Assessment of GRI's feedback on ESRS 1 and ESRS 2

ESRS 1 General principles

Reference	ESRS 1	GRI feedback	EFRAG Secretariat preliminary analysis	Conclusions
1.	1. Reporting under European Sustainability Reporting Standards (ESRS)	GRI proposes revising the use of the term 'entity-specific'. Regarding the term 'entity-specific material matters, impacts, risks and opportunities', all material impacts, risks and opportunities that are reported under the ESRS (whether covered by a topical ESRS or not) are specific to the reporting entity (the undertaking is reporting about its own specific impacts). Regarding the concept of 'entity-specific disclosures', as the ESRS will, for the foreseeable future, cover only a limited set of sustainability matters, many of the 'entity-specific disclosures' undertakings will use are likely to come from existing references, frameworks, initiatives, reporting standards and benchmarks, and thus won't be 'entity-specific'. GRI proposes selecting a more suitable way of describing these concepts in line with GRI.	Whilst we acknowledge certain connotations of the use of this word, this term has been used to differentiate the various levels that the undertaking operates. We do not propose to change a term which is critical for the architecture and fully embedded across the various ESRS at this stage.	➔ ***No actions***
2.	2. Applying CSRD concepts 2.1 Characteristics of information quality ➔ Relevance (26-28) ➔ Faithful representation (29-32) ➔ Comparability (33-34) ➔ Verifiability (35-37)	The ESRS have adopted the characteristics of information quality for financial reporting. While these are also relevant for sustainability reporting, there are additional quality considerations that need to be taken into account for sustainability reporting. Namely, sustainability context, which entails reporting information on impacts in the wider context of sustainable development. GRI recommends including the principle of sustainability context, in line with GRI.	The sustainability context is a dimension that relates to both relevance and the disclosure requirements in ESRS 2-IRO disclosure requirements. This is an area that could be further explored in the future.	➔ ***No actions***

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Reference	ESRS 1	GRI feedback	EFRAG Secretariat preliminary analysis	Conclusions
	➔ Understandability (38-41)			
3.	2.2 Double materiality as the basis for sustainability disclosures Information materiality Stakeholders Double materiality Impact materiality	GRI proposes aligning the language used in the definition of 'impact materiality' with GRI's definition, which is more clear and precise. The GRI Standards are the most widely used standards globally for impact materiality. Alignment will also help reduce confusion and help achieve consistency in the reporting of impacts at the global level. GRI proposes the following amendments: *'A sustainability matter or information is material from an impact perspective when it represents the undertaking's most significant impacts on people or the environment over the short, medium or long term. This includes negative impacts caused or contributed to by the undertaking and negative impacts which are directly linked to the undertaking's operations, products, and services by its business relationships.'* The definition of 'directly linked to' in paragraphs 49-50 is not consistent with the definition in authoritative intergovernmental instruments where this concept comes from. The phrase 'if it occurs at any tier of business relationships' is incorrect, as an organization can 'contribute' to an impact in the first tier of its supply chain, for example.	There are no substantial reasons why ESRS (wording copied below) should not be aligned with GRI on this point. The differences are in wording not in concepts. ESRS 1 par. 49 *A sustainability matter is material from an impact perspective if it is connected to actual or potential significant impacts by the undertaking on people or the environment over the short-, medium- or long-term. This includes impacts directly caused or contributed to by the undertaking in its own operations, products or services and impacts which are otherwise directly linked to the undertaking's upstream and downstream value chain, and not limited to contractual relationships.* ESRS 1 par. 50 *An impact is 'directly linked to' the undertaking's operations, products or services, if it occurs in relation to any tier of business relationships, provided in the value chain. It is not restricted to direct relationships between the undertaking and another entity and is therefore not limited for instance to direct contractual relationships, such as 'direct sourcing'. For example:* *(a) Consider the various scopes of GHG emissions: Indirect GHG emissions, i.e., Scope 2 and Scope 3, are still 'directly linked' to the undertaking's operations,*	➔ ***Wording to be aligned***

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		GRI also disagrees with the example of Scope 2 and 3 GHG emissions (in paragraph 50a) being 'directly linked to' impacts. Some of these impacts could constitute impacts undertakings are 'contributing' to. For example, in the case of a car manufacturer, the emissions from the use of the cars it has sold would constitute Scope 3 downstream emissions. The car manufacturer can through its decisions on product design, design the car in such a way that it emits less emissions or no emissions at all, playing therefore a substantial contribution to such emissions. GRI proposes the following amendments: *'Even if an undertaking does not cause or contribute to a negative impact, its operations, products, or services may be 'directly linked to' a negative impact by its business relationships.* *For example, if the undertaking uses cobalt in its products that is mined using child labor, the negative impact (i.e., child labor) is directly linked to the undertaking's products through the tiers of business relationships in its supply chain (i.e., through the smelter and minerals trader, to the mining enterprise that uses child labor), even though the undertaking has not caused or contributed to the negative impact itself.* *'Direct linkage' is not defined by the link between the undertaking and the other entity, and is therefore not limited to direct contractual relationships, such as 'direct sourcing'.*	*products and services. However, the GHG emissions of a business partner that are not connected to the undertaking's value chain, are neither 'directly linked', nor part of its Scope 3 emissions.* *(b) If the undertaking uses cobalt mined using child labour in its products, the negative impact (i.e., child labour) is directly linked to its products through the tiers of business relationships in its supply chain (i.e., through the smelter and minerals trader, to the mining enterprise that uses child labour), even though the undertaking has not caused or contributed to the negative impact itself.*	

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		In addition, ‘direct linkage’ does not refer to the distinction between direct and indirect impacts, as commonly used in differentiating various scopes of GHG emissions.’ Paragraph 51 is lacking an explanation of how to determine the significance of positive impacts. GRI proposes including an explanation for this in line with ESRS 2, paragraph AG64 c-ii.		
4.	Financial materiality	Paragraphs 53-54 refer to the concepts of ‘enterprise value’ and ‘enterprise value creation’ and further refer to the concept of ‘capitals’ from frameworks promoting a multi-capital approach. The concepts of value creation and capitals have had limited and inconsistent uptake by enterprises. GRI recommends that financial materiality be defined only in relation to creating/eroding enterprise value and not in relation to value creation generally and capitals. This would be in line with the approach taken by the International Sustainability Standards Board (ISSB) in its draft sustainability standards which focus on enterprise value (The total value of an entity. It is the sum of the value of the entity’s equity (market capitalisation) and the value of the entity’s net debt). In addition, in ESRS 1, value creation is discussed in the context of financial materiality, while disclosure requirement 2-GR 4 - Key drivers of the value creation in ESRS 2 has a wider focus on all stakeholders, which is confusing.	The alignment of the financial materiality definition re enterprise value is currently being performed. Text in ESRS 1 to be clarified: enterprise value is the reference for financial materiality, broader value creation is only mentioned in the GR DRs in ESRS 2 (no specific DR in the ESRS to be added at this stage). In ESRS 2 GR 4 the reference to value creation for all the stakeholders, including non-financial benefits for people and environment, should stay (to be compliant with the CSRD principle of double materiality).	➔ Draft to be amended ➔ Draft to be amended (clarification only)

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Reference	ESRS 1	GRI feedback	EFRAG Secretariat preliminary analysis	Conclusions
5.	Relationship between double materiality and mandatory disclosure requirements	GRI disagrees that all mandatory disclosure requirements established by the ESRS shall be presumed to be material and recommends reviewing this approach against existing proven approaches, such as GRI's. Such an approach risks undermining organizations' own materiality assessments, considerably increases the reporting burden, and has the potential to give rise to obstruction of information. GRI recommends that such a presumption only applies to those sustainability matters that are identified as likely material for organizations in a sector, as that provides a solid basis against which to judge organizations' materiality assessments. Paragraph 61 should make clear that the rebuttable presumption is not applicable to any disclosure requirements in ESRS 2, including the General disclosure requirements (2-GR-1 to 2-GR-10). In addition, it should be made clear if the rebuttable presumption is applicable to the Disclosure Requirements in topical ESRS that are related to ESRS 2 Disclosure Requirements SBM, GOV and IRO and on policies, targets and actions (for example, whether the rebuttable presumption applies to disclosure requirement E1-1 on the transition plan for climate change mitigation).	In the ESRS architecture sector specific is a complementary layer to sector agnostic, so the disclosure requirements at sector level are "in addition of" (which differs with the GRI approach of "sector centric" with the new standards). The timeline for sector specific is such that there would be a time gap that would not make the proposal feasible. The use of the rebuttable presumption will be discussed on the basis of the consultation outcome. This point is being updated in ESRS 1 by Secretariat for internal consistency purposes. This point is being updated in ESRS 1 by Secretariat to enhance the clarity of its content.	→ ***No action*** → ***Draft to be amended*** → ***Draft to be amended***
6.	2.3 Boundaries and value chain Reporting boundary Use of all the reasonable and supportable information	Paragraph 65(a)(i) should be revised for consistency with paragraph 49. GRI proposes the following amendments: *'the impact materiality of a sustainability matter is similarly not constrained to negative impacts that the undertaking causes or contributes to through its own activities; it also covers negative impacts which are directly linked to the*	Consequential amendment if the change in point n.3 above is confirmed.	→ ***Draft to be amended***

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Reference	ESRS 1	GRI feedback	EFRAG Secretariat preliminary analysis	Conclusions
	including peer group or sector data Operational influence over activities and relationships in the upstream and downstream value chain	*undertaking's operations, products and services by its business relationships'.* Regarding paragraph 65(a)ii, it is not clear why the assessment of relative severity is relevant to the determination of reporting boundaries. Severity relates to the threshold for determining if an issue is material for reporting or not – as per paragraph 49; it does not determine the boundary for reporting. GRI proposes deleting paragraph 65(a)ii.	Agreed.	➔ ***Draft to be amended***
		GRI also recommends allowing for some of the mandated requirements to be omitted in legitimate cases. The fact that data for own operations cannot be omitted for any of the requirements is impractical and not in tune with the real challenges of collecting such data. In addition, asking organizations to approximate missing information in cases where data is unavailable for the upstream and downstream value chain goes against the objective of faithful representation. GRI believes it is not good practice to encourage organizations to approximate data they don't understand.	The ESRS is a mandatory reporting framework that derives from the level 1 legislation (CSRD). The CSRD requires do cover value chain data. Approach to value chain in ESRS 1 is risk based, i.e. mandatory when disclosing information about material IROs. When an IRO is material, the undertaking is expected to understand it (and disclose it) on the basis of sector/peer data, when collection of real data is impracticable. Approximations is a mechanism used in financial reporting frameworks and preparers/auditors have wide experience on this point. The ISSB S1 also covers the concept estimates in para 79.	➔ ***No action.***
		GRI proposes allowing for data to be omitted in legitimate cases for a sub-set of the disclosure requirements – in line with the approach in the GRI Standards. **Legitimate reasons** include when the required information is unavailable or incomplete, not applicable, confidential, or subject to legal prohibitions – particularly for organizations that are required to report under different jurisdictions of the world in addition to the EU. When data is unavailable or incomplete, the undertaking should be required to specify which information is unavailable or incomplete, explain why the required	See above	➔ ***No action.***

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		information is unavailable or incomplete, and describe the steps being taken and the expected time frame to obtain the information. EFRAG could additionally choose to set the time frame (e.g., X number of reporting periods) by when organizations should be required to provide the information.	See above	→ ***No action.***
7.	Reporting policy adopted for the definition and changes of reporting boundaries Level of disaggregation	Most of the topics and impacts covered by the ESRS are linked to laws and regulations. More clarity is needed on when exactly a country breakdown needs to be provided.	The level of disaggregation is covered at disclosure requirement level in the standards (i.e., country, site.). To limit the amount of info, the concept of 'significant country' and 'significant employment' have been introduced.	→ ***No action***
8.	2.4 Time horizon	Paragraph 84 requires the undertaking to adopt certain time horizons in its processes of identification and management of material impacts, risks and opportunities, when defining its action plans and when setting targets. Prescribing how undertakings should manage their impacts falls outside the mandate of sustainability reporting standards. GRI therefore proposes to include a reference to the authoritative instruments that set out these expectations or to review this paragraph to focus on reporting requirements.	As per the final text of the CSRD, targets are to be timebound. Par. 84 of ESRS 1 below proposal for minor amendments (wording). *In its processes of identification and management of material impacts, risks and opportunities, the undertaking normally ~~shall~~ adopts time horizons that reflect the expected impacts on people or the environment or the expected financial effects, including an additional breakdown for the long-term when necessary. When defining its action plans and setting targets, the undertaking normally ~~shall~~ adopts time horizons that reflect its strategic planning horizons and resource allocation plans. When preparing its sustainability report, the entity shall: (a) present its material impacts, risks and opportunities classifying them in the relevant time horizon; and (b)*	→ ***Minor drafting amendment***

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			present its action plans and targets classifying them in the relevant time horizon. The use of conventional time ranges is only for reporting. When a different timing is considered appropriate, an undertaking may further sub-divide the predefined time horizons in sub-ranges for reporting purposes.	
9.	2.5 Due diligence under the CSRD	Section 2.5, the definition of due diligence in Appendix A, and the application guidance in Appendix C are not fully in line with the language and concepts in the UN and OECD instruments where the concept of due diligence comes from. GRI proposes revising for closer alignment with those instruments and to also involve experts from the UN and OECD in a review of this content. The content is inconsistent and importantly limits the intended scope of due diligence as envisioned in these instruments. For example, the definition of due diligence in Appendix A is limited to addressing 'material' impacts. Materiality is a reporting concept; while due diligence is a management concept which addresses all impacts of an undertaking (not only those determined to be material for reporting). In addition, this content only makes reference to addressing human rights and environmental impacts, while due diligence applies more generally to other types of impacts, in line with OECD's guidance.	Draft to be amended together with the new wording on due diligence from the final CSRD.	→ ***Draft to be amended***
10.	Disclosure Principle 1-1 – On policies adopted to manage material sustainability matters	Paragraph AG3 states that generic policy commitments (such as those concerning norms of responsible business conduct or respecting human rights in general) shall be provided, when applicable, pursuant to the ESRS 2 Disclosure Requirement SBM. However, this information is not explicitly required in ESRS 2. Key international	Draft to be amended together with the new wording on due diligence from the final CSRD.	→ ***Draft to be amended***

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		instruments set out expectations for these policy commitments and this information is essential to understand compliance with these instruments. GRI proposes to include an additional disclosure requirement in ESRS 2 on the undertaking's policy commitments for responsible business conduct, including its commitment to conduct due diligence and to respect human rights – in line with GRI 2-23 Policy commitments.		
11.	Disclosure Principle 1-2 – On targets, progress and tracking effectiveness	GRI proposes adding two additional requirements to report lessons learned and how these have been incorporated into the organization's operational policies and procedures, and how engagement with stakeholders has informed whether the actions have been effective, in line with GRI. Continuous improvement and stakeholder engagement are two important features of due diligence.	The points raised relate to the process or engagement with stakeholders and its inputs and results. The ESRS cover the engagement with stakeholders and consideration of their views across the various standards (e.g., ESRS 2-SBM 1). These are valid points that shall be considered in future amendments.	➔ ***No actions for November***
12.	Disclosure Principle 1-3 – Actions, action plans and resources in relation to policies and targets	Under paragraph 104, GRI proposes adding two additional requirements to report actions to prevent and mitigate potential negative impacts and how engagement with stakeholders has informed the actions taken, in line with GRI. This is consistent with the expectation of due diligence outlined in section 2.5 of ESRS 1 and in line with the requirements in the CSRD proposal for the development of sustainability reporting standards (Article 19a 1(e)((iii) any actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential adverse impacts). GRI also recommends to reconsider the use of the term 'action plan' in addition to actions. Action plan is not a concept that has seen widespread adoption in corporate disclosure. The term 'action' would be sufficient and it is	These are valid points that shall be considered in future amendments. The term action plan is used within the EU framework (refer to recital 2 of the final CSRD).	➔ ***No actions for November***

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		more commonly used in corporate disclosure. The term action plan introduces an unnecessary further distinction. The content of disclosure principle 1-3 can be described without introducing the concept of an action plan.		
13.	6 Structure of the sustainability statements	GRI recommends making more clear the difference between the three presentation options listed in section 6 and the illustrations in Appendix E.	The final text of the CSRD has stipulated that the Sustainability Statements are to be a dedicated part of the management report.	→ ***No actions***

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ESRS 2 General, strategy, governance and materiality assessment disclosure requirements

Reference	ESRS 2	GRI feedback	EFRAG Secretariat preliminary analysis	Conclusions
1.	Disclosure Requirement 2-GR 2 – Sector(s) of activity	It is not clear how the 'total number of headcount' is to be calculated, i.e., whether it covers employees or also other workers. GRI proposes aligning this requirement with GRI 2-7 Employees and GRI 2-8 Workers who are not employees, which provide clear definitions and methodologies for reporting this information.	Agreed. This point needs to be specified and methodology for calculation to be included in its AG or referred to ESRS S1-7.	➔ ***Draft to be amended***
		In addition, the undertaking's approach to employment is a critical feature for understanding the business model and activities of the undertaking. GRI recommends that Disclosure Requirements S1-7 and S1-8 in ESRS S1 be moved to the cross-cutting standards (ESRS 2) and be further aligned with GRI 2-7 and 2-8. This basic information is of relevance not only for the social standards and should therefore be discussed in the cross-cutting standards as standalone disclosures separate from the discussion of sectors of activity.	Decision is to be made as to whether these two datapoints regarding workforce remain within ESRS 1 where the concept workforce is defined and the methodology for calculation or these are considered of a cross-cutting nature together.	➔ ***To be discussed***
		With regards to the required breakdown of the total revenue (as included in the financial statement) by significant sector and by significant country, GRI recommends focusing on the information that cannot be found in a financial report to avoid duplication of information and reduce reporting burden.	Should potential duplication exist, the mechanism of incorporation by reference already exists in ESRS and could be used.	➔ ***No actions***

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Reference	ESRS 2	GRI feedback	EFRAG Secretariat preliminary analysis	Conclusions
2.	Disclosure Requirement 2-GR 3 - Key features of the value chain	GRI recommends reviewing this disclosure requirement for much closer alignment with GRI 2-6 Activities, value chain and other business relationships, both for the requirements as well as the definitions.	Noted that no significant differences arise.	➔ ***No actions***
3.	Disclosure Requirement 2-GR 4 - Key drivers of the value creation	As noted under ESRS 1, the concepts of value creation and capitals have had limited and inconsistent uptake by enterprises. GRI recommends that financial materiality be defined only in relation to creating/eroding enterprise value and not in relation to value creation generally and capitals. This would be in line with the approach taken by IFRS in its draft sustainability standards which focus on enterprise value (The total value of an entity. It is the sum of the value of the entity's equity (market capitalisation) and the value of the entity's net debt). If retaining the concept of 'value creation', GRI recommends providing a clear definition, as well as examples of drivers of value creation – particularly for non-investor related value creation. A more detailed discussion and AG in ESRS 1 or ESRS 2 would also be needed. Without clear guidance, it will lead to inconsistent reporting by undertakings.		➔ ***Draft to be amended for clarification (no substantial changes) as per alignment with IFRS.*** ➔ ***If feasible for November examples will be added in AG for value creation other than for investors.***
4.	Disclosure Requirement 2-GR 8 – Prior period errors	The requirement to report 'the amount of the corrections' is not clear. GRI proposes clarifying if this refers to the number of corrections made or to the quantitative change in the restated information.	Agreed	➔ ***Draft to be amended***

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Reference	ESRS 2	GRI feedback	EFRAG Secretariat preliminary analysis	Conclusions
5.	Disclosure Requirement 2-SBM 2 – Views, interests and expectations of stakeholders	GRI proposes this disclosure requirement have a wider scope on stakeholder engagement, in line with GRI 2-29, and not be limited to how stakeholders inform the undertaking's strategy and business model(s).	The enhancements with regards to further details on the stakeholder engagement are to be considered in further developments of the standards.	➔ ***No action***
6.	Disclosure Requirement 2-SBM 3 – Interaction of impacts and the undertaking's strategy and business model	There is some duplication between this disclosure requirement and Disclosure Requirement 2-SBM 1. There is also duplication between this disclosure requirement and the requirements in the section 'Materiality assessment of sustainability impacts, risks and opportunities' of ESRS 2 and the topical ESRS. GRI recommends reviewing this disclosure to avoid duplication, by focusing this disclosure on how the organization's purpose, business strategy, and business model aim to prevent negative impacts and achieve positive impacts on the economy, environment, and people and combining it with Disclosure requirement 2-SBM 1.	Overlaps GR/SBM/IRO were already observed in the TEG survey and will probably also reported in the consultation. So this point will be addressed.	➔ ***Streamlining to be considered***
7.	Disclosure Requirement 2-GOV 1 – Roles and responsibilities of the administrative, management and supervisory bodies	GRI proposes clarifying what is requested by requirement 52(c)iii.	This is being reviewed considering the final text of the CSRD.	➔ ***Draft to be amended***
8.	Disclosure Requirement 2-GOV 5 - Statement on due diligence	It is not clear why this disclosure requirement is limited to environmental and human rights aspects. Due diligence applies more generally to other types of impacts, in line with OECD's guidance.	This is under review considering the final text of the CSRD.	➔ ***Draft to be amended***

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Reference	ESRS 2	GRI feedback	EFRAG Secretariat preliminary analysis	Conclusions
9.	Disclosure Requirement 2-IRO 1 - Description of the processes to identify material sustainability impacts, risks and opportunities	Paragraph AG 60 should be aligned with paragraph 47 in ESRS 1, which states that the starting point for double materiality is the assessment of impact materiality, as a sustainability impact may become financially material when it translates or is likely to translate into financial effects in the short-, medium-, or long-term. Paragraph AG 61c is duplicative of paragraphs 77b and 80b.		→ ***Draft to be amended***
10.	Appendix A: Defined terms	The proposed definition of 'value chain' is too limiting as it focuses on the creation of products and services. GRI proposes aligning this definition with GRI's definition, which focuses on the complete range of activities to bring an organization's products or services from their conception to their end use. The term and definition for 'human rights due diligence' should be replaced with the definition for 'due diligence' included in ESRS 1, as this is the wider concept that is used in ESRS 2.	This definition will be reviewed considering the final text of the CSRD. This definition will be reviewed considering the final text of the CSRD.	→ ***Draft to be amended*** → ***Draft to be amended***