting~~ under the ESRS, in the event that not all the necessary information regarding its upstream and downstream **value chain** is available, the undertaking shall explain the efforts made to obtain the necessary information about its upstream and downstream value chain, the reasons why not all of the necessary information could be obtained, and its plans to obtain the necessary information in the future.

~~123-125.~~ (133) For the first ~~three~~3 years of ~~preparation of the its~~ sustainability ~~statement~~reporting under the ESRS, to take account of the difficulties that ~~the undertaking~~undertakings may encounter in gathering information from actors throughout ~~its upstream and downstream~~their **value chain** and to limit the burden for SMEs in the value chain:

- (a) ~~whenif~~ disclosing information on **policies, actions** and **targets** in accordance with ~~{Draft} Amended~~ ESRS 2 and other ESRS, the undertaking may limit upstream and downstream value chain information to information available in-house, such as data already available to the undertaking and publicly available information; and
- (b) ~~whenif~~ disclosing **metrics**, ~~it the undertaking~~ is not required to include upstream and downstream value chain information, except for datapoints derived from other EU legislation, as listed in ~~{Draft} Amended~~ ESRS 2, Appendix A.

~~124-126.~~ (134) Paragraphs ~~123~~124 and ~~124~~125 apply irrespective of whether the relevant actor in ~~the upstream and downstream~~**value chain** is an SME.

~~125-127.~~ (135 ~~amended~~) Starting from the fourth year of its reporting under the ESRS, the undertaking shall include upstream and ~~for~~ downstream **value chain** information ~~in accordance with~~ according to paragraph ~~60~~63.

10.2. Transitional provision related to Chapter 7.1 Presenting comparative information

~~126. (136) To ease the first time application of this Standard, the undertaking is not required to disclose the comparative information required by Chapter 7.1 in the first year of preparation of the sustainability statement under the ESRS. For disclosure requirements listed in Appendix D, this transitional provision applies with reference to the first year of mandatory application of the phased-in DR.~~

~~128. (new) By way of derogation to paragraphs 124 to 125, undertakings as referred to in Article 5(2), first subparagraph, point (a), and third subparagraph, point (a), of Directive (EU) 2022/2464, cannot use the reliefs in paragraphs 124 to 125 after their financial year 2026.~~

10.3. Transitional provision: List of ~~Disclosure Requirements-DRs~~ that are phased in ~~{CHANGES DUE TO DELEGATED “QUICK FIX” NOT REFLECTED HERE}~~

~~129. (137) Appendix D (new) This chapter~~ sets phase-in provisions for the DRs or datapoints in ~~the~~ ESRS that may be omitted or that are not applicable in (a) specific financial years or (b) the first financial year(s) of mandatory application of the ESRS in the preparation of the sustainability statement of the undertaking.

~~130. (new) The phased-in differentiate between ‘wave-one’ undertakings and the other undertakings that are subject to ESRS in the preparation of the. ‘Wave-one’ undertakings are those that were scheduled to report on sustainability for the first time for financial year 2024, irrespective of whether the corresponding Member State transposed CSRD. They are defined in Article 5(2), first subparagraph, point (a), and third subparagraph, point (a), of Directive (EU) 2022/2464 (CSRD).~~

~~127-131.~~ (new) Wave-one undertakings may omit in their **sustainability statement**:

- (a) all the DRs of ESRS E4, ESRS S2, ESRS S3, and ESRS S4 for their financial year 2026;
- (b) all information about **anticipated financial effects**, required in paragraph 27 of ESRS 2 and in ESRS E1 DR E1-11 *Anticipated financial effects from material physical and transition risks and potential climate-related opportunities* for financial year 2026;
- (c) quantitative information about **anticipated financial effects**, required in paragraph 27 of ESRS 2 and in ESRS E1 DR E1-11 *Anticipated financial effects from material physical and transition risks and potential climate-related opportunities* for financial years 2027, 2028 and 2029;

- (d) the quantitative information related to substances of concern (SoC) prescribed by ESRS E2 DR E2-5 Substances of concern and substances of very high concern, for financial years 2026, 2027, 2028, and 2029; and
- (e) omit ESRS S1 DR S1-6 Characteristics of non-employee workers in the undertaking's own workforce; DR S1-7 Collective bargaining coverage and social dialogue for non-EEA countries ; DR S1-10 Social protection; DR S1-11 Persons with disabilities; DR S1-12 Training and skills development; DR S1-13 Health and safety metrics datapoints paragraph 40(d) and (e) and non-employees datapoints; and DR S1-14 Work-life balance metrics for their financial year 2026.
132. (new) Other undertakings than wave-one may for the first three years of preparation of their sustainability statement omit:
- (a) all the DRs of ESRS E4, ESRS S2, ESRS S3, and ESRS S4;
- (b) quantitative information about **anticipated financial effects**, required in paragraph 27 of ESRS 2 and in ESRS E1 DR E1-11 Anticipated financial effects from material physical and transition risks and potential climate-related opportunities;
- (c) the quantitative information related to substances of concern (SoC) prescribed by ESRS E2 DR E2-5 Substances of concern and substances of very high concern; and
- (d) ESRS S1 DR S1-6 Characteristics of non-employee workers in the undertaking's own workforce; DR S1-7 Collective bargaining coverage and social dialogue for non-EEA countries ; DR S1-10 Social protection; DR S1-11 Persons with disabilities; DR S1-12 Training and skills development; DR S1-13 Health and safety metrics datapoints paragraph 40(d) and (e) and non-employees datapoints; and DR S1-14 Work-life balance metrics.

Appendix A: List of topics

(former AR 16 amended) This Appendix is an integral part of ~~{Draft} Amended~~ ESRS 1 and provides non-binding guidance to support the application of provisions in this Standard.

The following table provides the list of topics and sub-topics covered by topical ~~ESRS~~standards as one of the inputs to the **double materiality** assessment. The undertaking needs to consider its own specific circumstances when determining the topics or sub-topics to be reported. Where necessary, it shall consider topics or sub-topics not covered by ~~the~~ ESRS to develop entity-specific disclosures on material **impacts**, **risks** and **opportunities**, as described in paragraph ~~11~~11. Chapter 3.~~5~~2 provides practical considerations to support the materiality assessment process.

Topics	Sub-topics
Climate change ({Draft} Amended <u>Change</u> (ESRS E1))	Climate Change Mitigation <u>change mitigation</u>
	Climate Change Adaptation <u>change adaptation</u>
	Energy
Pollution ({Draft} Amended (ESRS E2))	Pollution of air
	Pollution of water
	Pollution of soil
	Substances of concern, including substances of very high concern
	Microplastics
Water ({Draft} Amended (ESRS E3))	Water withdrawals <u>Water use, which include withdrawal consumption, discharges and storage</u>

~~Water consumption~~

~~Water discharges~~

~~Water storage~~

Biodiversity and ecosystems <u>Ecosys-</u> <u>tems</u> ({Draft} Amended (ESRS E4))	Drivers of biodiversity and ecosystem change (terrestrial and marine habitat change, invasive species)
	State of species
	The extent and condition of terrestrial and marine ecosystems

	Ecosystem services
Circular economy <u>Economy</u> and re-source use ({Draft} Amended Resource Use (ESRS E5))	Resource inflows
	Resource outflows related to products and services
	Resource outflows (waste)
Own workforce <u>Workforce</u> and workers <u>Workers</u> in the value chain ({Draft} Amended Value Chain (ESRS S1/S2) (*))	Working conditions (adequate wages, work-life balance, working time, secure employment, social protection)
	Social dialogue, freedom of association, works councils, participation rights of workers, and collective bargaining
	Health and Safety <u>safety</u>
	Training and skills development
	Diversity and equal treatment (gender equality, equal pay for equal work, employment and inclusion of people with disabilities, non-discrimination, anti-harassment), <u>measures against violence</u>)
Affected communities ({Draft} Amended Communities (ESRS S3))	Other labour-related human rights (child labour, forced labour, privacy and adequate housing, water and sanitation**))
	Communities' economic, social and cultural rights (land-related impacts, security-related impacts, adequate housing and food, water and sanitation)
	Communities' civil and political rights (freedom of expression, freedom of assembly, impacts on human rights defenders)
Consumers and end <u>End</u> -users ({Draft} Amended (ESRS S4))	Rights of indigenous peoples (free, prior and informed consent ('FPIC' (FPIC), self-determination, cultural rights)
	Information-related impacts for consumers and/or end users (privacy, access to information, freedom of expression <u>expression</u>)
	Personal safety of consumers and/or end -users (health and safety, protection of children, security of a person)
Business conduct ({Draft} Amended Conduct (ESRS G1))	Social inclusion of consumers and/or end -users (access to products and services, responsible marketing practices, non-discrimination)
	Corporate culture including anti-corruption and bribery, <u>the</u> protection of whistle-blowers and animal welfare)
	Political influence and lobbying activities , <u>including use</u>

	Management of relationships with suppliers, including (unfair payment practices <u>especially late payment to small and medium-sized undertakings (SMEs)</u>
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(*) Note for ~~{Draft} Amended ESRS S2 Workers in the value chain~~ Value Chain. The level of detail of the materiality assessment for workers in the value chain, compared to that performed for own workforce, depends on the type and quality of data available. This can lead to different levels of depth and granularity in the analysis — especially for impacts and risks in the upstream/downstream value chain. As a result, while sub-topics under S1 Own Workforce and S2 Workers in the Value chain are aligned, the way the undertaking considers and assesses negative impacts and risks may differ between them.

~~(**) ‘Water and sanitation’ is applicable to {Draft} Amended ESRS S2 Workers in the value chain.~~

Appendix B: Qualitative characteristics of information

This Appendix is an integral part of ~~{Draft} Amended~~ ESRS 1 and has the same authority as the other parts of the Standard. This Appendix defines the qualitative characteristics that the information presented in the **sustainability statement** prepared in accordance with ~~the~~ ESRS shall meet, as outlined in Chapter 2 of ~~{Draft} Amended~~ ESRS 1.

Relevance

QC1. Sustainability information is relevant when it may make a difference in the decisions of **users** under a **double materiality** approach (see Chapter 3).

QC2. Information may make a difference in a decision even if some **users** choose not to take advantage of it or are already aware of it from other sources. Sustainability information may **impact** decisions of users if it has predictive value, confirmatory value or both. Information has predictive value if it can be used as an input to processes employed by users to predict future outcomes. Sustainability information ~~does not need to not~~ be a prediction or forecast to have predictive value but rather has predictive value ~~if~~when employed by users in making their own predictions.

QC3. Information has confirmatory value ~~if~~when it provides feedback about (confirms or changes) previous evaluations.

QC4. **Materiality** is an entity-specific aspect of relevance based on the nature or magnitude or both of the items to which the information relates, as assessed in the context of the undertaking's sustainability reporting (see ~~chapter~~Chapter 3)

Faithful representation

QC5. To be useful, the information must not only represent relevant phenomena; it must also faithfully represent the substance of the phenomena that it purports to represent. Faithful representation requires information to be (~~ia~~) complete, (~~ib~~) neutral and (~~ic~~) accurate.

QC6. A complete depiction of an **impact**, a **risk** or an **opportunity** includes all material information necessary for the **users** to understand that impact, risk or opportunity. This includes how the undertaking has adapted its strategy, risk management and governance in response to that impact, risk or opportunity, as well as the **metrics** identified to set **targets** and measure performance.

QC7. A neutral depiction is without bias in its selection or disclosure of information. Information is neutral if it is not slanted, weighted, emphasised, de-emphasised or otherwise manipulated to make it more likely that the **users** will receive that information favourably or unfavourably. It shall be balanced so as to cover ~~fav~~ourable/positive and unfavourable/negative aspects. Both negative and positive material **impacts** from an **impact materiality** perspective as well as material **risks** and **opportunities** from a **financial materiality** perspective shall receive equal attention. Any aspirational sustainability information, for example, **targets** or plans, shall cover both aspirations and factors that could prevent the undertaking from achieving these aspirations in order to have a neutral depiction.

QC8. Neutrality is supported by the exercise of prudence, i.e. caution when making judgements under conditions of uncertainty. Information shall not be netted or compensated to be neutral. The exercise of prudence means that **opportunities** are not overstated and **risks** are not understated. Equally, the exercise of prudence does not allow for the understatement of opportunities or the overstatement of risks. The undertaking may present net information, in addition to gross values, if such presentation does not obscure relevant information and includes a clear explanation about the effects of the netting and the reasons for the netting.

QC9. Information can be accurate without being perfectly precise in all respects. Accurate information implies that the undertaking has implemented adequate processes and internal controls to avoid material errors or material misstatements. As such, estimates shall be presented with a clear emphasis on their possible limitations and associated uncertainty (see Chapter 7.2). The amount of precision needed and attainable, and the factors that make information accurate, depend on the nature of the information and the nature of the **topics** it addresses. For example, accuracy requires that:

- (a) factual information is free from material error;
- (b) descriptions are precise;
- (c) estimates, approximations and forecasts are clearly identified as such;
- (d) no material errors have been made in selecting and applying an appropriate process for developing an estimate, an approximation or forecast, and that the inputs to that process are reasonable and supportable;
- (e) assertions are reasonable and based on information of sufficient quality and quantity; and
- (f) information about judgements about the future faithfully ~~reflects~~ reflect both those judgements and the information on which they are based.

Comparability

QC10. Sustainability information is comparable when it can be compared with information provided by the undertaking in previous periods and can be compared with information provided by other undertakings, in particular those with similar activities or operating within the same industry. A point of reference for comparison can be a **target**, a baseline, an industry benchmark, comparable information from either other undertakings or from an internationally recognised organisation, etc.

QC11. Consistency is related to, but is not the same as, comparability. Consistency refers to the use of the same approaches or methods for the same **topic** from period to period by the undertaking and other undertakings. Consistency helps to achieve the goal of comparability.

QC12. Comparability is not uniformity. For information to be comparable, like components shall look alike and different components shall look different. Comparability of sustainability information is not enhanced by making unlike things look alike any more than it is enhanced by making like things look different.

Verifiability

QC13. Verifiability helps to give **users** confidence that information is complete, neutral and accurate. Sustainability information is verifiable if it is possible to corroborate the information itself or the inputs used to derive it.

QC14. Verifiability means that various knowledgeable and independent observers could reach consensus, although not necessarily complete agreement, that a particular depiction is a faithful representation. Sustainability information shall be provided in a way that enhances its verifiability, for example, by:

- (a) including information that can be corroborated by comparing it with other information available to **users** about the undertaking's business, about other businesses or about the external environment;
- (b) providing information about inputs and methods of calculation used to produce estimates or approximations; and
- (c) providing information reviewed and agreed by the **administrative, management and supervisory bodies** or their committees.

QC15. Some sustainability information will be in the form of explanations or forward-looking information. Those disclosures can be supportable by faithfully representing on a factual basis, for example, the strategies, plans and risk analyses of the undertaking. To help **users** decide whether to use such information, the undertaking ~~shall describe~~ is required to describe the underlying assumptions and methods of producing the information, as well as other factors that provide evidence that it reflects ~~reflecting~~ the actual plans or decisions made by the undertaking.

Understandability

QC16. Sustainability information is understandable when it is clear and concise. Understandable information enables any reasonably knowledgeable **user** to readily comprehend the information being communicated.

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QC17. For sustainability disclosures to be concise, they need to (a) avoid generic ‘boilerplate’ information, which is not specific to the undertaking; (b) avoid unnecessary duplication of information, including information also provided in financial statements; and (c) use clear language and well-structured sentences and paragraphs. Concise disclosures ~~shall only~~ is required to include only material information. ~~Complementary~~ Supplementary information presented pursuant to ~~paragraph 106~~ Sub-Chapter 8.2 shall be provided in a way that avoids obscuring material information

QC18. Clarity might be enhanced by distinguishing information about developments in the reporting period from ‘standing’ information that remains relatively unchanged from one period to the next. This can be done, for example, by separately describing features of the undertaking’s sustainability-related governance and **risk** management processes that have changed since the previous reporting period compared to those that remain unchanged.

QC19. The completeness, clarity and comparability of sustainability disclosures all rely on information being presented as a coherent whole. For sustainability disclosures to be coherent, they shall be presented in a way that explains the context and the connections between the related information. Coherence also requires the undertaking to provide information in a way that allows **users** to relate information about its **sustainability-related impacts, risks** and **opportunities** to information in the undertaking’s financial statements

QC20. If **sustainability-related risks** and **opportunities** discussed in the financial statements have implications for sustainability reporting, the undertaking ~~shall~~ is required to include in the **sustainability statement** the information necessary for **users** to assess those implications and present appropriate links to the financial statements (see Chapter 9). The level of information, granularity and technicality shall be aligned with the needs and expectations of users. Abbreviations shall be avoided and the units of measure ~~shall~~ need to be defined and disclosed.

Appendix C: Assessing actual and potential negative impacts for materiality

This Appendix is an integral part of ~~{Draft} Amended ESRS 1~~ and has the same authority as the other parts of the Standard. It outlines the most common situations for actual and potential negative impacts when assessing them for **materiality**. It explains how to consider mitigation, prevention and **remediation actions** in each situation and what to report.

The third column illustrates how to treat an impact in future reporting periods, and it is relevant to understand how to treat in the reporting period impacts that originated in previous reporting periods.

Actual negative impacts		
Impacts that occurred in the reporting year	How to assess and what to report in the reporting year	How to assess and what to report in future years
If an impact occurred in the reporting period and no remediation action has been taken	Assess and report the impact	Keep reporting the impact for as long as it remains material based on its severity
If an impact occurred in the reporting period, remediation action has been taken after the impact but before the reporting date, and has reduced the severity of the consequences that could otherwise have occurred	Assess and report the impact before the remediation action; and report action taken	Keep reporting the impact after the remediation action taken, including any on-going significant remediation action, for as long as the impact after remediation actions is material
If an impact occurred in the reporting period and remediation action is planned or underway that should reduce the severity of its consequences, but the remediation is not yet effective in the reporting year		In the reporting period when the remediation became effective, report the impact before the remediation action taken, and report on the action. In subsequent years (after effectiveness) report the impact after the remediation action taken, for as long as the impact after remediation action is material
If an impact occurred in the reporting period and remediation action has been taken, is fully completed and the impact is remediated		In principle, no need to report on the impact, as it is not material

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Potential impacts		
Potential impacts that were material in the reporting year	How to assess and what to report in the reporting year	How to assess and what to report in future years
No prevention or mitigation action has been taken or implemented	Assess and report the potential impact	Assess and report the potential impact, as long as it remains material
If the potential impact was material within the reporting year, but prevention or mitigation action has been taken before the reporting date such that the impact no longer exists	Assess and report the potential impact before the actions and report actions	In principle, no need to report on the potential impact, as it is not material
If the potential impact was material within the reporting year, and prevention or mitigation action has been taken during the reporting period, but the undertaking has to maintain significant ongoing mitigation and/or prevention actions to contain the severity and/or likelihood of occurrence of the potential impact below a materiality level.		Report the potential impact after prevention or mitigation actions if it remains material, and report the significant ongoing action for as long as it is necessary to manage the residual material impact
If the potential impact was material within the reporting year and prevention or mitigation action has been taken such that the risk is reduced and no significant ongoing mitigation is required to contain the severity and/or likelihood of occurrence of the potential impact below a materiality level		Report the potential impact after mitigation or prevention actions if it remains material. If it is reduced below the materiality threshold, in principle no need to report the impact, as it is not material

Appendix D: List of phased-in Disclosure Requirements (former Appendix C)
[CHANGES AND CONSIDERATION DUE TO DELEGATED “QUICK FIX” NOT REFLECTED HERE]

This Appendix is an integral part of [Draft] Amended ESRS 1 and has the same authority as the other parts of the Standard.

[Draft] Amended ESRS	Disclosure Requirement	Full name of the Disclosure Requirement	Phase-in or effective date (including the first year)
ESRS 2	SBM-3	Interaction of material impacts, risks and opportunities with strategy and business model, and financial effects	The undertaking may omit the information prescribed by [Draft] Amended ESRS 2 SBM-3, paragraph 23(b) (anticipated financial effects), for the first year of preparation of its sustainability statement. The undertaking may comply with ESRS 2 SBM-3, paragraph 23(b), by reporting only qualitative disclosures for the first three years of preparation of its sustainability statement if it is impracticable to prepare quantitative disclosures. [TO BE UPDATED AFTER THE CONSULTATION REFLECTING THE FINAL OUTCOME ON FINANCIAL EFFECTS, I.E. OPTION 1 OR 2]
ESRS E1	E1-8	Gross Scopes 1, 2, 3 emissions	Undertakings or groups not exceeding on their balance sheet dates the average number of 750 employees during the financial year (on a consolidated basis where applicable) may omit the datapoints on scope 3 emissions and total GHG emissions for the first year of preparation of their sustainability statement.
ESRS E1	E1-11	Anticipated financial effects from material physical and transition risks and potential climate-related opportunities	The undertaking may omit the information prescribed by [Draft] Amended ESRS E1-11 for the first year of preparation of its sustainability statement. The undertaking may comply with [Draft] Amended ESRS E1-11 by reporting only qualitative disclosures for the first three years of preparation of its sustainability statement, if it is impracticable to prepare quantitative disclosures.
ESRS E4	All disclosure requirements	All disclosure requirements	Undertakings or groups not exceeding on their balance sheet dates the average number of 750 employees during the financial year (on a consolidated basis where applicable) may omit the information specified in the disclosure requirements of [Draft] Amended ESRS E4 for the first two years of preparation of their sustainability statement.
ESRS S1	S1-6	Characteristics of non-employee workers in the undertaking's own workforce	The undertaking may omit reporting for all datapoints in this Disclosure Requirement for the first year of preparation of its sustainability statement.

ESRS S1	S1-7	Collective bargaining coverage and social dialogue	The undertaking may omit this Disclosure Requirement with regard to its own employees in non-EEA countries for the first year of preparation of its sustainability statement.
ESRS S1	S1-10	Social protection	The undertaking may omit this Disclosure Requirement for the first year of preparation of its sustainability statement.
ESRS S1	S1-11	Persons with disabilities	The undertaking may omit this Disclosure Requirement for the first year of preparation of its sustainability statement.
ESRS S1	S1-12	Training and skills development	The undertaking may omit this Disclosure Requirement for the first year of preparation of its sustainability statement.
ESRS S1	S1-13	Health and safety metrics	The undertaking may omit the datapoints on cases of work-related ill health (paragraph 40(d)) and on number of days lost to injuries, accidents and work-related ill health (paragraph 40(e)) for the first year of preparation of its sustainability statement.
ESRS S1	S1-13	Health and safety metrics	The undertaking may omit reporting on non-employees for the first year of preparation of its sustainability statement.
ESRS S1	S1-14	Work-life balance metrics	The undertaking may omit this Disclosure Requirement for the first year of preparation of its sustainability statement.
ESRS S1 ESRS S2 ESRS S3 ESRS S4	All disclosure requirements	All disclosure requirements	Undertakings or groups not exceeding on their balance sheet dates the average number of 750 employees during the financial year (on a consolidated basis where applicable) may omit the information specified in the Disclosure Requirements of {Draft} Amended ESRS S1 for the first year of preparation of its sustainability statement and {Draft} Amended ESRS S2 , {Draft} Amended ESRS S3 and/or {Draft} Amended ESRS S4 for the first two years of preparation of their sustainability statement.