

## [DISCLAIMER]

### *General disclaimer for SR TEG public agenda papers*

This paper has been prepared by the EFRAG Secretariat for discussion at a public meeting of EFRAG SR TEG. The paper forms part of an early stage of the development of a potential EFRAG position. Consequently, the paper does not represent the official views of EFRAG or any individual member of the EFRAG SRB or EFRAG FR TEG. The paper is made available to enable the public to follow the discussions in the meeting. Tentative decisions are made in public and reported in the EFRAG Update. EFRAG positions, as approved by the EFRAG SRB, are published as [Draft] ESRS, comment letters, discussion or position papers, or in any other form considered appropriate in the circumstances.

### *Additional disclaimer for SR TEG public agenda papers 25 October 2022*

This paper is a draft [Draft] standard prepared by the EFRAG Secretariat for approval of SR TEG and, once approved, it forms the advice that according to EFRAG Due Process SR TEG delivers to SRB as recommended content of the [Draft] final standards to be delivered to the European Commission in November 2022.

This draft reflects the tentative decisions of the SRT in the meetings from June to October 2022 (and reflects the content of the Agenda Papers prepared for those meetings). It has been developed starting from the ESRS Exposure Draft of April 2022, taking into account:

- the revised CSRD text released at the end of June;
- alignment with EDs IFRS S1, S2 and GRI standards as required by the new CSRS whenever possible;
- feedback received from the public consultation.

This draft is an intermediate version of the [Draft] standard and quality checks are still in progress that will result in editorial changes and further presentation/language streamlining. This includes editorial and presentation review, consistency of language across the standards, update of the references to paragraphs/chapters/sessions within the standard and across all the standards, alignment of definitions and glossary across all standards, possible changes of terminology due to recent IFRS decisions. The items in yellow are also subject to change (reflecting the ongoing quality check or pending other external confirmations). In ESRS 2 items in grey mark the datapoints that have been added for alignment with IFRS S1.

Changes are also possible in the next steps of SRB deliberation and approval, including changes other than editorial.

## **DISCLAIMER**

This Exposure Draft has to be read in conjunction with the cover note for ESRS public consultation.

[Draft] ESRS 1 Climate change is set out in Paragraphs 1–63 and Appendices A: Defined terms and B: Application Guidance. All the paragraphs, including those in Appendices A and B, have equal authority. Each Disclosure Requirement objective is stated in a bold paragraph, followed by a paragraph that illustrates the principle to be followed in the preparation of the respective disclosures. The [draft] Standard also uses terms defined in other [draft] ESRS and should be read in the context of its objective.

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## Objective

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1. The objective of this [draft] Standard is to specify disclosure requirements which will enable users of sustainability statements to understand:
  - (a) how the undertaking affects climate change, in terms of positive and negative material actual and potential impacts;
  - (b) the undertaking's past, current, and future mitigation efforts in line with the Paris Agreement (or an updated international agreement on climate change) and limiting global warming to 1.5°C;
  - (c) the plans and capacity of the undertaking to adapt its business model(s) and operations in line with the transition to a sustainable economy and to contribute to limiting global warming to 1.5°C;
  - (d) any other actions taken by the undertaking, and the result of such actions to prevent, mitigate or remediate actual or potential adverse impacts;
  - (e) the nature, type and extent of the undertaking's material risks and opportunities arising from the undertaking's impacts and dependencies on climate change, and how the undertaking manages them; and
  - (f) the effects of risks and opportunities, related to the undertaking's impacts and dependencies on climate change, on the undertaking's development, performance and position over the short-, medium- and long-term and therefore on its ability to create enterprise value.
2. The requirements of this [draft] Standard are derived from the [Corporate Sustainability Reporting Directive], which states that the sustainability reporting standards shall specify which information to disclose about climate change mitigation and climate change adaptation. The requirements of this [draft] Standard take into account the requirements of related EU legislation and regulation (i.e., EU Climate Law, Climate Benchmark Standards Regulation, Sustainable Finance Disclosure Regulation (SFDR), EU Taxonomy, and EBA Pillar 3 disclosure requirements).
3. This [draft] Standard covers disclosure requirements related to "Climate change mitigation", "Climate change adaptation" and "Energy".
4. Climate change mitigation relates to the undertaking's endeavours to the general process of holding the increase in the global average temperature to well below 2 °C and pursuing efforts to limit it to 1,5 °C above pre-industrial levels, as laid down in the Paris Agreement. This [draft] Standard covers disclosure requirements related but not limited to the seven Greenhouse Gases (GHG) carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), hydrofluorocarbons (HFCs), perfluorocarbons (PCFs), sulphur hexafluoride (SF<sub>6</sub>) and nitrogen trifluoride (NF<sub>3</sub>). It also covers disclosure requirements on how the undertaking addresses its GHG emissions as well as the associated transition risks.
5. Climate change adaptation relates to the undertaking's process of adjustment to actual and expected climate change. This [draft] Standard covers disclosure requirements regarding climate-related hazards that can lead to physical climate risks for the undertaking and its adaptation solutions to reduce these risks. It also covers transition risks arising from the adaptation needs to climate-related hazards.
6. The requirements related to Energy cover all types of energy production and consumption.

## Interactions with other ESRS

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7. Ozone-depleting substances (ODS), nitrogen oxides (NO<sub>x</sub>) and sulphur oxides (SO<sub>x</sub>), among other air emissions, are connected to climate change but are covered under the reporting

requirements on Pollution (ESRS E2). Impacts on people that may arise from the transition to a climate-neutral economy are covered under the ESRS S1-S4.

8. The content of this [draft] Standard consists of Disclosure Requirements on
  - (a) General requirements, governance, strategy and management of impacts, risks and opportunities,
  - (b) Implementation- policies, targets, action plans and resources, and
  - (c) Metrics and targets
9. This [draft] Standard should be read in conjunction respectively with ESRS 1 *General Requirements* and ESRS 2 *General Disclosures*.
10. This [draft] Standard covers sector-agnostic disclosure requirements. Sector-specific disclosure requirements are developed separately and in accordance with the classification following ESRS SEC 1 Sector classification.<sup>1</sup>

## Disclosure Requirements

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### ***Section 1: General requirements, governance, strategy, and materiality assessment***

11. The requirements of this section should be read in conjunction with and reported alongside the disclosures required by ESRS 2 on Governance - (GOV), Strategy (SBM) and Management of impacts, risks and opportunities (IRO).

### ***Disclosure Requirement E1-1 – Transition plan for climate change mitigation***

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12. **The undertaking shall disclose its plans to ensure that its business model and strategy are compatible with the transition to a sustainable economy, and with the limiting of global warming to 1.5 °C in line with the Paris Agreement and with the objective of achieving climate neutrality by 2050.**
13. The objective of this Disclosure Requirement is to allow an understanding of the undertaking's past, current, and future mitigation efforts in line with the Paris Agreement (or an updated international agreement on climate change adopted by the EU) and limiting global warming to 1.5°C.
14. The information required by Paragraph 12 shall include:
  - (a) by reference to GHG emission reduction targets (as required by Disclosure Requirement E1-3), an explanation of how the undertaking's targets are aligned with the limiting of global warming to 1.5°C in line with the Paris Agreement;
  - (b) by reference to GHG emission reduction targets (as required by Disclosure Requirement E1-3) and the climate change mitigation action plan (as required by Disclosure Requirement E1-4), an explanation of the decarbonisation levers identified, and key actions planned, including changes in the undertaking's product and service portfolio and the adoption of new technologies;
  - (c) by reference to the climate change mitigation action plan (as required by Disclosure Requirement E1-4), an explanation of the undertaking's financial resources supporting the implementation of the transition plan;
  - (d) a qualitative assessment of the potential locked-in GHG emissions from the undertaking's key assets and products. This shall include an explanation of if and

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<sup>1</sup> ESRS SEC 1 will be issued at a later date.

how these may jeopardise the achievement of GHG emission reduction targets and drive transition risk, and if applicable, the undertaking's plans to manage GHG- and energy-intensive assets and products;

- (e) an explanation of the undertaking's objective for aligning its economic activities with the Taxonomy Regulation (EU) 2020/852 (including any delegated regulations related to climate change mitigation and adaptation) and its plans for future Taxonomy alignment;
  - (f) an explanation of how the transition plan is embedded in and aligned with the undertaking's overall business strategy and financial planning and whether it is approved by its administrative, management and supervisory bodies; and
  - (g) an explanation of the undertaking's progress in implementing the transition plan.
15. In case the undertaking does not have a transition plan in place, it shall indicate whether and when it will adopt a transition plan.

***Disclosure Requirement related to SBM 4 On resilience of strategy and business model***

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16. The undertaking shall describe the resilience of its strategy and business model(s) in relation to climate change. This description shall include:
- (a) the scope of the resilience analysis;
  - (b) how the resilience analysis has been conducted,
  - (c) the results of the resilience analysis

***Disclosure requirement related to IRO-1 On description of processes to identify and assess material climate-related impacts, risks and opportunities***

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17. The undertaking shall describe the process to identify and assess climate-related impacts, risks and opportunities. This description shall include:
- (a) impacts on climate change, in particular, the undertaking's GHG emissions (as required by Disclosure Requirement E1-6);
  - (b) climate-related physical risks in own operations and along the value chain, in particular:
    - i. the identification of climate-related hazards, considering at least high emission climate scenarios; and
    - ii. the assessment of how its assets and business activities may be exposed to these climate-related hazards, creating gross physical risks for the undertaking; and
  - (c) climate-related transition risks and opportunities in own operations and along the value chain, in particular:
    - i. the identification of climate-related transition events, considering at least a climate scenario in line with limiting global warming to 1.5°C with no or limited overshoot; and
    - ii. the assessment of how its assets and business activities may be exposed to these climate-related transition events, creating gross transition risks or opportunities for the undertaking.

18. When disclosing the information required under Paragraphs 17 (b) and (c), the undertaking shall explain how it has used climate-related scenario analysis to inform the identification and assessment of physical and transition risks and opportunities over the short-, medium- and long-term.

## **Section 2: Implementation-Policies, targets, action plans and resources**

### **Disclosure Requirement E1-2 – Policies related to climate change mitigation and adaptation**

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19. **The undertaking shall disclose the policies it has implemented to manage its material impacts, risks and opportunities related to climate change mitigation and adaptation.**
20. The objective of this Disclosure Requirement is to allow an understanding of the extent to which the undertaking has policies that address the identification, assessment, management and/or remediation of its material climate change mitigation and adaptation impacts, risks and opportunities.
21. The disclosure required by Paragraph 19 shall contain the summarized information on the undertaking's implemented policies to manage its material impacts, risks and opportunities related to climate change mitigation and adaptation (as required by ESRS 2 Disclosure Principle 1-1 On policies adopted to manage material sustainability matters).
22. The undertaking shall indicate whether and how its policies address the following areas:
- (a) Climate change mitigation
  - (b) Climate change adaptation

### **Disclosure Requirement E1-3 –Targets related to climate change mitigation and adaptation**

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23. **The undertaking shall disclose its climate-related targets.**
24. The objective of this Disclosure Requirement is to allow an understanding of the targets the undertaking has set to support its climate change mitigation and adaptation policies and address its material climate-related impacts, risks and opportunities.
25. The disclosure of the targets required in Paragraph 23 shall contain the information required in ESRS 2 Disclosure Principle 1-2 On targets, progress and tracking effectiveness.
26. For the disclosure required by Paragraph 23, the undertaking shall disclose whether it has set GHG emissions reduction targets and/or any other targets to manage material climate-related impacts, risks and opportunities, for example, renewable energy deployment, energy efficiency, climate change adaptation, and physical or transition risk mitigation.
27. For the disclosure of GHG emission reduction targets<sup>2</sup>, the following requirements shall apply in addition to ESRS 2 Disclosure Principle 1-2:
- (a) GHG emission reduction targets shall be disclosed in absolute value (either in tons of CO<sub>2</sub> equivalent or as a percentage of the emissions of a base year) and, if deemed meaningful, in intensity value.
  - (b) GHG emission reduction targets shall be disclosed for Scope 1, Scope 2, and Scope 3 emissions. The undertaking shall explain how the consistency of these targets with

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<sup>2</sup> This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting an additional principal adverse impact as set out by indicator #4 in Table 2 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments.

the GHG inventory boundaries is ensured (as required by Disclosure Requirement E1-6). The undertaking shall not include GHG removals, carbon credits or avoided emissions as a means of achieving the GHG emission reduction targets.

- (c) The undertaking shall disclose its current base year and baseline value, and from 2030 onwards, update the base year for its GHG emission reduction targets after every five-year period thereafter. The undertaking may disclose the past progress made in meeting its targets before its current base year provided that this information is consistent with the requirements of this [draft] Standard.
- (d) GHG emission reduction targets shall at least include target values for the years 2030 and, if available, 2050. From 2030, target values shall be set after every five-year period thereafter.
- (e) The undertaking shall state whether the GHG emission reduction targets are science-based and compatible with limiting global warming to 1.5°C. The undertaking shall state which methodology has been used to determine these targets including the underlying climate and policy scenarios. As part of the critical assumptions for setting GHG emission reduction targets, the undertaking shall briefly explain how it has considered future developments (e.g., changes in sales volumes, shifts in customer preferences and demand, regulatory factors, and new technologies) and how these will potentially impact both its GHG emissions and emissions reductions.
- (f) The undertaking shall provide an explanation of the expected decarbonisation levers and their overall quantitative contributions to achieve the GHG emission reduction targets (e.g., energy or material efficiency and consumption reduction, fuel switching, use of renewable energy, phase out or substitution of product and process).

#### ***Disclosure Requirement E1-4 – Action plans and resources in relation to climate change mitigation and adaptation policies and targets***

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28. **The undertaking shall disclose its climate change mitigation and adaptation action plans and the resources allocated for their implementation.**
29. The objective of this Disclosure Requirement is to provide an understanding of the key actions taken and planned to achieve climate-related policy objectives and targets.
30. The description of the action plans and resources related to climate change mitigation and adaptation shall follow the principles stated in ESRS 2 Disclosure Principle 1-3 Actions plans and resources in relation to policies and targets.
31. In addition to ESRS 2 Disclosure Principle 1-3, the undertaking shall:
- (a) when listing key actions taken in the reporting year and planned for the future, present the climate change mitigation actions by decarbonisation lever including the nature-based solutions;
  - (b) when describing the outcome of the actions for climate change mitigation, include the achieved and expected GHG emission reductions; and
  - (c) relate significant monetary amounts (CapEx and OpEx) to
    - (i) the relevant line items or notes in the financial statements;
    - (ii) the key performance indicators required under article 8 of Taxonomy Regulation (EU) 2020/852; and
    - (iii) the CapEx plan required by Commission delegated regulation (EU) 2021/2178.



### Section 3: Metrics

#### **Disclosure Requirement E1-5 – Energy consumption and mix**

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32. **The undertaking shall provide information on its energy consumption and mix.**
33. The objective of this Disclosure Requirement is to provide an understanding of the undertaking's total energy consumption in absolute value, improvement in energy efficiency, exposure to coal, oil and gas-related activities, and the share of renewable energy in its overall energy mix.
34. The disclosure required by Paragraph 32 shall include the total energy consumption in MWh related to own operations as follows:
- (a) total energy consumption from non-renewable sources<sup>3</sup> disaggregated for high climate impact<sup>4</sup> sectors by:
    - i. fuel consumption from coal and coal products;
    - ii. fuel consumption from crude oil and petroleum products;
    - iii. fuel consumption from natural gas;
    - iv. fuel consumption from other non-renewable sources;
    - v. consumption from nuclear products; and
    - vi. consumption of purchased or acquired electricity, heat, steam, and cooling from non-renewable sources; and
  - (b) total energy consumption from renewable sources disaggregated by:
    - i. fuel consumption for renewable sources (including biomass, biogas, non-fossil fuel waste, hydrogen from renewable sources, etc.);
    - ii. consumption of purchased or acquired electricity, heat, steam, and cooling from renewable sources; and
    - iii. consumption of self-generated non-fuel renewable energy.
35. In addition, where applicable, the undertaking shall disaggregate and disclose separately its non-renewable energy production and renewable energy production in MWh.<sup>5</sup>

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<sup>3</sup> This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting a mandatory principal adverse impact as set out by indicator #5 in Table 1 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments. The breakdown serves as a reference for an additional principal adverse impact as set out by indicator #5 in Table 2 of the same Annex.

<sup>4</sup> High climate impact sectors are those listed in NACE Sections A to H and Section L (as defined in the Regulation (EU) 2019/2088 and Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments).

<sup>5</sup> This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting a mandatory principal adverse impact as set out by indicator #5 in Table 1 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments.

*Energy intensity based on net revenue<sup>6</sup>*

36. The undertaking shall provide information on the energy intensity (total energy consumption per net revenue) associated with activities in high climate impact sectors.
37. The disclosure on energy intensity required by Paragraph 36 shall only be derived from the total energy consumption and net revenue from activities in high climate impact sectors.
38. The undertaking shall specify the high climate impact sectors that are used to determine the energy intensity required by Paragraph 36.
39. The undertaking shall disclose the reconciliation to the relevant line item or notes in the financial statements of the net revenue amount from activities in high climate impact sectors (the denominator in the calculation of the energy intensity required by Paragraph 36).

**Disclosure Requirement E1-6 – Gross Scope 1, 2, 3 and Total GHG emissions<sup>7</sup>**

**40. The undertaking shall disclose its:**

- (a) gross Scope 1 GHG emissions in metric tons of CO<sub>2</sub> equivalent.
- (b) gross indirect energy Scope 2 GHG emissions in metric tons of CO<sub>2</sub> equivalent.
- (c) gross indirect Scope 3 GHG emissions in metric tons of CO<sub>2</sub> equivalent.
- (d) total GHG emissions in metric tons of CO<sub>2</sub> equivalent.

**41. The objective of the Disclosure Requirement in Paragraph 40 in respect of:**

- (a) gross Scope 1 GHG emissions as required by Paragraph 40 (a) is to provide an understanding of the direct impacts of the undertaking on climate change and the part of its GHG emissions that are regulated under emission trading schemes. This information is a prerequisite to understanding the undertaking's climate-related transition risks.
- (b) gross Scope 2 GHG emissions as required by Paragraph 40 (b) is to provide an understanding of the indirect impacts on climate change caused by the undertaking's consumed energy whether externally purchased or acquired.
- (c) gross Scope 3 GHG emissions as required by Paragraph 40 (c) is to provide an understanding of the GHG emissions that occur in the undertaking's value chain beyond its Scope 1 and 2 GHG emissions. For many undertakings, Scope 3 GHG emissions may be the main component of the GHG inventory and an important driver of their transition risks.
- (d) total GHG emissions as required by Paragraph 40 (d) is to provide an overall understanding of the undertaking's GHG emissions and whether they occur from its own operations or the value chain. This disclosure is a prerequisite for measuring progress towards reducing GHG emissions in accordance with the undertaking's climate-related targets and EU policy goals as well as for the assessment of the undertaking's transition risks.

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<sup>6</sup> This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting a mandatory principal adverse impact as set out by indicator #6 in Table 1 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments.

<sup>7</sup> This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting a mandatory principal adverse impact as set out by indicators #1 and #2 in Table 1 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments.

42. The disclosure on gross Scope 1 GHG emissions required by Paragraph 40 (a) shall include:
- (a) the gross Scope 1 GHG emissions in metric tons of CO<sub>2</sub> equivalent; and
  - (b) the percentage of Scope 1 GHG emissions from regulated emission trading schemes.
43. The disclosure on gross Scope 2 GHG emissions required by Paragraph 40 (b) shall include:
- (a) the gross location-based Scope 2 GHG emissions in metric tons of CO<sub>2</sub> equivalent; and
  - (b) the gross market-based Scope 2 GHG emissions in metric tons of CO<sub>2</sub> equivalent.
44. For Scope 1 and Scope 2 emissions disclosed in accordance with Paragraphs 40 a) and b), the undertaking shall disaggregate the information, disclosing emissions separately for
- (a) The consolidated accounting group (the parent and its subsidiaries); and
  - (b) Associates, joint ventures, unconsolidated subsidiaries and unaffiliated activities that are not included in the consolidated accounting group.
45. The disclosure of gross Scope 3 GHG emissions required by Paragraph 40 (c) shall include GHG emissions from significant Scope 3 categories.
46. The disclosure of total GHG emissions required by Paragraph 40 (d) shall be the sum of Scopes 1, 2 and 3 GHG emissions required by Paragraphs 40(a) to (c). The total GHG emissions shall be disclosed with a distinction between the emissions derived from location-based and market-based methods applied while measuring the underlying Scope 2 GHG emissions.

*GHG Intensity based on net revenue<sup>8</sup>*

47. The undertaking shall disclose its GHG emissions intensity (total GHG emissions per net revenue).
48. The disclosure on GHG intensity required by Paragraph 47 shall provide the total GHG emissions in metric tons of CO<sub>2</sub> equivalent (Disclosure Requirement E1-7 Total GHG emissions) per net revenue.
49. The undertaking shall disclose the reconciliation to the relevant line item or notes in the financial statements of the net revenue amounts (the denominator in the calculation of the GHG emissions intensity required by Paragraph 47).

***Disclosure Requirement E1-7 – GHG removals and GHG mitigation projects financed through carbon credits***

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**50. The undertaking shall disclose:**

- (a) GHG removals and storage from its own operations and the upstream and downstream value chain in metric tons of CO<sub>2</sub> equivalent if any.
- (b) the amount of GHG emission reductions or removals from climate change mitigation projects outside its value chain it has financed through the purchase of carbon credits if any.

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<sup>8</sup> This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting a mandatory principal adverse impact as set out by indicator #3 in Table 1 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments.

51. The objective of this Disclosure Requirement in respect of:

- (a) GHG removals and storage in its own operations and the value chain as required by Paragraph 50 (a) is to provide transparency and comparable information on the undertaking's actions to permanently remove or actively support the removal of GHG from the atmosphere potentially for achieving net-zero targets (as stated in Paragraph 54).
- (b) GHG mitigation projects financed through carbon credits outside the undertaking's value chain as required by Paragraph 50 (b) is to provide an understanding of the extent and quality of carbon credits the undertaking has purchased from the voluntary market and cancelled in the reporting period potentially for supporting its GHG neutrality claims (as stated in Paragraph 55).

52. The disclosure required by Paragraph 50 (a) shall include, if applicable:

- (a) the total amount of GHG removals and storage in metric tons of CO<sub>2</sub> equivalent disaggregated and separately disclosed for the amount related to the undertaking's own operations and its value chain, and broken down by removal activity; and
- (b) the calculation assumptions, methodologies and frameworks applied by the undertaking.

53. The disclosure required by Paragraph 50 (b) shall include, if applicable:

- (a) the total amount of carbon credits outside the undertaking's value chain in metric tons of CO<sub>2</sub>eq that are verified against recognised national or international quality standards and cancelled in the reporting period; and
- (b) the total amount of carbon credits outside the undertaking's value chain in metric tons of CO<sub>2</sub> equivalent planned to be cancelled in the future based on existing contractual agreements.

54. In case the undertaking discloses a net-zero target in addition to the gross GHG emission reduction targets, it shall explain the scope, methodologies and frameworks applied and how the residual GHG emissions (after approximately 90-95% of GHG emission reduction) are intended to be neutralised by GHG removals in its own operations and value chain.

55. In addition to reporting on its gross GHG emission reduction targets and possibly on its net zero targets, the undertaking may have made public claims of GHG neutrality that involve the use of carbon credits. In such a case, the undertaking shall explain the credibility and integrity of the carbon credits used, and whether and how its claims of GHG neutrality do not impede or reduce its GHG emission reduction targets.

### **Disclosure Requirement E1-8 – Internal carbon pricing**

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56. The undertaking shall disclose whether it applies internal carbon pricing schemes, and if so, how these support its decision making and incentivise the implementation of climate-related policies and targets. The information required shall include:

- (a) the type of internal carbon pricing scheme, for example, shadow prices for CapEX or research and development investment decision making, internal carbon fees or funds;
- (b) the specific scope of application of the carbon pricing schemes (activities, geographies, entities, etc.);
- (c) the carbon prices applied according to the type of scheme and critical assumptions made to determine the prices, including the source of the applied carbon prices and why these are deemed relevant for their chosen application. The undertaking may disclose the calculation methodology of the carbon prices including to which extent

these have been set using scientific guidance and how the future development of carbon prices is related to science-based carbon pricing trajectories; and

- (d) the current year approximate gross GHG emission volumes by Scopes 1, 2 and 3 in metric tons of CO<sub>2</sub> equivalent covered by these schemes, as well as their share of the undertaking's overall GHG emissions for each respective Scope.

***Disclosure Requirement E1-9 – Potential financial effects from material physical risks, material transition risks and climate-related opportunities***

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57. The undertaking shall disclose its,

- (a) estimated potential financial effects from material physical risks.
- (b) estimated potential financial effects from material transition risks.
- (c) estimated potential financial effects from material climate-related opportunities.

58. The objective of this Disclosure Requirement on:

- (a) potential financial effects from material physical and transition risks is to provide an understanding of how these risks may affect the undertaking's financial performance and position over the short-, medium-, and long-term. Potential financial effects from these risks include financial effects that do not meet the recognition criteria for inclusion in the line items and notes to the financial statements.
- (b) potential financial effects from climate-related opportunities is to allow an understanding of how the undertaking may financially benefit from material climate-related opportunities. This disclosure is complementary to the information requested under the Taxonomy Regulation.

59. The disclosure of potential financial effects from material physical risk required by Paragraph 57 (a) shall include:

- (a) the monetary amount and proportion (percentage) of assets at material physical risk over the short-, medium-, and long-term, and the proportion of these assets addressed by the climate change adaptation action plan; and
- (b) the monetary amount and proportion (percentage) of net revenue from its business activities at material physical risk over the short-, medium- and long-term.

60. The disclosure of potential financial effects from material transition risk required by Paragraph 57 (b) shall include:

- (a) the monetary amount and proportion (percentage) of assets at material transition risk over the short-, medium- and long-term, and the proportion of these assets addressed by the climate change mitigation action plan;
- (b) the liabilities (monetary amounts) that may have to be recognised in financial statements over the short-, medium- and long-term; and
- (c) the monetary amount and proportion (percentage) of net revenue from its business activities at material transition risk over the short-, medium- and long-term including, where relevant, net revenue from the undertaking's customers operating in coal, oil and gas-related activities.

61. The undertaking shall disclose reconciliations to the relevant line items or notes in the financial statements of the following:

- (a) significant amounts of the assets and net revenue at material physical risk (as required by Paragraph 59).

- (b) significant amounts of the assets, liabilities, and net revenue at material transition risk (as required by Paragraph 60).
- 62. The undertaking may delay reporting for this Disclosure Requirement on potential financial effects by one year. The undertaking may also provide qualitative disclosures related to these risks for no longer than the first three years of application of this standard if it is impracticable to provide quantitative disclosures. For the reporting periods thereafter, the undertaking shall disclose quantitative information on material physical risk required by Paragraphs 59 and 61 (a) and material transition risk required by Paragraphs 60 and 61 (b).
- 63. For the disclosure of potential financial effects from climate-related opportunities required by Paragraph 57 (c), the undertaking shall consider:
  - (a) its expected cost savings from climate change mitigation and adaptation actions; and
  - (b) the potential market size or potential realisable net revenue from low-carbon products and services or adaptation solutions, to which the undertaking has or may have access.

## **Appendix A: Defined terms**

This appendix is an integral part of the [draft] ESRS.

<b>Carbon credit</b>	A carbon credit is a convertible and transferable instrument representing GHG emissions that have been reduced, avoided or removed through projects that are verified according to recognised quality standards. Carbon credits can be issued from projects within (sometimes referred to as insets) or outside an undertaking's value chain (sometimes referred to as offsets).
<b>Carbon offset</b>	An emissions unit issued by a carbon crediting programme that represents an emission reduction or removal of a greenhouse gas emission. Carbon offsets are uniquely serialised, issued, tracked and cancelled by means of an electronic registry. (adapted from ISSB, "[Draft] IFRS S2 Climate-related Disclosures", 2022).
<b>Carbon dioxide (CO<sub>2</sub>) equivalent (eq)</b>	The amount of carbon dioxide (CO <sub>2</sub> ) emission that would cause the same integrated radiative forcing or temperature change, over a given time horizon, as an emitted amount of a greenhouse gas (GHG) or a mixture of GHGs. (IPCC, "Special Report: Global warming of 1.5 °C", Annex I: Glossary, 2018) CO <sub>2</sub> eq is the universal unit of measurement to indicate the global warming potential (GWP) of each greenhouse gas, expressed in terms of the GWP of one unit of carbon dioxide. It is used to evaluate releasing (or avoiding releasing) different greenhouse gases on a common basis. (GHG Protocol, "Corporate Value Chain (Scope 3) Standard", Glossary, 2011)
<b>Climate change adaptation</b>	Climate change adaptation means the process of adjustment to actual and expected climate change and its impacts. (based on the Regulation (EU) 2020/852)
<b>Climate change mitigation</b>	Climate change mitigation means the process of holding the increase in the global average temperature to well below 2 °C and pursuing efforts to limit it to 1,5 °C above pre-industrial levels, as laid down in the Paris Agreement. (based on the Regulation (EU) 2020/852)
<b>Climate-related opportunity</b>	Climate-related opportunities refer to the potential positive effects related to climate change on an undertaking. Efforts to mitigate and adapt to climate change can produce opportunities for undertakings, such as through resource efficiency and cost savings, the adoption and utilisation of low-emissions energy sources, the development of new products and services, and building resilience along the supply chain. Climate-related opportunities will vary depending on the region, market, and industry where an undertaking operates. (adapted from TCFD, "Guidance on Metrics, Targets and Transition Plans", 2021)
<b>Climate-related physical risk (Physical risk from climate change)</b>	Climate-related physical risks are risks that arise from the physical effects of climate change. They typically include acute physical risks, which arise from particular hazards, especially weather-related events such as storms, floods, fires or heatwaves, and chronic physical risks, which arise from longer-term changes in the climate, such as temperature changes, rising sea levels, reduced water availability, biodiversity loss and changes in land and soil productivity. (adapted from Commission Communication C(2019) 4490 final)
<b>Climate resilience</b>	The capacity of an entity to adjust to uncertainty related to climate change. This involves the capacity to manage climate-related risks

	and benefits from climate-related opportunities, including the ability to respond and adapt to transition risks and physical risks.
<b>Climate-related transition risk</b>	Climate-related transition risks are risks that arise from the transition to a low-carbon and climate-resilient economy. They typically include policy risks, legal risks, technology risks, market risks and reputational risks and can arise from related transition events. (adapted from Commission Communication C(2019) 4490 final).
<b>Decarbonisation levers</b>	Aggregated types of mitigation actions such as energy efficiency, electrification, fuel switching, use of renewable energy, products change, and supply-chain decarbonisation that fit with undertakings' specific action plans
<b>Direct GHG emissions (Scope 1)</b>	GHG emissions from sources owned or controlled by the undertaking. (from GHG Protocol Corporate Standard, 2004)
<b>Emission reduction</b>	<p>Emissions reduction: decrease in Scope 1, 2, 3 or total GHG emissions at the end of the reporting period, relative to baseline emissions;</p> <p>Emission reductions may result from, among others, energy efficiency, electrification, suppliers' decarbonisation, electricity mix decarbonisation, sustainable products development or changes in reporting boundaries or activities (e.g. outsourcing, reduced capacities.), provided they are achieved within the undertaking's own operation and value chain; removals and avoided emissions are not counted as emission reductions.</p>
<b>GHG removal and storage</b>	<p>(Anthropogenic) Removals refer to the withdrawal of GHGs from the atmosphere as a result of deliberate human activities. These include enhancing biological sinks of CO<sub>2</sub> and using chemical engineering to achieve long-term removal and storage. Carbon capture and storage (CCS) from industrial and energy-related sources, which alone does not remove CO<sub>2</sub> in the atmosphere, can reduce atmospheric CO<sub>2</sub> if it is combined with bioenergy production (BECCS). (IPCC, "Special Report: Global warming of 1.5 °C", Annex I: Glossary, 2018)</p> <p>Removals can be subject to reversals, which are any movement of stored GHG out of the intended storage that re-enters the surface and atmosphere. For example, if a forest that was grown to remove a specific amount of CO<sub>2</sub> is subject to a wildfire, the emissions captured in the trees are reversed.</p>
<b>Global warming potential (GWP)</b>	Global warming potential (GWP) is a factor describing the radiative forcing impact (degree of harm to the atmosphere) of one unit of a given GHG relative to one unit of CO <sub>2</sub> . (GHG Protocol, "Corporate Value Chain (Scope 3) Standard", Glossary, 2011)
<b>Greenhouse Gases (GHG)</b>	Greenhouse Gases (GHG) are those gaseous constituents of the atmosphere, both natural and anthropogenic, that absorb and emit radiation at specific wavelengths within the spectrum of terrestrial radiation emitted by the Earth's surface, the atmosphere itself and by clouds. This property causes the greenhouse effect. Water vapour (H <sub>2</sub> O), carbon dioxide (CO <sub>2</sub> ), nitrous oxide (N <sub>2</sub> O), methane (CH <sub>4</sub> ) and ozone (O <sub>3</sub> ) are the primary GHGs in the Earth's atmosphere. Moreover, there are a number of entirely human-made GHGs in the atmosphere, such as the halocarbons and other chlorine- and bromine-containing substances, dealt with under the Montreal Protocol. Besides CO <sub>2</sub> , N <sub>2</sub> O and CH <sub>4</sub> , the Kyoto Protocol deals with



	the GHGs sulphur hexafluoride (SF <sub>6</sub> ), hydrofluorocarbons (HFCs) and perfluorocarbons (PFCs). (IPCC, “Special Report: Global warming of 1.5 °C”, Annex I: Glossary, 2018)
<b>High climate impact sectors</b>	High climate impact sectors are those listed in NACE Sections A to H and Section L (as defined in the Regulation (EU) 2019/2088 and Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments)
<b>Indirect GHG emissions (Scope 2)</b>	Indirect GHG emissions are a consequence of the operations of the undertaking but occur at sources owned or controlled by another company. Scope 2 GHG emissions are indirect emissions from the generation of purchased or acquired electricity, steam, heat, or cooling consumed by the undertaking. (adapted from GHG Protocol, “Scope 2 Guidance”, Glossary, 2015)
<b>Indirect GHG emissions (Scope 3)</b>	Indirect GHG emissions are a consequence of the operations of the undertaking but occur at sources owned or controlled by another company. Scope 3 GHG emissions are all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions. (GHG Protocol, “A corporate accounting and reporting standard”, Glossary, 2004); Scope 3 GHG emissions are considered as estimated emissions in comparison with Scope 1 and 2 as their calculation is based on a combination of methods and primary and secondary data ranging from precise figures (supplier-specific or sites-specific methods) to extrapolated figures (average-data or spend-based methods).
<b>Internal carbon price</b>	Internal carbon price is a price used by entities to assess the financial implications of changes to investment, production, and consumption patterns, as well as potential technological progress and future emissions abatement costs. (adapted from ISSB, “[Draft] IFRS S2 Climate-related Disclosures”, 2022)
<b>Internal carbon pricing scheme</b>	An organizational arrangement that allows an undertaking to apply carbon prices in strategic and operational decision making. There are two types of internal carbon prices commonly used by entities. The first type is a shadow price, which is a theoretical cost or notional amount that the entity does not charge but that can be used in assessing the economic implications or trade-offs for such things as risk impacts, new investments, net present value of projects, and the cost—benefit of various initiatives. The second type is an internal tax or fee, which is a carbon price charged to a business activity, product line, or other business unit based on its GHG emissions (these internal taxes or fees are similar to intracompany transfer pricing) (adapted from ISSB, “[Draft] IFRS S2 Climate-related Disclosures”, 2022).
<b>Land use change uptakes and emissions</b>	Carbon uptakes and emissions (CO <sub>2</sub> , CO and CH <sub>4</sub> ) originate from carbon stock changes caused by land use change and land use. This sub-category includes biogenic carbon exchanges from deforestation, road construction or other soil activities (including soil carbon emissions). For native forests, all related CO <sub>2</sub> emissions are included and modelled under this sub-category (including connected soil emissions, and products derived from native forests and residues), while their CO <sub>2</sub> uptake is excluded.
<b>Locked-in GHG emissions</b>	Locked-in emissions are estimates of future GHG emissions that are likely to be caused by an undertaking’s key assets or products sold within their operating lifetime.

<b>Nature-based solutions</b>	Nature-based solutions are understood as actions to protect, conserve, restore, sustainably use and manage natural or modified terrestrial, freshwater, coastal and marine ecosystems which address social, economic and environmental challenges effectively and adaptively, while simultaneously providing human well-being, ecosystem services, resilience and biodiversity benefits (cf. United Nations Environment Assembly Resolution UNEP/EA.5/Res.5)
<b>Net-zero target</b>	Setting a net-zero target at the level of an undertaking aligned with meeting societal climate goals means (1) achieving a scale of value chain emissions reductions consistent with the depth of abatement at the point of reaching global net-zero in 1.5°C pathways, and (2) neutralizing the impact of any residual emissions (after approximately 90-95% of GHG emission reduction) by permanently removing an equivalent volume of CO <sub>2</sub> . (adapted from Science Based Target initiative, “SBTi Corporate Net-Zero Standard”, 2021)
<b>Non-renewable energy</b>	Non-renewable energy is energy which cannot be identified as being derived from renewable sources. (adapted from Annex 1 of the Delegated Regulation with regard to disclosure rules on sustainable investments pursuant to Art. 8(4), 9(6) and 11(5) of Regulation (EU) 2019/2088) Fossil fuels such as oil, natural gas, and coal are examples of non-renewable resources.
<b>Potential financial effects</b>	Potential financial effects are the effects on an undertaking’s future position, performance and cash flow arising from material sustainability matters whereby the reporting of such effects falls outside the scope of existing accounting requirements.
<b>Purchased or acquired energy</b>	When the undertaking has received its energy from a third party. The term “acquired” reflects circumstances where a company may not directly purchase electricity (e.g., a tenant in a building), but where the energy is brought into the undertaking’s facility for use. (based on GHG Protocol, “Scope 2 Guidance”, 2015)
<b>Recognised quality standards for carbon credits</b>	Recognised quality standards for carbon credits are those that are verifiable by independent third parties, make requirements and project reports publicly available and at a minimum ensure additionality, permanence, avoidance of double counting and provide rules for calculation, monitoring, and verification of the project’s GHG emissions.
<b>Renewable energy</b>	Renewable energy is energy taken from sources that are inexhaustible. As such, renewable energy covers wind, solar (solar thermal and solar photovoltaic) and geothermal energy, ambient energy, tide, wave and other ocean energy, hydropower, biomass, landfill gas, sewage treatment plant gas, and biogas. (Art. 2 (1) Directive (EU) 2018/2001)
<b>Scenario</b>	A plausible description of how the future may develop based on a coherent and internally consistent set of assumptions about key driving forces (e.g., rate of technological change, prices) and relationships. Note that scenarios are neither predictions nor forecasts but are used to provide a view of the implications of developments and actions. (IPCC, “Special Report: Global warming of 1.5 °C”, Annex I: Glossary, 2018)
<b>Scenario analysis</b>	Scenario analysis is a process for identifying and assessing a potential range of outcomes of future events under conditions of uncertainty. (TCFD, “Guidance on Metrics, Targets and Transition Plans”, 2021)

<p><b>Scope 3 category</b></p>	<p>Scope 3 category is one of the 15 types of Scope 3 emissions identified by the GHG Protocol Corporate Standard and detailed by the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (adapted from GHG Protocol, “A corporate accounting and reporting standard”, Glossary, 2011)</p> <p>For simplified presentation, the 15 categories may be grouped as: a) upstream purchasing, b) downstream sold products, c) goods transportation, d) travels and e) financial investments:</p> <p>Upstream purchasing includes the GHG protocol categories “purchased goods and services”, “capital goods”, “fuel- and energy-related activities (not included in scope 1 or scope 2)”, “upstream leased assets” and “waste generated in operations”;</p> <p>Downstream sold products comprise “processing of sold products”; “use of sold products”, “end-of-life treatment of sold products”, “Downstream leased assets”, “Franchises”;</p> <p>Goods transportation comprises “upstream transportation and distribution” and “downstream transportation and distribution”;</p> <p>Travels comprise business travels and employee commuting;</p> <p>Financial investments reflect the respective GHG Protocol category</p> <p>Significant indirect GHG emissions from cloud computing and data centre services may be presented separately under the category “upstream purchasing”.</p>
<p><b>Transition plan for climate change mitigation</b></p>	<p>An aspect of an entity’s overall strategy that lays out the entity’s targets and actions for its transition towards a lower-carbon economy, including actions such as reducing its GHG emissions and with the objective of limiting climate change to 1.5°C and climate neutrality.</p>

## **Appendix B: Application Requirements**

The application requirements in this appendix shall be applied in conjunction with the [draft] disclosure requirements defined in Paragraphs 1 to 63.

This appendix describes how to apply the disclosure requirements, has the same authority as the disclosure requirements and is an integral part of the proposed [draft] ESRS E1 *Climate change*.

### ***Section 1: General requirements, governance, strategy, and materiality assessment***

#### **Disclosure Requirement E1-1 – Transition plan for climate change mitigation**

AR 1. A transition plan relates to an undertaking's efforts in climate change mitigation. When disclosing its transition plan, the undertaking is expected to provide a high-level explanation of how it will adjust its strategy and business model to ensure compatibility with the transition to a sustainable economy and with the limiting of global warming to 1.5°C in line with the Paris Agreement (or an updated international agreement on climate change) and the objective of achieving climate neutrality by 2050 with no or limited overshoot as established in Regulation (EU) 2021/1119 (European Climate Law), and where applicable, its exposure to coal, and oil and gas-related activities.

AR 2. Sectoral pathways have not yet been defined by the public policies for all sectors. Hence, the disclosure under Paragraph 14 (a) on the compatibility of the transition plan with the objective of limiting global warming to 1.5°C should be understood as the disclosure of the undertaking's GHG emissions reduction target. The disclosure under Paragraph 14 (a) shall be benchmarked with a pathway to 1.5°C. This benchmark should be based on sectoral decarbonisation methodology if available for the undertaking's sector or on the absolute contraction methodology bearing in mind its limitations (i.e., it is a simple translation of emission reduction objectives from the State to Corporate level).

AR 3. When disclosing the information required under Paragraph 14 (d), the undertaking may consider:

- (a) the cumulative locked-in GHG emissions associated with key assets from the reporting year until 2030 and 2050 in tCO<sub>2</sub>eq. This will be assessed as the sum of estimated Scopes 1 and 2 GHG emissions over the operating lifetime of the active and firmly planned key assets. Key assets are those owned or controlled by the undertaking, and they consist of existing or planned assets (such as stationary or mobile installations, facilities, and equipment) that are either significant direct or energy-indirect GHG emission sources. Firmly planned key assets are those that the undertaking will most likely deploy within the next five years.
- (b) the cumulative locked-in GHG emissions associated with the direct use-phase GHG emissions of sold products in tCO<sub>2</sub>eq, assessed as the sales volume of products in the reporting year multiplied by the sum of estimated direct use-phase GHG emissions over their expected lifetime. This requirement only applies if the undertaking has identified the Scope 3 category "use of sold products" as significant (Disclosure Requirement E1-6 Paragraphs 45 and AR 40);
- (c) an explanation of the plans to manage, i.e., to transform, decommission or phase out its GHG- and energy-intensive assets and products.

AR 4. When disclosing the information required under Paragraph 14 (e), the undertaking shall make a reference to the information disclosed with regards to Art. 8 of the Taxonomy Regulation (in particular CapEx and CapEx plan) by explaining how the alignment of its economic activities with the provisions of the Delegated Act (EU) 2021/2139 (evolution of green revenue) supports its transition to a sustainable economy.

#### **Climate-related specific application guidance on ESRS 2 Disclosure Requirement SBM 1 on the resilience of the strategy and business model**

- AR 5. When disclosing the information required under Paragraph 16 (a) on the scope of the resilience analysis, the undertaking shall explain which part of its own operations and value chain as well as which material physical and transition risks may have been excluded from the analysis.
- AR 6. When disclosing the information required under Paragraph 16 (b) on how the resilience analysis has been conducted, the undertaking shall explain
- (a) the critical assumptions about how the transition to a lower-carbon and resilient economy will affect its surrounding macroeconomic trends, energy consumption and mix, and technology deployment assumptions,
  - (b) the time horizons applied and their alignment with the climate and business scenarios considered for determining material physical and transition risks (Paragraphs AR 12 and 13) and setting GHG emissions reduction targets (reported under Disclosure Requirement E1-3); and
  - (c) how the estimated potential financial effects from material physical and transition risks (as required by Disclosure Requirement E1-9) as well as the mitigation actions and resources (disclosed under Disclosure Requirement E1-4) were considered.
- AR 7. When disclosing the information required under Paragraph 16 (c) on the results of the resilience analysis, the undertaking shall explain
- (a) to what extent the assets and business activities at risk are considered within the definition of the undertaking's strategy, investment decisions, and current and planned mitigation actions;
  - (b) the ability of the undertaking to adapt its business model in the future, for example, in securing ongoing access to finance at an affordable cost of capital, in the redeployment or decommissioning of existing assets, shifting its products and services portfolio, and reskilling its workforce.

***Climate-related specific application guidance on Disclosure Requirement ESRS 2-GOV 3 On integration of sustainability strategies and performance in incentive schemes***

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- AR 8. The undertaking shall disclose whether the performance of members of the administrative, management and supervisory bodies and senior executive management has been assessed against the GHG emission reduction targets reported under Disclosure Requirement E1-3.

***Climate-related specific application guidance on ESRS 2 Disclosure Requirements IRO 1 on management of impacts, risks and opportunities***

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- AR 9. When disclosing the information required under Paragraph 17 (a), the undertaking shall explain how it has:
- (a) screened its activities and plans in order to identify actual and potential future GHG emission sources and, if applicable, drivers for other climate-related impacts (e.g., emissions of black carbon or tropospheric ozone or land use changes) in own operations and along the value chain; and
  - (b) assessed the current and potential impacts on climate change (i.e. its total GHG emissions) as material in line with the CSRD and SFDR requirements.

Note: The undertaking may introduce a link to the information provided under Disclosure Requirement E1-1 (transition plan, in particular, locked-in GHG emissions), Disclosure Requirement E1-3 (climate-related targets) and Disclosure Requirement E1-6 (Scope 1, 2 and 3 GHG emissions).

AR 10. When disclosing the information required under Paragraph 17 (b) on physical risks, the undertaking shall explain whether and how:

- (a) it has identified climate-related hazards (see table below) over the short-, medium- and long-term and screened whether its assets and business activities may be exposed to these hazards;
- (b) it has defined short-, medium- and long-term time horizons and how these definitions are linked to the expected lifetime of its assets, strategic planning horizons and capital allocation plans;
- (c) it has assessed the extent to which its assets and business activities may be exposed to the identified climate-related hazards, taking into consideration the likelihood, magnitude and duration of the hazards as well as the geospatial coordinates (such as NUTS for the EU territory) specific to the undertaking's locations and supply chains; and
- (d) the identification of climate-related hazards and assessment of exposure are informed by high emissions climate scenarios, for example, based on IPCC SSP5-8.5 or relevant regional scenarios. For general requirements regarding climate-related scenario analysis see Paragraphs 18, AG12 and 13.

<b>Classification of climate-related hazards</b> (Source: Commission delegated regulation (EU) 2021/2139)				
	<b>Temperature-related</b>	<b>Wind-related</b>	<b>Water-related</b>	<b>Solid mass-related</b>
<b>Chronic</b>	Changing temperature (air, freshwater, marine water)	Changing wind patterns	Changing precipitation patterns and types (rain, hail, snow/ice)	Coastal erosion
	Heat stress		Precipitation or hydrological variability	Soil degradation
	Temperature variability		Ocean acidification	Soil erosion
	Permafrost thawing		Saline intrusion	Solifluction
			Sea level rise	
			Water stress	
<b>Acute</b>	Heat wave	Cyclones, hurricanes, typhoons	Drought	Avalanche
	Cold wave/frost	Storms (including blizzards, dust, and sandstorms)	Heavy precipitation (rain, hail, snow/ice)	Landslide
	Wildfire	Tornado	Flood (coastal, fluvial, pluvial, ground water)	Subsidence
			Glacial lake outburst	

AR 11. When disclosing the information required under Paragraph 17 (c) on transition risks and opportunities, the undertaking shall explain whether and how it has:

- (a) identified transition events (see the table with examples below) over the short-, medium- and long-term and screened whether its assets and business activities may be exposed to them; in the case of transition risks and opportunities, long-term may cover more than 10 years;
- (b) assessed the extent to which its assets and business activities may be exposed to the identified transition events, taking into consideration the likelihood, magnitude and duration of the transition events;

- (c) informed the identification of transition events and assessment of exposure by climate-related scenario analysis consistent with the Paris Agreement and limiting climate change to 1.5°C, for example, based on scenarios of the International Energy Agency (Net zero Emissions by 2050, Sustainable Development Scenario, etc). For general requirements regarding climate-related scenario analysis see Paragraphs AR 12 to 13; and
- (d) identified assets and business activities that are incompatible with or need significant efforts to be compatible with a transition to a climate-neutral economy (for example, due to significant locked-in GHG emissions or incompatibility with the requirements for Taxonomy-alignment under Commission Delegated Regulation (EU) 2021/2139).

Examples of climate-related transition events (examples based on TCFD classification)			
Policy and legal	Technology	Market	Reputation
Increased pricing of GHG emissions	Substitution of existing products and services with lower emissions options	Changing customer behaviour	Shifts in consumer preferences
Enhanced emissions-reporting obligations	Unsuccessful investment in new technologies	Uncertainty in market signals	Stigmatization of sector
Mandates on and regulation of existing products and services	Costs of transition to lower emissions technology	Increased cost of raw materials	Increased stakeholder concern
Mandates on and regulation of existing production processes			Negative stakeholder feedback
Exposure to litigation			

*Climate-related scenario analysis*

AR 12. When disclosing the information required under Paragraphs 17, 18, AR 10 and AG11, the undertaking shall explain how it has used climate-related scenario analysis to inform the identification and assessment of physical and transition risks and opportunities over the short-, medium- and long-term, including:

- (a) which scenarios were used, their sources and their alignment with state-of-the-art science;
- (b) narrative, time horizons used, and endpoints used with a discussion of why it believes the range of scenarios used covers its plausible risks and uncertainties;
- (c) the key forces and drivers taken into consideration in each scenario and why they are relevant to the undertaking, such as policy assumptions, macroeconomic trends, energy usage and mix, and technology assumptions; and
- (d) key inputs and constraints of the scenarios, including their level of detail (e.g., whether the analysis of physical climate-related risks is based on geospatial coordinates specific to the undertaking’s locations or national- or regional-level broad data).

Note: The undertaking may consider the TCFD Technical Supplement on “The Use of Scenario Analysis in Disclosure of Climate-Related Risks and Opportunities” (2017), TCFD “Guidance on Scenario Analysis for Non-Financial Companies” (2020), ISO 14091:2021, other recognised industry standards or EU, national, regional and local regulations.

AR 13. The undertaking shall briefly explain how the climate scenarios used are compatible with critical climate-related assumptions made in the financial statements.

## **Section 2: Implementation- Policies, targets, action plans and resources**

### **Disclosure Requirement E1-2 – Policies related to climate change mitigation and adaptation**

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AR 14. Policies related to climate change mitigation and adaptation may be disclosed separately as their objectives, people involved, actions and resources needed to implement them are different.

AR 15. Policies related to climate change mitigation address the management of the undertaking's GHG emissions, GHG removals and transition risks over different time horizons, in its own operations and/or in the value chain. The requirement under Paragraph 16 may relate to stand-alone climate change mitigation policies as well as relevant policies on other matters that indirectly support climate change mitigation, such as training policies, procurement or supply chain policies, investment policies or product development policies, among others.

AR 16. Policies related to climate change adaptation address the management of the undertaking's physical climate risks and climate change adaptation-related transition risks. The requirement under Paragraph 19 may relate to stand-alone climate change adaptation policies as well as relevant policies on other matters that indirectly support climate change adaptation, such as training policies, and emergency or health and safety policies, among others.

### **Disclosure Requirement E1-3 – Measurable targets for climate change mitigation and adaptation**

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AR 17. When disclosing the information required under Paragraph 27 (b), the undertaking shall specify which share of the target relates to each respective GHG emission scope (1, 2 or 3). The undertaking shall state whether the Scope 2 GHG emissions included in the target are calculated on the location-based or market-based method. If the boundary of the GHG emission reduction target diverges from that of the GHG emissions reported under Disclosure Requirements E1-6, the undertaking shall disclose the percentage of the GHG emissions by Scope (1, 2, 3 and total) covered by the target. In the case of GHG emission reduction targets of subsidiaries, the undertaking shall apply these requirements analogously at the level of the subsidiary.

AR 18. When disclosing the information required under Disclosure Requirement E1-3 Paragraph 27 (c) on base year and baseline value:

- (a) the undertaking shall briefly explain how it has ensured that the baseline value against which the progress towards the target is measured is representative of the activities covered and the influences from external factors (e.g., temperature anomalies in a certain year influencing the amount of energy consumption and related GHG emissions). This can, for example, be done by normalisation, i.e., a baseline value that is derived from a three-year average if this increases the representativeness and allows a more faithful representation of the baseline.
- (b) the baseline value and base year shall not be changed unless significant changes in the target or reporting boundary occur. In such a case, the undertaking shall explain how the new baseline value affects the target, its achievement and presentation of progress over time. To foster comparability, when setting new targets, the undertaking shall select a recent base year that precedes the first reporting year of the new target period by a maximum of 3 years. For example, for 2030 as the target year and a target period between 2025 and 2030, the base year shall be selected from the period between 2022 and 2025;



- (c) the undertaking shall update its base year from 2030 onwards after every five-year period thereafter. This means that before 2030, the base years chosen by undertakings' may be either the currently applied base year for existing targets or the first year of application of the CSRD (2024, 2025 or 2026) and, after 2030, every five years (2030, 2035, etc); and
- (d) when presenting climate-related targets, the undertaking may disclose progress made in the past before its current base year. In doing so, the undertaking shall, to the greatest extent possible, ensure that the information on past progress is consistent with the requirements of this [draft] Standard. In case of methodological differences, for example, regarding target boundaries, the undertaking shall provide a brief explanation for these differences.

AR 19. When disclosing the information required under Disclosure Requirement E1-3 Paragraphs 27 (d) and (e), the undertaking shall present the information over the target period with reference to a sector-specific (Sectoral Decarbonisation Approach), if available, or a cross-sector (Absolute Contraction Approach) emission pathway in line with limiting global warming to 1.5°C from the OECM model. For this purpose, the undertaking shall calculate a 1.5°C aligned reference target value for Scopes 1 and 2 (and, if applicable, a separate one for Scope 3) against which its own target or interim target can be compared.

AR 20. The reference target value may be calculated by multiplying the GHG emissions in the base year with a cross-sector or sector-specific reduction factor as provided in the following table. This table should be complemented and updated when more sectoral science-based targets become publicly available.

	2030	2050
Cross-sector	-42%	-90%
Cement	...	...
Iron and Steel	...	...
Power	...	...

Source: Pathways to Net-zero – based on SBTi Technical Summary (Version 1.0, October 2021)

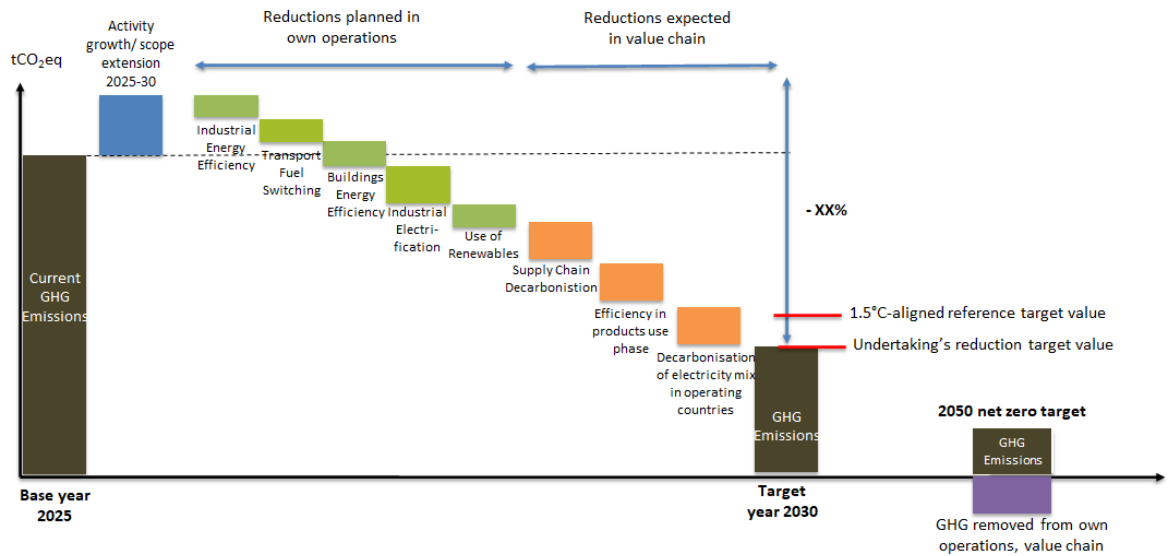
AR 21. The reference target value is dependent on the base year and baseline emissions of the undertaking's GHG emission reduction target. As a result, the reference target value for undertakings with a recent base year or higher baseline emissions may be less stringent than for undertakings that already have taken ambitious action to reduce GHG emissions in the past. Therefore, undertakings that have in the past achieved GHG emissions reductions in line with either a 1.5°C-aligned cross-sector or sector-specific pathway, may adjust their baseline emissions accordingly to determine the reference target value. The past GHG emission reductions considered shall not precede the year 2020. The undertaking shall provide appropriate evidence of its past achieved GHG emission reduction.

AR 22. When disclosing the information required under Disclosure Requirement E1-3 Paragraph 27 (f), the undertaking shall explain:

- (a) by reference to its climate change mitigation action plan, the decarbonisation levers and their estimated quantitative contributions to the achievement of its GHG emission reduction targets broken down by Scope (1, 2 and 3);
- (b) whether it plans to adopt new technologies and the role of these to achieve its GHG emission reduction targets; and
- (c) whether and how it has considered a diverse range of climate scenarios, at least including a climate scenario in line with limiting global warming to 1.5°C, to detect

relevant environmental-, societal-, technology-, market- and policy-related developments and determine its decarbonisation levers.

AR 23. The undertaking may present its GHG emission reduction targets together with its climate change mitigation action plans (Paragraph AR 24) as a table or graphical pathway showing developments over time. The following figure and table provide examples combining targets and decarbonisation levers:



	Base year (e.g., 2025)	2030 target	2035 target	...	Up to 2050 target
GHG emissions (tCO <sub>2</sub> eq)	100	60	40		
Energy efficiency and consumption reduction	-	-10	-4		
Material efficiency and consumption reduction	-	-5	-		
Fuel switching	-	-2	-		
Electrification	-	-	-10		
Use of renewable energy	-	-10	-3		
Phase out or substitution of product change	-	-8	-		
Phase out or substitution of process change	-	-5	-3		
Other	-	-			

**Disclosure Requirements E1-4 – Action plans and resources in relation to climate change mitigation and adaptation policies and targets**

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AR 24. When disclosing the information required under Paragraphs 31 a) and b) on action plans, the undertaking may:

- (a) disclose its key actions taken and/or plans to implement climate change mitigation and adaptation policies in its single or separate action plan(s);
- (b) aggregate types of mitigation actions (decarbonisation levers) such as energy efficiency, electrification, fuel switching, use of renewable energy, products change, and supply-chain decarbonisation that fit the undertakings' specific action plans;
- (c) present the list of key mitigation actions alongside the measurable targets (required by Disclosure Requirement E1-3) with disaggregation by decarbonisation levers; and
- (d) present the climate change adaptation actions by type of adaptation solution such as nature-based adaptation solutions, engineering or technological solutions.

AR 25. When disclosing the information required under Paragraph 31 c) on resources, the undertaking shall only disclose the significant OpEx and CapEx amounts required for the implementation of the action plan as the purpose of this information is to demonstrate the credibility of its action plan rather than to reconcile the disclosed amounts to the financial statements. The disclosed CapEx and OpEx amounts shall be the additions made to both tangible and intangible assets during the current financial year as well as the planned additions for future periods of implementing the action plan. The disclosed amounts shall only be the incremental financial investments directly contributing to the achievement of the undertaking's targets.

AR 26. In line with the requirements of ESRS 2 Disclosure Principle 1-3, the undertaking shall explain if and to what extent its ability to implement the action plan depends on the availability and allocation of resources. Ongoing access to finance and an affordable cost of capital can be critical for the implementation of the undertaking's action plans, which include its adjustments to supply/demand changes or its related acquisitions and significant R&D investments.

AR 27. The amounts of OpEx and CapEx disclosed shall be consistent with the key performance indicators (proportion of CapEx and OpEx) and the CapEx plan required by Commission delegated regulation (EU) 2021/2178 under Commission delegated regulation (EU) 2021/2139. Potential differences between significant OpEx and CapEx disclosed under this [draft] Standard and under Regulation (EU) 2020/852 due for instance to non-eligible economic activities shall be explained. The undertaking may structure its action plan by economic activity to accommodate the OpEx and CapEx plan for taxonomy alignment.

### Section 3: Metrics

#### **Disclosure Requirement E1-5 – Energy consumption and mix**

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##### Calculation guidance

AR 28. When compiling the information required under Paragraph 32, the undertaking shall:

- (a) only report energy consumed from processes owned or controlled by the undertaking applying the same perimeter applied for reporting GHG Scopes 1 and 2 emissions;
- (b) exclude feedstocks and fuels that are not combusted for energy purposes. The undertaking that consumes fuel as feedstocks can disclose information on this consumption separately from the required disclosures;
- (c) ensure all quantitative energy-related information is reported in either Mega-Watt-hours (MWh) in Lower Heating Value or net calorific value. If raw data of energy-related information is only available in
  - (i) energy units other than MWh, such as Giga-Joules (GJ) or British Thermal Units (Btu);
  - (ii) volume units, such as cubic feet or gallons; or
  - (iii) mass units, such as kilograms (kg) or pounds (lb),

it shall be converted to MWh using suitable conversion factors (see for example the Annex II of the Fifth Assessment IPCC report). Conversion factors for fuels shall be made transparent and applied in a consistent manner;

- (d) ensure all quantitative energy-related information is reported as final energy consumption, referring to the amount of energy the undertaking actually consumes using for example the table in Annex IV of the EU Directive 2012/27 on energy efficiency;
- (e) avoid double counting fuel consumption when disclosing self-generated energy consumption. If the undertaking generates electricity from either a non-renewable or renewable fuel source and then consumes the generated electricity, the energy consumption shall be counted only once under fuel consumption;
- (f) not offset energy consumption even if onsite generated energy is sold to and used by a third party;
- (g) not count energy that is sourced from within the organisational boundary under “purchased or acquired” energy;
- (h) account for steam, heat or cooling received as “waste energy” from a third party’s industrial processes under “purchased or acquired” energy;
- (i) account for renewable hydrogen as a renewable fuel. Hydrogen that is not completely derived from renewable sources shall be included under “fuel consumption from other non-renewable sources”; and
- (j) adopt a conservative approach when splitting the electricity, steam, heat or cooling between renewable and non-renewable sources based on the approach applied to calculate market-based Scope 2 GHG emissions. The undertaking shall only consider these energy consumptions as deriving from renewable sources if the origin of the purchased energy is clearly defined in the contractual arrangements with its suppliers (renewable power purchasing agreement, standardised green electricity tariff, market instruments like Guarantee of Origin from renewable sources in Europe or similar instruments like Renewable Energy Certificates in the US and Canada, etc.).

AR 29. The information required under Paragraph 34 a) shall be disaggregated by source only for high climate impact sectors.

AR 30. The information on Energy consumption and mix may be presented using the following tabular format

Energy consumption and mix	Comparative	Year N
(1) Fuel consumption from coal and coal products (MWh)		
(2) Fuel consumption from crude oil and petroleum products (MWh)		
(3) Fuel consumption from natural gas (MWh)		
(4) Fuel consumption from other non-renewable sources (MWh)		
(5) Consumption from nuclear products (MWh)		
(6) Consumption of purchased or acquired electricity, heat, steam, and cooling from non-renewable sources (MWh)		
<b>(7) Total non-renewable energy consumption (MWh) (calculated as the sum of lines 1 to 6)</b>		
<b>Share of non-renewable sources in total energy consumption (%)</b>		
(8) Fuel consumption for renewable sources (including biomass, biogas, non-fossil fuel waste, renewable hydrogen, etc.) (MWh)		
(9) Consumption of purchased or acquired electricity, heat, steam, and cooling from renewable sources (MWh)		
(10) The consumption of self-generated non-fuel renewable energy (MWh)		
<b>(11) Total renewable energy consumption (MWh) (calculated as the sum of lines 8 to 10)</b>		
<b>Share of renewable sources in total energy consumption (%)</b>		
<b>Total energy consumption (MWh) (calculated as the sum of lines 7 and 11)</b>		

AR 31. The total energy consumption with a distinction between renewable and non-renewable energy consumption may be graphically presented in the sustainability statement showing developments over time (e.g., in a pie or bar chart).

*Energy intensity based on net revenue*

**Calculation guidance**

AR 32. When compiling the information required under Paragraph 36, the undertaking shall:

- (a) calculate the energy intensity ratio using the following formula:

$$\frac{\text{Total energy consumption from activities in high climate impact sectors (MWh)}}{\text{Net revenue from activities in high climate impact sectors (Monetary unit)}}$$

- (b) express the total energy consumption in MWh and the net revenue in monetary units (e.g., Euros);
- (c) the numerator and denominator shall only consist of the proportion of the total final energy consumption (in the numerator) and net revenue (in the denominator) that is attributable to activities in high climate impact sectors. In effect, there should be consistency in the scope of both the numerator and denominator;
- (d) calculate the total energy consumption in line with Disclosure Requirement E1-5;
- (e) calculate the net revenue in line with the accounting standards requirements applicable for the financial statements.

AR 33. The quantitative information may be presented in the following table.

Energy intensity per net revenue	Comparative	N	% N / N-1
Total energy consumption from activities in high climate impact sectors per net revenue from activities in high climate impact sectors (MWh/Monetary unit)			

**Connectivity of energy intensity based on net revenue with financial reporting information**

AR 34. The reconciliation of net revenue from activities in high climate impact sectors to the relevant financial statements line item or disclosure (as required by Disclosure Requirement E1- 5 Paragraph 36) may be presented either:

- (a) by a cross-reference to the related line item or disclosure in the financial statements; or
- (b) If the net revenue cannot be directly cross-referenced to a line item or disclosure in the financial statements, by a quantitative reconciliation using the below tabular format.

Net revenue from activities in high climate impact sectors used to calculate energy intensity	
Net revenue (other)	
Total net revenue (Financial statements)	

**Disclosure Requirements E1-6– GHG emissions**

**Calculation guidance**

AR 35. When compiling the information for reporting GHG emissions according to Disclosure Requirement E1-6, the undertaking shall:

- (a) consider the principles, requirements and guidance provided by the GHG Protocol Corporate Standard (version 2004 or the latest one) or ISO 14064-1 or GRI 305 (version 2016); it may consider the organisational environmental footprint method for compiling its GHG emissions (Commission Recommendation (EU) 2021/2279);
- (b) consistently apply the reporting boundaries as defined in ESRS 1 and disclose and explain any exclusions. In case of significant boundary changes, the undertaking shall disclose these changes and explain their effect on comparability;
- (c) include emissions of CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCs, PFCs, SF<sub>6</sub>, and NF<sub>3</sub>. Additional GHG may be considered when significant;
- (d) use the most recent Global Warming Potential (GWP) values published by the IPCC based on a 100-year time horizon to calculate CO<sub>2</sub> equivalent emissions of non-CO<sub>2</sub> gases; and
- (e) disclose the methodologies and emissions factors used to calculate or measure GHG emissions, and provide a reference or link to any calculation tools used.

AR 36. The undertaking may disaggregate its Scope 1, 2 and 3 GHG emissions by country, operating segments, economic activity, subsidiary, GHG (CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCs, PFCs, SF<sub>6</sub>, NF<sub>3</sub>, and other GHG considered by the undertaking) or source type (stationary combustion, mobile combustion, process emissions and fugitive emissions) as appropriate.

AR 37. When compiling the information required under Disclosure Requirement E1-6 Paragraph 42 (a) for gross Scope 1 GHG emissions, the undertaking shall:

- (a) calculate or measure GHG emissions from stationary combustion, mobile combustion, process emissions and fugitive emissions; and use suitable activity data that include the non-renewable fuel consumption;
- (b) use suitable and consistent emission factors;
- (c) disclose biogenic emissions of carbon from the combustion or biodegradation of biomass separately from the Scope 1 GHG emissions, but include emissions of other types of GHG (in particular N<sub>2</sub>O); and
- (d) exclude any purchased, sold or transferred carbon credits or GHG allowances;
- (e) for activities reporting under the EU ETS, report on Scope 1 emissions following the EU ETS methodology. The EU ETS methodology may also be applied to activities in geographies and sectors that are not covered by the EU ETS;
- (f) disclose carbon uptakes and emissions (CO<sub>2</sub>, CO, CH<sub>4</sub>) from direct land use and land use change separately from the Scope 1 GHG emissions, but include emissions of other types of GHG when applicable.

AR 38. When compiling the information required under Paragraph 42 (b) for the percentage of Scope 1 GHG emissions from regulated emission trading schemes, the undertaking shall:

- (a) consider GHG emissions from the installations it operates that are subject to regulated Emission Trading Schemes (ETS), including the EU-ETS, national ETS and non-EU ETS, if applicable;
- (b) only include emissions of CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCs, PFCs, SF<sub>6</sub>, and NF<sub>3</sub>;
- (c) ensure the same accounting period for gross Scope 1 GHG emissions and GHG emissions regulated under the ETS; and

- (d) calculate the share by using the following formula:

$$\frac{\text{GHG emissions in (t CO}_2\text{eq) from EU ETS installations + national ETS installations + nonEU ETS installations}}{\text{Scope 1 GHG emissions (t CO}_2\text{eq)}}$$

AR 39. When compiling the information required under Paragraph 43 for gross Scope 2 GHG emissions, the undertaking shall:

- (a) consider the principles and requirements of the GHG Protocol Scope 2 Guidance (version 2015 or the latest one);
- (b) include purchased or acquired electricity, steam, heat, and cooling consumed by the undertaking;
- (c) avoid double counting of GHG emissions reported under Scope 1 or 3;
- (d) apply the location-based and market-based methods to calculate Scope 2 GHG emissions;

Note: Location-based method quantifies Scope 2 GHG emissions based on average energy generation emission factors for defined locations, including local, subnational, or national boundaries (GHG Protocol, "Scope 2 Guidance", Glossary, 2015);

Note: Market-based method quantifies Scope 2 GHG emissions based on GHG emissions emitted by the generators from which the reporter contractually purchases electricity bundled with instruments, or unbundled instruments on their own (GHG Protocol, "Scope 2 Guidance", Glossary, 2015); in this case, the undertaking may disclose the share of market-based scope 2 GHG emissions linked to purchased electricity bundled with instruments such as Guarantee of Origins or Renewable Energy Certificates.

- (e) disclose biogenic emissions of carbon from the combustion or biodegradation of biomass separately from the Scope 2 GHG emissions but include emissions of other types of GHG (in particular N<sub>2</sub>O). In case the emission factors applied do not separate the percentage of biomass or biogenic CO<sub>2</sub>, the undertaking shall disclose this. In case GHG emissions other than CO<sub>2</sub> (particularly N<sub>2</sub>O) are not available for, or excluded from, location-based grid average emissions factors or with the market-based method information, the undertaking shall disclose this;
- (f) exclude any purchased, sold or transferred carbon credits or GHG allowances from the calculation of Scope 2 GHG emissions;
- (g) adhere to the rules as set out in chapter 7.1 of the GHG Protocol Scope 2 Guidance (version 2015 or the latest one) and disclose the required information accordingly;
- (h) disclose carbon uptakes and emissions (CO<sub>2</sub>, CO, CH<sub>4</sub>) from indirect land use and land use change separately from the Scope 2 GHG emissions, but include emissions of other types of GHG when applicable.

AR 40. When compiling the information required under Paragraph 45 for gross Scope 3 GHG emissions, the undertaking shall:

- (a) consider the principles and provisions of the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (Version 2011 or latest one);
- (b) if it is a financial institution, consider the GHG Accounting and Reporting Standard for the Financial Industry from the Partnership for Carbon Accounting Financial (PCAF);
- (c) screen its total Scope 3 GHG emissions based on the 15 Scope 3 categories identified by the GHG Protocol Corporate Standard and Scope 3 Standard using appropriate estimates;



- (d) identify its significant Scope 3 categories based on the magnitude of their estimated GHG emissions and other criteria provided by GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (Version 2011, p. 63 and 65-68) or ISO 14064-1:2018 Annex H.3.2, such as financial spend, influence, related transition risks and opportunities or stakeholder views;
- (e) calculate or estimate GHG emissions in significant Scope 3 categories using emissions factors recommended by the GHG protocol such as IPCC, ASHRAE Standard 34 / World Resources Institute and The Climate Registry, "2015 Climate Registry Default Emission Factors" [https://ghgprotocol.org/calculation-tools#country\\_specific\\_tools\\_id](https://ghgprotocol.org/calculation-tools#country_specific_tools_id);
- (f) at least update the Scope 3 inventory every three years and in case of major changes (Explanatory note: Scope 3 GHG emissions need to be disclosed every year, but a full update of the underlying inventory is only expected every three years unless major changes occur);
- (g) disclose the percentage of emissions calculated using primary data obtained from suppliers or other value chain partners;
- (h) disclose for each significant Scope 3 GHG emissions category, the boundaries considered, the calculation methods for estimating the GHG emissions as well as if and which calculation tools were applied. Further guidance will be developed in sectoral standards on Scope 3 boundaries.
- (i) disclose a list of Scope 3 GHG emissions categories included in and excluded from the inventory with a justification for excluded Scope 3 categories;
- (j) disclose biogenic emissions of carbon from the combustion or biodegradation of biomass that occur in its value chain separately from the gross Scope 3 GHG emissions, and include emissions of other types of GHG (such as N<sub>2</sub>O), and emissions of CO<sub>2</sub> that occur in the life cycle of biomass other than from combustion or biodegradation (such as GHG emissions from processing or transporting biomass) in the calculation of Scope 3 GHG emissions;
- (k) exclude any purchased, sold or transferred carbon credits or GHG allowances from the calculation of Scope 3 GHG emissions;
- (l) disclose carbon uptakes and emissions (CO<sub>2</sub>, CO, CH<sub>4</sub>) from land use and land use change in its value chain separately from the Scope 3 GHG emissions, but include emissions of other types of GHG when applicable.

AR 41. When compiling the information required under Paragraph 46 for the total GHG emissions, the undertaking shall:

- (a) apply the following formulas to calculate the total GHG emissions:

$$\begin{aligned} \text{Total GHG emissions}_{\text{location-based}} \text{ (t CO}_2\text{eq)} &= \text{Gross Scope 1} + \text{Gross Scope 2}_{\text{location-based}} + \text{Gross Scope 3} \\ \text{Total GHG emissions}_{\text{market-based}} \text{ (t CO}_2\text{eq)} &= \text{Gross Scope 1} + \text{Gross Scope 2}_{\text{market-based}} + \text{Gross Scope 3} \end{aligned}$$

- (b) disclose total GHG emissions with a distinction between emissions derived from the location-based and market-based methods applied while measuring the underlying Scope 2 GHG emissions.

AR 42. The quantitative information shall be presented according to the table below.

	Retrospective				Milestones and target years			
	Base year	Compa-rative	N	% N / N-1	2025	2030	(2050)	Annual % target / Base year
<b>Scope 1 GHG emissions</b>								
Gross Scope 1 GHG emissions (tCO <sub>2</sub> eq)								
Percentage of Scope 1 GHG emissions from regulated emission trading schemes (%)								
<b>Scope 2 GHG emissions</b>								
Gross location-based Scope 2 GHG emissions (tCO <sub>2</sub> eq)								
Gross market-based Scope 2 GHG emissions (tCO <sub>2</sub> eq)								
<b>Scope 3 GHG emissions</b>								
Total Gross indirect (Scope 3) GHG emissions (tCO <sub>2</sub> eq)								
Purchased goods and services								
Capital goods]								
Fuel and energy-related activities								
Upstream leased assets								
Waste generated in operations								
Processing of sold products								
Use of sold products								
End-of-life treatment of sold products								
Downstream leased assets								
Franchises								
Upstream transportation and distribution								
Downstream transportation and distribution								
Business travels								
Employee commuting								
Financial investments								
[Optional sub-category: Cloud computing and data centre services								
<b>Total GHG emissions</b>								
Total GHG emissions (location-based) (tCO <sub>2</sub> eq)								
Total GHG emissions (market-based) (tCO <sub>2</sub> eq)								

AR 43. The Scope 3 GHG emissions may be presented by significant overarching Scope 3 categories (i) upstream purchasing, (ii) downstream sold products, (iii) goods transportation,

(iv) travel and (v) financial investments) as defined in Appendix A to highlight the major sources of emissions in the value chain. If it is material for the undertaking's Scope 3 emissions, the undertaking shall disclose the GHG emissions from purchased cloud computing and data centre services as a subset of the overarching Scope 3 category "upstream purchasing".

AR 44. The undertaking shall consider disclosing its total GHG emissions disaggregated by major countries (to highlight potential transition risks). Scope 3 GHG emissions may be excluded from the breakdown by country if the related data is not readily available.

AR 45. The total GHG emissions shall be disclosed and disaggregated by operating segments (applying the same segments as required by the accounting standards such as IFRS 8 for the financial statements). Scope 3 GHG emissions may be excluded from the breakdown by operating segment if the related data is not readily available.

AR 46. The total GHG emissions disaggregated by Scopes 1, 2 and 3 GHG emissions may be graphically presented in the sustainability statement (e.g., as a bar or pie chart) showing the split of GHG emissions across the value chain (Upstream, Own operations, Transport, Downstream).

### GHG intensity based on net revenue

#### Calculation guidance

AR 47. When disclosing the information required under Paragraph 47, the undertaking shall:

- (a) calculate the GHG intensity ratio by the following formula:

$$\frac{\text{Total GHG emissions (t CO}_2\text{eq)}}{\text{Net revenue (Monetary unit)'}}$$

- (b) express the total GHG emissions in metric tonnes of CO<sub>2</sub>eq and the net revenue in monetary units (e.g., Euros) and present the results for the market-based and location-based method;
- (c) include the total GHG emissions in the numerator and overall net revenue in the denominator;
- (d) calculate the total GHG emissions as per Disclosure Requirement E1-6; and
- (e) calculate the net revenue in line with the accounting requirements applied for financial statements.

AR 48. The quantitative information may be presented in the following tabular format.

GHG intensity per net revenue	Comparative	N	% N / N-1
Total GHG emissions (location-based) per net revenue (tCO <sub>2</sub> eq/Monetary unit)			
Total GHG emissions (market-based) per net revenue (tCO <sub>2</sub> eq/Monetary unit)			

#### Connectivity of GHG intensity based on revenue with financial reporting information

AR 49. The reconciliation of the net revenue used to calculate GHG intensity to the relevant line item or notes in the financial statements (as required by Disclosure Requirement E1-6 Paragraph 47) may be done by either:

- (a) a cross-reference to the related line item or disclosure in the financial statements; or

- (b) if the net revenue cannot be directly cross-referenced to a line item or disclosure in the financial statement, by a quantitative reconciliation using the below tabular format.

Net revenue used to calculate GHG intensity	
Net revenue (other)	
Total net revenue (in financial statements)	

***Disclosure Requirement E1-7 – GHG removals and GHG mitigation projects financed through carbon credits***

*GHG removals and storage in own operations and the value chain*

AR 50. In addition to their GHG emission inventories, undertakings shall provide transparency on how and to what extent they either enhance natural sinks or apply technical solutions to remove GHGs from the atmosphere in their own operations and value chain. While there are no generally accepted concepts and methodologies for accounting for GHG removals, this Standard aims to increase transparency on an undertaking’s efforts to remove GHGs from the atmosphere. The GHG removals outside the value chain that the undertaking supports through the purchase of carbon credits are to be disclosed separately as required by Disclosure Requirement E1-7.

AR 51. When disclosing the information required under Paragraphs 50-a and 52 on GHG removals, for each removal and storage activity, the undertaking shall consider describing:

- (a) the GHGs concerned;
- (b) whether removal and storage are biogenic or from land use change (e.g., afforestation, reforestation, forest restoration, urban tree planting, agroforestry, building soil carbon, etc.), technological (e.g., direct air capture), or hybrid (e.g., bioenergy with CO<sub>2</sub> capture and storage) and technological details;
- (c) if applicable, a brief explanation of whether the activity qualifies as a nature-based solution; and
- (d) how the risk of non-permanence is managed, including determining and monitoring leakage and reversal events, as appropriate.

*Calculation guidance*

AR 52. When compiling the information required under Paragraphs 50-a and 52, the undertaking shall:

- (a) consider, as far as applicable, the GHG Protocol Corporate Standard (version 2004), Product Standard (version 2011), Agriculture Guidance (version 2014), Land use, land use change, and forestry Guidance for GHG project accounting (version 2006);
- (b) apply consensus methods on accounting for GHG removals as soon as they are available, notably the EU regulatory framework for the certification of CO<sub>2</sub> removals;
- (c) if applicable, explain the role of removals for its climate change mitigation policy;
- (d) include removals from operations that it owns or controls;
- (e) account for the GHG emissions associated with a removal activity under Disclosure Requirements E1-6 (Scope 1, Scope 2 or Scope 3). To increase transparency on the efficiency of a removal activity, the undertaking may disclose the GHG emissions

associated with this activity (e.g., GHG emissions from electricity consumption of direct air capture technologies) alongside, but separately from, the amount of removed GHG emissions;

- (f) in case of a reversal, account for the respective GHG emissions as an offset for the removals in the reporting period;
- (g) use the most recent GWP values published by the IPCC based on a 100-year time horizon to calculate CO<sub>2</sub> equivalent emissions of non-CO<sub>2</sub> gases and describe the assumptions made, methodologies and frameworks applied for calculation of the amount of GHG removals; and
- (h) consider nature-based solutions.

AR 53. The undertaking shall disaggregate and separately disclose GHG removals that occur in its own operations and those in its value chain. GHG removal activities in the value chain shall include those that the undertaking is actively supporting, for example, through a cooperation project with a supplier. The undertaking is not expected to include any GHG removals that may occur in its value chain that it is not aware of.

AR 54. The quantitative information on GHG removals may be presented by using the following tabular format.

Removals	Comparative	N	% N / N-1
<i>GHG removal activity 1 (e.g., forest restoration)</i>	-		
<i>GHG removal activity 2 (e.g., direct air capture)</i>	-		
...	-		
<b>Total GHG removals from own operations (tCO<sub>2</sub>eq)</b>			
<i>GHG removal activity 1 (e.g., forest restoration)</i>	-		
<i>GHG removal activity 2 (e.g., direct air capture)</i>	-		
...	-		
<b>Total GHG removals in the value chain (tCO<sub>2</sub>eq)</b>			
<b>Reversals (tCO<sub>2</sub>eq)</b>			

*GHG mitigation projects financed through carbon credits*

AR 55. Financing GHG emission reduction projects outside the undertaking's value chain through purchasing carbon credits that fulfil high-quality standards can be a useful contribution towards mitigating climate change. This [draft] Standard requires the undertaking to disclose whether it uses carbon credits separately from the GHG emissions (Disclosure Requirement E1-7) and GHG emission reduction targets (Disclosure Requirement E1-3). It

also requires the undertaking to show the extent and which quality criteria it uses those carbon credits.

AR 56. When disclosing the information required under Paragraphs 50b and 53 on carbon credits, the undertaking shall consider disclosing the carbon credits broken down by:

- (a) the share (percentage of volume) of reduction projects and removal projects;
- (b) the share (percentage of volume) for each recognised quality standard;
- (c) the share (percentage of volume) issued from projects in the EU; and
- (d) if applicable, the share (percentage of volume) that qualifies as corresponding adjustments under Art. 6 of the Paris Agreement.

### Calculation guidance

AR 57. When compiling the information required under Disclosure Requirement E1-7 Paragraphs 50b and 53, the undertaking shall:

- (a) Consider recognized quality standards as those that are managed by a recognised GHG programme, are verifiable by independent third parties, make requirements and project reports publicly available and at a minimum ensure additionality, permanence, avoidance of double counting and provide rules for calculation, monitoring, and verification of the project's GHG emissions.
- (b) if applicable, explain the role of carbon credits in its climate change mitigation policy;
- (c) not include carbon credits issued from GHG emission reduction projects within its value chain; the respective GHG emission reductions shall be disclosed under Disclosure Requirement E1-6 ( Scope 2 or Scope 3) at the time they occur;
- (d) not include carbon credits from GHG removal projects within its value chain; the respective GHG removals may be accounted for under Disclosure Requirement E1-7 at the time they occur;
- (e) not disclose carbon credits as an offset for its GHG emissions under Disclosure Requirements E1-6;
- (f) not disclose carbon credits as a means to reach GHG emission reduction targets under Disclosure Requirement E1-3; and
- (g) calculate the amount of carbon credits to be cancelled in the future, as the sum of carbon credits in metric tonnes of CO<sub>2</sub>eq over the duration of existing contractual agreements.

AR 58. The information on carbon credits cancelled in the reporting year and planned to be cancelled in the future may be presented using the following tabular formats.

Carbon credits cancelled in the reporting year	Comparative	N
Total (tCO <sub>2</sub> eq)		
Share from removal projects (%)		
Share from reduction projects (%)		

Recognised quality standard 1 (%)		
Recognised quality standard 2 (%)		
Recognised quality standard 3 (%)		
...		
Share from projects within the EU (%)		
Share of carbon credits that qualify as corresponding adjustments (%)		

Carbon credits planned to be cancelled in the future	Amount until [period]
<b>Total (tCO<sub>2</sub>eq)</b>	

**Disclosure Requirement E1-8 – Internal carbon prices**

AR 59. When disclosing the information required under Paragraph 56, if applicable, the undertaking shall briefly explain whether and how the carbon prices used in internal carbon pricing schemes are consistent with those used in financial statements. This shall be done in respect of the internal carbon prices used for,

- (a) the assessment of the useful life and residual value of its assets (intangibles, property, plant and equipment);
- (b) the impairment of assets; and
- (c) the fair value measurement of acquired assets during business acquisitions.

AR 60. The information may be presented by using the following table:

Types of internal carbon prices	Volume at stake (tCO <sub>2</sub> eq)	Prices applied (€/tCO <sub>2</sub> eq)	Perimeter description
CapEx shadow price			
Research and Development (R&D) investment shadow price			
Internal carbon fee or fund			
Carbon prices for impairment testing			
Etc.			

***Disclosure Requirement E1-9 – Potential financial effects from material physical risks, material transition risks and climate-related opportunities***

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*Potential financial effects from material physical and transition risks*

AR 61. Material climate-related physical and transition risks may affect the undertaking's financial position (e.g., owned assets and liabilities) and performance (e.g., potential future increase/decrease in net revenue and costs due to business interruptions, increased supply prices resulting in potential margin erosions). The low probability, high severity and long-term time horizons of some climate-related physical risk exposures and the uncertainty arising from the transition to a sustainable economy means that there will be associated material potential financial effects that are outside the scope of the requirements of existing accounting standards.

AR 62. Currently, there is no commonly accepted methodology to assess or measure how material physical and transition risks may affect the undertaking's future financial position and performance. Therefore, the disclosure of these effects (as required by Disclosure Requirement E1-9 Paragraphs 57, 59 and 60) will depend on the undertaking's internal methodology and the exercise of significant judgement in determining the inputs, and assumptions needed to quantify their potential financial effects.

*Calculation guidance- Potential financial effects from material physical risk*

AR 63. When disclosing the information required under Paragraphs 57(a) and 59, the undertaking shall explain whether and how:

- (a) it assessed the potential financial effects for assets and business activities at material physical risk, including the scope of application, time horizon, calculation methodology, critical assumptions and parameters and limitations of the assessment; and
- (b) the assessment relies on or is part of the process to determine material physical risk as described under Paragraphs AR10, AR12 and AR13 on climate scenarios. In particular, it shall explain how it has defined medium- and long-term time horizons and how these definitions are linked to the expected lifetime of the undertaking's assets, strategic planning horizons and capital allocation plans.

AR 64. When preparing the information required under Paragraph 59 (a), the undertaking shall:

- (a) calculate the monetary amount and the percentage of the total carrying value of the assets at material physical risk as of the reporting date (i.e., as stated in the statement of financial position or balance sheet). This information can be presented as a single amount or range. All types of assets including finance-lease / right-of-use assets shall be considered when determining the assets at material physical risk. To contextualise this information, an undertaking may disclose the location of its significant assets at material physical risk;
- (b) calculate the share of assets at material physical risk resulting from above AR 63(a) that is addressed by the climate change adaptation action plan(s) based on the information disclosed under Disclosure Requirement E1-4. This aims at approximating net risks.

AR 65. When compiling the information required under Paragraph 59 (b), the undertaking may assess the share of net revenue from its business activities that are at physical risk. as a list of business activities, with their percentage of total net revenue, the risk factors (hazards and exposure) and, if possible, the magnitude of the potential financial effects in terms of margin erosion over the short-, medium- and long-term. The nature of business activities may be disaggregated by operating segments if the undertaking has disclosed the contribution of margins by operational segments in its segment reporting in the financial statements.



AR 66. In this context, the undertaking shall disclose an estimation of the potential financial effects of its material transition risks in relation to the potential future financial position in terms of its total assets. For users to gain a comprehensive picture, the undertaking may also disclose the effects of material transition risks on future potential liabilities and, in terms of the potential future financial performance, the effects on net revenue and costs. The undertaking shall in any case explain the methodologies applied and critical assumptions made.

*Calculation guidance- Potential financial effects from transition risk*

AR 67. When disclosing the information required under Paragraphs 57 (b) and 60, the undertaking shall explain whether and how:

- (a) it has assessed the potential effects on future financial performance and position for assets and business activities at material transition risk, including the scope of application, calculation methodology, critical assumptions and parameters, and limitations of the assessment; and
- (b) the assessment relies on or is part of the process to determine material transition risks, described under Paragraph AR 11. In particular, it shall explain how it has defined medium- and long-term time horizons and how these definitions are linked to the expected lifetime of the undertaking's assets, strategic planning horizons and capital allocation plans.

AR 68. When disclosing the information required under Paragraph 60 (a) concerning the potential future effects on assets:

- (a) the undertaking shall at least include an estimation of the amount of potentially stranded assets (in monetary amounts and as a proportion/percentage) from the reporting year until 2030 and 2050. Stranded assets are understood as the active or firmly planned key assets of the undertaking with significant locked-in GHG emissions over their operating lifetime. Firmly planned key assets are those that the undertaking will most likely deploy within the next five years. The amount may be expressed as a range of asset value based on different climate and policy scenarios, including a scenario aligned with limiting climate change to 1.5°C.
- (b) the undertaking shall calculate the proportion (percentage) of total assets (including finance lease/right-of-use assets) at material transition risk addressed by the climate change mitigation action plan(s) based on the information disclosed under Disclosure Requirement E1-4. The total assets amount is the carrying amount on the balance sheet as of the reporting date

AR 69. When disclosing the information required under Paragraph 60 (b) related to the potential future effects on liabilities:

- (a) undertakings that operate installations regulated under an emission trading scheme may include a range of potential future liabilities originating from these schemes;
- (b) undertakings subject to the EU ETS, may disclose the potential future liabilities that relate to their allocation plans for the period before and until 2030. The potential liability may be estimated on the basis of:
  - (i) the number of allowances held by the undertaking at the beginning of the reporting period,
  - (ii) the number of allowances to be purchased in the market yearly, i.e., before and until 2030
  - (iii) the gap between estimated future emissions under various transition scenarios and free allocations of allowances that are known for the period until 2030, and

- (iv) the estimated yearly cost per ton to be purchased;
- (c) In assessing its potential future liabilities, the undertaking may consider and disclose the number of Scope 1 GHG emission allowances within regulated emission trading schemes and the cumulative number of emission allowances stored (from previous allowances) at the beginning of the reporting period;
- (d) undertakings disclosing volumes of carbon credits planned to be cancelled in the near future (Disclosure Requirement E1-7) may disclose the potential future liabilities associated with those based on existing contractual agreements;
- (e) the undertaking may also include its monetised gross Scope 1, 2 and total GHG emissions (in monetary units) calculated as follows:
- i. monetised Scope 1 and 2 GHG emissions in the reporting year by the following formula:

$$\begin{aligned} & (\text{gross Scope 1 GHG emissions (t CO}_2\text{eq)} + \text{gross Scope 2 GHG emission (t CO}_2\text{eq)}) \\ & \times \text{GHG emission cost rate } \left( \frac{\text{€}}{\text{t CO}_2\text{eq}} \right) \end{aligned}$$

- ii. monetised total GHG emissions in the reporting year by the following formula:

$$\text{Total GHG emissions (t CO}_2\text{eq)} \times \text{GHG emission cost rate } \left( \frac{\text{€}}{\text{t CO}_2\text{eq}} \right)$$

- iii. by use of a lower, middle and upper cost rate for GHG emissions (e.g., market carbon price and different estimates for the societal costs of carbon) and reasons for selecting them.

Note: The cost rate is the factor used to convert non-monetary impacts like tonnes, hectares, m<sup>3</sup> etc. into monetary units. Cost rates should be based on monetary valuation studies, need to be science-based and the methods used to obtain them transparent. Guidance on these methods can be obtained, e.g., from the EU-LIFE project, TRANSPARENT (see recital (38) of the draft CSRD).

AR 70. Other approaches and methodologies may be applied to assess how transition risks may affect the future financial position of the undertaking. In any case, the disclosure of financial effects shall include a description of the methodologies and definitions used by the undertaking.

AR 71. When compiling the information required under Paragraph 60 (c), the undertaking may assess the share of net revenue from business activities at transition risks as a list of business activities with their percentage of current net revenue, the risk factors (events and exposure) and, when possible, the magnitude of the potential financial effects in terms of margin erosion over the short-, medium- and long-term. The nature of business activities may be disaggregated by operating segments if the undertaking has disclosed the contribution of margins by operational segments in its segment reporting in the financial statements

AR 72. When providing the information required under Paragraph 60 (c) related to the exposure to coal, oil and gas-related activities, the undertaking shall disclose its net revenue with clients operating in these sectors. These sectors are those listed in NACE Sections B5, B6, B9, C19 and D35.

*Connectivity with financial reporting information*

AR 73. The reconciliation of the significant amount of assets, liabilities, and net revenue (vulnerable to either material physical or transition risks) to the relevant line item or disclosure (e.g., in segment reporting) in the financial statements (as required by Disclosure Requirement E1-9 Paragraph 61) may be presented by the undertaking as follows:

- (a) as a cross-reference to the related line item or disclosure in the financial statements if these amounts are identifiable in the financial statements; or
- (b) If these cannot be directly cross-referenced, as a quantitative reconciliation of each to the relevant line item or disclosure in the financial statement using the below tabular format:

Carrying amount of assets or liabilities or net revenue vulnerable to either material physical or transition risks	
Adjusting items	
Assets or liabilities or net revenue in the financial statements	

AR 74. The undertaking shall ensure the consistency of data and assumptions made in sustainability reporting to assess the financial effects from material physical and transition risks with the corresponding data and assumptions used for the financial statements (e.g., carbon prices used for assessing impairment of assets, the useful life of assets, estimates and provisions). The undertaking shall explain the reasons for any inconsistencies (e.g., if the full financial implications of climate-related risks are still under assessment or are not deemed material in the financial statements).

AR 75. For potential future effects on liabilities (Paragraph 60 (b)), if applicable, the undertaking shall cross-reference the description of the emission trading schemes in the financial statements.

*Climate-related opportunities*

AR 76. When disclosing the information under Paragraph 63 (a), the undertaking shall explain the nature of the cost savings (e.g., from reduced energy consumption), the time horizon and the methodology used, including the scope of the assessment, critical assumptions and limitations, and whether and how scenario analysis was applied.

AR 77. When disclosing the information required under Paragraph 63 (b), the undertaking shall explain how it has assessed the market size or potential realisable net revenue from low-carbon products and services or adaptation solutions including the scope of the assessment, the time horizon, critical assumptions and limitations and to what extent this market is accessible to the undertaking. The information on the market size may be put in perspective to the current taxonomy-aligned revenue disclosed under the provisions of the Regulation (EU) 2020/852. The entity may also explain how it will pursue its climate-related opportunities and, where possible, this should be linked to the disclosures on policies, targets and action plans under Disclosure Requirement E1-4.

## **Appendix C: Mandatory items as a result of EU Regulation requirements**

This appendix is an integral part of the [draft] ESRS E1 Climate change and supports the information needs of financial market participants subject to Regulation (EU) 2019/2088.

#	ESRS reference	Requirement	Reference
1	ESRS E1 DR E1-1 Paragraphs 12 and AR 1  Disclosure related to ESRS 2 IRO 1 Paragraph 17c	The undertaking shall disclose its plans to ensure that its business model and strategy are compatible with... with no or limited overshoot as established in Regulation (EU) 2021/1119	EU Climate Law
2	ESRS 2 Paragraph 37  No explicit mention in E1	The undertaking shall disclose whether it is excluded from the EU Paris-aligned benchmarks	Articles 12.1 and 12.2 of the Climate Benchmark Standards Regulation
3	ESRS E1 DR E1-3, Paragraph 27	For the disclosure of GHG emission reduction targets the following requirements shall apply (...)	SFDR Indicator 4 of Table 2
4	ESRS E1 DR E1-5, par. 34 (a)	The disclosure required by Paragraph 32 shall include the total energy consumption in MWh as follows: (a) total energy consumption from non-renewable sources disaggregated for high climate impact sectors by (...)	SFDR Indicator 5 of Table 1 and Table 2

5	ESRS E1 DR E1-5 Paragraph 36	The undertaking shall provide information on the energy intensity (total energy consumption per net revenue) associated with activities in high climate impact sectors.	SFDR Indicators 3 & 6 of Table 1
6	ESRS E1 DR E1-6, Paragraph 40	The undertaking shall disclose its: (a) gross Scope 1 GHG emissions in metric tons of CO2 equivalent. (b) gross indirect energy Scope 2 GHG emissions in metric tons of CO2 equivalent. (c) gross indirect Scope 3 GHG emissions in metric tons of CO2 equivalent. (d) total GHG emissions in metric tons of CO2 equivalent.	SFDR Indicators 1 & 2 of Table 1
7	DR E1-6, Paragraph 47	The undertaking shall disclose its GHG emissions intensity (total GHG emissions per net revenue).	SFDR Indicators 3 & 6 of Table 1

#	Related ESRS Requirement	EBA request on ESRS requirements	EBA Pillar 3 requirements
1	<p>ESRS 2 Paragraph 37</p> <p>SRB needs to decide whether this also needs to be included in ESRS E1 (i.e., disclosure if an undertaking is excluded from Paris-aligned Benchmarks)</p>	<p>Corporates should disclose if they are excluded from EU Paris-aligned Benchmarks in accordance with points (d) to (g) of Article 12.1 and in accordance with Article 12.2 of the Climate Benchmark Standards Regulation. <i>(in the sector agnostic standards they should only indicate yes (if they are excluded) or no (if they are not excluded). This information can be retrieved from the turnover composition requirement (agreed to be included at the EFRAG Board level). Additional information to support this statement, that is, if the corporate is or is not in this situation, should be part of sector-specific standards.</i></p>	<p>The Pillar 3 ITS requires banks to disclose information on exposures towards companies excluded from EU Paris-aligned Benchmarks in accordance with points (d) to (g) of Article 12.1 and in accordance with Article 12.2 of Climate Benchmark Standards Regulation. They will have to start disclosing this information from 31 December 2022 first reference date.</p>
2	<p>DR E1-6 Paragraph 40 requires GHG emissions disclosure. Paragraph AR 33 also states the undertaking may disaggregate its Scope 1, 2 and 3 GHG emissions by operating segments, economic activity</p> <p>SRB needs to decide whether the more granular EBA request should be included after taking into account the cost-benefit analysis and the expressed objective of reducing the overall number of data points.</p>	<p>Corporates should disclose information on absolute GHG emissions, including scope 1, 2 and 3 emissions, with a breakdown of the volume of scope 3 emissions. Corporates shall also indicate their main sectors of activity (at least NACE 2 level digit) and if they are a holding, a breakdown of the main sectors of activity of the corporates under the holding based on the turnover of each subsidiary (also at least NACE 2 level digit).</p>	<p>Pillar 3 ITS requires banks to disclose information on financed GHG emissions (Scope 1 and 2, and scope 3 emissions separately), with a break down for those sectors (NACE 2 digits level) that highly contribute to climate change (e.g., manufacturing, construction, etc.).</p>
3	<p>DR E1-9 requires the undertaking to disclose its assets at material physical risks.</p> <p>Paragraph AR 61-a states that “to contextualise this information, an</p>	<p>Corporates shall disclose information on those investments/exposures sensitive to physical risk with a sufficient geographical breakdown based on NUTS codes (European statistics standard). In addition, corporates may voluntarily choose to disclose the</p>	<p>Pillar 3 ITS requires banks to disclose information on their exposures towards assets and investments subject to physical risk with a breakdown: (1) by geography (based on the location of the investment) and (2) between acute and chronic physical risk.</p>

	<p>undertaking may disclose the location of its significant assets at material physical risk.”</p> <p>After taking into account the cost-benefit analysis and the expressed objective of reducing the overall number of datapoints, SRB should discuss and decide whether to fully accommodate the more granular request by EBA or whether AR 61-a is sufficient.</p>	<p>location of their significant assets vulnerable to physical risk.</p> <p>When disclosing the information above, corporates shall provide a breakdown between acute and chronic physical risk.</p>	
4	<p>DR E1-6 Paragraph 46 requires disclosure of GHG emissions per net revenue. Emissions intensity based on units of production will be addressed in sector-specific standards.</p> <p>SRB needs to decide whether emissions intensity in terms of units of production should be mandatory in ESRS E1 as requested by the EBA after considering this metric will be included in sector-specific standards and the expressed objective of reducing the overall number of datapoints.</p>	<p>Recommendation that corporates should disclose emissions intensity metrics in terms of net revenue and per unit of production.</p>	<p>Pillar 3 requirement for banks to disclose information on alignment metrics</p>
5	<p>Not currently addressed under ESRS E1 with the view that corporates in some jurisdictions will not have EPC data</p> <p>SRB needs to decide on the suitability and practicality of this request for all corporates after taking into account the cost-benefit analysis and the expressed objective of reducing the overall number of datapoints.</p>	<p>Recommendation that corporates should disclose aggregate information on the distribution of the value of their real estate assets by ranges of energy efficiency or EPC label class.</p>	<p>Pillar 3 requirement for banks to disclose information on their loans’ real estate portfolio by the energy efficiency of the collateral (based on EPC label and/or energy intensity)</p>



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