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ESRS 1 – *General Requirements* - V1

November 2025

UNAPPROVED DRAFT

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

DISCLAIMER

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

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

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Appendix B: Qualitative characteristics of information - This Appendix is an integral part of ESRS 1 and has the same authority as the other parts of the Standard.³²

UNAPPROVED DRAFT

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Objective

1. (1 amended) The European Sustainability Reporting Standards (ESRS) specify the sustainability information that undertakings are required to disclose in accordance with the Accounting Directive (Directive 2013/34/EU of the European Parliament and of the Council), as amended by the Corporate sustainability Reporting Directive (Directive (EU) 2022/2464 of the European Parliament and of the Council).
2. (2 amended) ESRS require the undertaking to disclose information about its material **impacts** on people and the environment and about its material **sustainability-related risks** and **opportunities** (collectively ‘impacts, risks and/or opportunities’). Reporting under these two perspectives constitutes the **double materiality** principle (see Chapter 3).
3. (new) The objective of the **sustainability statement**, taken as whole, is to present fairly (see Chapter 2) all the undertaking’s sustainability-related material **impacts, risks** and **opportunities** and how the undertaking manages them. The reported information shall be decision-useful for the **users** of general-purpose sustainability statements.
4. (22(b) amended) **Users** of general-purpose **sustainability statements** are:
 - (a) primary users of general-purpose financial reports, such as existing and potential investors, lenders and other creditors, including asset managers, credit institutions and insurance undertakings; and
 - (b) other users of general-purpose sustainability statements, such as the undertaking’s business partners, trade unions and social partners, civil society and non-governmental organisations.
5. (new) In its **sustainability statement**, the undertaking is required to disclose information about the material **impacts, risks** and **opportunities** organised under **topics** to which they relate. This information shall cover the following reporting areas: (a) governance, (b) strategy including **financial effects**, (c) impacts, risks and opportunities management, through **policies** and **actions**, and (d) **metrics** and **targets**.
6. (new) ESRS do not mandate behaviour except for behaviour specifically related to the reporting of sustainability information. Reporting in accordance with ESRS does not exempt the undertaking from other obligations laid down in EU law.

APPLICATION REQUIREMENTS – ARs

<p>AR 1 for para. 4 (General-purpose)</p>	<p>(new) The terms ‘general-purpose financial reports’ and ‘general-purpose sustainability statements’ refer to reports that:</p> <ol style="list-style-type: none"> (a) are addressed to users with a reasonable knowledge of the general subject matters of such reports; and (b) consider the information needs of groups of users.
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1. ESRS Standards and drafting conventions

1.1. ESRS standards and entity-specific disclosures

7. (6 amended) ESRS 1 *General Requirements* explains drafting conventions and sets out general requirements for identifying the undertaking’s material **impacts, risks** and **opportunities**, and for preparing and presenting information to be reported. It also sets out general requirements for the basis of preparation of the **sustainability statement**.
8. (5 amended) The undertaking shall apply this Standard in conjunction with ESRS 2 *General Disclosures* (both referred to as ‘cross-cutting standards’) and with the topical standards.

9. (7 amended) ESRS 2 *General Disclosures* establishes Disclosure Requirements (DRs) on the information that the undertaking shall provide at a general level across all the **topics** to which its material **impacts**, **risks**, and **opportunities** relate, covering the reporting areas listed in paragraph 5.
10. (8 amended) Topical standards address **topics** and sub-topics, complementing the requirements provided in ESRS 2 *General Disclosures*, and encompass the reporting areas listed in paragraph 5. The table in Appendix A *List of topics* provides an overview of the topics and sub-topics covered by topical standards.
11. (11 amended) If the undertaking concludes that a **topic** related to material **impact**, **risk** or **opportunity**, is not covered, or not covered with sufficient granularity, by an ESRS, it shall provide entity-specific disclosures taking account of the provisions on fair presentation in Chapter 2. This may be the case due to sectorial specificities or other facts and circumstances relevant to the undertaking itself.
12. (AR 4(b) amended) When developing its entity-specific disclosures, the undertaking shall consider comparability over time and with other undertakings that operate in the same sector(s).

APPLICATION REQUIREMENTS – ARs

AR 2 for para. 11 (Entity-specific topics)	(11 amended) Depending on the undertaking's facts and circumstances, there may be topics other than those covered in ESRS topical requirements that the undertaking shall cover following its materiality assessment. This may be the case where its business model and strategy are associated with material impacts , risks and opportunities that do not correspond to ESRS topics.
AR 3 for para. 11 (Requirements for entity-specific disclosures)	(AR 2) When developing entity-specific disclosures, the undertaking shall ensure that they: <ol style="list-style-type: none"> (a) meet the qualitative characteristics of information set out in Appendix B of this Standard; and (b) for topics related to material impacts, risks or opportunities not covered or covered with sufficient granularity by ESRS, include material information that cover the relevant reporting areas listed in paragraph 5.
AR 4 for para. 11 (Entity-specific disclosures and metrics)	(AR 3 amended) When determining the usefulness of metrics for inclusion in its entity-specific disclosures, the undertaking shall ensure that: <ol style="list-style-type: none"> (a) its chosen metrics provide relevant information about material impacts, risks and opportunities; (b) the measurement ensures faithful representation based on information and assumptions that are reasonable, supportable, and verifiable; and (c) it has provided sufficient contextual information.
AR 5 for para. 12 (Sources for entity-specific disclosures)	(131(b) amended) In developing its entity-specific disclosures, the undertaking may use available best practices, frameworks or reporting standards, such as IFRS industry-based guidance and GRI Standards (including GRI topic and sector standards).

1.2. Drafting conventions

13. (15) Throughout ESRS, the terms that are defined in the Glossary of Definitions (Annex II of Delegated Regulation (EU) 2023/2772) are denoted in **bold italic**, except when a defined term is used more than once in the same paragraph.
14. (2 amended) ESRS use the terms sustainability '**topic**' and 'sub-topic' understood as synonymous with the terms 'sustainability matters' or 'sustainability factors' as used in the Accounting Directive (Directive

2013/32/EU). Disclosures in ESRS are structured into topics. A topic is further disaggregated into sub-topics. In ESRS, the term ‘topic’ (in **bold italic**) is used to indicate either a topic or a sub-topic depending on the most appropriate level of granularity needed to meet the respective disclosure objectives.

15. (14) In all ESRS:

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

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

17. (16 amended) The structure of information in ESRS is based on ‘Disclosure Requirements’ (DRs). Each DR consists of one or more distinct datapoints. DRs are signaled by the terms ‘shall disclose’, ‘shall include’, ‘shall report’, ‘shall describe’ and ‘shall explain’ to indicate that an information is prescribed, subject to **materiality** of information (see paragraphs 23 and 24).

18. (17 amended) ESRS contain mandatory ‘Application Requirements’ (ARs) that support the application of, and have the same authority as, the requirements prescribed in the main body of the standards. ARs in ESRS 2 *General disclosures* and in topical standards support the preparation of disclosures that meet the qualitative characteristics of information (see Appendix B) (18 amended). ARs use the term ‘shall consider’ 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. ARs also include presentation options, indicating that a given piece of information may be provided in tabular form, as narrative text or in other types of presentation options.

2. Fair presentation and qualitative characteristics of information

19. (new) Fair presentation requires disclosure of relevant information 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 (for relevance and faithful representation see Appendix B). To achieve faithful representation, the undertaking shall provide a complete, neutral and accurate depiction of its material impacts, risks and opportunities.

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

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

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

APPLICATION REQUIREMENTS – ARs

<p>AR 6 for paras. 19 – 20</p> <p>(Information considered as a whole)</p>	<p>(new) To meet the objective of its sustainability statement set out in paragraph 3, the undertaking shall consider the overall picture of the reported information. This can result in the addition of entity-specific information, as well as the implementation of the provision in paragraph 24.</p> <p>Making use of one or more of the provisions in Chapters 5.4, 7.3, 7.4, or 7.7 is not detrimental to fair presentation provided that the undertaking provides explanations that enable users to understand the consequences on the reported information and the resulting limitations.</p>
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<p>AR 7 for para. 20(b)</p> <p>(Additional information in other reporting frameworks)</p>	<p>(new) Other reporting frameworks refer to ‘additional information’ as the content that an undertaking shall disclose beyond the requirements provided in the standards to ensure a fair presentation. In ESRS, the term ‘entity-specific disclosures’ serves the same purpose.</p>
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3. Double materiality as the basis for sustainability reporting

22. (21) The undertaking determines the material information to be disclosed based on its **double materiality** assessment (see paragraph 2) explained in this Chapter.
23. (new) Information is material when omitting, misstating or obscuring that information could reasonably be expected to influence:
- (a) decisions that primary **users** of general-purpose financial reports make based on those reports, including financial statements and the **sustainability statement**, relating to providing resources to the undertaking; or
 - (b) decisions, including informed assessments, that other users of 'general-purpose' sustainability statements make based on the sustainability statement regarding the undertaking's material **impacts, risks** and **opportunities** and how the undertaking manages them.
24. (new) The undertaking is not required to disclose information prescribed by an ESRS DR if that information is not material.

3.1. Assessing topic and information materiality

3.1.1. Steps in determining the information to be reported

25. The undertaking determines the information to be reported in two steps:
- (a) it identifies material **topics** on the basis of the related material **impacts, risks** or **opportunities** (see Chapters 3.2.1 and 3.2.2); and then,
 - (b) it determines the information to be reported on each of those **topics** (see paragraphs 29, 30 and 31 of this Standard).
26. With respect to the identification of **topics**, the undertaking shall report material information on a topic when the topic is related to one or more material **impacts, risks** or **opportunities** identified based on the criteria in Chapters 3.2.1. and 3.2.2.
27. The undertaking may derive a conclusion, without further assessment, on the **materiality** or non-materiality of its **impacts, risks** or **opportunities** for a **topic** or sub-topic, on the basis of an analysis of its strategy and **business model**, taking into account its sector(s) of operations, its **geographies**, and the features of its upstream and downstream **value chain** ('top-down' approach to materiality assessment). In this approach, if there is still uncertainty on the materiality conclusion for one or more impacts, risks or opportunities on the basis of the analysis of the strategy and business model, the undertaking shall perform a specific assessment of them.
28. The undertaking may also rely on a **materiality assessment** conducted only at the level of **impacts, risks** and **opportunities** ('bottom-up' approach to materiality assessment).
29. (new) The undertaking is required to determine the information to be reported:
- (a) by applying the provision in ESRS 2 *General Disclosures*;
 - (b) (30 amended) about a **topic** or sub-topic related to its material **impacts, risks** and **opportunities** by:
 - (i) applying the provisions in ESRS 2 GDR-P, GDR-A, GDR-M, and GDR-T when reporting on material information about **policies, actions, metrics** and **targets**;

- (ii) disclosing information in accordance with the DRs (including ARs) relevant to that specific topic or sub-topic in the corresponding topical standards; and
 - (iii) by adding entity-specific information when this is necessary in accordance with paragraph 11.
30. (new) When a material **impact**, **risk** or **opportunity** relates to a particular sub-topic, the undertaking is required to report only the material information related to the sub-topic concerned.
31. When the undertaking uses the reliefs that are available under the ESRS, it shall disclose the information prescribed in Sub-Chapters 5.4, 7.3, 7.4, and 7.7.

APPLICATION REQUIREMENTS – ARs

AR 8 for para. 27 (Top-down approach)	Following the ‘top-down approach’ to materiality assessment , the conclusion can be drawn at topic level for the combined impacts , risks and opportunities .
AR 9 for paras. 27-28 (Combining approaches)	The undertaking may combine a top-down approach for some topics, with an analysis at level of impacts , risks and opportunities for others.
AR 10 for para. 27 (Geographies)	Geographies or geographic contexts can be analysed at different levels, e.g., country, region, county, water basin, ecosystem or a site , on the basis of the level considered relevant for assessment purposes.
AR 11 for para. 29 (ESRS 2 DRs)	(new) The DRs in ESRS 2 are fundamental in nature and therefore likely to result in material information for all undertakings.

3.1.2. Bases for assessing materiality

32. (AR 17 amended) In conducting its **double materiality** assessment, the undertaking:
- (a) shall use reasonable and supportable evidence that is available at the reporting date without undue cost or effort (see Chapter 7.4);
 - (b) (39 amended) shall focus on areas of own operations and upstream and downstream **value chain** where material **impacts**, **risks** and **opportunities** are deemed likely to arise based on the undertaking’s strategy and **business model**, **geographies**, sectors, **business relationships**, nature of the activities, or other factors; and
 - (c) is not required to assess every possible impact, risk and opportunity across all areas of its operations and upstream and downstream value chain.
33. (new) For the **geographies** identified under paragraph 32(b), the undertaking shall consider the specific context to assess the **materiality** of its **impacts**, **risks**, and **opportunities**.
34. (new) The undertaking may be able to conduct the **materiality** assessment regarding upstream and downstream **value chain** without direct information from **actors in the value chain**, by using average regional, sector data or generally available information about the existence of **impacts**, **risks** and **opportunities** in the given context.

APPLICATION REQUIREMENTS – ARs

<p>AR 12 for para. 32 (Reasonable and supportable information and identifying impacts, risks and opportunities)</p>	<p>In accordance with the use of reasonable and supportable information that is available at the reporting date without undue cost and effort (Chapter 7.4):</p> <ul style="list-style-type: none"> (a) a qualitative analysis may be sufficient for an undertaking to reasonably conclude whether impacts, risks, and opportunities are material or not. If a qualitative analysis is not sufficient, using a scoring system may be necessary to determine materiality; and (b) the undertaking is not required to perform an exhaustive search for information to identify material impacts, risks and opportunities.
<p>AR 13 for para. 32 (Usual internal and external sources)</p>	<p>(new) The undertaking may consider the following usual internal and external sources to support the materiality assessment: the undertaking's sustainability due diligence and general risk management processes; its engagement with affected stakeholders; peer experience; reports and statistics, scientific data, and expert advice.</p>
<p>AR 14 for para. 32 (Time horizon and characteristics of severity)</p>	<p>Unless further assessment is necessary to be able to determine that an impact, risk or opportunity is material, the undertaking need not:</p> <ul style="list-style-type: none"> (a) analyse every time horizon for all impacts, risks and opportunities; and (b) in the case of impacts, analyse separately each characteristic of severity (see Chapter 3.2.1).
<p>AR 15 for para. 33 (Level of the materiality assessment)</p>	<p>The following paragraphs support the determination of the level at which the materiality assessment takes place. For the determination of the level of aggregation, disaggregation adopted for reporting purposes, see Chapter 3.3.2.</p> <p>For environmental topics, factors that influence the existence of negative impacts in a specific context of the geography include: local quality of air, water and soil; water availability in areas at water risk; and the presence of threatened species and ecosystems in biodiversity sensitive areas.</p> <p>As it relates to nature-related impacts and dependencies, the first three phases of the LEAP approach (locate, evaluate and assess) provide a valuable reference for how to:</p> <ul style="list-style-type: none"> (a) locate where, within own operations and upstream and downstream value chain, interfaces with nature occur; (b) evaluate the related dependencies and impacts; and (c) assess the associated risks and opportunities. <p>For social topics, factors that influence the existence of negative impacts in a specific context of the geography include, among others: conflict-affected, high-risk areas and the presence of vulnerable populations such as Indigenous people or migrant workers.</p>

3.1.3. Periodicity of the double materiality assessment

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

3.2. Double materiality assessment: Impact materiality and financial materiality

36. **Double materiality** has two dimensions: **impact materiality** and **financial materiality** and the undertaking shall consider how they interact. An impact can be financially material from the start or become financially material, if it is reasonably expected to affect the undertaking's financial performance, financial position, cash flows, its access to finance or the cost of capital over the short, medium or long term. **Impacts** can be material exclusively from an impact perspective, irrespective of whether they are financially material.
37. In general, the starting point is the assessment of **impacts**. The undertaking shall as well evaluate whether there are material **risks** or **opportunities** that are not related to the undertaking's impacts, such as **physical risks**.
38. (42 amended) The undertaking shall determine which **impacts**, **risks** and **opportunities** are material, based on the criteria described in Chapters 3.2.1 and 3.2.2, and supported by appropriate qualitative considerations or quantitative thresholds.

3.2.1. Impact materiality assessment

39. The **impact materiality** assessment corresponds to the identification of the undertaking's material impacts.
40. The undertaking shall report information about a given **topic** from an impact perspective if that topic relates to the undertaking's material actual or potential, positive or negative **impacts** on people or the environment over the short, medium or long term. Impacts include those connected with the undertaking's own operations and its upstream and downstream **value chain**, including through its **products** and services, as well as through its **business relationships** in its upstream and downstream value chain. Business relationships are not limited to direct contractual relationships.
41. (45 amended) For actual negative **impacts**, **materiality** shall be assessed based on the severity of the impact. For potential negative impacts, it shall be assessed based on a combination of severity and likelihood. Severity shall be assessed based on the following factors: 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.
42. (46) For actual positive **impacts**, **materiality** shall be assessed based on the scale and scope of the impact. For potential positive impacts, materiality shall be assessed based on the scale, scope and likelihood of the impact.
43. (24 amended) The results of engagement with affected **stakeholders** carried out in the context of ongoing sustainability due diligence activities is a key input to the **impact materiality** assessment. Affected stakeholders are individuals or groups whose interests are affected or could be affected by the undertaking's activities and its direct and indirect **business relationships** in its upstream and downstream **value chain**.
44. The information about how the undertaking manages its material **impacts**, **risks** and **opportunities** through **policies** and **actions** may be relevant to **users**, and therefore the corresponding topic may have to be reported, irrespective of how effectively they are managed or irrespective of how effectively the corresponding **topics** are regulated, particularly for topics that are identifiable as material based on the analysis of the undertaking's strategy and **business model**, as described in paragraph 27.
45. (new) Without prejudice to paragraph 44:
 - (a) the severity of actual negative **impacts** – those that manifest during the reporting year -shall be assessed as they actually manifested during the reporting year. **Actual impacts** include those that have originated in the previous reporting periods and continue to exist in the current reporting period. Their severity is assessed based on the current reporting period, i.e. taking into account how they were mitigated in the previous periods. **Remediation** of impacts realised during the reporting period shall not be considered; and

- (b) the severity and likelihood of potential negative *impacts* – those that may manifest in the future - shall be assessed taking into account only implemented prevention and mitigation **policies** and **actions** that effectively reduce the severity or likelihood. Actions or policies that have not yet been implemented shall not be considered.
46. (new) The undertaking's **positive impacts** shall be assessed in their own right, i.e. without netting off against negative impacts. The results of the undertaking's prevention, mitigation or **remediation actions** to address negative impacts to which the undertaking is connected, or the undertaking's compliance with law and regulation, are not positive impacts. Positive impacts include the effects of the undertaking's business activities, **products** and services impacts mitigate or remediate negative impacts of another party, when the undertaking is not connected with those impacts.

APPLICATION REQUIREMENTS – ARs

<p>AR 16 for paras. 39 - 40 (Examples of impacts connected)</p>	<p>(AR 12) The following are two examples of impacts that are connected with the undertaking:</p> <ul style="list-style-type: none"> (a) if the undertaking uses cobalt in its products, that is mined by using child labour, the negative impact that arises is connected with the undertaking's products through the tiers of business relationships in its upstream value chain. These business relationships include suppliers, the smelter and minerals trader and the mining enterprise that uses child labour; and (b) if the undertaking provides financial loans to an undertaking for business activities that, in breach of agreed environmental standards, result in the contamination of water and land surrounding the operations, this negative impact is connected with the undertaking through its relationship with the undertaking it provides the loans to.
<p>AR 17 for paras. 39 - 40 (Qualitative considerations and quantitative thresholds)</p>	<p>(new) If a conclusion on materiality is derived based on the analysis of the undertaking's strategy and business model as described in paragraph 38, the use of quantitative thresholds is not needed.</p>
<p>AR 18 for paras. 39 - 40 (Steps in the impact materiality assessment)</p>	<p>(AR 9) The undertaking shall consider the following steps in the impact materiality assessment process:</p> <ul style="list-style-type: none"> (a) understand the context in relation to its <i>impacts</i>, including its activities, business relationships and stakeholders; (b) identify actual and potential impacts (both negative and positive); and (c) assess the materiality of actual and potential impacts and determine the topics to be reported.
<p>AR 19 for paras. 39 - 40 (Terms used in other reporting frameworks)</p>	<p>(42) The term 'most significant impacts' is used in some existing reporting frameworks to refer to impacts that are described in ESRS as 'material impacts'.</p>
<p>AR 20 for para. 41</p>	<p>(AR 10) The severity of a negative impact is assessed based on its scale, scope and irremediable character:</p>

(Scale, scope and irreparable character)	<p>(a) scale: how serious the negative impact is or how beneficial the positive impact is for people or the environment;</p> <p>(b) scope: how widespread the negative or positive impacts are. In the case of environmental impacts, 'scope' may be understood as the extent of environmental damage or as a geographical perimeter. In the case of impacts on people, 'scope' may be understood as the number of people negatively affected; and</p> <p>(c) irreparable character: whether and to what extent the negative impacts could be remediated, i.e. by restoring the environment or affected people to their prior state.</p> <p>(AR 11) Any of the three characteristics (scale, scope and irreparable character) can make a negative impact severe.</p>
AR 21 for para. 43 (Stakeholders)	<p>(AR 6) The typical categories of affected stakeholders of an undertaking are: workers and workers' representatives in the undertaking's own workforce and in its upstream and downstream value chains, communities affected by its business operations or upstream and downstream value chain activities, and consumers and end-users of its products and services. Consideration of affected stakeholders requires particular attention to the stakeholders within these categories who are in particularly vulnerable situations.</p> <p>(AR 7) Nature may be considered a silent affected stakeholder.</p>
AR 22 for para. 43 (Engagement with affected stakeholders)	<p>(24 and AR 8 amended) If the undertaking engages with affected stakeholders as part of its due diligence process (if any) to identify, assess and address negative impacts, the results of this engagement provide a valuable 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.</p>
AR 23 for para. 43 (Workers' representatives)	<p>(new) In accordance with the Accounting Directive (Directive 2013/34/EU of the European Parliament and of the Council), as amended by the Corporate Sustainability Reporting Directive (Directive (EU) 2022/2464 of the European Parliament and of the Council), the management of the undertaking shall inform workers' representatives at the appropriate level and discuss with them the relevant information and the means of obtaining and verifying sustainability information. Such a process and, where applicable, the related communication to the relevant administrative, management and supervisory bodies constitute a valuable element of engagement with stakeholders.</p>
AR 24 for para. 45(b) (Contingency plans)	<p>(new) Contingency plans, such as those reducing the damage of an industrial accident, may be taken into account.</p>
AR 25 for para. 45(b) (Policy in isolation)	<p>(new) If a policy implies substantial future actions to ensure that it is effective in reducing severity or likelihood, the existence of that policy shall not be considered in assessing the materiality of impacts.</p>

3.2.2. Financial materiality assessment

47. (48 amended) The **financial materiality** assessment corresponds to the identification of information that is considered material for primary **users** of general-purpose financial reports in making decisions relating to providing resources to the undertaking (see paragraph 23(a)).
48. (47 and 49 amended) The scope of **financial materiality** for sustainability reporting is an expansion of the scope of **materiality** used in the process of determining which information shall be included in the undertaking's financial statements. The financial materiality of a **topic** is not limited to topics that are within the control of the undertaking but includes information on material **risks** and **opportunities** attributable to **business relationships** in the upstream and downstream **value chain**.
49. The undertaking is required to report information about a given **topic** from a **financial materiality** perspective, if that topic triggers, or could reasonably be expected to trigger, material **financial effects** on the undertaking. This is the case when the **risks** or **opportunities** related to a topic have, or could reasonably be expected to have, a material influence on its development, financial position, financial performance, cash flows, access to finance or cost of capital over the short, medium or long term.
50. **Risks** and **opportunities** may arise from past or future events. Material risks and opportunities arise from the undertakings:
- (a) material **impacts**, as identified through the **impact materiality** assessment;
 - (b) **dependencies** on natural, human and social resources; and
 - (c) other factors, such as exposure to climate hazards or changes in regulation that address **systemic risks**.
51. (40 amended) In identifying **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. Dependencies may be sources of risks or opportunities, irrespective of the undertaking's **potential impacts** on the natural, human and social resources it relies on.
52. (51) The **materiality** of **risks** and **opportunities** is assessed based on a combination of the likelihood of occurrence and the potential magnitude of the **financial effects**.

APPLICATION REQUIREMENTS – ARs

AR 26 for para. 50 (Internal risk management)	(new) The internal risk management framework of the undertaking is a valuable source of input for the materiality assessment of risks and opportunities . In case of credit institutions and insurance undertakings, consistency is expected between the materiality assessment of their risks and opportunities, and the applicable prudential regulatory framework.
AR 27 for para. 50 (Dependencies)	(50 amended) Dependencies may influence: <ul style="list-style-type: none"> (a) the undertaking's ability to continue to use or obtain the resources needed in its business processes; (b) the quality and pricing of those resources; or (c) the ability to rely on acceptable terms on the relationships that are needed in its business processes.
AR 28 for para. 50 (Contribution to financial effects)	(AR 15) In assessing the materiality of risks and opportunities , the undertaking shall consider their contribution to financial effects in the short, medium and long term based on: <ul style="list-style-type: none"> (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 risks and opportunities. This may derive from situations that do not yet lead to the recognition of assets and liabilities or income and expenses in financial statements in accordance with the accounting recognition criteria.

3.3 Specific circumstances

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

53. (52 amended) The **materiality** assessment may identify situations where its **actions** taken to address certain **impacts, risks, or opportunities**, related to one **topic** may create material negative impacts or material risks for one or more other topics. In such situations, the undertaking is required to present its disclosure in a way that facilitates the understanding of the connections between different topics.

APPLICATION REQUIREMENTS – ARs

AR 29 for para. 53 (Impacts or risks arising from actions)	<p>(53) The following is an illustration of these situations. The climate-mitigation transition plan may result in negative material impacts or risks related to own workforce. In such situations, to promote connected information (refer to Chapter 9.2), the undertaking:</p> <ul style="list-style-type: none"> (a) discloses under own workforce the negative material impacts or material risks resulting from its transition plan, together with the actions that cause them, with a cross-reference to the climate disclosure; and (b) provides a description of how the climate-related material negative impacts or material risks are addressed, in its climate disclosure.
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3.3.2 Level of aggregation, disaggregation

54. (54 amended) The undertaking shall aggregate or disaggregate the information in a way that reflects the level at which significant variations of material **impacts, risks or opportunities** arise, such as by **topic**, sector, subsidiary, **geography**, asset. The undertaking shall consider relevant facts and circumstances, to determine the level of aggregation that supports faithful representation of its impacts, risks or opportunities.
55. (56 amended) The undertaking shall ensure that the level of aggregation and disaggregation does not obscure material information.
56. (55) The disaggregation used to present a given disclosure shall reflect the level that provides the most relevant information to **users**, i.e. **topic**, group of **impacts, risks or opportunities**, individual impact, risk or opportunity. This should reflect factors such as the nature of the impacts, risks and opportunities in question or the way they are managed.
57. (102) When reporting at a consolidated level, the undertaking shall carry out the assessment of material **impacts, risks and opportunities** for the consolidated group regardless of the group's legal structure. It shall ensure that the activities of its subsidiaries are covered in a way that allows for the unbiased identification of material impacts, risks and opportunities at group level. (103) If the undertaking identifies significant differences between material impacts, risks or opportunities at group level and material impacts, risks or opportunities of one or more of its subsidiaries, it shall disaggregate and present information in a way that allows an adequate understanding of the material impacts, risks and opportunities, of the subsidiary or subsidiaries concerned. Conversely, if a material impact, risk or opportunity determined at group level is not relevant for all subsidiaries or activities in a group, the

information may be provided at a disaggregated level, covering only the subsidiaries or activities for which the impact, risk or opportunity is relevant (see also the reliefs for **metrics** in paragraph 94).

APPLICATION REQUIREMENTS – ARs

<p>AR 30 for para. 54 (Material geographies)</p>	<p>The undertaking shall consider disaggregating reported information by material geographies (see paragraph AR 10) at appropriate level, when the severity of the underlying material impacts is highly dependent on the characteristics of the context of those geographies, or when there are significant differences in the undertaking's activities affecting those geographies.</p> <p>The adopted level of aggregation shall not obscure systemic interactions or drivers of impacts that exist in specific geographic contexts.</p>
<p>AR 31 for para. 55 (Inappropriate level of aggregation)</p>	<p>Information may be obscured where an inappropriate level of aggregation could influence the decision of primary users of general-purpose financial statements or the decisions including assessments of other users of the general-purpose sustainability statements. 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 if material information is hidden by immaterial information.</p>

4. Due diligence

58. (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. (58 amended) ESRS do not impose any conduct requirements in relation to due diligence, nor do they extend or modify the role of the **administrative, management and supervisory bodies** of the undertaking with regard to the conduct of due diligence. The provisions of ESRS are without prejudice of the provisions of the Corporate Sustainability Due Diligence Directive for undertakings in the scope of it.
59. (58) The outcome of the undertaking's sustainability due diligence process (referred to as 'due diligence' in the international instruments) informs the assessment of its material negative **impacts**.
60. (60) The international instruments identify a number of steps in the due diligence process. One of these steps is the identification and assessment of negative **impacts** connected with the undertaking's own operations, **products** or services, including through **business relationships** in the undertaking's upstream and downstream **value chain**. Where the undertaking cannot address all impacts at once, the due diligence process allows for **action** to be prioritised based on the severity and likelihood of impacts. The impact identification and assessment steps in the due diligence process inform the assessment of material impacts for reporting purposes (see Chapter 3.2.1). The identification of material negative impacts also supports the identification of material sustainability **risks** and **opportunities**, which are often a result of such impacts.

APPLICATION REQUIREMENTS – ARs

<p>AR 32 for para. 60 (Due diligence steps)</p>	<p>(61 amended) The due diligence steps laid out by the international instruments detailed in paragraph 60 are: embedding due diligence in governance, strategy and business model; engaging with affected stakeholders; identifying and assessing negative impacts on people and the environment; taking action to</p>
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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

61. (62 amended) The **sustainability statement** shall be for the same reporting undertaking as for the financial statements. If the parent undertaking prepares consolidated financial statements, the sustainability statement shall be for the parent and its subsidiaries in accordance with the applicable accounting requirement. This requirement does not apply if the undertaking is not required to prepare financial statements or if its consolidated sustainability reporting is prepared in accordance with Article 48(i) of Directive 2013/34/EU.
62. (new) In the case of group reporting, the reporting undertaking usually - except for specific circumstances, such as leasing and assets that are held by the undertaking's long-term employee benefit scheme - considers as part of own operations: the assets, liabilities, revenues and expenses of the parent undertaking and its subsidiaries, located in or outside the EU, as determined in accordance with the applicable accounting requirements. Paragraphs 63 to 76 provide further provisions and exceptions for determining the reporting boundaries of own operations and upstream and downstream **value chain**. In addition, the undertaking may exclude from the sustainability reporting boundary a subsidiary that has been excluded from the scope of the consolidated financial statements due to its non-materiality from a financial perspective, unless there are specific facts and circumstances that expose the group to **impacts** arising from such subsidiary, that meet the **materiality** thresholds set material for the group.

APPLICATION REQUIREMENTS – ARs

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

5.2. Inclusion of upstream and downstream value chain information

63. (63 amended) To the extent necessary for an understanding of the undertaking's material **impacts, risks** and **opportunities** and to meet the qualitative characteristics of information (see Appendix B), the reported information shall be extended beyond own operations to cover material impacts, risks and opportunities connected with the undertaking through its direct and indirect **business relationships** in the upstream and downstream **value chain** (value chain information), without prejudice to the relief on acquisitions in Chapter 5.4.
64. (63 amended) The undertaking shall include material upstream and downstream **value chain** information in accordance with the outcome of its **double materiality** assessment as described in this standard and any specific requirements related to the upstream and downstream value chain in other ESRS.
65. Applying paragraph 64 does not require information on each and every actor in the upstream and downstream **value chain** but only the inclusion of material information.
66. (69 amended) To identify material **impacts, risks** and **opportunities** that are connected with the undertaking through its **business relationships** in the upstream and downstream **value chain**, and to

report on them, the undertaking may use information collected directly from counterparties in the upstream and downstream value chain, or it may use estimates, depending on practicability and reliability considerations related to the necessary input. When developing estimates, the undertaking may use internal and external information, such as data from indirect sources, sector-average data, sample analyses, market and peer groups data, spend-based data or other proxies.

67. (67 amended) When applying paragraph 66, the undertaking is not expected to collect from other undertakings in its upstream and downstream **value chain** information that exceeds any limits set by relevant EU law and regulation. This limitation also applies to non-EU undertakings in the upstream and downstream value chain of the reporting undertaking.
68. (64 amended) Different **impacts, risks** or **opportunities** can be material in relation to different parts of the undertaking's upstream and downstream **value chain**.
69. (71 amended) The information reported about **policies, actions** and **targets** shall include upstream or downstream **value chain** information only to the extent that the value chain is within the scope of the undertaking's policies, actions and targets.
70. (new) Investments, including shareholding positions in associates and joint ventures, are treated as **business relationships**.
71. (67 amended) Without prejudice to the relief in paragraph 93, in some cases, associates or joint ventures that are accounted for under the equity method are also part of the undertaking's upstream and downstream **value chain** beyond the shareholding relationship, such as when they are also **suppliers** or customers. In these cases, the undertaking is required to disclose information related to these supply or customer relationship, in accordance with paragraph 63, consistent with the approach adopted for similar **business relationships**. In these cases, when determining **metrics**, the data of the associate or joint venture is not limited to the share of equity held, but it shall reflect the **impacts, risks** and **opportunities** that are connected with the undertaking through the supply or customer relationship. This means that the undertaking considers both its relationship as investor in the associate or joint venture and its supply or customer relationship with them.

APPLICATION REQUIREMENTS – ARs

AR 35 for para. 63 (Metrics and value chain)	(new) The undertaking is required to include entity-specific metrics to cover its upstream and downstream value chain , when this is necessary in accordance with paragraph 11, as the metrics defined in ESRS topical standards only cover own operations, with the exception of GHG emissions (ESRS E1-8).
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5.3. Provisions and exceptions for determining the respective reporting boundaries of own operations and value chain

72. (new) **Impacts, risks** and **opportunities** relating to a leased asset might have different sources, depending on whether they result from the use of the asset or from its ownership. The lessee is using the leased asset, and is required to report the impacts connected with the use of the asset in its own operations during the lease period. The lessor provides the right to use the asset to the lessee, and is required to reports the impacts connected with the use of the asset as part of its downstream **value chain**. Whether risks and opportunities relating to a leased asset, as well as impacts other than those connected with the use of the leased asset, accrue to the lessor or the lessee depends on the provisions of the lease contract, which should be reflected in the reported information.
73. (new) The **impacts, risks** or **opportunities** arising from assets that are held by the undertaking's long-term employee benefit scheme are connected with the undertaking through its **business relationships** in the **value chain**.
74. (new) The provisions of paragraph 72 and 73 take precedence over topical standards including ESRS E1-8 – *Gross scopes 1, 2, 3 GHG emissions*.

APPLICATION REQUIREMENTS – ARs

<p>AR 36 for para. 72</p> <p>(Leased assets)</p>	<p>(new) For example, the lessor is not the one causing pollution, using energy or consuming water in a leased factory, but rather the lessee. The lessee therefore assesses the material impacts connected with the use of the leased assets in its own operations.</p>
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5.4. Relief for acquisitions and disposals

75. (new) If the undertaking acquires a subsidiary or a business in the reporting period, it may defer the inclusion of the subsidiary or business in the **materiality** assessment and in the **sustainability statement** to the subsequent reporting period. If the undertaking loses control over a subsidiary or business in the reporting period, it may adjust the scope of the materiality assessment and the reporting boundaries as from the beginning of the current reporting period.
76. (new) If the undertaking uses the relief of paragraph 75, it is required to use available information to disclose significant events that affected during the reporting period the subsidiary or business acquired or sold since acquisition or until disposal, if this has an effect on the group's exposure to material **impacts, risks** and **opportunities**.

6. Reporting period, base year and time horizons

6.1. Reporting period and base year

77. (73 amended) The reporting period for the undertaking's **sustainability statement** – including for the calculation of **metrics** – shall be consistent with that of its financial statements.
78. (75) A base year is the historical reference date or period for which information is available and against which subsequent information can be compared over time.
79. (76) The undertaking shall present comparative information in respect of the base year for **metrics** reported in the current period when reporting progress towards a **target** unless the relevant DR specifically requires otherwise. If milestones between the base year and the reporting period have been reached, reporting about these achievements is useful contextual information.

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

80. (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.
81. (78) The undertaking shall use additional breakdowns for a long-term time horizon if **impacts** or **actions** are expected over a period longer than five years as adding such a breakdown provides relevant information.
82. (80) The undertaking may adopt a different definition for medium- or long-term time horizons if the use of medium- or long-term horizons defined in paragraph 80 results in non-relevant information. This may happen if the undertaking uses a different definition for (a) its processes of identification and management of material **impacts, risks** and **opportunities** or (b) its **actions** and **targets**. These circumstances may be due to industry-specific characteristics, such as cash flow and business cycles or planning horizons typically used in the industry for decision-making, the expected duration of capital investments, the time horizons over which **users** conduct their assessments.
83. (81) References to 'short term', 'medium term' and 'long term' in ESRS refer to time horizons as determined by the undertaking in accordance with the provisions in paragraphs 80–82.

7. Preparation of sustainability information

7.1. Comparative information

84. (83) The undertaking is required to disclose comparative information in respect of the previous period for all quantitative **metrics** and amounts. If relevant to an understanding of the current period's **sustainability statement**, it is also required to disclose comparative information for narrative disclosures.
85. (95) The definition and calculation of **metrics**, including metrics used to set **targets** and monitor progress towards those targets, shall be consistent over time. The undertaking shall provide contextual information and restated comparative figures unless it is **impracticable** to do so if it has:
- (a) redefined or replaced a metric or target; or
 - (b) identified new information in relation to the estimated figures disclosed in the preceding period, and the new information provides evidence of circumstances that existed in the preceding period.
86. (85 amended) If it is **impracticable** to adjust comparative information for **metrics** for one or more prior periods, the undertaking is required to disclose this fact.
87. (86) When an ESRS requires the undertaking to present more than one comparative period for a **metric** or datapoint, the requirements of that ESRS shall prevail.
88. (84 amended) For **metrics** and monetary amounts:
- (a) if the undertaking reports comparative amounts that significantly differ from the information reported in the previous period, it shall provide the reasons for the change and the difference between the amounts reported in the previous period and the revised amounts;
 - (b) the undertaking is not required to present comparative information related to reported **topics** or new material **impacts, risks** and **opportunities**, and related DRs or datapoints for the reporting period, if they are reported for the first time; and
 - (c) without prejudice to the relief on acquisitions (see Chapter 5.4), when necessary to provide an understanding of progress towards meeting a **target** following a major acquisition or disposal, the undertaking is required to describe how the transaction affects the progress towards meeting the target.

APPLICATION REQUIREMENTS – ARs

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

89. (88 amended) The undertaking is required to disclose information to enable **users** to understand:
- (a) the judgements it makes that have the most significant effect on the reported information;
 - (b) the significant uncertainties affecting the information presented, including whether it relies on estimates; and
 - (c) significant assumptions and limitations in the estimates.
90. (91) Some ESRS require the disclosure of information that have uncertain outcomes, such as explanations about possible future events. In judging whether information about such possible future events is material, the undertaking shall refer to the criteria in Chapter 3.2.2 and consider:
- (a) the **anticipated financial effects** of the events (the possible outcomes);

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

APPLICATION REQUIREMENTS – ARs

<p>AR 38 for para. 89</p> <p>(About judgements)</p>	<p>(26) In preparing its sustainability statement, the undertaking makes various judgements, beyond those involving estimations, that can significantly affect the reported information, such as when:</p> <ul style="list-style-type: none"> (a) identifying material information to include in the sustainability statement (see paragraph 23); and (b) 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 Chapter 3).
<p>AR 39 for para. 89</p> <p>(Use of reasonable and supportable assumptions and estimates)</p>	<p>(89) The use of reasonable estimates, including when 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 explained. Even a high level of measurement uncertainty would not necessarily prevent such an assumption or estimate from providing useful information or meeting the qualitative characteristics of information (see Appendix B).</p>
<p>AR 40 for para. 89</p> <p>(Use of reasonable and supportable assumptions and estimates)</p>	<p>(new) The requirement in paragraph 89 relates to the estimates that require the most difficult, subjective or complex judgements.</p>

7.3. Reliefs for preparing the ESRS sustainability statement

91. (new) The undertaking may exclude activities from **metric** calculations if, due to their nature, they are not a significant driver of the **impacts, risks** and **opportunities** that the metric purports to represent (see also paragraph 55), and if their exclusion from the calculation is not expected to impair the relevance and faithful representation of the reported information. The undertaking shall specify if this relief is used and include any relevant information to enable **users** to understand the scope limitations.
92. (new) With the exception of ESRS E1-8 *GHG Emissions* metrics, if the undertaking can provide without incurring undue cost or effort reliable direct or estimated data only for an objectively defined part of its own operations or its upstream or downstream **value chain**, it shall specify that it has identified material **impacts, risks** and **opportunities** but that the corresponding **metric** can currently only be reported on a partial reporting scope or for a subset of the value chain. In this circumstance, the undertaking is required to disclose the **actions** it has taken to increase the coverage and quality of reported information in future periods and the progress made compared to the previous period. The coverage of reported information is expected to increase over time, particularly for metrics in own operations. This paragraph applies without prejudice to the applicability of the provisions in Sub-Chapter 7.4.
93. (new) The undertaking may exclude joint operations over which it does not have operational control from the scope of the calculation for environmental **metrics** reported in accordance with ESRS E2 *Pollution*, ESRS E3 *Water*, ESRS E4 *Biodiversity and Ecosystems* and ESRS E5 *Resource Use and Circular Economy*. The undertaking shall specify if this relief is being used and include any relevant information to allow an understanding of the scope limitations.

APPLICATION REQUIREMENTS – ARs

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

94. (89) The undertaking shall use all reasonable and supportable information that is available to the undertaking at the reporting date without undue cost or effort:
- (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 and downstream value chain information, as required by paragraph 63;
 - (d) to prepare information on **metrics**; and
 - (e) to report on current and **anticipated financial effects**.
95. (new) The assessment of what constitutes undue cost or effort depends on the undertaking's specific circumstances and requires a balanced consideration of the costs for the undertaking and the benefits of the resulting information for **users**.
96. (new) Reasonable and supportable information that is available without undue cost or effort is subject to reassessment for each reporting period and, reflecting the enhanced reporting experience of the undertaking, may change the result of its **actions** to improve data availability or the higher availability of external information. As a result, availability of information is expected to improve over time.

APPLICATION REQUIREMENTS – ARs

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

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

7.6. Reporting errors in prior periods

99. (96) The undertaking shall correct material prior period errors by restating the comparative amounts for the prior period(s) disclosed unless it is **impracticable** to do so. This requirement does not extend to reporting periods before the first year of application of ESRS by the undertaking.
100. (99) Potential reporting period errors discovered in that period are corrected before the **sustainability statement** is authorised for issue. However, material errors are sometimes not discovered until a

subsequent period. In case of material errors discovered in a subsequent period, if it is **impracticable** to determine the effect of an error on all prior periods presented, the undertaking shall restate the comparative information to correct the error from the earliest date practicable.

APPLICATION REQUIREMENTS – ARs

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

101. (new) The undertaking is relieved from disclosing qualitative and quantitative information required by an ESRS if applicable Union law and regulations prohibits the undertaking from disclosing or allows the undertaking to omit such disclosure. If the undertaking omits material information for that reason, it shall identify the type of information not disclosed and explain the source of the restriction.
102. (107) If the undertaking omits information in accordance with paragraph 101, it shall comply with the DR in question by disclosing all other required information. (108) The undertaking shall make every reasonable effort to ensure that beyond this omission, the overall relevance of the disclosure in question is not impaired.

APPLICATION REQUIREMENTS – ARs

<p>AR 44 for para. 101</p> <p>(Member states option)</p>	<p>(105-108) The CSRD leaves to the Member States the option to provide the following relief, which is therefore available to undertakings in Member States that have exercised this option:</p> <p><i>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.</i></p> <p>If the undertaking elects to use this exemption, disclosing this fact provides useful information.</p>
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7.8. Reporting on material opportunities

103. (109 amended) When reporting on material **opportunities**, the disclosure shall consist of descriptive information allowing **users** to understand the opportunities. The undertaking shall not report general

opportunities for the sector but only opportunities that are currently being pursued or incorporated in its general strategy. The provisions on **financial effects** in 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

104. (110 amended) The undertaking shall present all the disclosures required by ESRS within a dedicated section of the management report identified as the undertaking's **sustainability statement** which also includes those incorporated by reference in accordance with Chapter 9.3.
105. (111) Sustainability information shall be presented:
- (a) in a way that allows for clear identification of information required by ESRS from other information included in the management report; and
 - (b) under a structure that facilitates access to and understanding of the **sustainability statement** in a format that is both human-readable and machine-readable.
106. (115 amended) The undertaking shall structure its **sustainability statement** in four parts in the following order: general information, environmental information, social information and governance information. It may use appendices or separate sub-parts in accordance with paragraphs 108 – 112.
107. (113 amended) If the undertaking prepares disclosures pursuant to Article 8 of Regulation (EU) 2020/852 of the European Parliament and the Council and to the Commission Delegated Regulations, it is required to include them in its **sustainability statement**, and may do so in a separate appendix within the management report. These disclosures are not subject to the provisions of ESRS, with the exception of this paragraph.

8.2. Presentation of supplementary information included in the sustainability statement

108. (114 amended) The undertaking may include in its **sustainability statement** supplementary information stemming from (i) other legislation which requires it to disclose sustainability information, or (ii) generally accepted reporting standards or frameworks, including non-mandatory guidance and sector-specific guidance, published by other standard setting bodies (such as by the Global Reporting Initiative), even if that information is not material. Such information shall be clearly identified with an appropriate reference to the related legislation, standard or framework.
109. (new) If needed to meet the data demands of a specific **user**, the undertaking may include in its **sustainability statement** supplementary disclosures that are not material. Such information shall be clearly identified as not resulting from the **materiality** assessment and shall be presented in a way that does not obscure material information.
110. (new) Disclosures made in accordance with paragraphs 108 and 109 shall provide a faithful representation of the phenomena they purport to represent.

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

111. (new) The undertaking may provide an executive summary in the **sustainability statement** which includes the key messages about its material environmental, social and governance **impacts, risks** or **opportunities** and their management. The content and presentation of this executive summary shall meet the qualitative characteristics of information and is an integral part of the sustainability statement prepared in accordance with the provisions of ESRS. Alternatively, the undertaking may incorporate information by reference to an executive summary placed outside its sustainability statement, such as in another section of the management report, provided that it meets the conditions for incorporation by reference (see Sub-Chapter 9.3).
112. (new) The undertaking may use appendices or separate sub-parts in its **sustainability statement**:
- (a) to present more detailed information related to any of the four parts;
 - (b) to facilitate readability with content indices, tables mapping different disclosures or cross-reference tables; and

- (c) to present supplementary information prepared in accordance with Sub-Chapter 8.2 above.

APPLICATION REQUIREMENTS – ARs

AR 45 for para. 111 (Presentation of more detailed information)	(new) The undertaking may use internal references across different parts or subparts (including appendices) in the sustainability statement to facilitate the understanding of linkages that exist between different items of information. These internal references are not incorporation by reference.
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9. Connected information and linkages with other parts of corporate reporting

9.1. Connected information

113. (118 amended) The undertaking shall provide information that enables **users** of its **sustainability statement** to understand the connections:
- (a) within the sustainability statement; and
 - (b) between the sustainability statement and other corporate reporting documents published by the undertaking, including its financial statements.
114. (new) Repeating the same information within the **sustainability statement** may obscure material information and impair the provision of concise and understandable information. If the same information is relevant to more than one DR, the undertaking may present the information where it considers it to be most relevant and cross-refer to that location as appropriate.

APPLICATION REQUIREMENTS – ARs

AR 46 for para. 113(a) (Connections within the sustainability statement)	(new) Connections within the sustainability statement include those between the general disclosures on governance and strategy and the disclosures about a specific topic , as well as those between material impacts, risks and opportunities management and the respective policies, actions, targets and metrics .
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9.2. Direct and indirect connectivity with financial statements, including consistency of assumptions

115. (124 amended) If the **sustainability statement** includes monetary amounts or other quantitative information also presented in the undertaking's financial statements, the undertaking shall cross-reference to its financial statements ('direct connectivity').
116. (125 amended) If the **sustainability statement** includes monetary amounts or other quantitative datapoints that are an aggregation or part of monetary amounts or quantitative data presented in the undertaking's financial statements ('indirect connectivity'), the undertaking shall, explain how these amounts or datapoints relate to the most relevant amounts presented in the financial statements.
117. (90 amended) Data and assumptions used in preparing the **sustainability statement** shall, to the extent possible, be consistent with the corresponding data and assumptions used in preparing the financial statements. To support the understanding of significant data and assumptions, the undertaking is required to explain any significant differences in assumptions between those used in preparing the sustainability statements and those used in preparing the financial statements.

APPLICATION REQUIREMENTS – ARs

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

118. (119) Provided that the conditions in paragraph 119 are met, information or a specific datapoint prescribed by a DR may be incorporated in the **sustainability statement** by cross-reference to:
- (a) another section of the management report;
 - (b) the financial statements;
 - (c) the corporate governance statement (if not part of the management report);
 - (d) the remuneration report required by Directive 2007/36/EC of the European Parliament and of the Council;
 - (e) the universal registration document, as referred to in Article 9 of Regulation (EU) 2017/1129; and
 - (f) public disclosures under Regulation (EU) No 575/2013 of the European Parliament and of the Council (Pillar 3 disclosures). In this case, the information shall match the scope of consolidation used for the sustainability statement by complementing the incorporated information with additional elements as necessary.
119. (120 amended) The undertaking may incorporate information by reference to the documents, or part of the documents, listed in paragraph 118, provided that the information incorporated by reference:
- (a) constitutes a separate element of information clearly identified in the source document as addressing the relevant ESRS DR or datapoint;
 - (b) is published before or at the same time as the management report;
 - (c) is in the same language as the **sustainability statement**;
 - (d) is subject to at least the same level of assurance as the rest of the sustainability statement. In this case it is not required that the entire document containing the information is subject to assurance; and
 - (e) allows the same technical digitalisation requirements as the other information in the sustainability statement.
120. (121) Provided that the conditions established in paragraph 119 are met, information prescribed by an ESRS DR or datapoint may be incorporated in the **sustainability statement** by reference to the undertaking's report prepared in accordance with the EU Eco-Management and Audit Scheme 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.
121. (122 amended) The undertaking shall consider the overall cohesiveness of the reported information and ensure that the incorporation by reference does not impair the readability of the **sustainability statement**.

10. Transitional provisions

122. (new) Unless otherwise stated, the transitional provisions in this Chapter apply 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. Accordingly, earlier voluntary application of ESRS does not limit the use the reliefs in this chapter and does not trigger the start of the phase-in provisions. In this chapter financial year refers to the reporting period of an undertaking's sustainability statement starting on or after January 1 of the respective year.

10.1. Transitional provision related to Chapter 7.1 Comparative information

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

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

124. (132) For the first 3 years of the undertaking's sustainability reporting under the ESRS, in the event that not all the necessary information regarding its upstream and downstream **value chain** is available, the undertaking shall explain the efforts made to obtain the necessary information about its upstream and downstream value chain, the reasons why not all of the necessary information could be obtained, and its plans to obtain the necessary information in the future.
125. (133) For the first 3 years of its sustainability reporting under the ESRS, to take account of the difficulties that undertakings may encounter in gathering information from actors throughout their **value chain** and to limit the burden for SMEs in the value chain:
- (a) if disclosing information on **policies, actions** and **targets** in accordance with ESRS 2 and other ESRS, the undertaking may limit upstream and downstream value chain information to information available in-house, such as data already available to the undertaking and publicly available information; and
 - (b) if disclosing **metrics**, the undertaking is not required to include upstream and downstream value chain information, except for datapoints derived from other EU legislation, as listed in ESRS 2 Appendix A.
126. (134) Paragraphs 124 and 125 apply irrespective of whether the relevant actor in **the value chain** is an SME.
127. (135) Starting from the fourth year of its reporting under the ESRS, the undertaking shall include upstream and downstream **value chain** information according to paragraph 63.
128. (new) By way of derogation to paragraphs 124 to 125, undertakings as referred to in Article 5(2), first subparagraph, point (a), and third subparagraph, point (a), of Directive (EU) 2022/2464, cannot use the reliefs in paragraphs 124 to 125 after their financial year 2026.

10.3. Transitional provision: List of DRs that are phased in

129. (new) This chapter sets phase-in provisions for the DRs or datapoints in ESRS that may be omitted or that are not applicable in (a) specific financial years or (b) the first financial year(s) of mandatory application of ESRS in the preparation of the **sustainability statement** of the undertaking.
130. (new) The phased-in differentiate between 'wave-one' undertakings and the other undertakings that are subject to ESRS. 'Wave-one' undertakings are those that were scheduled to report on sustainability for the first time for financial year 2024, irrespective of whether the corresponding Member State transposed CSRD. They are defined in Article 5(2), first subparagraph, point (a), and third subparagraph, point (a), of Directive (EU) 2022/2464 (CSRD).
131. (new) Wave-one undertakings may omit in their **sustainability statement**:
- (a) all the DRs of ESRS E4, ESRS S2, ESRS S3, and ESRS S4 for their financial year 2026;
 - (b) all information about **anticipated financial effects**, required in paragraph 27 of ESRS 2 and in ESRS E1 DR E1-11 *Anticipated financial effects from material physical and transition risks and potential climate-related opportunities* for financial year 2026;
 - (c) quantitative information about **anticipated financial effects**, required in paragraph 27 of ESRS 2 and in ESRS E1 DR E1-11 *Anticipated financial effects from material physical and transition risks and potential climate-related opportunities* for financial years 2027, 2028 and 2029;
 - (d) the quantitative information related to substances of concern (SoC) prescribed by ESRS E2 DR E2-5 *Substances of concern and substances of very high concern*, for financial years 2026, 2027, 2028, and 2029; and
 - (e) omit ESRS S1 DR S1-6 *Characteristics of non-employee workers in the undertaking's own workforce*; DR S1-7 *Collective bargaining coverage and social dialogue* for non-EEA countries; DR S1-10 *Social protection*; DR S1-11 *Persons with disabilities*; DR S1-12 *Training and skills development*; DR S1-13 *Health and safety metrics* datapoints paragraph 40(d) and (e) and non-employees datapoints; and DR S1-14 *Work-life balance metrics* for their financial year 2026.

132. (new) Other undertakings than wave-one may for the first three years of preparation of their **sustainability statement** omit:

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

Appendix A: List of topics

(former AR 16 amended) This Appendix is an integral part of 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 standards as one of the inputs to the **double materiality** assessment. The undertaking needs to consider its own specific circumstances when determining the topics or sub-topics to be reported. Where necessary, it shall consider topics or sub-topics not covered by ESRS to develop entity-specific disclosures on material **impacts, risks** and **opportunities**, as described in paragraph 11. Chapter 3.2 provides practical considerations to support the materiality assessment process.

Topics	Sub-topics
Climate Change (ESRS E1)	Climate change mitigation
	Climate change adaptation
	Energy
Pollution (ESRS E2)	Pollution of air
	Pollution of water
	Pollution of soil
	Substances of concern, including substances of very high concern
	Microplastics
Water (ESRS E3)	Water use, which include withdrawal, consumption, discharges and storage
Biodiversity and Ecosystems (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 (ESRS E5)	Resource inflows
	Resource outflows related to products and services
	Resource outflows (waste)

Own Workforce and Workers in the Value Chain (ESRS S1/S2) (*)	Working conditions (adequate wages, work-life balance, working time, secure employment, social protection)
	Social dialogue, freedom of association, works councils, participation rights of workers, and collective bargaining
	Health and safety
	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, measures against violence)
	Other labour-related human rights (child labour, forced labour, privacy and adequate housing, water and sanitation)
Affected Communities (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 (ESRS S4)	Information-related impacts for consumers or users (privacy, access to information, freedom of expression)
	Personal safety of consumers or end-users (health and safety, protection of children, security of a person)
	Social inclusion of consumers or end-users (access to products and services, responsible marketing practices, non-discrimination)
Business Conduct (ESRS G1)	Corporate culture, including anti-corruption and bribery, the protection of whistle-blowers and animal welfare
	Political influence, including use
	Management of relationships with suppliers, including payment practices especially late payment to small and medium-sized undertakings (SMEs)

(*) Note for 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.

Appendix B: Qualitative characteristics of information

This Appendix is an integral part of ESRS 1 and has the same authority as the other parts of the Standard. This Appendix defines the qualitative characteristics that the information presented in the **sustainability statement** prepared in accordance with ESRS shall meet, as outlined in Chapter 2 of 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 need not be a prediction or forecast to have predictive value but rather has predictive value when employed by users in making their own predictions.

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

QC4. **Materiality** is an entity-specific aspect of relevance based on the nature or magnitude or both of the items to which the information relates, as assessed in the context of the undertaking's sustainability reporting (see Chapter 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 (a) complete, (b) neutral and (c) 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 that the inputs to that process are reasonable and supportable;
- (e) assertions are reasonable and based on information of sufficient quality and quantity; and
- (f) information about judgements about the future faithfully reflect both those judgements and the information on which they are based.

Comparability

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

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

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

Verifiability

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

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

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

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

Understandability

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

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 is required to include only material information. Supplementary information presented pursuant to Sub-Chapter 8.2 shall be provided in a way that avoids obscuring material information

QC18. Clarity might be enhanced by distinguishing information about developments in the reporting period from 'standing' information that remains relatively unchanged from one period to the next. This can be done, for example, by separately describing features of the undertaking's sustainability-related governance

and **risk** management processes that have changed since the previous reporting period compared to those that remain unchanged.

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

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