EFRAG

EXPOSURE DRAFT

ESRS 1

GENERAL REQUIREMENTS

JULY 2025

DISCLAIMER

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 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.

Revised structure and drafting conventions

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

— All the 'shall disclose/shall include/shall report/shall describe/shall explain' are presented in the main body of the Standard. They have been counted as separate datapoints.

— Below the text of each Disclosure Requirement ('DR') in topical standards (or chapter for ESRS 1), boxed content presents the streamlined corresponding mandatory methodological guidance, which is still named 'Application Requirements' ('ARs'). This includes 'shall consider' as element of methodology for preparing the disclosure, and 'may (present)' for presentation options – which does not represent voluntary disclosure but brings flexibility on how to present the disclosure.

— All the 'may' disclosures have been either eliminated or redrafted as application requirements (which do not include separate datapoints but methodology content).

— A minority of the deleted datapoints is gathered in a document named 'Non-Mandatory Illustrative Guidance' ('NMIG') and has been redrafted to fit this classification. While the content of 'shall disclose' datapoints in the main body of the standard and of application requirements are drafted to become part of the delegated act, the legal status of the NMIG (either as appendices in the Delegated Act or as document to be issued by EFRAG independently of the Delegated Act) will be considered by the European Commission ('EC') in due course. EFRAG recommends NMIG not to be part of the Delegated Act.

— The ESRS use several terms to indicate similar concepts: matters, topic, sub-topic, sub-subtopic. In Amended ESRS 'sub-subtopics' have been eliminated. In addition, to simplify the content and eliminate one term (matter), the Standards only refer to topics and sub-topics. For this reason, in all the documents the term 'matter' has been replaced by 'topic' where 'topic' is meant to refer either to topic or sub-topic depending on the context of the relevant disclosure. When used in this way, the bold italic format is used (***topic***), as this is a defined term. When used to express one of the 10 topics in Appendix A of [Draft] Amended ESRS 1, a normal font is used.

— The paragraph numbering has been revised to reflect the draft amendments. Where applicable, the paragraph number of the 2023 Delegated Act is indicated in brackets—for example, '4. (24)' or '4 (24 amended)' in paragraph [Draft] Amended ESRS 1.

ITEMS NOT ADDRESSED AS UNDER DISCUSSION IN LEVEL 1 REGULATION

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

— definition of value chain for financial institutions;

— possible exemption to consolidate subsidiaries by undertakings that are financial holdings;

— relief for omission of confidential/sensitive information;

— phasing-in provisions (maintained as in the 2023 Delegated Act);

— clarification of the meaning of 'compatibility with 1.5 degrees' for the Transition Plans disclosure (maintained as in the 2023 Delegated Act).

Table of Contents

Objective

1. (1) The European Sustainability Reporting Standards ('ESRS') specify the information that an undertaking shall disclose about sustainability matters and/or factors, as stipulated by Directive 2013/34/EU of the European Parliament and of the Council, as amended by Directive (EU) 2022/2464 of the European Parliament and of the Council.

2. (2 amended) The ESRS use the term sustainability '***topic'*** or 'sub-topic' to be understood as synonymous with sustainability matters and/or factors. Disclosures in the ESRS are structured into topics. A topic is further disaggregated into sub-topics. In the ESRS, the term 'topic' is used to indicate either a topic or a sub-topic, depending on the most appropriate level of granularity needed to meet the respective disclosure objective.

3. The objective of sustainability reporting prepared in accordance with the ESRS is to present fairly (see Chapter 2) the undertaking's material ***impacts*** on people and environment, as well as the material sustainability ***risks*** and ***opportunities*** (collectively referred to as 'impacts, risks and opportunities') in relation to environmental, social and governance *topics*. Reporting under these two perspectives constitutes the ***double materiality*** principle. An ESRS ***sustainability statement*** covers governance, strategy, ***policies***, ***actions***, ***targets*** and ***metrics*** for ***topics*** related to material impacts, risks and opportunities.

4. The ESRS require the undertaking to disclose information that is useful to the ***users*** of general purpose ***sustainability statements***, which are:

   (a) primary users of general purpose financial reporting, such as existing and potential investors, lenders and other creditors, including asset managers, credit institutions and insurance undertakings; and

   (b) other users of general purpose sustainability statements***,*** such as the undertaking's business partners, trade unions and social partners, civil society and non-governmental organisations, governments, analysts and academics. Civil society, non-governmental organisations and trade unions as users are proxies for affected ***stakeholders***.

5. The ESRS do not mandate behaviour but set Disclosure Requirements ('DRs') regarding ***topics*** related to material ***impacts***, ***risks*** or ***opportunities*** connected with the undertaking's own operations, products or services and through ***business relationships*** in its upstream and downstream ***value chain***. Reporting in accordance with the ESRS does not exempt the undertaking from other obligations laid down in EU law.

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

1. ESRS Standards, reporting areas and drafting conventions

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

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

8. (7 amended) [Draft] Amended ESRS 2 *General disclosures* establishes Disclosure Requirements (DRs) on the information that the undertaking shall provide for ***topics*** related to material ***impacts***, ***risks*** and ***opportunities*** on the reporting areas of (i) governance, strategy, impact, risk and opportunity management, as well as (ii) ***policies***, ***actions***, ***targets*** and ***metrics.***

9. (8 amended) Topical standards address ***topics*** and sub-topics and reflect the same reporting areas as [Draft] Amended ESRS 2 *General disclosures*. The table in Appendix A *List of topics* provides an overview of the ***topics*** and sub-topics covered by topical ESRS.

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

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

APPLICATION REQUIREMENTS – ARs

AR 1 for para. 11 **(Entity-Specific Disclosures)**	(AR 2) When developing entity-specific disclosures, the undertaking shall ensure they: (a) meet the qualitative characteristics of information as set out in Chapter 2; and (b) include material information related to the reporting areas of governance, strategy, ***impact***, **risk** and ***opportunity*** management (i.e. ***policies*** and ***actions***), and ***metrics*** and ***targets*** (see [Draft] Amended ESRS 2).
AR 2 for para. 11 (Entity-Specific Disclosures)	(AR 3) When determining the usefulness of ***metrics*** for inclusion in its entity-specific disclosures, the undertaking shall consider whether: (a) its chosen performance metrics provide relevant information about the material ***impacts***, ***risks*** and ***opportunities***; (b) the measurement does not involve an excessive number of assumptions and unknowns that would render the metrics too arbitrary to provide a faithful representation; and (c) it has provided sufficient contextual information.

1.2. Drafting conventions

12. (14) In all ESRS, the terms:
    (a) ***impacts*** refer to actual and potential, positive and negative impacts; and
    (b) '***risks***' and '***opportunities***' refer to the undertaking's financial risks and opportunities, including those deriving from the undertaking's ***impacts*** and ***dependencies*** on natural, human and social resources, as identified through a ***financial materiality*** assessment (see Chapter 3.3.2).
13. (15) Throughout the ESRS, the terms that are defined in the Glossary of Definitions (Annex II of Delegated Regulation (EU) 2023/2772) are denoted in ***bold italic***, except when a defined term is used more than once in the same paragraph.
14. (16) The structure of information in ESRS is based on DRs, which consists of one or more distinct datapoints. They are introduced by the term 'shall disclose' to indicate that the provision is prescribed, subject to ***materiality*** of information (see Chapter 3.1).
15. (17) In addition to DRs per se, [Draft] Amended ESRS 2 *General disclosures* and topical standards contain mandatory 'Application Requirements' relating to DRs, included within boxed text. Its content supports the preparation of information and/or disclosures that meet the qualitative characteristics of information (see Appendix B) and has the same authority as other parts of a standard. ARs also include text where the term 'shall consider' is used to indicate issues, resources or methodologies that the undertaking is expected to take into account or to use in the preparation of a given disclosure. They also include presentation options, indicating that a given piece of information may be provided in a tabular form or in narrative text, or other types of options.

2. Fair presentation and qualitative characteristics of information

16. Fair presentation requires disclosure of relevant information that meets the conditions in paragraph 21, about the undertaking's material ***impacts***, ***risks*** and ***opportunities*** in accordance with Chapter 3, and their faithful representation in accordance with the requirements set out in this Standard.
17. Applying the ESRS is presumed to result in a ***sustainability statement*** that achieves a fair presentation.
18. Fair presentation requires the undertaking to apply the qualitative characteristics of information, as defined and described in Appendix B, i.e.:
    (a) relevance and faithful representation (fundamental characteristics); and
    (b) comparability, verifiability and understandability (enhancing characteristics).

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

3. Double materiality as the basis for sustainability reporting

20. (21) The undertaking shall report on ***topics*** based on the ***double materiality*** principle as defined in paragraph 3 and explained in this Chapter.

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

21. The ***sustainability statement*** shall include material information. Information is material when:

    (a) omitting, misstating or obscuring that information could reasonably be expected to influence decisions that primary ***users*** of general purpose financial reports make based on those reports, including financial statements and the sustainability statement; or

    (b) it is necessary for users of general purpose sustainability statements to understand the undertaking's material ***impacts, risks and opportunities*** and how it identifies and manages them.

APPLICATION REQUIREMENTS – ARs

AR 3 for para. 21	The term 'general purpose' refers to interests and viewpoints assessed based on groups of ***users***.
AR 4 for para. 21	Material ***impacts***, ***risks*** and ***opportunities*** identified under the ***double materiality*** principle and therefore reported on in the ***sustainability statement*** are understood to be the same as the undertaking's principal impacts, risks and opportunities referred to in the CSRD (Directive (EU) 2022/2464). Some existing standards and frameworks also use the term 'most significant impacts' when referring to the threshold used to identify the impacts that are described in the ESRS as 'material impacts'.

3.2. Interaction between topics to be reported and material impacts, risks and opportunities

22. The undertaking shall report on a given ***topic*** when the topic relates to one or more material ***impacts, risks*** and ***opportunities***, as identified through its ***double materiality*** assessment. The information shall be presented either at topical level or at impacts, risks and opportunities level, depending on what provides the most relevant information, such as reflecting their nature or the way they are managed (refer to the general requirement on level of disaggregation in Chapter 3.7).

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

3.3. Double materiality assessment

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

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

26. In general, the starting point is the assessment of ***impacts***, although there may also be ***material risks*** and ***opportunities*** that are not related to the undertaking's impacts.

27. The following are usual internal and external sources of evidence and information that the undertaking may use in conducting a ***materiality*** assessment: the undertaking's sustainability due diligence and risk

management processes; engagement with affected ***stakeholders***; industry and peer group experience; external ratings, reports and statistics and scientific data; experts' engagement.

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

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

3.3.1. Impact materiality assessment

30. (43 amended) The ***impact materiality*** assessment corresponds to the identification of information that relates to the undertaking's material actual or potential, positive or negative ***impacts*** on people or the environment over the short, medium or long term. Impacts include those connected with its own operations, products, or services, including through ***business relationships*** in its upstream and downstream ***value chain***. Business relationships are not limited to direct contractual relationships.

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

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

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

34. When assessing the ***materiality*** of actual negative ***impacts***—those that occurred during the reporting year or in prior years—the severity of the impact shall be evaluated considering the outcomes of any mitigation or prevention measures implemented before the impact occurred. ***Actual impacts*** in the reporting period include both newly arisen impacts and those persisting from previous periods. If the undertaking has taken ***remediation actions*** during the reporting period to address actual negative impacts, these actions shall not be considered when assessing the materiality of the impact. Where the impact is deemed material based on this assessment, the undertaking shall disclose the remediation actions undertaken and their expected or actual outcomes.

35. When supportable evidence exists that mitigation or prevention ***actions*** taken reduce the severity and/or likelihood of potential negative ***impacts*** (i.e. those that could occur in the future), the effect of these actions is considered in assessing the ***materiality*** of the impacts. However, if the undertaking needs to maintain significant ongoing mitigation and/or prevention actions, to contain the severity and/or likelihood of occurrence of the potential impact below a materiality level, the impact shall be assessed without considering the mitigation and/or prevention actions. Future ***remediation*** actions and policies are not considered in the materiality assessment of ***potential impacts***.

36. The undertaking's ***positive impacts*** shall be assessed in their own right and shall not be netted off against its negative ***impacts***. The results of the undertaking's mitigation or ***remediation actions*** on negative impacts caused by or contributed to by its compliance with law and regulation are not positive impacts. However, if its business activities, products and services mitigate or remediate negative impacts of another party, this is considered a positive impact of the undertaking.

APPLICATION REQUIREMENTS – ARs

AR 5 for para. 30 **(Steps of impact materiality assessment)**	(AR 9) The undertaking shall consider the following steps in the ***impact materiality*** **assessment** process, but it may implement either a top-down or bottom-up approach, as described in AR 17 below, through: (a) understanding the context in relation to its ***impacts,*** including its activities, ***business relationships***, and ***stakeholders***; (b) identifying actual and ***potential impacts*** (both negative and positive); and (c) assessing the ***materiality*** of actual and potential impacts and determining the ***topics*** to be reported. In this step, the undertaking shall adopt thresholds to determine which impacts will be covered in its ***sustainability statement***.
AR 6 for para. 30 **(Impacts connected with the undertaking)**	(AR 12) The following are two examples of impacts that are connected with the undertaking: (a) if the undertaking uses cobalt in its products, which is mined by using children labour, the negative ***impact*** that arises from ***child labour*** (i.e. impact on the health and well-being of children) is connected with the undertaking's products through the tiers of ***business relationships*** in its upstream ***value chain***. These business relationships include the undertaking's **suppliers** and their workers, smelter and minerals trader and the mining enterprise that uses ***child labour***; and (b) if the undertaking provides financial loans to an undertaking for business activities that, in breach of agreed environmental standards, result in the contamination of water and land surrounding the operations, this negative ***impact*** is connected with the undertaking through its relationship with the undertaking it provides the loans to.
AR 7 for para. 31 **(Characteristics of severity)**	(AR 10) The severity is assessed based on a combination of its factors, i.e. scale, scope and irremediable character. The undertaking shall also take into account the practical considerations mentioned in AR 18(b): (a) scale: how serious the negative ***impact*** is or how beneficial the positive impact is for people or the environment; (b) scope: how widespread the negative or ***positive impacts*** are. In the case of environmental ***impacts***, the scope may be understood as the extent of environmental damage or a geographical perimeter. In the case of impacts on people, the scope may be understood as the number of people adversely affected; and (c) irremediable character: whether and to what extent the negative impacts could be remediated, i.e. restoring the environment or affected people to their prior state.
AR 8 for para. 31 **(Characteristics of severity)**	(AR 11) Any of the three characteristics (scale, scope and irremediable character) can make a negative ***impact*** severe. The undertaking shall also take into account the practical consideration mentioned in AR 18(b).
AR 9 for para. 31 **(Assessing actual and potential impacts for materiality)**	Appendix C provides an overview for assessing actual and ***potential impacts*** for ***materiality***.

AR 10 for para. 33 **(Stakeholders and their relevance to the materiality assessment)**	(AR 6) Common categories of affected ***stakeholders*** are: ***employees*** and/or ***workers' representatives, suppliers***, ***consumers*** or ***end-users***, ***affected communities*** and persons in vulnerable situations. (AR 7) Nature may be considered a silent affected **stakeholder.**
AR 11 for para. 33 **(Stakeholders and their relevance to the materiality assessment)**	If the undertaking engages with affected ***stakeholders*** as part of its due diligence process to identify, assess and address negative ***impacts***, the results of this engagement will provide a critical input to its ***materiality*** assessment, without necessarily putting in place a separate engagement process for the materiality assessment. However, the undertaking may also seek direct input into its materiality assessment from affected stakeholders or their representatives (such as employee representatives or trade unions), as well as ***users*** of sustainability reporting and other experts. This includes feedback on the undertaking's conclusions regarding the identification of material impacts, ***risks*** and ***opportunities***, as well as regarding the **topics** to be reported. Under the CSRD, the management of the undertaking shall inform the workers' representatives at the appropriate level and discuss with them the relevant information and the means of obtaining and verifying sustainability information. The ***workers' representatives'*** opinion shall be communicated, where applicable, to the relevant ***administrative, management or supervisory bodies***.
AR 12 for paras. 34/35 **(Assessing actual and potential impacts for materiality)**	In this context, the reference to ***actions*** taken shall be understood to also include aspects of the corresponding implemented ***policies***, as policies are implemented through actions.
AR 13 for para. 34 **(Assessing actual and potential impacts for materiality)**	If ***potential impacts*** are assessed as material, disclosing significant planned or ongoing/ implemented ***remediation actions*** – if any – and their expected effects shall be considered material information that needs to be reported in accordance with DRs on actions and [Draft] Amended ESRS 2 GDR-A.

3.3.2. Financial materiality assessment

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

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

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

40. (50 amended) ***Material risks*** and ***opportunities*** derive from the undertaking's:
    (a) material ***impacts***, as identified through the ***impact materiality*** assessment;
    (b) ***dependencies*** on natural, human and social resources; and
    (c) other factors, such as exposure to climate hazards or changes in regulation that address ***systemic risks***.

41. (40) The undertaking shall consider how it is affected by its ***dependencies,*** irrespective of its ***potential impacts*** on those resources. Dependencies may influence its ability to continue to use or obtain the

resources needed in business processes, as well as the quality and pricing of those resources, and the ability to rely on relationships needed in its business processes on acceptable terms.

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

APPLICATION REQUIREMENTS – ARs

AR 14 for para. 41 (Identification of risks and opportunities, likelihood and magnitude)	In the identification of ***risks*** and ***opportunities***, the undertaking shall consider its ***dependencies*** as sources of ***financial effects***, either in terms of cash flows or in terms of resources not recognised in financial statements.
AR 15 for para. 41 (Identification of risks and opportunities, likelihood and magnitude)	(AR 15) In assessing ***risks*** and ***opportunities*** for ***materiality***, the undertaking shall consider their contribution to ***financial effects*** in the short, medium and long term based on: (a) ***scenarios***/forecasts that are deemed likely to materialise; and (b) ***anticipated financial effects*** that are not (or are not yet) reflected in financial statements and that arise from material impacts, risks and opportunities and related ***topics***. This may derive from situations that do not yet lead to the recognition of assets/liabilities, or income/expenses, in financial statements, in accordance with the accounting recognition criteria.
AR 16 for para. 41 (Identification of risks and opportunities)	Internal risk management processes are a critical source of input for the ***materiality*** assessment of ***risks***. Leveraging them contributes to the consistency of financial and sustainability reporting.

3.4. Material impacts or risks arising from actions to address other topics

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

44. (53) In such situations, the undertaking (Chapter 9.2 applies):
    (a) discloses under the other ***topic*** the negative material impacts or ***material risks*** together with the ***actions*** that cause them, with a cross-reference to the related topic; and
    (b) provides a description of how the material negative ***impacts*** or material ***risks*** are addressed under the ***topic*** to which they relate.

3.5 Practical considerations in determining the material impacts, risks and opportunities and their related topics to be reported

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

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

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

48. The undertaking may avoid unnecessary complexity:

(a) by starting from the ***topics*** or sub-topics for which a conclusion on the ***materiality*** of its ***impacts***, ***risks*** and ***opportunities*** can be derived on the basis of its ***business model***, upstream and downstream ***value chain***, peer analysis and the strategic and business priorities, and therefore no further investigation is necessary to include or exclude them from the ***sustainability statement***; and

(b) by subsequently addressing ***topics*** or sub-topics related to other ***impacts,*** risks and opportunities, noting that for those likely to be material, a limited further assessment may be sufficient.

APPLICATION REQUIREMENTS – ARs

AR 17 for para. 48(a) **(Practical considerations)**	The undertaking may adopt a top-down or a bottom-up approach to perform its ***materiality*** assessment. In the top-down approach, the undertaking starts from the ***topic*** (topic or when appropriate sub-topic in Appendix A or entity-specific topic) unless an assessment at the individual level of ***impacts***, ***risks*** and ***opportunities*** is needed to conclude on their ***materiality***. Once the undertaking concludes on the necessity to report on a topic, it needs to identify the related material ***impacts***, ***risks*** and ***opportunities***, which will be presented in accordance with [Draft] Amended ESRS 2 IRO-2. In the bottom-up approach, the starting point is the level of material potential ***impacts, risks*** and ***opportunities***, which are assessed for ***materiality***. Once identified as material, they are aggregated into ***topic***(s) for reporting purposes, unless not appropriate. Adopting a top-down approach may be more pragmatic and reduce the complexity of the process, and is expected to lead to the same outcome of the ***materiality*** assessment as the bottom-up approach.
AR 18 for para. 48 **(Practical considerations)**	Unless more investigation is necessary to be able to determine that an impact, risk, or opportunity is material, the undertaking does not need: (a) to analyse every time horizon for all ***impacts***, ***risks*** and ***opportunities***; (b) (for impacts) to analyse separately each characteristic of severity (see Chapter 3.3.1).
AR 19 for para. 48 **(Practical considerations)**	The use of quantitative information or quantitative scoring is not required in all cases. A qualitative analysis may be sufficient for the undertaking to reasonably conclude that the ***impacts***, ***risks*** and ***opportunities*** related to a given ***topic*** are material or not material.

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

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

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

(a) applying the provisions in [Draft] Amended ESRS 2 GDR-P, GDR-A, GDR-M, and GDR-T when reporting on material information about ***policies, actions, metrics*** *and* ***targets***;

(b) disclosing material information in accordance with the DRs (including ARs) related to that specific topic or sub-topic in the corresponding topical ESRS; and

(c) disclosing any material entity-specific information (see paragraph 10 and related ARs).

APPLICATION REQUIREMENTS – ARs

AR 20 for paras. 49 and 50 **[Draft] Amended ESRS 2 datapoints and GDR-P, GDR-A, GDR-M, GDR-T**	The DRs in [Draft] Amended ESRS 2 (including GDR-P, GDR-A, GDR-M, GDR-T) are fundamental in nature and therefore likely to result in material information for all undertakings.
AR 21 For para. 50 **(Determining the information to be reported at sub-topic level)**	When a material ***impact***, ***risk*** or ***opportunity*** relates to a particular sub-***topic***, the undertaking needs only to report the material information related to that sub-topic within the relevant topical standard.

3.7. Level of aggregation, disaggregation and group reporting

51. The undertaking shall aggregate or disaggregate the reported information to reflect the level at which significant variations of material ***impacts***, ***risks*** or ***opportunities*** arise, such as by **topic**, sector, subsidiary, country, ***location***, water basin, ***site***, asset or other appropriate level of aggregation/disaggregation. (54 amended). In doing so, the undertaking shall consider relevant facts and circumstances in line with its ***materiality*** assessment to determine the appropriate level of aggregation.
52. (56 amended) The undertaking shall ensure that the level of aggregation and disaggregation does not obscure information that is material.
53. (102) When the undertaking is reporting at a consolidated level, it shall perform its assessment of material ***impacts***, ***risks*** and ***opportunities*** for the entire consolidated group regardless of its group's legal structure. It shall ensure that all subsidiaries are covered in a way that allows for the unbiased identification of material impacts, risks and opportunities at group level.

APPLICATION REQUIREMENTS – ARs

AR 22 for para. 51	Information on material ***impacts***, risks and ***opportunities*** related to specific ***locations*** may be appropriately aggregated where they share common characteristics and the activities to which they are associated with affect the same ecological area – such as water basin, region, ecosystem, or landscape. The appropriate level of aggregation or disaggregation shall not obscure systemic interactions or specific local drivers of impacts.
AR 23 for para. 52	The undertaking shall consider disaggregating reported information by ***location***–such as by ***site***, water basin or local ecosystem–when material ***impacts***, ***risks*** or ***opportunities*** are highly dependent on local context, in line with [Draft] Amended ESRS 1 paragraph 51.
AR 24 for para. 52	(103) Where the undertaking identifies significant differences between material ***impacts***, ***risks*** or ***opportunities*** at group level and material impacts, risks or opportunities of one or more of its subsidiaries, it shall disaggregate and present information in a way that allows an adequate understanding of the impacts, risks and opportunities, as appropriate, of the subsidiary or subsidiaries concerned. Conversely, if a material impact, risk or opportunity determined at group level is not relevant for all subsidiaries or activities in a group, the information can be provided at a disaggregated level reflecting only the activities for which the impact, risk or opportunity is relevant.

AR 25 for para. 52	Information may be obscured where an inappropriate level of aggregation could be reasonably expected to influence the decision of primary ***users*** of general purpose financial statements and/or the ability of users of general purpose ***sustainability statements*** to understand the undertaking's ***impacts***. An inappropriate level of aggregation of impacts, ***risks*** and ***opportunities*** may result from aggregating those which do not have shared characteristics or disaggregating those which have shared characteristics. Information may also be obscured as a result of material information being hidden by immaterial information.

4. Due diligence

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

55. (58) The ESRS do not impose any conduct requirements in relation to due diligence, nor do they extend or modify the role of the ***administrative, management or supervisory bodies*** of the undertaking with regard to the conduct of due diligence.

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

57. (60) The international instruments identify a number of steps in the due diligence process. One of these steps is the identification and assessment of negative ***impacts*** connected with the undertaking's own operations, products or services, including through ***business relationships*** in the undertaking's upstream and downstream ***value chain***. Where the undertaking cannot address all impacts at once, the due diligence process allows for ***action*** to be prioritised based on the severity and likelihood of the impacts. It is this aspect of the due diligence process that informs the assessment of material impacts for reporting purposes (see Chapter 3.3). The identification of negative material impacts also supports the identification of material sustainability ***risks*** and ***opportunities***, which are often a result of such impacts.

APPLICATION REQUIREMENTS – ARs

AR 26 for para. 57	(61 amended) The due diligence steps laid out by the international instruments detailed in paragraph 57 are: embedding due diligence in governance, strategy and ***business model***; engaging with affected ***stakeholders***; identifying and assessing negative impacts on people and the environment; taking ***action*** to address negative impacts on people and the environment; and tracking the effectiveness of these efforts.

5. Reporting undertaking and upstream and downstream value chain

5.1. Reporting undertaking and own operations

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

59. In the case of group reporting, the reporting undertaking usually considers as part of its own operations: the assets and liabilities, income and expense of the parent undertaking and its subsidiaries, located in or outside the EU, as determined in accordance with the applicable accounting requirement. Paragraphs 60 to 73 provide further provisions and exceptions for determining the reporting boundaries of own operations and upstream and downstream ***value chain***. The undertaking may exclude from the sustainability reporting boundary a subsidiary that has been excluded from the scope of the consolidated financial statements due to its non-***materiality*** from a financial perspective, unless there are specific facts and circumstances that expose the group to material ***impacts***, ***risks*** and ***opportunities*** arising from such subsidiary.

APPLICATION REQUIREMENTS – ARs

AR 27 for para. 59 **(subsidiary with different reporting period)**	The undertaking may include subsidiaries with different reporting periods in the consolidated report, by adopting the applicable accounting provisions providing relief in those circumstances.

5.2. Inclusion of upstream and downstream value chain information

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

61. The undertaking shall include material upstream and downstream ***value chain*** information:

    (a) following the outcome of its ***materiality*** assessment as informed by any due diligence process in place; and

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

62. (69 amended). In the identification of material ***impacts***, ***risks*** and ***opportunities*** that are connected with the undertaking through its ***business relationships*** in the upstream and downstream ***value chain***, and when reporting on ***metrics*** that comprise of upstream and downstream value chain information, the undertaking may use information collected directly from counterparties in the upstream and downstream value chain, or estimates, depending on practicability and reliability considerations related to the necessary input. When developing estimates, it may use internal and external information, such as data from indirect sources, sector-average data, sample analyses, market and peer groups data, other proxies or spend-based data.

63. In this context, the information required by the ESRS to be obtained from undertakings in the upstream and/or downstream ***value chain*** shall not exceed the limit set by the relevant EU law and regulation. This limitation also applies to non-EU undertakings.

64. (64) Paragraph 60 does not require information on each and every ***actor in the value chain***, but only the inclusion of material upstream and downstream ***value chain*** information. Different ***impacts***, ***risks*** or ***opportunities*** can be material in relation to different parts of the undertaking's upstream and downstream value chain. The information shall be extended to include upstream and downstream value chain information only in relation to the parts of the value chain for which material impacts, risks or opportunities exist or are likely to exist (in line with paragraph 31).

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

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

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

68. ***Business relationships*** include shareholding positions in associates or joint ventures, as well as other investments.

69. (67) In some cases, associates or joint ventures that are accounted for under the equity method are also part of the undertaking's upstream and downstream ***value chain*** beyond the shareholding relationship, such as when they are also ***suppliers*** or customers. In these cases, the undertaking shall include information related to the supply/customer relationship with them, in accordance with paragraph 60, consistent with

the approach adopted for the other similar ***business relationships*** in the value chain. In these cases, when determining ***metrics***, the data of the associate or joint venture is not limited to the share of equity held but it shall reflect the ***impacts*** that are connected with the undertaking through the supply relationships and the related ***risks*** and ***opportunities***. This means that the undertaking considers both its relationship as investor and its supply/customer relationship in calculating the relevant metrics, while avoiding double counting.

APPLICATION REQUIREMENTS – ARs

AR 28 for para. 67	***Metrics*** in topical ESRS do not require inclusion of upstream and ***downstream value chain*** data, with the exception of ***GHG*** emissions Scope 3. For the following items, the standardised metric in ESRS is limited to own operations, however the disclosure is able to inform about aspects of the value chain: removals of GHG ([Draft] Amended ESRS E1-9), secondary microplastic ([Draft] Amended ESRS E2-4), substances of very high concern in procured components and articles ([Draft] Amended ESRS E2-5), and waste ([Draft] Amended ESRS E5-5). When necessary, in accordance with paragraph 10 the undertaking shall on an entity-specific basis, include upstream and downstream value chain data when disclosing on metrics.

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

70. ***Impacts***, ***risks*** and ***opportunities*** arising from the use of a leased asset do not depend on whether the asset is legally owned or leased. The lessee is causing and contributing to the impacts of the leased asset, therefore reports the impacts and related risks and opportunities in its own operations, during the lease period. The lessor is directly connected with the impacts of the leased asset; therefore, it reports the impacts and related risks and opportunities as part of its downstream ***value chain***.

71. The ***impacts***, ***risks*** or ***opportunities*** arising from assets that are held by an undertaking's long-term employee benefit fund are connected with the undertaking through its ***business relationship*** in the upstream ***value chain***.

5.4. Relief for acquisitions and disposals

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

73. If the undertaking uses this relief for major acquisitions (disposals) and based on available information, it shall disclose significant events that affected the acquired (sold) subsidiary or business between the date of acquisition and the end of the reporting period (between the start of the reporting period and the date of disposal), when they could have an effect on the subsidiary's or business's exposure to material ***impacts***, ***risks*** and ***opportunities***.

6. Reporting period, base year and time horizons

6.1. Reporting period and base year

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

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

76. (76) The undertaking shall present comparative information in respect of the base year for ***metrics*** reported in the current period when reporting the progress towards a ***target***, unless the relevant DR specifically defines how to report progress. It may also include historical information about achieved milestones between the base year and the reporting period.

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

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

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

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

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

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

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

80. (81) References to 'short-term', 'medium-term' and 'long-term' in the ESRS refer to the time horizon as determined by the undertaking in accordance with the provisions in paragraphs 77 to 79.

7. Preparation and presentation of sustainability information

7.1. Presenting comparative information

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

82. (85) When it is impracticable to adjust comparative information for one or more prior periods, the undertaking shall disclose this fact.

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

84. For ***metrics*** and monetary amounts:

(a) (84) when the undertaking reports comparative amounts that significantly differ from the information reported in the previous period, it shall provide the reasons for the change and the difference between the amounts reported in the previous period and the revised amounts;

(b) the undertaking is not required to present comparative information for new material ***impacts***, ***risks*** and ***opportunities*** or related new reported ***topics*** for the reporting period where they are reported for the first time;

(c) when necessary to provide an understanding of the progresses against a ***target***, following a major acquisition or disposal, the undertaking shall adjust the base year and the comparative information provided. When the undertaking applies the relief for acquisitions (or disposals) in paragraph 72, the timing of this adjustment shall reflect the timing adopted for the inclusion (exclusion) of the subsidiary in the ***sustainability statement***.

7.2. Judgement, measurement uncertainty and outcome uncertainty

85. (87 and 88) The undertaking shall disclose information to enable ***users*** to understand:

(a) the judgements it makes that have the most significant effect on the reported information;

(b) the significant uncertainties affecting the qualitative information, quantitative information, ***metrics*** and monetary amounts presented, including whether they rely on estimates; and

(c) significant assumptions and limitations in the estimates.

86. (91) Some ESRS require the disclosure of information such as explanations about possible future events that have uncertain outcomes. In judging whether information about such possible future events is material, the undertaking shall refer to the criteria in Chapter 3.3.2 and consider:

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

(b) the severity and likelihood of the ***potential impacts*** on people or the environment resulting from possible future events; and

(c) the range of possible outcomes and the likelihood of the possible outcomes within that range.

APPLICATION REQUIREMENTS – ARs

AR 29 for para. 85 **(About judgements)**	In preparing its ***sustainability statement***, the undertaking makes various judgements, beyond those involving estimations, that can significantly affect the reported information, such as when: (a) identifying material ***impacts***, ***risks*** and ***opportunities***, associating them to the relevant ***topic***(s), and assessing whether an update of the ***materiality*** assessment is necessary (see paragraph 30); and (b) identifying material information to include in the sustainability statement.
AR 30 for para. 85 **(Use of reasonable and supportable assumptions and estimates)**	The use of reasonable and supportable assumptions and estimates, including when in developing ***scenario*** or sensitivity analysis, is an essential part of preparing the undertaking's ***sustainability statement***. It does not undermine the usefulness of that information, provided that the significant assumptions and estimates are accurately explained. Even a high level of measurement uncertainty would not necessarily prevent such an assumption or estimate from providing useful information or meeting the qualitative characteristics of information (see Appendix B).
AR 31 for para. 85 **(Use of reasonable and supportable assumptions and estimates)**	The requirement in paragraph 85(b) for the undertaking to disclose information about the uncertainties affecting the reported amounts relates to the estimates that require the most difficult, subjective or complex judgements.
AR 32 for para. 86 **(Future events that have uncertain outcomes)**	When assessing the possible outcomes, considerations for the undertaking include the relevant facts and circumstances, including information about low-probability and high-impact outcomes, which, when aggregated, could become material. The undertaking might be exposed to several ***impacts*** or ***risks***, each of which could cause the same type of disruption, such as disruptions to its upstream value (supply) chain. Information about an individual source of risk might not be material if disruption from that source is highly unlikely to occur. However, information about the aggregate risk of ***supply chain*** disruption from all sources might be material.

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

87. The undertaking shall use reasonable and supportable information available at the reporting date without undue cost or effort (see paragraph 90):
    (a) to identify material ***impacts***, ***risks*** and ***opportunities***;
    (b) to determine the scope of its upstream and downstream ***value chain***, including its breadth and composition, in relation to material impacts, risks and opportunities;
    (c) when extending the information to include upstream or downstream value chain information, as required by paragraph 60 and to determine the scope of its ***value chain***, including its breadth and composition, in relation to material impacts, risks and opportunities; and
    (d) to prepare information on ***metrics.***

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

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

7.4. Reliefs for metrics

90. Activities within the undertaking or group may be excluded from ***metric*** calculations if, due to their nature, they are not expected to be a significant driver of the ***impacts***, ***risks*** and ***opportunities*** the metric purports to represent, and their exclusion from the calculation is not expected to impair the relevance or faithful representation of the reported information.

91. Except for [Draft] Amended ESRS E1-6 GHG Emissions, when without undue cost and effort the undertaking is able to use reliable direct or estimated data only for part of the scope of the relevant reporting boundary (or part of the ***value chain***), the undertaking shall specify, when relevant, that it has identified material ***impacts***, ***risks*** and ***opportunities*** in its own operations or value chain, but the corresponding metric can currently only be partially estimated. In this circumstance, the undertaking shall disclose the ***actions*** it has taken to increase the coverage and quality in future reporting periods, and the progress compared to the previous reporting period. The undertaking shall also assess at the subsequent reporting dates whether reliable data or input to be used in the estimate has become available, and if this is the case, adjust the estimates and the disclosure accordingly.

92. The undertaking may exclude joint operations over which it does not have ***operational control*** from the calculation scope of environmental ***metrics*** reported in accordance with [Draft] Amended ESRS E2 *Pollution*, [Draft] Amended ESRS E3 *Water*, [Draft] Amended ESRS E4 *Biodiversity and ecosystems* and [Draft] Amended ESRS E5 *Resource use and circular economy*.

7.5. Updating disclosures about events after the end of the reporting period

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

7.6. Changes in the preparation or presentation of sustainability information

94. (95) The definition and calculation of ***metrics***, including metrics used to set ***targets*** and monitor progress towards those targets, shall be consistent over time. The undertaking shall provide contextual information and restated comparative figures unless it is impracticable to do so when it has:
    (a) redefined or replaced a metric or target; and
    (b) identified new information in relation to the estimated figures disclosed in the preceding period, and the new information provides evidence of circumstances that existed in that period (change in estimate).

7.7. Reporting errors in prior periods

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

96. (99) Potential errors in the current period discovered in that period are corrected before the management report is authorised for issue. In case of material errors discovered in a subsequent period, when it is impracticable to determine the effect of an error on all prior periods presented, the undertaking shall restate the comparative information to correct the error from the earliest date practicable.

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

APPLICATION REQUIREMENTS – ARs

AR 33 for para. 95 **(Prior Period Errors)**	Prior period errors are omissions from, and misstatements in, the undertaking's ***sustainability statement*** for one or more prior periods. Such errors arise from a failure to use, or the misuse of, reliable information that: (a) was available when the management report that includes the sustainability statement for those periods was authorised for issuance; and (b) could reasonably be expected to have been obtained and considered in the preparation of sustainability disclosures included in these reports.

AR 34 for para. 95 **(Prior Period Errors)**	Such errors include: the effects of mathematical mistakes, mistakes in applying the definitions for ***metrics*** or ***targets***, oversights or misinterpretations of facts, and fraud.

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

98. (105) The undertaking is not required to disclose ***classified information*** or ***sensitive information*** even if such information is considered material.

99. (106) When disclosing information about its ***strategy*** and ***action plans***, where a specific piece of information corresponding to intellectual property, know-how or the results of innovation is relevant to meet the objective of a DR, the undertaking may omit that specific piece of information if it:

    (a) is secret in the sense that it is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question;

    (b) has commercial value because it is secret; and

    (c) has been subject to reasonable steps by the undertaking to keep it secret.

100. (107) If the undertaking omits ***classified information*** or ***sensitive information*** or a specific piece of information corresponding to intellectual property, know-how or the results of innovation because it meets the criteria established in the previous paragraph, it shall comply with the DR in question by disclosing all other required information.

101. (108) The undertaking shall make every dt to ensure that beyond the omission of the ***classified information*** or ***sensitive information***, or of the specific piece of information corresponding to intellectual property, know-how or the results of innovation, the overall relevance of the disclosure in question is not impaired.

APPLICATION REQUIREMENTS – ARs

AR 35 for para. 98	The CSRD leaves to the Member States ('MS') an option to provide the following relief, which is therefore available to undertakings in MS that have exercised this option. The undertaking may limit information relating to impending developments or matters in the course of negotiation in exceptional cases where, in the duly justified opinion of the members of the ***administrative, management and supervisory bodies***, acting within the competences assigned to them by national law and having collective responsibility for that opinion, the disclosure of such information would be seriously prejudicial to the commercial position of the undertaking, provided that such omission does not prevent a fair and balanced understanding of the undertaking's development, performance and position, and the ***impact*** of its activity. If the undertaking elects to use this exemption, disclosing this fact provides useful information.

7.9. Reporting on opportunities

102. (109) When reporting on ***opportunities***, the disclosure shall consist of descriptive information allowing the reader to understand the opportunity. The undertaking shall not report general opportunities for the sector but only opportunities that are currently being pursued or incorporated in its general strategy. The provisions on ***financial effects*** in [Draft] Amended ESRS 2 apply when reporting on ***material opportunities***.

8. Presentation requirements and structure of the sustainability statement

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

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

104. (111) Sustainability information shall be presented:

(a) in a way that allows for clear identification of information required by the ESRS and other information included in the management report; and

(b) under a structure that facilitates access to and understanding of the ***sustainability statement*** in a format that is both human-readable and machine-readable.

105. (115 amended) The undertaking shall structure its ***sustainability statement*** in four parts in the following order: general information, environmental information, social information and governance information. It may use appendices or separate sub-parts in accordance with paragraphs 107 – 110.

106. (113 amended) If the undertaking prepares disclosures pursuant to Article 8 of Regulation (EU) 2020/852 of the European Parliament and the Council and to the Commission Delegated Regulations, it shall include them in its ***sustainability statement,*** and it may include them in a separate appendix.

8.2. Presentation of additional information included in the sustainability statement

107. (114) The undertaking may include in its ***sustainability statement*** additional disclosures stemming from (i) other legislation which requires the undertaking to disclose sustainability information, or (ii) generally accepted sustainability reporting standards and frameworks, including non-mandatory guidance and sector-specific guidance, published by other standard-setting bodies (such as technical material issued by the International Sustainability Standards Board or the Global Reporting Initiative). Such disclosures shall:

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

(b) meet the requirements for qualitative characteristics of information specified in Chapter 2 and Appendix B.

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

(a) be clearly identified and presented in a way that they do not obscure material information; and

(b) provide a faithful representation of the relevant item of information.

8.3. Options in presenting information across parts of the sustainability statement

109. The undertaking may provide an executive summary in the ***sustainability statement*** which includes the key messages about its material environmental, social and governance ***impacts***, ***risks*** or ***opportunities*** and their management. The content and presentation of this executive summary shall meet the qualitative characteristics of information. It may also incorporate information by reference to an executive summary placed outside its sustainability statement, such as in another section of the management report, provided that it meets the conditions for incorporation by reference.

110. The undertaking may use appendices or separate sub-parts in its ***sustainability statement***:

(a) to present more detailed information related to any of the four parts; and

(b) to facilitate readability with content indices, tables mapping different disclosures, or cross-reference tables;

(c) to present the additional information prepared in accordance with Chapter 8.2 above.

APPLICATION REQUIREMENTS – ARs

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

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

9.1. Connected information

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

   (a) within the sustainability statement; and

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

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

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

APPLICATION REQUIREMENTS – ARs

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

9.2. Direct/indirect connectivity with financial statements and consistency of assumptions

114. The undertaking may cross-refer its financial statements when reporting on monetary amounts or other quantitative information presented in the financial statements (‘direct connectivity’).

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

116. (90 amended) Data and assumptions used in preparing the ***sustainability statements*** shall be consistent to the extent possible with the corresponding data and assumptions used in preparing the financial statements; to support the understanding of significant data and assumptions, the undertaking shall explain the level of consistency.

9.3. Incorporation by reference

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

   (a) another section of the management report;

   (b) the financial statements;

   (c) the corporate governance statement (if not part of the management report);

   (d) the remuneration report required by Directive 2007/36/EC of the European Parliament and of the Council;

   (e) the universal registration document, as referred to in Article 9 of Regulation (EU) 2017/1129; and

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

118. (120 amended) The undertaking may incorporate information by reference to the documents, or part of the documents, listed in paragraph 117, provided that the information incorporated by reference:

(a) constitutes a separate element of information clearly identified in the source document as addressing the relevant ESRS DR or datapoint;

(b) is published before or at the same time as the management report;

(c) is in the same language as the ***sustainability statement***;

(d) is subject to at least the same level of assurance as the sustainability statement (i.e. the information incorporated by reference is considered as part of the ESRS sustainability statement subject to assurance, not to the entire document referred to); and

(e) meets the same technical digitalisation requirements as the sustainability statement.

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

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

10. Transitional provisions

121. The transitional provisions in this Chapter apply only from the first financial year the undertaking is subject to the preparation and publication of a ***sustainability statement***, as required by Directive 2013/34/EU.

10.1. Transitional provision related to Chapter 5 Value chain

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

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

(a) when disclosing information on ***policies***, ***actions*** and ***targets*** in accordance with [Draft] Amended ESRS 2 and other ESRS, the undertaking may limit upstream and downstream value chain information to information available in-house, such as data already available and publicly available information; and

(b) when disclosing ***metrics***, it is not required to include upstream and downstream value chain information except for datapoints derived from other EU legislation, as listed in [Draft] Amended ESRS 2, Appendix A.

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

125. (135 amended) Starting from the fourth year of reporting under the ESRS, the undertaking shall include upstream and/or downstream ***value chain*** information in accordance with paragraph 60.

10.2. Transitional provision related to Chapter 7.1 Presenting comparative information

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

10.3. Transitional provision: List of Disclosure Requirements that are phased in *[CHANGES DUE TO DELEGATED "QUICK FIX" NOT REFLECTED HERE]*

127. (137) Appendix D sets phase-in provisions for the DRs or datapoints in the ESRS that may be omitted or that are not applicable in the first year(s) of mandatory application of the ESRS in the preparation of the ***sustainability statement.***

Appendix A: List of topics

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

The following table provides the list of **topics** and sub-topics covered by topical ESRS as one of the inputs to the ***double materiality*** assessment. The undertaking needs to consider its own specific circumstances when determining the topics or sub-topics to be reported. Where necessary, it shall consider topics or sub-topics not covered by the ESRS to develop entity-specific disclosures on material ***impacts***, ***risks*** and ***opportunities*** as described in paragraph 11. Chapter 3.5 provides practical considerations to support the ***materiality*** assessment process.

Topics	Sub-topics
Climate change ([Draft] Amended ESRS E1)	Climate Change Mitigation
	Climate Change Adaptation
	Energy
Pollution ([Draft] Amended ESRS E2)	Pollution of air
	Pollution of water
	Pollution of soil
	Substances of concern, including substances of very high concern
	Microplastics
Water ([Draft] Amended ESRS E3)	Water withdrawals
	Water consumption
	Water discharges
	Water storage
Biodiversity and ecosystems ([Draft] Amended ESRS E4)	Drivers of biodiversity and ecosystem change (terrestrial and marine habitat change, invasive species)
	State of species
	The extent and condition of terrestrial and marine ecosystems
	Ecosystem services
Circular economy and resource use ([Draft] Amended ESRS E5)	Resource inflows
	Resource outflows related to products and services
	Resource outflows (waste)

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

(*) Note for [Draft] Amended ESRS S2 *Workers in the value chain*. The level of detail of the ***materiality*** assessment for workers in the value chain, compared to that performed for own workforce, depends on the type and quality of data available. This can lead to different levels of depth and granularity in the analysis — especially for impacts and risks in the upstream/downstream value chain. As a result, while sub-topics under S1 *Own Workforce* and S2 *Workers in the Value chain* are aligned, the way the undertaking considers and assesses negative impacts and risks may differ between them.

(**) 'Water and sanitation' is applicable to [Draft] Amended ESRS S2 *Workers in the value chain*.

Appendix B: Qualitative characteristics of information

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

Relevance

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

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

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

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

Faithful representation

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

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

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

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

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

(a) factual information is free from material error;

(b) descriptions are precise;

(c) estimates, approximations and forecasts are clearly identified as such;

(d) no material errors have been made in selecting and applying an appropriate process for developing an estimate; approximation or forecast, and the inputs to that process are reasonable and supportable;

(e) assertions are reasonable and based on information of sufficient quality and quantity; and

(f) information about judgements about the future faithfully reflects both those judgements and the information on which they are based.

Comparability

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

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

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

Verifiability

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

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

(a) including information that can be corroborated by comparing it with other information available to ***users*** about the undertaking's business, about other businesses or about the external environment;

(b) providing information about inputs and methods of calculation used to produce estimates or approximations; and

(c) providing information reviewed and agreed by the ***administrative, management and supervisory bodies*** or their committees.

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

Understandability

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

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

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

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

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

Appendix C: Assessing actual and potential negative impacts for materiality

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

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

<table>
<tr><th colspan="3">Actual negative impacts</th></tr>
<tr><th>Impacts that occurred in the reporting year</th><th>How to assess and what to report in the reporting year</th><th>How to assess and what to report in future years</th></tr>
<tr><td>If an impact occurred in the reporting period and no remediation action has been taken</td><td>Assess and report the impact</td><td>Keep reporting the impact for as long as it remains material based on its severity</td></tr>
<tr><td>If an impact occurred in the reporting period, remediation action has been taken after the impact but before the reporting date, and has reduced the severity of the consequences that could otherwise have occurred</td><td rowspan="3">Assess and report the impact before the remediation action; and report action taken</td><td>Keep reporting the impact after the remediation action taken, including any on-going significant remediation action, for as long as the impact after remediation actions is material</td></tr>
<tr><td>If an impact occurred in the reporting period and remediation action is planned or underway that should reduce the severity of its consequences, but the remediation is not yet effective in the reporting year</td><td>In the reporting period when the remediation became effective, report the impact before the remediation action taken, and report on the action.

In subsequent years (after effectiveness) report the impact after the remediation action taken, for as long as the impact after remediation action is material</td></tr>
<tr><td>If an impact occurred in the reporting period and remediation action has been taken, is fully completed and the impact is remediated</td><td>In principle, no need to report on the impact, as it is not material.</td></tr>
</table>

<table>
<tr><th colspan="3">Potential impacts</th></tr>
<tr><th>Potential impacts that were material in the reporting year</th><th>How to assess and what to report in the reporting year</th><th>How to assess and what to
report in future years</th></tr>
<tr><td>No prevention or mitigation action has been taken or implemented</td><td>Assess and report the potential impact</td><td>Assess and report the potential impact, as long as it remains material</td></tr>
<tr><td>If the potential impact was material within the reporting year, but prevention or mitigation action has been taken before the reporting date such that the impact no longer exists</td><td rowspan="3">Assess and report the potential impact before the actions and report actions</td><td>In principle, no need to report on the potential im-pact, as it is not material</td></tr>
<tr><td>If the potential impact was material within the reporting year, and prevention or mitigation action has been taken during the reporting period, but the undertaking has to maintain significant ongoing mitigation and/or prevention actions to contain the severity and/or likelihood of occurrence of the potential impact below a materiality level.</td><td>Report the potential impact after prevention or mitigation actions if it remains material, and report the significant ongoing action for as long as it is necessary to manage the residual material impact</td></tr>
<tr><td>If the potential impact was material within the reporting year and prevention or mitigation action has been taken such that the risk is reduced and no significant ongoing mitigation is required to contain the severity and/or likelihood of occurrence of the potential impact below a materiality level</td><td>Report the potential impact after mitigation or prevention actions if it remains material.

If it is reduced below the materiality threshold, in principle no need to report the impact, as it is not material</td></tr>
</table>

Appendix D: List of phased-in Disclosure Requirements (former Appendix C)

[CHANGES AND CONSIDERATION DUE TO DELEGATED "QUICK FIX" NOT REFLECTED HERE]

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

[Draft] Amended ESRS	Disclosure Requirement	Full name of the Disclosure Requirement	Phase-in or effective date (including the first year)
ESRS 2	SBM-3	Interaction of material impacts, risks and opportunities with strategy and business model, and financial effects	The undertaking may omit the information prescribed by [Draft] Amended ESRS 2 SBM-3, paragraph 23(b) (anticipated financial effects), for the first year of preparation of its sustainability statement. The undertaking may comply with ESRS 2 SBM-3, paragraph 23(b), by reporting only qualitative disclosures for the first three years of preparation of its sustainability statement if it is impracticable to prepare quantitative disclosures. [TO BE UPDATED AFTER THE CONSULTATION REFLECTING THE FINAL OUTCOME ON FINANCIAL EFFECTS, I.E. OPTION 1 OR 2]
ESRS E1	E1-8	Gross Scopes 1, 2, 3 emissions	Undertakings or groups not exceeding on their balance sheet dates the average number of 750 employees during the financial year (on a consolidated basis where applicable) may omit the datapoints on scope 3 emissions and total GHG emissions for the first year of preparation of their sustainability statement.
ESRS E1	E1-11	Anticipated financial effects from material physical and transition risks and potential climate-related opportunities	The undertaking may omit the information prescribed by [Draft] Amended ESRS E1-11 for the first year of preparation of its sustainability statement. The undertaking may comply with [Draft] Amended ESRS E1-11 by reporting only qualitative disclosures for the first three years of preparation of its sustainability statement, if it is impracticable to prepare quantitative disclosures.
ESRS E4	All disclosure requirements	All disclosure requirements	Undertakings or groups not exceeding on their balance sheet dates the average number of 750 employees during the financial year (on a consolidated basis where applicable) may omit the information specified in the disclosure requirements of [Draft] Amended ESRS E4 for the first two years of preparation of their sustainability statement.
ESRS S1	S1-6	Characteristics of non-employee workers in the undertaking's own workforce	The undertaking may omit reporting for all datapoints in this Disclosure Requirement for the first year of preparation of its sustainability statement.
ESRS S1	S1-7	Collective bargaining coverage and social dialogue	The undertaking may omit this Disclosure Requirement with regard to its own employees in non-EEA countries for the first year of preparation of its sustainability statement.
ESRS S1	S1-10	Social protection	The undertaking may omit this Disclosure Requirement for the first year of preparation of its sustainability statement.

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