

This paper has been prepared by the EFRAG Secretariat for discussion at a public meeting of the EFRAG SRB. The paper does not represent the official views of EFRAG or any individual member of the EFRAG SRB or EFRAG SR TEG. Tentative decisions are made in public and reported in the EFRAG Update. EFRAG positions, as approved by the EFRAG SRB, are published as comment letters, discussion or position papers, or in any other form considered appropriate in the circumstances.

## **ESRS 2 General Disclosures – V1**

**November 2025**

**UNAPPROVED DRAFT**

### **NOTE TO EFRAG SR TEG AND SRB MEMBERS ON THIS DRAFT ESRS 2**

When looking at the wording of SBM-3 related to anticipated financial effects, the provisions in this standard will be accompanied by:

- 1) a phasing (see ESRS 1 Chapter 10) is available for wave 1 companies in all countries, which limits the requirement to reporting qualitative information only, for reporting years until 2029, making the provisions in the standard applicable mandatorily from 2030 onward;
- 2) to address concerns about confidentiality and commercially sensitive nature of the information, the Standard assumes that in Level 1 (CSRD) there will be a provision similar in substance with the one in the Council proposal for the trilogue – see Annex at the end of this document. As a consequence, the ESRS 1 (para. 101) includes a generic relief allowing to omit information if the Law of the Union prohibits or allows not to disclose a certain piece of information. The cover letter that will accompany the EFRAG Advice to the EC will highlight the importance of this assumption adopted by EFRAG in approving the Standards.

### **DISCLAIMER**

~~This Exposure Draft is published by EFRAG for comment only and is accompanied by the Basis for Conclusions and its Annexes. EFRAG assumes no responsibility or liability whatsoever for the content or any consequences or damages direct, indirect or incidental arising from following the advice or guidance contained in this document. Information contained in this publication does not constitute advice and should not be substituted for the services of an appropriately qualified professional.~~

## **How to provide feedback on this Exposure Draft:**

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](http://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.



EFRAG is funded by the European Union through the Single Market Programme in which the EEA EFTA countries (Norway, Iceland and Liechtenstein), as well as Kosovo participate. Any views and opinions expressed are however those of the author(s) only and do not necessarily reflect those of the European Union, the European Commission or of countries that participate in the Single Market Programme. Neither the European Union, the European Commission nor countries participating in the Single Market Programme can be held responsible for them.

© 2025 EFRAG All rights reserved.

Reproduction and use rights are strictly limited. For further details please contact [efragsecretariat@efrag.org](mailto:efragsecretariat@efrag.org). ~~ESRS 2 General Disclosures is set out in paragraphs 1 – 52.~~

Appendix A accompanies this Standard and provides non-binding guidance to illustrate the list of datapoints in cross-cutting and topical standards that derive from other EU legislation.

## **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 (5 amended)’ in [Draft] Amended ESRS 2.

## Contents

OBJECTIVE	5
DISCLOSURE REQUIREMENTS	5
DISCLOSURE REQUIREMENT	5
BP 1 – BASIS FOR PREPARATION OF THE SUSTAINABILITY STATEMENT	5
DISCLOSURE REQUIREMENT BP 2 – SPECIFIC INFORMATION IF THE UNDERTAKING USES PHASING-IN OPTIONS	5
DISCLOSURE REQUIREMENT GOV 1 – THE ROLE OF THE ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES IN RELATION TO SUSTAINABILITY	6
DISCLOSURE REQUIREMENT GOV 2 – INTEGRATION OF SUSTAINABILITY-RELATED PERFORMANCE IN INCENTIVE SCHEMES	7
DISCLOSURE REQUIREMENT GOV 3 – STATEMENT ON DUE DILIGENCE	7
DISCLOSURE REQUIREMENT GOV 4 – RISK MANAGEMENT AND INTERNAL CONTROLS OVER SUSTAINABILITY REPORTING	8
DISCLOSURE REQUIREMENT SBM 1 – STRATEGY, BUSINESS MODEL AND VALUE CHAIN	8
DISCLOSURE REQUIREMENT SBM 2 – INTERESTS AND VIEWS OF STAKEHOLDERS	9
DISCLOSURE REQUIREMENT SBM 3 – INTERACTION OF MATERIAL IMPACTS AND OPPORTUNITIES WITH STRATEGY AND BUSINESS MODEL, AND FINANCIAL EFFECTS	10
DISCLOSURE REQUIREMENT IRO 1 – DESCRIPTION OF THE PROCESS TO IDENTIFY AND ASSESS MATERIAL IMPACTS, RISKS AND OPPORTUNITIES AND MATERIAL INFORMATION TO BE REPORTED	12
DISCLOSURE REQUIREMENT IRO 2 – MATERIAL IMPACTS, RISKS AND OPPORTUNITIES AND DISCLOSURE REQUIREMENTS INCLUDED IN THE SUSTAINABILITY STATEMENT	13
GENERAL DISCLOSURE REQUIREMENT FOR POLICIES – GDR-P	15
GENERAL DISCLOSURE REQUIREMENT FOR ACTIONS AND RESOURCES – GDR-A	16
GENERAL DISCLOSURE REQUIREMENT FOR METRICS – GDR-M	17
GENERAL DISCLOSURE REQUIREMENT FOR TARGETS – GDR-T	18

## Table of contents

<b>OBJECTIVE.....</b>	<b>6</b>
<b>DISCLOSURE REQUIREMENTS .....</b>	<b>6</b>
<i>Disclosure Requirement BP-1 – Basis for preparation of the sustainability statement.....</i>	<i>6</i>
<i>Disclosure Requirement BP-2 – Specific information if the undertaking uses phasing-in options .....</i>	<i>7</i>
<b>GOVERNANCE.....</b>	<b>8</b>
<i>Disclosure Requirement GOV-1 – The role of the administrative, management and supervisory bodies in relation to sustainability .....</i>	<i>8</i>
<i>Disclosure Requirement GOV-2 – Integration of sustainability-related performance in incentive schemes .....</i>	<i>9</i>
<i>Disclosure Requirement GOV-3 – Statement on due diligence .....</i>	<i>10</i>
<i>Disclosure Requirement GOV-4 – Risk management and internal controls over sustainability reporting .....</i>	<i>10</i>
<b>STRATEGY.....</b>	<b>11</b>
<i>Disclosure Requirement SBM-1 – Strategy, business model and value chain .....</i>	<i>11</i>
<i>Disclosure Requirement SBM-2 – Interests and views of stakeholders .....</i>	<i>13</i>
<i>Disclosure Requirement SBM-3 – Interaction of material impacts risks and opportunities with strategy and business model, and financial effects .....</i>	<i>14</i>
<i>Disclosure Requirement IRO-1 – Description of the process to identify and assess material impacts, risks and opportunities and material information to be reported .....</i>	<i>18</i>
<i>Disclosure Requirement IRO-2 – Material impacts, risks and opportunities and disclosure requirements included in the sustainability statement.....</i>	<i>19</i>
<b>GENERAL DISCLOSURE REQUIREMENTS ('GDR') FOR POLICIES, ACTIONS, METRICS AND TARGETS .....</b>	<b>21</b>
<i>General Disclosure Requirement for policies – GDR-P .....</i>	<i>22</i>
<i>General Disclosure Requirement for actions and resources – GDR-A .....</i>	<i>23</i>
<i>General Disclosure Requirement for metrics – GDR-M.....</i>	<i>24</i>
<i>General Disclosure Requirement for targets – GDR-T.....</i>	<i>26</i>
<b>APPENDIX A: LIST OF DATAPOINTS IN CROSS-CUTTING AND TOPICAL STANDARDS THAT DERIVE FROM OTHER EU LEGISLATION .....</b>	<b>28</b>
Table 1: Datapoints in the main body of the Standard .....	28
Table 2: Methodological specifications in AR corresponding to EU legislation .....	35

## Objective

1. (1) ~~This Standard~~ ESRS 2 General ~~disclosures~~ **Disclosures** sets out the ~~General~~ Disclosure Requirements (~~GDRs~~ **DRs**) that apply across sustainability topics (i.e. cross-cutting). It covers the reporting areas defined in ESRS 1 General ~~requirements~~, Chapter 1.1 **Requirements**, paragraph 5.
2. (new) ~~This~~ The undertaking shall apply the DRs defined in this Standard ~~refers to disclosing when providing information~~ on material **impacts, risks** and **opportunities** and ~~disclosing on the topics related to them. In and present such information in~~ accordance with ESRS 1, ~~in preparing the information prescribed by each DR of this Standard, the undertaking shall adopt the level of disaggregation that provides the most relevant information, i.e. at impacts, risks and opportunities level, at group of them, or at topic level, reflecting their nature and how the undertaking manages them~~ paragraph 56.

## Disclosure Requirements

### Disclosure ~~requirement~~ **Requirement** BP-1 – **Basis for preparation of the sustainability statement**

3. (4 and 7 amended) The objective of this DR is to ~~provide~~ **enable** an understanding of the basis for preparation of the **sustainability statement**, including the disclosures required by ESRS 1 in specific circumstances, ~~and information about the use of phasing-in options and reliefs.~~
4. (5 amended) The undertaking shall disclose:
  - (a) whether the **sustainability statement** has been prepared on a consolidated or individual basis and in case the reporting boundary ~~is different of the undertaking's own operations differs~~ from the one adopted in the consolidated financial statements, a description of and the reasons for ~~these circumstances~~ **this difference**; and
  - (b) an overview of the extent to which the sustainability statement covers the undertaking's upstream and downstream **value chain**.
5. ~~The undertaking shall state that the general requirements of ESRS 1 have been applied for the preparation of its sustainability statement with an indication of either (i) that none of the provisions listed in ESRS 2, paragraph 5 apply, or (ii) which of the provisions listed in ESRS 2, paragraph 5 have been applied, leading to the disclosure of information required in the relevant paragraphs of ESRS 1:~~
  - ~~(a) deviation from pre-defined time horizons (ESRS 1, paragraph 78);~~
  - ~~(b) adjustments to comparative information (ESRS 1, paragraphs 83, 84 and 85);~~
  - ~~(c) application of material judgement, and information subject to significant uncertainties (ESRS 1, paragraph 86);~~
  - ~~(d) use of relief when the undertaking discloses metrics with a partial scope (ESRS 1, paragraph 91);~~
  5. ~~(e) update of disclosures for events after has been prepared in accordance with ESRS as applicable at the end of the reporting period (ESRS 1, paragraph 94);~~
    - ~~(f) changes in preparation or presentation of sustainability information (ESRS 1, paragraph 95);~~
    - ~~(g) reporting errors in prior periods (ESRS 1, paragraphs 96 and 97);~~
    - ~~(h) use of the option to omit classified and sensitive information or information about impending developments or matters in the course of negotiation (ESRS 1, paragraphs 99 and 101);~~
    - ~~(i) presentation of additional information (ESRS 1, paragraphs 108 and 109);~~
    - ~~(j) use of relief for metrics in the value chain (ESRS 1, paragraph 92); and~~
    - ~~(k) use of relief for acquisitions and disposals (ESRS 1, paragraph 74).~~
6. The undertaking shall disclose any relief, option or other specific provision prescribed in ESRS 1 that it applies, together with the related required information.

## APPLICATION REQUIREMENTS FOR BP-1

### AR 1 for para. 6

(new) Reliefs, options or other specific provisions to be considered are the following:

- (a) relief for acquisitions and disposals (ESRS 1, paragraphs 75 and 76);
- (b) deviation from pre-defined time horizons (ESRS 1, paragraph 82);
- (c) changes in preparation or presentation of sustainability information (ESRS 1, paragraphs 85 and 86);
- (d) adjustments to comparative information (ESRS 1, paragraph 88);
- (e) application of material judgement and information subject to significant uncertainties (ESRS 1, paragraph 89);
- (f) omission of required information if applicable law or regulations prohibit the disclosure of such information or allow the omission of such disclosure (ESRS 1, paragraph 101);
- (g) relief to exclude from the calculation of a metric activities that are not significant drivers of impacts, risks and opportunities (ESRS 1, paragraph 91);
- (h) relief to report a partial reporting boundary for a metric due to lack of reliable data (ESRS 1, paragraph 92);
- (i) relief to exclude joint operations from environmental metrics (ESRS 1, paragraph 93);
- (j) significant limitations affecting the reported information as a result of the use of undue cost or effort for specific datapoints (ESRS 1, Chapter 7.4);
- (k) update of disclosures for events after the end of the reporting period (ESRS 1, paragraphs 97 and 98);
- (l) reporting errors in prior periods (ESRS 1, paragraphs 99 and 100).

The undertaking may present the information required under paragraph 6 in the General Information section of its **sustainability statement** or alongside the relevant disclosures to which the information pertains.

### Disclosure ~~requirement~~ Requirement BP-2 – Specific information if the undertaking uses phasing-in options

7. The objective of this DR is to enable an understanding of the phasing-in provisions that the undertaking has used.

~~6-8.~~ If an undertaking or group not exceeding on its balance sheet date the average number of 750 employees during the financial year decides to omit the information required by ESRS E4, ESRS S1, ESRS S2, ESRS S3 or ESRS S4 in accordance with Appendix C of ESRS 1 applying the phase-in provisions provided by ESRS 1 paragraphs 131(a) and 132(a), the undertaking omits the information required by the standards listed in those paragraphs, it shall nevertheless disclose whether the sustainability **impacts, risks and opportunities** and the related topics covered ~~respectively by ESRS E4, ESRS S1, ESRS S2, ESRS S3 and ESRS S4~~ by those standards have been assessed to be material as a result of the undertaking's materiality assessment.

~~7-9.~~ In addition, for each ~~topic~~ that relates to paragraph 8, if one or more of these **topics** have been assessed to be material **impacts, risks and opportunities**, the undertaking shall:

- (a) disclose the topic or sub-topic(s) in Appendix A of ESRS 1 that ~~relate~~ are assessed to the undertaking's ~~sub~~ material impacts, risks and opportunities, and briefly describe how the undertaking's **business model** and strategy ~~interact with them~~ take account of its **impacts related to those topics**. The undertaking may disclose at the level of topic or sub-topic;



- (b) briefly describe any time-bound **targets** it has set related to the topics in question, the progress it has made towards achieving those targets, and whether its targets related to **biodiversity** and **ecosystems** are based on conclusive scientific evidence;
- (c) briefly describe its **policies** in relation to the topics in question;
- (d) briefly describe **actions** it has taken to identify, monitor, prevent, mitigate, remediate or bring an end to **actual** or **potential** ~~adverse~~**negative impacts** related to the topic in question, and the result of such actions; and
- (e) disclose **metrics** relevant to the topic in question.

10. (new) If, by applying the other phase-in provisions provided by ESRS 1 in paragraphs 131(b)-(e) and 132(b)-(d), the undertaking omits the information required by other DRs listed in those paragraphs, it shall disclose this fact.

#### APPLICATION REQUIREMENTS **FOR BP-2**

<b>AR 12 for BP-4 para. 9</b>	(new) The undertaking may present the information <del>stemming from BP-4 required in paragraph 9 either</del> in the <del>General information Section</del> <b>general part</b> of its <b>sustainability statement</b> , or alongside the relevant <b>topical</b> disclosures <del>/ metrics to which the information pertains.</del>
<b>AR 3 for para. 10</b>	(new) The undertaking may present the information required in paragraph 10 either in the general part of its <b>sustainability statement</b> or within the content index, if it opts for this as defined in IRO-2 AR 29.

#### Governance

Disclosure ~~requirement~~**Requirement** GOV-1 – *The role of the administrative, management and supervisory bodies in relation to sustainability*

8.11. (20 amended) The objective of this DR is to ~~provide~~**enable** an understanding of the roles and responsibilities of the **administrative, management and supervisory bodies**, as well as the **associated** processes, controls and procedures, ~~to monitor, manage in monitoring, managing and oversee~~ **material** ~~overseeing material impacts, risks and opportunities, either individually or at a higher level (i.e. groups of impacts, risks and opportunities or related topics).~~

9.12. The undertaking shall disclose:

- (a) ~~— (21(d), (e) and (b))~~ with respect to ~~specific aspects of~~ the composition of its **administrative, management and supervisory bodies**, the percentage of **independent board members**<sup>1</sup>, ~~where it exists~~, the representation of **employees** and other workers, ~~if present~~, and the percentage by gender and by other aspects of diversity that the undertaking takes into account;
- (b) ~~— (23 amended)~~ how the administrative, management and supervisory bodies determine whether appropriate skills and expertise are available or will be developed to **manage or** oversee strategies and other measures designed to respond to material **impacts, risks and opportunities** ~~(or groups of them / related topics);~~;
- (c) ~~— (22(a)(b), (former 26(6) amended )~~ the identity and responsibilities of the individuals, board committee or similar body within the administrative, management and supervisory bodies, which are responsible for the **management or** oversight of material impacts, risks and opportunities ~~(or groups of them / related topics);~~, with an indication, ~~if relevant~~, of those ~~for which~~ **impacts, risks and opportunities that are directly addressed by** the administrative,

<sup>1</sup> This information supports the information needs of benchmark administrators to disclose ESG factors subject to Regulation (EU) 2020/1816 as set out by indicator 'Weighted average percentage of board members who are independent' in ~~section~~**Section** I of Annex II.



management and supervisory bodies ~~have not delegated the key decisions without delegation to another body; other bodies or to management if any;~~

(d) — (22(d)) how the administrative, management and supervisory bodies manage or oversee the setting of **targets** related to material impacts, risks and opportunities ~~(or groups of them / related topics)~~; and how they monitor progress towards them; and

(e) — (26(b)) how the administrative, management and supervisory bodies take into account material impacts, risks and opportunities ~~(or groups of them / related topics)~~ when when managing or overseeing the undertaking's strategy, its decisions on major transactions, and its risk management process and related **policies**, including whether the body(ies) or individual(s) have considered trade-offs associated with those impacts, risks and opportunities.

#### APPLICATION REQUIREMENTS FOR GOV-1

<b>AR 24</b> for para. <b>912(a)</b>	(21(d)) The board's gender diversity shall be calculated as <del>an</del> <u>the</u> average ratio of female to male board members <sup>2</sup> .
<b>AR 35</b> for para. <b>912(b)</b>	Sustainability-related expertise refers to <del>the one</del> <u>expertise</u> that the bodies <del>either directly possess or can leverage (for example through, have access to experts, training or other educational initiatives) or can develop.</del>
<b>AR 46</b> for para. <b>912(c)</b>	<del>(new)</del> The description of the responsibilities shall consist <del>in</del> <u>of</u> an overview of how <del>each body's or individual's</del> <u>the responsibilities of each body or individual</u> for material <b>impacts, risks</b> and <b>opportunities</b> and related <b>topics</b> are reflected in the undertaking's terms of reference, board mandates and other related <b>policies</b> .
<b>AR 7</b> for para. <b>12 (e)</b>	<u>For the purposes of this disclosure, the management of material <b>impacts, risks</b> and <b>opportunities</b> includes the due diligence process put in place.</u>

#### Disclosure ~~requirement~~Requirement GOV-2 – *Integration of sustainability-related performance in incentive schemes*

~~10-13.~~ (28) The objective of this DR is to ~~provide~~enable an understanding of ~~whether the key features of any~~ incentive schemes that are linked to sustainability **topics** ~~that are offered to in place for~~ members of the **administrative, management and supervisory bodies**.

~~11-14.~~ (29) ~~Where they exist, if the undertaking shall disclose the following information about the has incentive schemes and remuneration policies linked to sustainability topics for members of the administrative, management and supervisory bodies: that are linked to sustainability topics, it shall disclose how members' remuneration is linked to sustainability topics, including:~~

- (a) ~~a~~ a description of the key characteristics of the incentive schemes;
- (b) ~~(29(b)) when~~targets or metrics used if the performance is assessed against specific sustainability-related targets ~~and/or impacts, the targets or metrics used;~~ and
- (c) ~~(29(d)) the proportion of variable remuneration dependent on sustainability-related targets and/or impacts' performance metrics.~~

<sup>2</sup> This information supports the information needs of: financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts set out by indicator #13 in Table I of Annex I of Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to disclosures rules on sustainable investments ('Board gender diversity') and benchmark administrators to disclose ESG factors subject to Commission Delegated Regulation (EU) 2020/1816 of 17 July 2020 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as set out by indicator 'Weighted average ratio of female to male board members' in ~~section~~Section 1 and 2 of Annex II.

## Disclosure ~~requirement~~Requirement GOV-3 – Statement on due diligence

~~12-15.~~ (31) The objective of this DR is to ~~facilitate~~enable an understanding of ~~where, within the sustainability statement,~~ the main aspects and steps of the due diligence process (see ~~chapter~~ESRS 1, Chapter 4, ESRS1) ~~that the undertaking has~~ applied with regard to sustainability ~~topics reported in its sustainability statement.~~are disclosed.

~~13-16.~~ (32) The undertaking shall explain where its application of the main aspects and steps of the due diligence process are reflected in its **sustainability statement**<sup>3</sup>.

### APPLICATION REQUIREMENTS **FOR GOV-3**

<b>AR <del>58</del> for para. <del>13-16</del></b>	(AR 8) The undertaking may present the <del>description</del> information required <del>by</del> in paragraph <del>13-16</del> in the form of a table, cross-referencing the core elements of <del>its</del> due diligence <del>for impacts on people and the environment</del> process to the relevant disclosures in its <b>sustainability statement</b> .
--	--

## Disclosure ~~requirement~~Requirement GOV-4 – Risk management and internal controls over sustainability reporting

~~14-17.~~ (35) The objective of this DR is to ~~provide~~enable an understanding of the undertaking's **risk** management and internal control processes and systems in relation to sustainability reporting.

~~15-18.~~ (36(a)) The undertaking shall disclose the scope, main features and components of its **risk** management and internal control processes and systems in relation to sustainability reporting.

### APPLICATION REQUIREMENTS **FOR GOV-4**

<b>AR <del>69</del> for para. <del>15-18</del></b>	(AR 11) The undertaking shall consider the completeness and integrity of the data, and the accuracy of estimation results, as aspects that are relevant in the context of <del>risk</del> the <b>risk management</b> associated <del>to</del> with the reporting process.
--	---

<sup>3</sup> This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts as set out by indicator #10 in Table III of Annex I of Commission Delegated Regulation (EU)-2022/1288 with regard to disclosure rules on sustainable investments ('Lack of due diligence').

## Strategy

### Disclosure requirement ~~Requirement~~ SBM-1 – Strategy, business model and value chain

~~16-19.~~ (39) The objective of this DR is to ~~describe~~enable an understanding of the key elements of the undertaking's general strategy, ~~as well as the key elements of its~~ **business model** and **upstream and downstream value chain**, that relate to or affect material **impacts, risks** and **opportunities**, in order to provide an understanding of its exposure to such material impacts, risks and opportunities and where they originate.

~~17-20.~~ (40 amended) The undertaking shall disclose the following information about the key elements of its general strategy and business model that relate to, or affect, the topics associated with its material impacts, risks and opportunities, either individually or at a higher level (i.e. groups of impacts, risks and opportunities or related ~~topics~~):

(a) a description of its business model, its upstream and downstream value chain and its position in that value chain;

(b) a description of:

- i. the significant groups of products and/or services offered, significant markets ~~and/or~~ customer groups served, and their relevance in contributing to the undertaking's sustainability-related goals that it has associated to them ~~overall objectives~~, including significant changes in the reporting period (e.g. new/removed products, services, markets ~~and/or~~ customer groups);

- ii. where applicable and material, **products** and **services banned** in certain markets;

(~~b~~c) the ~~list of its~~ significant sectors, including activities that are internal to the group, ~~when if~~ those activities are significant ~~and/or~~ are connected or may be connected to ~~materials~~ material impacts, ~~risk~~ risks and opportunities, ~~and the sector classification system adopted for this disclosure~~;

(~~e~~d) where applicable, a statement indicating, along together with the ~~respective~~ related revenues, whether the undertaking is active in:

- i. the **fossil fuel** (coal, oil and gas) sector<sup>4</sup>;
- ii. chemicals production<sup>5</sup>, i.e. whether its activities fall under Division 20.2 of Annex I to Regulation (EC) No 1893/2006;
- iii. the controversial weapons industry<sup>6</sup> (anti-personnel mines, cluster munitions, chemical weapons or biological weapons); ~~and/or~~
- iv. the cultivation and production of tobacco<sup>7</sup>.

~~18.~~ (42 amended) The undertaking shall disclose a description of its ~~business model~~ and ~~value chain~~, covering the main features of them, as well as its position in the latter.

<sup>4</sup> This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts set out by indicator #4 in Table I of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosures rules on sustainable investments (~~“Exposure to companies active in the fossil fuel sector”~~ “sector”).

<sup>5</sup> This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts set out by indicator #9 in Table II of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosures rules on sustainable investments (~~“Investments in companies producing chemicals”~~ “chemicals”).

<sup>6</sup> This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from an additional indicator related to principal adverse impacts set out by indicator #14 in Table I of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosures rules on sustainable investments (~~“Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)”~~ “”).

<sup>7</sup> This information supports the needs of benchmark administrators to disclose ESG factors subject to Regulation (EU) 2020/1818 as set out by paragraph b) of ~~article~~ Article 12.1.

## APPLICATION REQUIREMENTS **FOR SBM-1**

AR <b>710</b> for para. <del>17(b)20(c)</del>	(new) Disclosing the <del>list of</del> significant sectors is relevant for <b>users</b> , as it supports the understanding of <del>the material</del> <b>impacts</b> <del>(and as a consequence, risks and opportunities)</del> to which the undertaking is <del>potentially</del> connected, as they are common in a given sector. In addition, this supports the understanding of possible entity-specific information included in the <b>sustainability statement</b> to cover aspects that are either specific <u>to the undertaking</u> or common in a given sector.
AR <b>811</b> for para. <del>17(b)20(c)</del>	The <u>sectors in which the</u> undertaking is <del>not considered to be active in the sectors are those of its own</del> operations <del>of its counterparts in the upstream and downstream value chain</del> .
AR <b>912.</b> for para. <del>17(20 (b)(c)(i))</del>	<p><del>(40 (d)(i)) In preparing the disclosure of its revenues derived from the fossil fuel sector, the calculation shall be based on revenues from the exploration, mining, extraction, production, processing, storage, refining and/or distribution, including transportation, storage and trade, of fossil fuels as defined in Article 2, point (62), of Regulation (EU) 2018/1999 of the European Parliament and the Council). (AR 13 amended) A sector, a market, and a group of products, services or costumers shall be considered significant if:</del></p> <p><del>(a) it accounts for more than 10 per cent of the undertaking's revenue; or</del></p> <p><del>(b) it is connected with the undertaking's actual or potential material impacts.</del></p> <p><del>For significant sectors arising from activities that are internal to the group only the criterion in letter (b) applies.</del></p> <p><del>ESRS 2 does not mandate a specific classification system of business activities. When disclosing its significant sectors, the undertaking may apply one of the following approaches:</del></p> <p><del>(a) the NACE classification system (Nomenclature générale des Activités Economiques dans les Communautés Européennes NACE Rev.2.1);</del></p> <p><del>(b) the reportable segments disclosed in the financial statements in accordance with IFRS 8 Operating segments or local generally accepted accounting principles; or</del></p> <p><del>(c) available classification best practices or frameworks, such as the IFRS industry-based guidance and GRI Standards defined in ESRS 1 AR 5. The undertaking may present a disaggregation of revenues derived from coal, oil and gas.</del></p>
AR <del>1013.</del> for para. <del>17(a)(b)20(d)(i)</del>	<p><del>(40 (d)(i)) The calculation of revenues derived from the fossil fuel sector shall be based on revenues from the exploration, mining, extraction, production, processing, storage, refining or distribution of fossil fuels, including their transportation, storage and trade, as defined in Article 2, point (62), of Regulation (EU) 2018/1999 of the European Parliament and the Council). The undertaking may present a disaggregation of revenues derived from coal, oil and gas. (AR 13 amended) When disclosing information on a group of products and/or services, a group of markets and/or customers, and on a sector, the undertaking shall apply the following criteria to assess if they are significant:</del></p> <p><del>(a) whether it accounts for more than 10 per cent of the undertaking's revenue or is a reportable sector in accordance with IFRS 8 / local generally accepted accounting principles; or</del></p> <p><del>(b) whether it is connected with its actual material impacts or potential material negative impacts.</del></p>

Disclosure ~~requirement~~**Requirement** SBM-2 – *Interests and views of stakeholders*

~~19-21.~~ (44 amended) The objective of this DR is to ~~provide~~**enable** an understanding of the undertaking's **stakeholder engagement** ~~and whether~~ and how **stakeholders'** interests and views are brought to the attention of its **administrative, management and supervisory bodies** and inform its strategy and **business model**.

~~20-22.~~ (45 amended) The undertaking shall disclose:

- (a) a summarised description of its **stakeholder engagement**, including information about the key **stakeholders** with which it engaged, with reference to typical categories of affected stakeholders defined in ESRS 1 AR 21;
- (b) its understanding of the interests and views of its key stakeholders as they relate to its strategy and **business model**; and
- (c) ~~whether and~~ how the **administrative, management and supervisory bodies** are informed about the views and interests of key affected stakeholders (including **workers' representatives**) with regard to its material **impacts, risks** and **opportunities**, ~~either individually or at a higher level (i.e. groups of impacts, risks and opportunities or related topics).~~

**APPLICATION REQUIREMENTS**

<b>AR 11 for para. 20(a)</b>	(new) Key <del>stakeholders</del> refer to key categories of affected stakeholders (as defined in ESRS 1 AR 10).
------------------------------	--

**Disclosure ~~requirement~~ Requirement SBM-3 – Interaction of material impacts risks and opportunities with strategy and business model, and financial effects**

~~21.23.~~ (47 amended) The objective of this DR is to ~~provideenable~~ an understanding of the interactions between the undertaking's material **impacts, risks** and **opportunities**, and its strategy and **business model**, ~~at as well as of the appropriate level of aggregation, i.e. individually, aggregated or at topic level, including related~~ **financial effects**.

~~22.24.~~ (48 amended) The undertaking shall ~~providedisclose~~ a high-level description of ~~the interaction of the material impacts, risks and opportunities, with its business model, value chain, strategy and decision-making. This includes how material impacts originate from its strategy and business model, and how materialthe effects of risks and opportunities affect or may affect substantially its strategy and on its business model, as well as and value chain, and how the undertaking has addressed or responded, and plans to addressrespond, to them- in its strategy and decision-making.~~

~~23.~~ The undertaking shall disclose ~~current~~ qualitative and ~~anticipated financial effects~~ of its quantitative information about how material **risks** and **opportunities**. This includes:

~~25. (a) — the effects on have affected~~ its financial position, financial performance and cash flows for the reporting period (~~current financial effects~~), ~~by reference to~~. If the information is included in the financial statements ~~where this information is presented~~, it may be incorporated by reference (see ESRS 1, Chapter 9.3).

**Option 1**

~~26. (b) — the anticipated effects on its financial position, financial performance and cash flows, including the time horizons (short, medium or long term) for which those effects could reasonably be expected to occur. This The undertaking shall be done by taking into consideration how disclose qualitative information about the material risks and opportunities are includedidentified in the undertaking's financial planning for the various time horizons used for strategic management purposes. This shall be done by separately disclosing those paragraph 25 for which there is a significant risk of a material adjustment within the next annual reporting period to the carrying amounts of assets and liabilities reported in the related financial statements.~~

~~27. (c) — ifThe undertaking shall disclose qualitative and quantitative information on how it expects its financial position, financial performance, and cash flows to change over the short, medium and long term, given its strategy to manage material risks and opportunities (anticipated financial effects).~~

~~28. (new) The undertaking need not provide quantitative information about the current financial effects or anticipated financial effects if it determines that:~~

~~(a) the effects are not separately identifiable; or~~

~~(b) the level of measurement uncertainty involved in estimating those effects is so high that the resulting quantitative information would not be useful (see ESRS 1, paragraphs 89 and 90).~~

~~29. (new) The undertaking need not provide quantitative information about the anticipated financial effects of material risks or opportunities if it does not have the skills, capabilities or resources to provide that quantitative information.~~

~~30. (new) In preparing disclosures about its anticipated financial effects, the undertaking shall use all reasonable and supportable information available to it at the reporting date without undue cost or effort (see ESRS 1, paragraphs 94, 95 and 96).~~

~~31. If~~ the undertaking cannot provide quantitative information about the **current financial effects** or **anticipated financial effects** of a **risk** or **opportunity** ~~applying the criteria set out in AR 17 in accordance with paragraphs 28 and 29~~, it shall:

~~;(a)~~ explain why it has not provided quantitative information;



ii. ~~(b)~~ provide qualitative information about those **financial effects**, including identifying line items, totals and subtotals within the related financial statements that are likely to be affected, or have been affected, by that risk or opportunity; and

iii. ~~(c)~~ provide quantitative information about the combined financial effects of that risk or opportunity with other risks or opportunities and other factors, unless the undertaking determines that quantitative information about the combined financial effects would not be useful. (48(f) amended)

(48(f) amended) When providing quantitative information, the undertaking may present single amounts or ranges. **Option 2**

~~(b) qualitative information about anticipated financial effects on its financial position, financial performance and cash flows, including the time horizons (short, medium or long term) for which those effects could reasonably be expected to occur. This shall be done by taking into consideration how risks and opportunities are included in the undertaking's financial planning and how they relate to the various time horizons the undertaking uses for management and strategic purposes. This shall be done by separately disclosing those for which there is a significant risk of a material adjustment within the next annual reporting period to the carrying amounts of assets and liabilities reported in the related financial statements. In addition, the undertaking may present quantitative information about anticipated financial effects.~~

32.

24.33. The undertaking shall disclose qualitative information about the resilience of its strategy and **business model** regarding its capacity to address its material **risks**, ~~either individually or at a higher level (i.e. groups of risks or related topics).~~ The undertaking shall disclose a qualitative analysis of its resilience ~~to the material risks as~~ disclosed in accordance with paragraph 22, ~~including~~ 24. This information shall include how the analysis was conducted and the time horizons considered. ~~Topical ESRS may set specific requirements about resilience.~~

## APPLICATION REQUIREMENTS **FOR SBM-3**

AR ~~1214~~ for para. ~~2224~~

~~(new) The description of undertaking may consider the linkages that exist between paragraph 24 and IRO-2, paragraph 37(a) to present the content in a way that avoids duplications and facilitates an understanding of the information reported in accordance with these paragraphs. Paragraph 24 focuses on reporting the interaction of the undertaking's material **impacts, risks** and **opportunities** with the undertaking's its strategy and **business model, value chain**, strategy and decision-making shall be provided at the appropriate level of aggregation, either individually or at a higher level (groups of - IRO-2, paragraph 37(a) focuses on a description of those impacts, risks and opportunities ~~of~~ and how they are likely to affect people and the environment.~~

A description of the undertaking's material impacts, risks and opportunities is required in accordance with IRO-2, paragraph 37(a). The undertaking may present the descriptions of its material impacts, risks and opportunities in the same location as its disclosures on the related **topics** to reflect the level at **policies, actions, metrics** and **targets** through which the undertaking manages it addresses them-, in order to avoid duplication and support a coherent narrative.

AR ~~1315~~ for para. ~~2224~~

~~This DR is focused (new) Information on how the explanation of the interaction between **material impacts, risks** and **opportunities** on the one hand and **business model** and strategy, on the other hand. A description of them is required in accordance with IRO-2, paragraph 28(a). The undertaking may present the descriptions of addresses or plans to address its material **impacts, risks** and **opportunities** in the same location as its disclosures on the related includes a reference to the specific~~



## APPLICATION REQUIREMENTS FOR SBM-3

	<del>policies, actions, targets and metrics</del> through which it addresses them, in order to avoid duplication and support a coherent narrative implemented during the reporting period to manage those material impacts, risks and opportunities.
AR <del>1416</del> for para. <del>2227</del>	<p>(new) Information 48(d) amended) In preparing the disclosure on how <b>anticipated financial effects</b>, the undertaking <del>addresses or plans to address</del> shall consider how it expects its <b>material impacts</b>, financial position, financial performance and cash flows to change over the short, medium and long term, given its strategy to manage <b>risks</b> and <b>opportunities</b>, which interact with its taking into consideration:</p> <p>(a) its announced investment and disposal plans (e.g. capital expenditure, major acquisitions and divestments, joint ventures, business <del>model</del> or strategy, includes a clear reference to the specific <b>policies, actions, targets</b> and other measures it implemented during the reporting period to manage them, as disclosed in line with transformation, innovation, new business areas and asset retirements), including plans to which the GDRs and the relevant topical standards undertaking is not contractually committed; and</p> <p>(b) its planned sources of funding to implement its strategy.</p>
AR <del>1517</del> for para. <del>23</del> paras. 25 and 27	<p>(new) In preparing disclosures about its <b>anticipated financial effects</b>, an undertaking shall use reasonable and supportable information available to it at the reporting date without undue cost or effort (see paragraphs 88, 89 and 90 of ESRS 1). Quantitative information may consist of non-monetary information such as volumes, number of products, or number of employees.</p>
AR <del>1618</del> for para. <del>23(b)</del> paras. 25 and 27	<p>(48(d) amended) In preparing the disclosure on presenting information reported in accordance with paragraphs 25 and 27 about <b>current financial effects</b> and <b>anticipated financial effects</b>, the undertaking <del>shall</del> may consider how it expects its financial position, the linkage with the information reported in accordance with GDR-A, paragraphs 46(b)(c) about financial performance and cash flows resources allocated to change over the short, medium and long term, given its strategy to manage <b>risks</b> and <b>opportunities</b>, taking into consideration:</p> <p>(a) its announced investment and disposal plans (for example, capital expenditure, major acquisitions and divestments, joint ventures, business transformation, innovation, new business areas and asset retirements), including plans to which the undertaking is not contractually committed; and</p> <p>(b) its planned sources of funding to implement its strategy. <u>key actions</u>.</p>
AR <del>1719</del> for para. <del>23(b)</del> paras. 25 and 27	<p><b>Option 1</b></p> <p>(new) An undertaking need not provide quantitative information about the The DR related to <b>current or financial effects</b> and <b>anticipated financial effects</b> if it determines are designed to produce information that:</p> <p>(a) complements information provided in the financial statements. See Chapter 9 of ESRS 1 for the effects related to a specific <b>topic</b> (or its impact(s), risk(s)) requirements on how to support the understandability of connections between <b>risks</b> and <b>opportunities</b> are not separately identifiable from those related to another topic or impact, risk or, opportunity; or</p> <p>(b) the level of measurement uncertainty involved in estimating those effects is so high that the resulting quantitative information would not be useful (see paragraphs 86 and 87 of ESRS 1), such as when there is no reasonable and supportable the</p>

# APPLICATION REQUIREMENTS **FOR SBM-3**

	information <del>derived from its business plans to be used as input</del> <u>reported</u> in the calculation of anticipated long-term financial <del>effects</del> <u>statements</u> .
<b>AR <del>1820</del> for para- 23 paras. 28 and 29</b>	<del>(48(f) amended)</del> When providing quantitative information, the undertaking may present single amounts or ranges. <del>(new)</del> If the undertaking cannot provide quantitative information in accordance with paragraphs 28 and 29, it is expected to provide qualitative information that is decision useful according to paragraph 23(a) of ESRS 1. In such instance, paragraph 24 of ESRS 1 also applies.

UNAPPROVED DRAFT

**Disclosure ~~requirement~~ Requirement IRO-1 – Description of the process to identify and assess material impacts, risks and opportunities and material information to be reported**

~~25-34.~~ (52) The objective of this DR is to ~~provide~~enable an understanding of the process through which the undertaking identifies **impacts, risks, opportunities** and the related ~~topic~~topics, and assesses their **materiality**, as the basis for determining the disclosures to be made in its **sustainability statement** (see ESRS 1, Chapter 3).

~~26-35.~~ (53 amended) The undertaking shall disclose ~~the following~~:

- (a) ~~an overview~~a concise description of the process, ~~and decision-making steps it follows to identify impacts, risks and opportunities and the related topics and to assess their materiality, including the scope of its own operations and its upstream and downstream value chain covered, the key methodologies applied, the input parameters, inputs and assumptions adopted, as well as the materiality levels used and key data sources, and how it determines in qualitative considerations or quantitative thresholds;~~
- (b) ~~the scope of operations and value chain covered, with an indication approach to assess severity and likelihood, including how impacts are prioritised, how prevention, mitigation and remediation actions are considered, and how the undertaking considered areas of whether it focuses on heightened risks of negative impacts or risks related to specific activities, business relationships, or geographies or other factors that give rise to heightened risk of adverse impacts;~~
- (c) ~~whether and how the undertaking prioritises negative impacts based on their relative severity and likelihood, and whether this the assessment is informed by the undertaking's sustainability due diligence process;~~
- ~~(d) whether, and how the process if it includes consultations with affected stakeholders and external experts to understand the impacts;~~
- ~~(e) the approach used to consider impacts and dependencies in identifying and assessing its risks and opportunities;~~
- ~~(f) whether and, how the undertaking prioritises sustainability risks relative to other types of business risks, including its use of risk assessment tools;~~
- ~~(g) a description of the decision-making procedures; and~~
- ~~(h) whether and how the process this has changed been performed;~~
- ~~(d) significant changes compared to the prior reporting period.~~

**APPLICATION REQUIREMENTS FOR IRO-1**

<b>AR <del>1921</del> for para. <del>2635</del>(a)</b>	(new) Input <del>parameters</del> may include <del>—where relevant and—</del> beyond generic information <del>—due diligence processes leveraged that informed the assessment,</del> specific data sources, sector benchmark analysis, and <del>key inputs</del> <u>risk management processes; engagement with affected stakeholders; industry and peer group experience; external ratings, reports, statistics and scientific data; and experts' engagement.</u>
<b>AR 22 for para. 35(a)</b>	(new) The description of the process to identify and assess material <b>risks and opportunities</b> is expected to cover <b>dependencies</b> when relevant.
<b>AR 2023. for para. <del>26(b)–(g)</del>35(a)–(d)</b>	<del>(new) Information outlined under (b)–(g) specifies, rather than expand the disclosures outlined under (a)–(new)</del> The undertaking shall focus on information that is specific to its own <b>materiality assessment</b> process. It shall avoid standardised,

## APPLICATION REQUIREMENTS **FOR IRO-1**

	generic disclosures, sometimes referred to as ‘boilerplate’, such as information describing in detail <del>that the undertaking</del> <u>it has</u> applied the criteria outlined in ESRS 1 <del>and/or</del> followed the recommended process.
<b>AR <del>21</del>24. for para. <del>26</del>(d35)(b)</b>	<p>(new) Information concerning engagement with affected <b>stakeholders</b> is addressed in IRO-1 <del>and</del>, SBM-2, and <del>in ESRS</del> <u>ESRS S1-S4</u>. <u>To avoid duplication and support a coherent narrative:</u></p> <p>(a) <del>Relevant</del> <u>relevant</u> disclosures under IRO-1, paragraph <del>26</del>(d35)(c), include <del>whether</del> <u>and</u> how the <b>materiality</b> process includes consultation with affected stakeholders and external experts.</p> <p>(b) <del>Information</del> <u>information</u> on ongoing engagement with affected stakeholders (as defined in <del>[Draft] Amended ESRS 1 AR 1021</del>) is addressed in the respective social standards: <u>(ESRS S1-2, S2-2, S3-2 and S4-2).</u></p> <p>(c) <del>Disclosures</del> <u>disclosures</u> related to <del>whether and</del> how key affected stakeholders’ (including <b>workers’ representatives</b>) interests and views are brought to the attention of the undertakings’ <b>administrative, management and supervisory bodies</b> and inform its strategy and <b>business model</b>, with regard to its material <b>impacts, risks</b> and <b>opportunities</b>, are covered under SBM-2, <u>paragraph 22(c).</u></p>
<b>AR 25. for para. 35(b)</b>	In disclosing how the undertaking considered areas of heightened <b>risks</b> of negative <b>impacts</b> or risks related to specific activities, business relationships, or geographies, guidance is provided in ESRS 1, paragraph 33 and AR 15.
<b>AR <del>22</del>26 for para. <del>26</del>(a)–(e35)(d)</b>	<p>When the undertaking screens <del>site locations</del>, assets and business activities in its own operations and, where appropriate, in its upstream and downstream <b>value chain</b>, to evaluate heightened risks of adverse environmental <b>impacts</b>, the approach to such screening is a relevant aspect of disclosures addressed in (a) to (e).</p> <p>Location-specific considerations include how a site or asset interacts with local context, taking into account, for example:</p> <ul style="list-style-type: none"> <li>(a) local air, water and <b>soil</b> quality;</li> <li>(b) water availability in <b>areas at water risk</b>; and</li> <li>(c) threatened species and <b>ecosystems</b> in <b>biodiversity-sensitive areas</b>.</li> </ul> <p>The first three phases of the LEAP approach, as outlined in the guidance provided by the Taskforce on Nature-related Financial Disclosures (‘TNFD’), offer a useful reference for how to (i) locate where in own operations and along the <b>value chain</b> the interface with nature takes place, (ii) evaluate the <b>dependencies</b> and impacts, and (iii) assess <b>risks</b> and <b>opportunities</b>. <u>Disclosing changes from the previous period allows users to understand the last reporting period in which a full double <b>materiality</b> assessment was conducted and the aspects of it that have been updated in the reporting period in accordance with ESRS 1, paragraph 35.</u></p>

## Disclosure ~~requirement~~ **Requirement** IRO-2 – **Material impacts, risks and opportunities and disclosure requirements included in the sustainability statement**

**27-36.** (55) The objective of this DR is to ~~provide~~ enable an understanding of the outcome of the **materiality** assessment, in terms of material **impacts, risks** and **opportunities** and material information reported in accordance with ESRS-DRs.

**28-37.** (56) The undertaking shall disclose:

- (a) (48(a) amended) a concise description of its actual and potential, positive and negative material **impacts**, including how they affect or are likely to affect people or the environment, ~~as well as~~ **and** its **material risks** and **opportunities**, specifying the related **topics** and how and where impacts, risks and opportunities are connected to its ~~business model~~, its own operations and its upstream and downstream **value chain**;
- (b) (57 amended) ~~if it concludes the basis for concluding~~ that climate change is not material, ~~if the undertaking has reached this conclusion~~ and therefore omits all DRs in ~~[Draft] Amended ESRS E1 Climate change, the basis for that conclusion~~;
- (c) (48(g) amended) changes related to its material impacts, risks and opportunities compared to the previous reporting period;
- (d) a list of the DRs complied with in preparing the **sustainability statement**, allowing **users** to identify where the related disclosures are located in the sustainability statement and giving a separate indication of those that are incorporated by reference ~~([Draft] Amended~~ **see** ESRS 1, Chapter 9.3);
- (e) ~~if the undertaking is connected through its own operations or upstream and downstream value chain to material impacts, risks and opportunities related to forced or compulsory labour or child labour, it shall disclose a list of ‘supplementary’ information provided in accordance with ESRS 1, Chapter 8.2;~~
- (f) its exposure to the heightened risk of **incidents** related to ~~child labour and~~ **forced or compulsory labour and child labour** by type of operations (such as manufacturing ~~plant~~ **plants**), or by countries or geographies with operations<sup>8</sup>. ~~This disclosure relates to [Draft] Amended ESRS S1 and [Draft] Amended ESRS S2, if the undertaking is connected through its own operations or its upstream and downstream value chain to material negative impacts related to forced or compulsory labour or child labour; and~~
- (f) a table of all the datapoints that derive from other EU legislation as listed in Appendix A of this Standard, indicating where they can be found in the sustainability statement or, for those that the undertaking has assessed as not material, that they are ‘~~Not~~ **not** material’.

#### APPLICATION REQUIREMENTS **FOR IRO-2**

<b>AR <del>2327</del> for para. <del>2837</del>(a)</b>	(new) The description of its material <del>impacts, risks and opportunities</del> <b>shall be provided at the appropriate level of aggregation, either individually or also covers the related dependencies to the extent that is necessary for group(s) an understanding of impacts, those risks and opportunities, or for the related topic(s), depending on.</b>  <del>Paragraph 51 of ESRS 1 applies in presenting the nature of the impacts, risks and opportunities and reflecting the level at which the undertaking manages them</del> <b>disclosure prescribed by this DR.</b>
<b>AR <del>2428</del> for para. <del>2837</del>(a)</b>	The undertaking may present the description of its material <del>impact, risk impacts, risks or opportunity opportunities</del> <b>in the same location as its disclosures on the related policies, actions, metrics and targets and metrics</b> through which it addresses them, in order to avoid duplication and support a coherent narrative. If the undertaking exercises this option, it shall still present a concise description of its material impacts, risks and opportunities alongside its disclosures prepared in accordance with IRO-2.
<b>AR <del>2529</del> for para. <del>2837</del>(d)</b>	(AR 19) The undertaking may present the disclosure as a content index, i.e. a tabular list of the DRs included in the <b>sustainability statement</b> , to support the identification

<sup>8</sup> This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 because it is derived from additional indicators related to principal adverse impacts as set out by indicator # 12 and 13 in Table III of Annex I of Commission Delegated Regulation (EU) 2022/1288 with regard to disclosure rules on sustainable investments (“Operations and suppliers at significant risk of incidents of forced or compulsory labour” and “Operations and suppliers at significant risk of child labour”).

## APPLICATION REQUIREMENTS FOR IRO-2

	<p>of where they are located (page/paragraphs). It may present the list of information incorporated by reference in an appendix within its sustainability statement, or by including the necessary information in the list of reported DRs as required in paragraph 2837(d).</p> <p>Alternatively, the undertaking may directly reference the DR numbers within its sustainability statement (e.g. in section headings or paragraph titles), without needing a separate tabular list of DRs (content index).</p> <p>The undertaking may present the ‘supplementary’ information provided under paragraph 37(e) highlighting it in the section headings, paragraph titles, or the aforementioned content index, which shall clearly distinguish it as supplementary.</p>
--	---

### General Disclosure Requirements ('GDR') for policies, actions, metrics and targets

- 29-38. (new) Information about **policies, actions, metrics** and **targets** shall enable an understanding of the level at which the undertaking ~~is addressing~~ addresses its material **impacts, risks** and **opportunities**, i.e. at **topic** or sub-topic level. ~~In instances where~~ If the undertaking has adopted policies ~~or~~ put in place actions ~~or~~ set targets ~~or uses metrics only~~ for certain aspects ~~only of a topic~~, this shall be reflected in the way the disclosure is prepared and presented, enabling ~~an understanding of how~~ users to ~~understand~~ the ~~covered~~ specific aspects ~~relate to the corresponding material impacts, risks and opportunities that are covered~~.
- 30- (62 and 72 amended) If the undertaking has not adopted **policies, actions, metrics** and **targets** with reference to a **topic** related to material **impacts, risks** and **opportunities**, it shall disclose this fact.
- 31-39. If the undertaking categorises its **material impacts, risks** and **opportunities** in accordance with a set of management priorities, reflecting their relevance to the undertaking's strategy and **business model**, the way disclosures are structured and presented may reflect this approach.
- 32-40. (56) The undertaking shall apply the requirements provided ~~in this section, below~~ when it discloses either in accordance with a topical standard or on an entity-specific basis, on **policies, actions, metrics** and **targets** and ~~metrics~~ related to material **impacts, risks** and **opportunities**, ~~either individually or at a higher level (i.e. groups of impacts, risks and opportunities or related topics), covering:-~~. In particular, it shall apply the general disclosure requirements in relation to :
- (a) its policies, ~~and~~ actions ~~and targets which~~ to address the prevention, mitigation and **remediation** of **actual** and **potential** material **negative impacts**, ~~and~~ to address material risks ~~and/or to pursue actual and potential material positive impacts and~~ material opportunities; ~~or and~~
  - (b) the metrics ~~and the targets~~ to assess progress over time in relation to its material impacts, risks and opportunities.

### APPLICATION REQUIREMENTS FOR GDR PATM

AR 2630 for para. 2938	<p>(new) <del>Where</del> If the undertaking applies the same <b>policies, actions, metrics</b> and/or <b>targets</b> across more than one material <b>impact, risk</b> and/or <b>opportunity</b> (or <b>topic</b>), it may disclose the information <del>just</del> only once, in aggregate, reflecting the level at which they are managed, while making clear the scope of its application. It may cross-refer to that information from other locations in the report where it is relevant.</p> <p><u>If the undertaking categorises its material impacts, risks and opportunities based on management priorities that reflect and align with the undertaking's strategy and <b>business model</b>, it may structure and present its disclosures in a way that reflects the managerial approach.</u></p>
------------------------	---



APPLICATION REQUIREMENTS **FOR GDR PATM**

AR <del>2731</del> <b>3039</b> for para.	<p><del>-(new) When</del> If the undertaking <del>uses a tabular form for presenting</del> presents its material <b>impacts, risks</b> and <b>opportunities</b> (IRO-2, paragraph <del>2837</del>(a)) and the related <b>topics in a tabular form</b>, it <del>can</del> may indicate <u>in the same table</u> the material topics <del>and/or</del> material impacts, risks and opportunities for which it <del>has</del> does not <del>in place</del> have <b>policies, actions</b> or <b>targets</b>; <u>in place</u> by <del>using a check mark</del> marking them <u>as such</u> in the table.</p>
AR <del>2832</del> <b>2938</b> for para.	<p>(new) The <u>information level of detail</u> provided may vary <del>in the level of detail provided</del> with regard to each DR, depending on the nature of <u>the</u> material <b>impacts, risks</b> and <b>opportunities in question</b>, and <del>on</del> differences in the undertaking's current approach to their management.</p> <p><u>The level of detail provided should be proportionate to the severity of the impacts, the magnitude of risk or opportunity, or the importance of the impacts, risks and opportunities for the undertaking's strategy and business model.</u></p> <p>The information should, wherever possible, be specific to the reporting period <del>and avoid generic descriptions except where necessary to enable an understanding of the undertaking's current approach to manage its material impacts, risks and opportunities.</del></p> <p>(new) When reporting on <b>policies, actions, metrics</b> and <b>targets</b>, the undertaking shall report relevant information, avoiding information that is boilerplate, and therefore not relevant for <del>users</del> <u>for example when policies and actions have been implemented to comply with law and regulation, or when the necessary information is already provided in accordance with [Draft] Amended ESRS 2 SBM 1.</u> <u>Excessive detail, especially about common practices, which are known to reasonably knowledgeable users, may obscure material information.</u></p>
AR <del>2933</del> <b>3240</b> for para.	<p><del>(new) The</del> <u>(new) To avoid duplication and support a coherent narrative, the</u> undertaking may present the description of its material <b>impacts, risks</b> and <b>opportunities</b>, as required under IRO-2, paragraph <del>2837</del>(a), alongside information about the <b>policies, actions, metrics</b> and <b>targets</b> <del>and metrics</del> through which it addresses them, <del>to avoid duplication and support a coherent narrative.</del></p>

## General Disclosure Requirement for policies – GDR-P

~~33.41.~~ (64) The objective of this GDR is to provide enable an understanding of the **policies** that the undertaking has in place to address the prevention, mitigation ~~and/or~~ **remediation** of material actual and potential ~~material negative~~ **impacts, manage and to address** material **risks** and pursue material **opportunities**, ~~either individually or at a higher level (i.e. groups of them or related topics), including an understanding of significant changes to the policies adopted during the reporting period.~~ positive impacts.

~~34.42.~~ (65 amended) The undertaking shall disclose the following information about **policies** adopted to ~~manage~~ address its material **impacts, risks** and **opportunities**:

- a description of the key contents of the policy, including its general objectives and the material impacts, risks or opportunities ~~to which the policy it~~ relates to, and, if there have been changes to the policies adopted during the reporting period, a description of those changes;
- a description of the scope of the policy, or of its exclusions, in terms of the undertaking's own operations, its upstream ~~and/or~~ downstream **value chain** and geographies and, if relevant, defined, the affected **stakeholder** groups;



- (c) ~~whenif~~ the policy refers to third-party standards or initiatives ~~that~~ the undertaking commits to respect through the implementation of the policy, a reference to ~~suchthe~~ third-party standard or initiative in question; and
- (d) for social **topics**, a description of the consideration given to the interest of affected stakeholders in setting this policy, ~~when applicable if such considerations have been given.~~

~~35-43.~~ (new from S1-S4) The undertaking shall disclose whether it has an overarching human rights **policy** committing to implement<sup>9</sup> the UN Guiding Principles on Business and Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work and the OECD Guidelines for Multinational Enterprises. If this is the case, the undertaking shall disclose the information ~~according to the provision definedspecified~~ in paragraph ~~34. The human rights policy42 and~~ shall specify which groups of affected **stakeholders** are covered (~~for example, e.g. own workforce and,~~ workers in the **value chain** ~~being distinct from, affected communities, consumers and end-users~~).

#### APPLICATION REQUIREMENTS FOR GDR-P

<p><b>AR <del>3034</del> for para. 3543</b></p> <p>(moved from Social AR as indicated in the Social PAT version zero)</p>	<p>When disclosing <del>on information about</del> its human rights <b>policy</b> to implement the UN Guiding Principles on Business and Human Rights, the undertaking shall consider the International Bill of Human Rights, which consists of the Universal Declaration of Human Rights and the two Covenants that implement them, and the ILO principles concerning fundamental rights set out in the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work.</p>
---	--

#### General Disclosure Requirement for actions and resources – GDR-A

~~36-44.~~ (67) The objective of this GDR is to ~~provideenable~~ an understanding of the undertaking’s key **actions**, taken ~~and/or~~ planned, to address and manage its material **impacts, risks** and **opportunities**, ~~either individually or at a higher level (i.e. groups of them or related topics), so as to prevent, mitigate and remediate its material actual and potential impacts and to address its material risks and opportunities, and where applicable, to~~ achieve the objectives of related **policies**.

~~37-45.~~ (68 amended) When the undertaking implements key **actions** to manage material **impacts, risks** and **opportunities**, it shall disclose:

- (a) ~~thea~~ description of the key actions taken in the reporting year and those planned for the future, including their scope and timeframe; and
- (b) the expected outcomes of the key actions and, where applicable, how their implementation contributes to ~~the achievement of achieving~~ the related **policy** objectives.

~~38-46.~~ (69 amended) Where significant financial resources (operational ~~and/or~~ capital expenditure) have been or are expected to be allocated to the implementation of the key **actions**, the undertaking shall:

- (a) describe the type of current and future significant financial ~~resources and other~~ resources allocated to the key actions, and whether the ability to implement these key actions depends on specific preconditions (e.g. granting of financial support or public **policy** and market developments);
- (b) disclose the amount of significant financial resources allocated to the key actions in the reporting period (if any), and indicate the corresponding line items ~~and/or~~ notes where they are included in the financial statements; and
- (c) provide an indicative range of future financial resources expected to be allocated for the implementation of the key actions.

<sup>9</sup> (SFDR table 1 indicator 11 and SFDR table 3 indicator 9).

APPLICATION REQUIREMENTS **FOR GDR-A**

AR <del>3135</del> for para. <del>3745</del>	<p>(AR 22) Key <b>actions</b> in the context of this DR are those actions that play a significant role in addressing the undertaking's material <b>impacts, risks</b> and <del>opportunities related to a reported topic, including the opportunities</del> actions taken to support the provision <del>for</del> <b>remedy</b>.</p> <p><u>Key actions include actions that are part of the undertaking's business practices, sustainability due diligence and overall business and risk management .</u></p> <p><u>Key actions may have been initiated in prior reporting periods and continue to be implemented or produce effects in the current reporting period.</u> For the sake of understandability, key actions may be aggregated <del>where appropriate if applicable.</del> Conversely, <del>whenif</del> key actions cover more than one material impact, risk or opportunity, this can be indicated and cross-referenced if necessary.</p>
AR <del>3236</del> for para. <del>3745</del>	<p>(new) <b>Actions</b> <del>can</del> may be <del>individual</del> undertaken individually or <del>taken</del> in collaboration with other undertakings, especially <del>whenif</del> <b>actual impacts</b> or <b>potential impacts</b> are systemic or widespread in nature and cannot be addressed by the undertaking alone.</p> <p><u>Whether <b>Users</b> may find it useful to know whether a key action is collaborative is a useful information when describing it.</u></p>
AR <del>3337</del> for para. <del>3745</del>	<p>(new) <del>Environmental</del> In the description of environmental <b>actions</b> <del>can</del>, these may be classified <del>according to</del> <u>in accordance with</u> the mitigation hierarchy (i.e. <del>contributing to</del> avoidance, minimisation, restoration and compensation). <del>Such information is a possible aspect to cover in the description of the actions, which may be provided implicitly or explicitly.</del></p>
AR <del>3438</del> for para. <del>3845(a)</del>	<p>(68(a)(b) amended) The scope of <del>the</del> key <b>actions</b> refers to <u>their</u> coverage in terms of activities within <u>its own operations, (direct actions), its upstream/ and downstream value chain, (group of) (indirect actions), subsidiaries, geographies, and, if applicable, defined, the affected stakeholder groups.</u> <del>These include actions that are part of the undertaking's business practices, overall management and risk management in scope.</del> The timeframe refers to the time horizons over which the undertaking intends to complete each action.</p>
AR <del>3539</del> for para. <del>38 (AR 23) 46</del>	<p>The undertaking may present the information on resource allocation in the form of a table broken down between (i) capital expenditure and operating expenditure, and between (ii) resources applied in the current reporting year and the planned allocation of resources over specific time horizons.</p>
AR <del>3640</del> for para. <del>38(a) 46(b)(c)</del>	<p>(new) <del>Examples of other).</del> If the undertaking has allocated significant <u>non-monetary financial</u> resources <u>that may be included are human capital (e.g. full-time equivalent allocation) or natural resources allocated.</u>, the information about those resources may be presented as non-monetary quantities.</p>
AR <del>41</del> for para. <del>46(b)(c)</del>	<p><u>(new) When preparing disclosures on significant financial resources that have been or are expected to be allocated to the implementation of key actions, the undertaking may limit the disclosure to:</u></p> <p><u>(a) its approved and announced key actions and action plans; and</u></p> <p><u>(b) its planned sources of funding for implementing these key actions.</u></p>

## General Disclosure Requirement for metrics – GDR-M

47. (74) The objective of this GDR is to ~~provide an understanding~~support the preparation of the disclosures on metrics by the undertaking ~~discloses, which.~~

~~39-48.~~ (75 and 76 amended) The undertaking shall disclose the **metrics** required by topical standards, in relation to material **impacts, risks** and **opportunities** as well as metrics defined on an entity-specific basis, in accordance with ESRS 1, paragraph 11. This may include those used by the undertaking to evaluate its performance and to track the effectiveness of its **actions** to manage its material **impacts, risks** and **opportunities**, ~~either individually or at a higher level (i.e. groups of impacts, risks and opportunities or related topics).~~

40. (75 amended) The undertaking shall disclose the **metrics** that it uses to evaluate its performance, as well as those required by topical ESRS, in relation to **material impacts, risks** and **opportunities** including those defined on an entity-specific basis.

41-49. (77 amended) For each **metric**, the undertaking shall disclose:

- (a) the metric itself, its unit of measurement, the calculation methodology, ~~data types~~ and the sources used as (e.g. input to parameters) used for the calculation, and where relevant, the estimation methodology, including significant assumptions and limitations;
- (b) for ~~environmental metrics, the specific environmental conditions and characteristics of the area where the impact is occurring;~~
- ~~(c) for value chain metrics, if applicable, the reliance on data from indirect sources or proxies, and where applicable, the planned actions to improve the data quality in the future if such actions are planned (see [Draft] Amended ESRS 1, Chapter 5); and~~
- ~~(d) contextual information about the metric; and an explanation of~~
- (d) significant changes in the performance compared to the previous reporting periods, including informing about the progress made in achieving the targets set by the undertaking, and in case of major acquisitions or disposals, how the transaction affects the progress.

#### APPLICATION REQUIREMENTS **FOR GDR-M**

<b>AR <del>3742</del> for para. <del>4148</del></b>	(76 amended) <del>The metrics</del> <b>Metrics</b> include those defined in <del>the</del> ESRS, as well as metrics identified on an entity-specific basis, whether taken from other sources or developed by the undertaking itself, such as for <del>[Draft] Amended ESRS S2-S4 topical standards that do not contain metrics at the sector-agnostic level.</del>
<b>AR <del>3843</del> for para. <del>4149(a)</del></b>	<del>(77(d) amended) When a currency is specified as the unit of measurement, the undertaking shall use the presentation currency of the financial statements. (new)</del> <u>The European system of units of measurement stems from the International System of Units (SI). The units of measurement shall be expressed using the names and symbols set down in Directive 80/181/EEC, as amended by Directive 2009/3/EC. <b>Metrics</b> shall be disclosed using the units specified in the topical standards, which are aligned with this Directive. SI prefixes and their corresponding symbols may be used to designate certain decimal multiples or submultiples where appropriate, in order to present values at the level the undertaking considers most appropriate. For example, instead of reporting 1 200 000 tCO<sub>2</sub>e, the undertaking may report 1.2 MtCO<sub>2</sub>e.</u>
<b>AR 44 for para. <del>49(c)</del></b>	<u>(new) Contextual information about a <b>metric</b> may include:</u> <ul style="list-style-type: none"> <li><u>a) the reasons why the undertaking has chosen a particular measurement approach, as well as the reasons for the inputs and assumptions it uses; and</u></li> <li><u>b) for environmental metrics, the specific environmental conditions and characteristics of the area where the <b>impact</b> is occurring that are necessary to understand the metric in question.</u></li> </ul>

## General Disclosure Requirement for targets – GDR-T

~~42-50.~~ (79 amended) The objective of this GDR is to ~~provide~~enable an understanding of how the undertaking sets **targets**, as defined in terms of expected results for people, the environment or the undertaking itself, and of how it tracks the effectiveness of its **policies** and **actions** in relation to its material **impacts, risks** and **opportunities**, ~~either individually or at a higher level (i.e. groups of impacts, risks and opportunities or related topics)~~ and as well as the overall progress and effectiveness towards the adopted targets over time. This includes – where applicable – whether the progress is aligned with a related action plan ~~and/or~~ whether any significant facts and circumstances related to the action plan affect the achievement of the target.

~~43-51.~~ (80 amended) The undertaking shall disclose the measurable, time-bound, outcome-oriented qualitative or quantitative **targets** it has set related to its material impacts, risks and opportunities, ~~either individually or at a higher level (i.e. groups of impacts, risks and opportunities or related topics)~~. For each target, the undertaking shall disclose:

- (a) a description of the relationship of the target to its **policy** objectives and **actions**;
- (b) the defined target value (or level ~~when if the target is~~ qualitative) to be achieved, including, ~~where applicable~~, whether the target is absolute or relative if these are defined as such and in which unit it is measured;
- (c) the scope of the target, in terms of the undertaking's activities within its own operations ~~and/or its~~ upstream and ~~or~~ downstream **value chain**, as well as geographical boundaries;
- (d) ~~where applicable~~, the baseline value (or level ~~when if~~ the target is qualitative) and the base year from which progress is measured, if defined by the undertaking;
- (e) the target year or period to which the target applies, and, ~~if applicable~~, the undertaking has set any milestones or interim targets ~~set, a description of those milestones or interim targets~~;
- (f) the methodologies, and significant assumptions used to define targets, whether the target is required by law, and, where applicable, the selected **scenarios** on which it is based, the key data sources and the level compatibility with national, EU or international policy goals; and
- (g) whether the undertaking's targets related to environmental **topics** are based on conclusive scientific evidence ~~and, if this is the case, how the target considers~~ **ecological thresholds**.

~~44-52.~~ (81 amended) If the undertaking has not set any measurable outcome-oriented **targets**, it shall disclose whether and, if so, how it nevertheless tracks the effectiveness of its **policies** and **actions** in relation to its material **impacts, risks** and **opportunities**, ~~either individually or at a higher level (groups of impacts, risks and opportunities or related topics)~~.

APPLICATION REQUIREMENTS FOR GDR-T

AR ~~3945~~ for para. ~~4351~~

(AR 24 amended) When disclosing **targets** related to the prevention or mitigation of environmental **impacts**, a clarification may be provided on whether targets related to the reduction of the impacts are in absolute or relative terms. When targets address the prevention or mitigation of ~~social impacts~~ material potential impacts in ESRS S1-S4, they can be specified in terms of the effects on outcomes for affected **stakeholders**.

'Based on conclusive scientific evidence' shall be understood as the use of robust, peer-reviewed or otherwise authoritative biophysical information that identifies relevant ecological thresholds or that quantifies conditions, trajectories, and constraints using empirical data, modelling, or recognised scientific frameworks. Such evidence shall enable the undertaking to set ecologically grounded, context-specific and measureable targets.

UNAPPROVED DRAFT

## Appendix A: List of datapoints in cross-cutting and topical standards that derive from other EU legislation

This Appendix is an integral part of ~~{Draft} Amended ESRS 2. The table below illustrates ESRS 2 and provides a non-binding illustration of the datapoints in {Draft} Amended ESRS 2 and topical ESRS standards that derive from other EU legislation.~~

[THIS MAPPING DOES NOT TAKE INTO ACCOUNT CHANGES TO PILLAR 3 POTENTIALLY ARISING FROM THE PILLAR 3 CONSULTATION IN PROGRESS]

Table 1: ~~datapoints~~ Datapoints in the main body of the standard

Disclosure Requirement and related datapoint in <del>{Draft} Amended</del> ESRS	SFDR <sup>10</sup> reference	Pillar 3 <sup>11</sup> reference	Benchmark Regulation <sup>12</sup> reference	EU Climate Law <sup>13</sup> reference
ESRS 2 GOV-1 Percentage of board members who are independent			Delegated Regulation (EU) 2020/1816, Annex II	
ESRS 2 GOV-4 Statement on due diligence	Indicator number 10 Table #3 of Annex 1		Delegated Regulation (EU) 2022/1288, Annex I	
ESRS 2 SBM-1 Involvement in activities related to fossil fuel activities	Indicators number 4 Table #1 of Annex 1	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 <sup>14</sup> Table 1: Qualitative information on Environmental risk and Table 2: Qualitative information on Social risk	Delegated Regulation (EU) 2020/1816, Annex II	
ESRS 2 SBM-1	Indicator number 9 Table #2 of Annex 1		Delegated Regulation (EU) 2020/1816, Annex II	

<sup>10</sup> Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (Sustainable Finance Disclosures Regulation) (OJ L 317, 9.12.2019, p. 1).

<sup>11</sup> Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (Capital Requirements Regulation 'CRR') (OJ L 176, 27.6.2013, p. 1).

<sup>12</sup> Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 (OJ L 171, 29.6.2016, p. 1).

<sup>13</sup> Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 ('European Climate Law') (OJ L 243, 9.7.2021, p. 1).

<sup>14</sup> Commission Implementing Regulation (EU) 2022/2453 of 30 November 2022 amending the implementing technical standards laid down in Implementing Regulation (EU) 2021/637 as regards the disclosure of environmental, social and governance risks (OJ L 324, 19.12.2022, p.1).

<b>Disclosure Requirement and related datapoint in [Draft] Amended ESRS</b>	<b>SFDR<sup>10</sup> reference</b>	<b>Pillar 3<sup>11</sup> reference</b>	<b>Benchmark Regulation<sup>12</sup> reference</b>	<b>EU Climate Law<sup>13</sup> reference</b>
Involvement in activities related to chemical production				
ESRS 2 SBM-1 Involvement in activities related to controversial weapons	Indicator number 14 Table #1 of Annex 1		Delegated Regulation (EU) 2020/1818 <sup>15</sup> , Article 12(1) Delegated Regulation (EU) 2020/1816, Annex II	
ESRS 2 SBM-1 Involvement in activities related to cultivation and production of tobacco			Delegated Regulation (EU) 2020/1818, Article 12(1) Delegated Regulation (EU) 2020/1816, Annex II	
ESRS E1-1 Transition plan for climate change mitigation				Regulation (EU) 2021/1119, Article 2(1)
ESRS E1-6 GHG emission reduction targets	Indicator number 4 Table #2 of Annex 1	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 3: Banking book – Climate change transition risk: alignment metrics	Delegated Regulation (EU) 2020/1818, Article 6	
ESRS E1-7 Energy consumption from fossil sources disaggregated by sources (only high climate impact sectors)	Indicator number 5 Table #1 and Indicator n. 5 Table #2 of Annex 1			

<sup>15</sup> Commission Delegated Regulation (EU) 2020/1818 of 17 July 2020 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks (OJ L 406, 3.12.2020, p. 17).



<b>Disclosure Requirement and related datapoint in [Draft]-Amended ESRS</b>	<b>SFDR<sup>10</sup> reference</b>	<b>Pillar 3<sup>11</sup> reference</b>	<b>Benchmark Regulation<sup>12</sup> reference</b>	<b>EU Climate Law<sup>13</sup> reference</b>
ESRS E1-7 Energy consumption and mix	Indicator number 5 Table #1 of Annex 1			
ESRS E1-8 Gross Scope 1, 2, 3 GHG emissions	Indicators number 1 and 2 Table #1 of Annex 1	Article 449a; Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 1: Banking book – Climate change transition risk: Credit quality of exposures by sector, emissions and residual maturity	Delegated Regulation (EU) 2020/1818, Article 5(1), 6 and 8(1)	
ESRS E1-9 GHG removals and carbon credits				Regulation (EU) 2021/1119, Article 2(1)
ESRS E1-11 Exposure of the benchmark portfolio to climate-related physical risks			Delegated Regulation (EU) 2020/1818, Annex II Delegated Regulation (EU) 2020/1816, Annex II	
ESRS E1-11 Location of significant assets at material physical risk		Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 paragraphs 46 and 47; Template 5: Banking book - Climate change physical risk: Exposures subject to physical risk.		
ESRS E1-11 Breakdown of the carrying value of its real estate assets by energy-efficiency classes		Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 paragraph 34; Template 2: Banking book - Climate change transition risk:		

Disclosure Requirement and related datapoint in <del>[Draft]</del> Amended ESRS	SFDR <sup>10</sup> reference	Pillar 3 <sup>11</sup> reference	Benchmark Regulation <sup>12</sup> reference	EU Climate Law <sup>13</sup> reference
		Loans collateralised by immovable property - Energy efficiency of the collateral		
ESRS E1-11 Degree of exposure of the portfolio to climate- related opportunities			Delegated Regulation (EU) 2020/1818, Annex II	
ESRS E2-4 Amount of material pollutants emitted to air, water and soil <sup>7</sup>	Indicator number 8 Table #1 of Annex 1 Indicator number 2 Table #2 of Annex 1 Indicator number 1 Table #2 of Annex 1 Indicator number 3 Table #2 of Annex 1			
ESRS E3-1 Water-related policies	Indicator number 7 Table #2 of Annex 1			
ESRS E3-1 Policy covering areas at water risk, including areas of high-water stress	Indicator number 8 Table 2 of Annex 1			
ESRS E3-4 Total water recycled and reused	Indicator number 6.2 Table #2 of Annex 1			
ESRS E4-5 Activities negatively affecting biodiversity-sensitive areas	Indicator number 7 Table #1 of Annex 1			

Disclosure Requirement and related datapoint in <del>[Draft]</del> Amended ESRS	SFDR <sup>10</sup> reference	Pillar 3 <sup>11</sup> reference	Benchmark Regulation <sup>12</sup> reference	EU Climate Law <sup>13</sup> reference
ESRS E4-2 Policy covering sites in or near biodiversity-sensitive areas	Indicator number 14.2 Table #2 of Annex 1			
ESRS E5-5 Non-recycled waste	Indicator number 13 Table #2 of Annex 1		Directive 2008/98/EC of the European Parliament and of the Council of 19 November 2008 on waste and repealing certain Directives	
ESRS E5-5 Hazardous waste and radioactive waste	Indicator number 9 Table #1 of Annex 1		According to In accordance with Council Directive 2011/70/Euratom of 19 July 2011 establishing a community framework for the responsible and safe management of spent fuel and radioactive waste.	
ESRS 2- IRO-2 Risk of incidents of forced labour	Indicator number 13 Table #3 of Annex I			
ESRS 2- IRO-2 Risk of incidents of child labour	Indicator number 12 Table #3 of Annex I			
ESRS 2 GDR-P Human rights policy commitments	Indicator number 9 Table #3 and Indicator number 11 Table #1 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II	
ESRS S1-1 Processes and measures for preventing trafficking in human beings	Indicator number 11 Table #3 of Annex I			

<b>Disclosure Requirement and related datapoint in [Draft]-Amended ESRS</b>	<b>SFDR<sup>10</sup> reference</b>	<b>Pillar 3<sup>11</sup> reference</b>	<b>Benchmark Regulation<sup>12</sup> reference</b>	<b>EU Climate Law<sup>13</sup> reference</b>
ESRS S1-1 Occupational risk prevention policy or management system	Indicator number 1 Table #3 of Annex I			
ESRS S1-2 Grievance mechanism, including employee-related matters	Indicator number 5 Table #3 of Annex I and Indicator number 11 Table #1 of Annex I			
ESRS S1-13 Rate of work-related accidents	Indicator number 2 Table #3 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II	
ESRS S1-13 Number of days lost to injuries, accidents, illness	Indicator number 3 Table #3 of Annex I			
ESRS S1-15 Unadjusted gender pay gap	Indicator number 12 Table #1 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II	
ESRS S1-15 Annual total remuneration ratio	Indicator number 8 Table #3 of Annex I			
ESRS S1-16 Incidents of discrimination	Indicator number 7 Table #3 of Annex I			
ESRS S1-16 Human rights incidents	Indicator number 10 Table #1 and Indicator n. 14 Table #3 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II	
ESRS S2-1 Processes and measures for preventing	Indicator number 11 Table #3 of Annex I			

<b>Disclosure Requirement and related datapoint in <del>[Draft] Amended</del> ESRS</b>	<b>SFDR<sup>10</sup> reference</b>	<b>Pillar 3<sup>11</sup> reference</b>	<b>Benchmark Regulation<sup>12</sup> reference</b>	<b>EU Climate Law<sup>13</sup> reference</b>
trafficking in human beings				
ESRS S2-1 Code of conduct	Indicator number 4 Table #3 of Annex 1			
ESRS S3-2 Grievance mechanism	Indicator number 11 Table #1 of Annex I			
ESRS S2-3 Human rights incidents	Indicator number 10 Table #1 of Annex I and Indicator n. 14 Table #3 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II	
ESRS S3-3 Human rights incidents	Indicator number 14 Table #3 of Annex I and Indicator n. 14 Table #3 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II	
ESRS S4-2 Grievance mechanism	Indicator number 11 Table #1 of Annex I			
ESRS S4-3 Human rights incidents	Indicator number 14 Table #3 of Annex I and Indicator n. 14 Table #3 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II	
ESRS G1-1 Policies consistent with United Nations Convention against Corruption	Indicator number 15 Table #3 of Annex 1		Delegated Regulation (EU) 2022/1288	
ESRS G1-1 Protection of whistle- blowers	Indicator number 6 Table #3 of Annex 1		Delegated Regulation (EU) 2022/1288	

Disclosure Requirement and related datapoint in <del>[Draft] Amended</del> ESRS	SFDR <sup>10</sup> reference	Pillar 3 <sup>11</sup> reference	Benchmark Regulation <sup>12</sup> reference	EU Climate Law <sup>13</sup> reference
ESRS G1-4 Convictions and Fines for violation of anti-corruption and anti-bribery laws	Indicator number 17 Table #3 of Annex 1		Delegated Regulation (EU) 2022/1288	
ESRS G1-4 <b>Actions</b> to address breaches of Standards of anti-corruption and anti-bribery	Indicator number 16 Table #3 of Annex 1		Delegated Regulation (EU) 2022/1288	

*Table 2: Methodological specifications in AR corresponding to EU legislation*

Application Requirement in <del>[Draft] Amended</del> ESRS	SFDR <sup>16</sup> reference	Pillar 3 <sup>17</sup> reference	Benchmark Regulation <sup>18</sup> reference	EU Climate Law <sup>19</sup> reference
ESRS 2 GOV-1 Board's gender diversity	Indicator number 13 of Table #1 of Annex 1		Delegated Regulation (EU) 2022/1288	
ESRS E4-5 “Land degradation, desertification, soil sealing”	Indicator number 10 Table #2 of Annex 1			
ESRS E4-5 <b>Operations that affect</b>	Indicator number 14.1			

<sup>16</sup> Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (Sustainable Finance Disclosures Regulation) (OJ L 317, 9.12.2019, p. 1).

<sup>17</sup> Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (Capital Requirements Regulation ‘CRR’) (OJ L 176, 27.6.2013, p. 1).

<sup>18</sup> Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 (OJ L 171, 29.6.2016, p. 1).

<sup>19</sup> Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 (‘European Climate Law’) (OJ L 243, 9.7.2021, p. 1).

Application Requirement in [Draft] Amended ESRS	SFDR <sup>16</sup> reference	Pillar 3 <sup>17</sup> reference	Benchmark Regulation <sup>18</sup> reference	EU Climate Law <sup>19</sup> reference
<del>threatened</del> <u>Natural species and protected areas</u>	Table #2 of Annex 1			
ESRS E4-2 Sustainable land / agriculture practices or policies	Indicator number 11 Table #2 of Annex 1			
ESRS E4-2 Sustainable oceans / seas practices or policies	Indicator number 12 Table #2 of Annex 1			
ESRS E4-2 Policies to address deforestation	Indicator number 15 Table #2 of Annex 1			



## **ANNEX TO ESRS 2 UNAPPROVED DRAFT**

**[NOTE THAT THIS APPENDIX WILL NOT BE IN ESRS 2 WHEN DELIVERED TO THE EC – THIS IS AN APPENDIX TO THE TEG/SRB PAPER FOR THE APPROVAL]**

**Text proposed by the European Council offering a relief to omit certain prejudicial information**

When reporting the information requested by ESRS, the undertaking may omit the following information:

- (a) in exceptional cases, information the disclosure of which would be seriously prejudicial to the commercial position of the undertaking, provided that all of the following conditions are met:
  - (i) such omission does not prevent a fair presentation of the undertaking's material impacts, risks and opportunities and how they are managed;
  - (ii) the undertaking has determined that it is impossible to disclose the information in a manner, such as at an aggregated level, that would enable it to meet the objectives of the disclosure requirement without seriously prejudicing its commercial position;
  - (iii) the undertaking discloses the fact that it has used this exemption;
  - (iv) the undertaking reassesses at each reporting date whether the information may still be omitted;
- (b) information corresponding to intellectual capital, intellectual property, know-how or the results of innovation that qualifies as a trade secret as defined in Article 2, point (1), of Directive (EU) 2016/943, provided that both of the following conditions are met:
  - (i) the undertaking discloses the fact that it has used this exemption; and
  - (ii) the undertaking reassesses at each reporting date whether the information may still be omitted;
- (c) classified information as defined in Article 2, point (7) of Regulation (EU) 2023/2418, provided that both of the following conditions are met:
  - (i) the undertaking discloses the fact that it has used this exemption; and
  - (ii) the undertaking reassesses at each reporting date whether the information may still be omitted; and
- (a) other information that is to be protected from unauthorised access or disclosure because of obligations laid down in other Union legislation or in national law, or in order to safeguard the privacy or security of a natural person or the security of a legal person, provided that both of the following conditions are met:
  - (i) the undertaking discloses the fact that it has used this exemption; and
  - (ii) the undertaking reassesses at each reporting date whether the information may still be omitted.