

# [Draft] ESRS 2 General disclosures

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## **DRAFT AS OF 15 NOVEMBER 2022 PREPARED SOLELY FOR APPROVAL BY THE EFRAG SRB AND STILL SUBJECT TO EDITORIAL REVIEW BEFORE IT IS FINALLY ISSUED**

### **DISCLAIMER**

[Draft] ESRS 2 General disclosures is set out in paragraphs 1–79 and the following Appendices that have the same authority as the main body of the [draft] standard:

- Appendix A: Defined terms
- Appendix B: Application Requirements.
- Appendix D: List of data points in cross-cutting and [draft] topical standards that are required by EU law.

Each Disclosure Requirement in the main body of the [draft] standard is stated in a bold paragraph and has a paragraph that illustrates the objective to be followed in the preparation of the respective disclosures.

[Draft] ESRS 2 is accompanied by the following illustrative appendices, that are non-authoritative:

- Appendix C: Disclosure/Application Requirements in [draft] topical ESRS that are applicable to [draft] ESRS 2 General Disclosures
- Appendix E: Disclosure of ESRS datapoints in accordance with EU laws and ESRS 1 chapter 3

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. This [draft] ESRS sets out the disclosure requirements that apply to all undertakings regardless of their sector of activity (i. e. sector agnostic) and apply across sustainability topics (i.e. cross-cutting). The [draft] ESRS covers the reporting areas defined in [draft] ESRS 1 chapter 1.2 Cross-Cutting ESRS and reporting areas.
2. In the preparation of disclosures under this [draft] ESRS, the undertaking shall apply the topical disclosure requirements or datapoints within the disclosure requirements, as well as Application Requirements, in [draft] topical ESRS listed in Appendix C of this [draft] ESRS. The undertaking shall apply these requirements:
  - (a) In all instances for:
    - i. those in ESRS E1 Climate change; and
    - ii. those in other topical standards, when they are linked to Disclosure Requirement 2 IRO--1 Description of the processes to identify and assess material sustainability impacts, risks and opportunities.
  - (b) if, based on the undertaking's materiality assessment (see [draft] ESRS 1 chapter 3 Double materiality as the basis for sustainability disclosure) for the sustainability topic concerned is material.

## 1. Basis for preparation

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### ***Disclosure Requirement BP-1 – General basis for preparation of the sustainability statements***

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3. **The undertaking shall disclose the general basis for preparation of its sustainability statements.**
4. The objective of this Disclosure Requirement is to provide an understanding on how the undertaking prepares its sustainability statements, including the scope of consolidation, the value chain information and the disclosure exemption per CSRD, where relevant.
5. The disclosure shall include the following information:
  - (a) whether the sustainability statements have been prepared on a consolidated or individual basis and, for consolidated sustainability statements, a confirmation that the scope of consolidation is the same as for the financial statements;
  - (b) to what extent the disclosure covers the undertaking's upstream and downstream value chain (see [draft] ESRS 1 chapter 5.1 Reporting undertaking and value chain);
  - (c) whether it has used the option to omit a specific piece of information corresponding to intellectual property, know-how or the results of innovation (see [draft] ESRS1 chapter 7.7 Information on intellectual property, know-how or results of innovation); and
  - (d) for undertakings based in an EU member state that allows for the exemption from disclosure of impending developments or matters in course of negotiation, as provided for in articles 19a (3) and 29a (3) of the CSRD, a statement on its use of the option.

## ***Disclosure Requirement BP-2 – Disclosures in relation to specific circumstances***

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6. **The undertaking shall provide disclosures in relation to specific circumstances.**
7. The objective of this Disclosure requirement is to provide an understanding of the effect of these specified circumstances on the preparation of the sustainability statements.
8. The undertaking may report this information alongside the disclosures to which they refer.

### *Time horizon*

9. When it has deviated from the medium- or long-term time horizon defined by [draft] ESRS 1 chapter 6.4 Definition of short-, medium-, and long term for reporting purposes, the undertaking shall describe:
  - (a) its definitions of medium- or long-term; and
  - (b) the reasons for applying those definitions.

### *Value chain estimation*

10. When metrics include value chain data estimated using indirect sources, such as sector-average data or other proxies, the undertaking shall:
  - (a) identify the metrics; and
  - (b) describe the basis for preparation, the resulting level of accuracy and, where applicable, the planned actions to improve the accuracy in the future (see [draft] ESRS 1 chapter 5 Value chain).

### *Sources of estimation and outcome uncertainty*

11. When significant estimation uncertainty or significant outcome uncertainty exists (see [draft] ESRS 1 chapter 7.2 Sources of estimation and outcome uncertainty), the undertaking shall:
  - (a) identify metrics it has disclosed that have significant estimation uncertainty, disclosing the sources and nature of the estimation uncertainties and the factors affecting the uncertainties; and
  - (b) disclose information about the assumptions it makes about the future, and other sources of significant uncertainty, related to the information it discloses about the possible effects of impacts, risks or opportunities, when there is significant outcome uncertainty.

### *Changes in preparation or presentation of sustainability information*

12. When changes in the preparation and presentation of sustainability information occur compared to the previous reporting period, such as the redefinition or replacement of a metric or target (see [draft] ESRS 1 chapter 7.4 Changes in preparation or presentation in sustainability information), the undertaking shall:
  - (a) explain the changes;
  - (b) explain the reasons for those changes, including why the replaced metric provides more useful information; and

- (c) provide restated comparative figures, unless it is impracticable to do so. When it is impracticable to adjust comparative information for one or more prior periods, an undertaking shall disclose that fact.

#### *Reporting errors in prior periods*

13. When material prior period errors exist (see [draft] ESRS 1 chapter 7.5 Reporting errors in prior periods), the undertaking shall disclose:
  - (a) the nature of the prior period material error;
  - (b) the correction, to the extent practicable, for each prior period disclosed; and
  - (c) if correction of the error is not practicable, the circumstances that led to the existence of that condition and a description of how and when the error has been corrected.

#### *Disclosures stemming from local legislation or generally accepted sustainability reporting pronouncements*

14. When the undertaking includes in its sustainability statements information based on other reporting pronouncements (see [draft] ESRS 1 chapter 8.2 Content and structure of the sustainability statements), in addition to the information prescribed by [draft] ESRS, it shall disclose this fact. In case of partial application of other reporting pronouncements, the undertaking shall provide a precise reference to the paragraph of the standard applied.

#### *Incorporation by reference*

15. When the undertaking incorporates information by reference (see [draft] ESRS 1 chapter 9.1 Incorporation by reference), it shall disclose a list of the disclosure requirements of [draft] ESRS (or the specific datapoints mandated by a Disclosure Requirement) that have been incorporated by reference.

## **2. Governance**

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### ***2. Disclosing material information on the undertaking's governance of sustainability matters***

16. The objective of this chapter is to provide an understanding of the governance processes, controls and procedures put in place to monitor and manage sustainability matters.

### ***Disclosure Requirement GOV-1 – The role of the administrative, management and supervisory bodies***

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17. **The undertaking shall disclose the composition of the administrative, management and supervisory bodies, their roles and responsibilities and access to expertise and skills with regard to sustainability matters.**
18. The objective of this Disclosure Requirement is to provide an understanding of:
  - (a) the composition and diversity of the administrative, management and supervisory bodies;
  - (b) the roles and responsibilities of the administrative, management and supervisory bodies in exercising oversight of material impacts, risks and opportunities, including management's role in governance processes; and

- (c) the expertise of its administrative, management and supervisory bodies on sustainability matters or access to such expertise and skills.
19. The disclosure about the composition and diversity of the members of the undertaking's administrative, management and supervisory bodies shall include the following:
- (a) classification of members between executive and non-executive;
  - (b) representation of employees and other workers;
  - (c) experience relevant to the sector, products and geographic locations of the undertaking;
  - (d) percentage by gender and other aspects of diversity that the undertaking considers. The board's gender diversity<sup>1</sup> shall be calculated as an average ratio of female to male board members; and
  - (e) the percentage of board members who are independent.
20. The disclosure on the roles and responsibilities of the administrative, management and supervisory bodies shall include the following:
- (a) the identity of the administrative, management and supervisory bodies (such as a board committee or similar) or individual within a body responsible for oversight of sustainability-related impacts, risks and opportunities;
  - (b) how the body's responsibilities for impacts, risks and opportunities are reflected in the undertaking's terms of reference, board mandates and other related policies;
  - (c) a description of management's role in assessing and managing impacts, risks and opportunities, including whether that role is delegated to a specific management-level position or committee and how oversight is exercised over that position or committee. The description shall include information about the reporting lines to the administrative, management and supervisory bodies, whether dedicated controls and procedures are applied to management of impacts, risks and opportunities and, if so, how they are integrated with other internal functions; and
  - (d) how the administrative, management and supervisory bodies and senior executive management oversee the setting of targets related to material impacts, risks and opportunities, and monitor progress towards them.
21. The disclosure shall include a description of how the administrative, management and supervisory bodies ensure the availability of the appropriate skills and expertise to oversee sustainability matters, including:
- (a) the sustainability-related expertise that the bodies as a whole either directly possess or can leverage, for example through access to experts or training; and
  - (b) how it relates to the undertaking's material sustainability-related impacts, risks and opportunities.

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<sup>1</sup> This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting an additional principal adverse impact set out by indicator #13 in Table 1 of Annex 1 of the related Delegated Regulation with regard to disclosures rules on sustainable investments.

***Disclosure Requirement GOV-2 – Information provided to and sustainability matters addressed by the undertaking’s administrative, management and supervisory bodies***

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22. The undertaking shall disclose how the administrative, management and supervisory bodies are informed about sustainability matters and how these matters were addressed during the reporting period.
23. The objective of this Disclosure Requirement is to provide an understanding of how administrative, management and supervisory bodies are informed about sustainability-related matters as well as what information and matters they addressed. This in turn allows an understanding of whether the members were adequately informed and whether they were able to fulfil their roles.
24. The disclosure shall include the following information:
- (a) whether, by whom and how frequently the administrative, management and supervisory bodies, including their relevant committees are informed about material impacts, risks and opportunities (see Disclosure Requirement IRO-1 - Description of the processes to identify and assess material sustainability impacts, risks and opportunities), the implementation of sustainability due diligence and the results and effectiveness of policies, actions and targets adopted to address them, as well as any other sustainability-related concern that may arise and would require their attention;
  - (b) how the administrative, management and supervisory bodies consider sustainability-related impacts, risks and opportunities when overseeing the undertaking’s strategy, its decisions on major transactions, and its risk management policies, including any assessment of trade-offs and analysis of sensitivity to uncertainty that may be required; and
  - (c) a list of the material sustainability-related impacts, risks and opportunities addressed by the administrative, management and supervisory bodies, or their relevant committees during the reporting period.

***Disclosure Requirement GOV-3 - Integration of sustainability-related performance in incentive schemes***

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25. The undertaking shall disclose information about the integration of its sustainability-related performance in incentive schemes.
26. The objective of this Disclosure Requirement is to provide an understanding of whether incentive schemes are offered to members of the administrative, management and supervisory bodies that are linked to sustainability matters.
27. The disclosure about incentive schemes for members of the undertaking's administrative, management and supervisory bodies, where they exist, shall include the following information:
- (a) whether performance is being assessed against specific sustainability-related targets and/or impacts - and which ones - and whether and how sustainability-related performance metrics are being considered as performance benchmarks or included in remuneration policies;
  - (b) a description of the key characteristics of the incentive schemes including the proportion of variable compensation dependent on such metrics; and
  - (c) the responsibility level in the undertaking that approves and updates the terms of incentive schemes.



#### ***Disclosure Requirement GOV-4 - Statement on sustainability due diligence***

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28. **The undertaking shall disclose an overview of the location of the information provided in its sustainability statements about the sustainability due diligence process(es).**
29. The objective of this Disclosure Requirement is to facilitate an understanding on the undertaking's due diligence process(es) with regard to sustainability matters.
30. The main aspects and steps of sustainability due diligence referred to under [draft] ESRS 1 chapter 4 Sustainability due diligence are related to a number of cross-cutting and topical Disclosure Requirements under the [draft] ESRS. The undertaking shall provide a mapping that explains how and where its application of the main aspects and steps of the sustainability due diligence process are reflected in its sustainability reporting, to allow a depiction of the actual practices of the undertaking with regard to due diligence<sup>2</sup>.
31. This disclosure requirement does not mandate any specific behavioural requirements with regard to sustainability due diligence actions, and does not extend to or modify the role of administrative, management and supervisory bodies as mandated by other legislation or regulation.

#### ***Disclosure Requirement GOV-5 - Risk management and internal controls over sustainability reporting***

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32. **The undertaking shall disclose the main features of its risk management and internal control system in relation to the sustainability reporting process.**
33. The objective of this disclosure requirement is to provide an understanding of the undertaking's risk management and internal control processes in relation to sustainability reporting.
34. The disclosure shall include the following:
  - (a) the scope, main features and components of the risk management and internal control system in relation to sustainability reporting;
  - (b) the risk assessment approach followed, including the risk prioritisation methodology;
  - (c) the main risks identified, actual and potential, and their mitigation strategies including related controls;
  - (d) a description of how the undertaking integrates the findings of its risk assessment and internal controls as regards the sustainability reporting process into relevant internal functions and processes; and
  - (e) a description of the periodic reporting of the findings to the administrative, management and supervisory bodies.

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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 indicator related to principal adverse impacts as set out by indicator #10 in Table 3 of Annex 1 of the related Delegated Regulation with regard to disclosure rules on sustainable investments ("Lack of due diligence").

### 3. Strategy

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#### **3. Disclosure on sustainability-related strategy and material impacts, risks and opportunities**

35. The objective of this chapter is to set disclosure requirements for reporting on:

- (a) the undertaking's sustainability-related strategy as context to its sustainability statements;
- (b) the outcome of its assessment of material impacts, risks and opportunities; and
- (c) how material sustainability matters are related to, interact with, and inform its strategy and business model(s).

#### **Disclosure Requirement SBM-1 – Market position, strategy, business model(s) and value chains**

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36. **The undertaking shall disclose its market position, the elements of its strategy that relate to or impact sustainability matters, its business model(s) and its key value chains.**

37. The objective of this Disclosure Requirement is to describe: the undertaking's market position; the elements of its general strategy that relate to or impact sustainability matters and the undertaking's business model and key value chains, in order to provide an understanding of the undertaking's exposure to impacts, risks and opportunities and where they originate.

38. The disclosure of the undertaking's market position and of the key elements of its general strategy that relate to or impact sustainability matters shall include the following:

- (a) a description of:
  - i. significant groups of products and/or services offered, including changes in the reporting period (new/removed products and/or services);
  - ii. significant markets and/or customer groups served, including changes in the reporting period (new/removed markets and/or customer groups);
  - iii. headcount of employees by geographical areas; and
  - iv. where applicable and material, products and services under bans in certain markets, including potential bans in relation to material public initiatives and considerations;
- (b) a breakdown of total revenue, as included in its financial statements, by significant ESRS sectors. When the undertaking provides segment reporting as required by IFRS 8 'Operating segments' in its financial statements, this sector revenue information shall be, as far as possible, reconciled with IFRS 8 information;
- (c) a list of the additional ESRS sectors beyond the ones reflected under paragraph 38(b), in which the undertaking develops significant activities, or in which the undertaking is or may be connected to material impacts. The identification of these additional ESRS sectors shall be consistent with the way they have been considered by the undertaking when performing its materiality assessment and with the way it discloses material sector-specific information;

- (d) where applicable, a statement indicating, together with the related revenues, that the undertaking is active in:
  - i. the fossil fuel (coal, oil and gas) sector<sup>3</sup>, i.e. it derives revenues from exploration, mining, extraction, production, processing, storage, refining or distribution, including transportation, storage and trade, of fossil fuels as defined in Article 2, point (62), of Regulation (EU) 2018/1999 of the European Parliament and of the Council;
  - ii. chemicals production<sup>4</sup>, i.e. its activities fall under Division 20 of Annex I to Regulation (EC) No 1893/2006;
  - iii. controversial weapons<sup>5</sup> such as anti-personnel mines, cluster munitions, chemical weapons and biological weapons; and/or
  - iv. the cultivation and production of tobacco<sup>6</sup>;
- (e) its sustainability-related goals in terms of groups of product and services, customer categories, geographical areas and relationships with stakeholders;
- (f) an assessment of its current market positions in relation to its goals; and
- (g) a statement of the intended direction of the elements of the undertaking's strategy that relate to or impact sustainability matters, including the main challenges ahead, critical solutions or projects to be put in place, when relevant for sustainability reporting.

39. The undertaking shall disclose a description of its business model(s) and key value chains including:

- (a) its inputs and its approach to gathering, developing and securing those inputs;
- (b) its outputs and outcomes in terms of current and expected benefits for customers, investors and other stakeholders; and
- (c) the main features of its key upstream and downstream value chains and the undertaking's position in its value chain, including a description of the main business actors (such as key suppliers, customers distribution channels, end-users) and their relationship to the undertaking.

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

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40. **The undertaking shall disclose how the interests and views of its stakeholders are taken into account by the undertaking's strategy and business model(s).**

41. The objective of this Disclosure Requirement is to provide an understanding of how stakeholders' interests and views inform the undertaking's strategy and business model(s).

<sup>3</sup> This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting an additional principal adverse impact set out by indicator #4 in Table 1 of Annex 1 of the related Delegated Regulation with regard to disclosures rules on sustainable investments.

<sup>4</sup> This information supports the information needs of financial market participants subject to Regulation (EU) 2019/2088 as reflecting an additional principal adverse impact set out by indicator #9 in Table 2 of Annex 1 of the related Delegated Regulation with regard to disclosures 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 an additional principal adverse impact set out by indicator #14 in Table 1 of Annex 1 of the related Delegated Regulation with regard to disclosures rules on sustainable investments.

<sup>6</sup> Datapoint required by paragraph b) of article 12.1 of benchmark regulation [EDITORIAL: REFERENCE TO THE RELEVANT REGULATION TO BE ADDED].

42. The disclosure shall include a summarised description of:

- (a) the undertaking's stakeholders, whether engagement with them occurs and for which categories of stakeholders, how it is organised, its purpose and how this is taken into account by the undertaking;
- (b) the undertaking's understanding of the interests and views of stakeholders as they relate to the undertaking's strategy and business model(s), to the extent that they were analysed during the undertaking's sustainability due diligence process(es) and/or materiality assessment process (see Disclosure Requirement IRO 1);
- (c) where applicable, how the undertaking has amended or expects to amend its strategy and/or business model(s) to address the interests and views of its stakeholders, including any further steps that are being planned and in what timeline and whether these steps are likely to modify the relationship with and views of stakeholders; and
- (d) whether and how the administrative, management and supervisory bodies are informed about the views and interests of affected stakeholders with regard to the undertaking's sustainability-related impacts.

***Disclosure Requirement SBM-3 - Material impacts, risks and opportunities and their interaction with strategy and business model(s)***

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43. **The undertaking shall disclose its material sustainability-related impacts, risks and opportunities and how they interact with its strategy and business model(s).**

44. The objective of this Disclosure Requirement is to provide an understanding of the outcome of the undertaking's materiality assessment and how material impacts, risks and opportunities originate from and trigger adaptation of the undertaking's strategy and business model(s).

45. The undertaking shall disclose the material impacts, risks and opportunities resulting from its materiality assessment (see Disclosure Requirement IRO –1, Description of the processes to identify and assess material sustainability impacts, risks and opportunities), together with a brief description. The disclosure shall include the following:

- (a) how the material negative or positive impacts affect (or are expected to affect) people or the environment, the reasonably expected time horizons for those effects, whether the undertaking is involved with the material impacts through its activities or because of its business relationships (describing the nature of the activities or business relationships concerned and where in its value chain material impacts are concentrated), and whether and how the impacts originate from or are connected to the undertaking's strategy and business model;
- (b) how the material risks and opportunities relate to the undertaking, specifying which risks and opportunities the undertaking reasonably expects could affect its business model, strategy and cash flows, its access to finance and its cost of capital over the short, medium or long term. For those risks and opportunities, the undertaking shall disclose the reasonably expected time horizon;
- (c) the effects of material impacts, risks and opportunities on its strategy and decision-making, including how the undertaking is responding to them and any changes the undertaking has made, or plans to make, to its strategy or business model(s) as part of its actions to address particular material impacts or risks, or to pursue particular material opportunities;
- (d) the effects of material risks and opportunities on its financial position, performance and cash flows, and financial planning, including specifically:

- i. the current and anticipated effects of material risks and opportunities on its business model and value chain;
  - ii. a description of where in its value chain material risks and opportunities are concentrated;
  - iii. how material risks and opportunities have affected the undertaking's most recently reported financial development, financial performance, financial position and cash flows. This includes information for which there is a material risk that there will be a material adjustment to the carrying amount of assets and liabilities reported in the financial statements within the next financial year;
  - iv. how the undertaking expects financial development, cash flows, financial performance, and financial position to change over time under the effects of material risks and opportunities, reflecting:
    - 1. its current and committed investment plans and their anticipated effects on its financial position (for example, capital expenditure, major acquisitions and divestments, joint ventures, business transformation, innovation, new business areas and asset retirements); and
    - 2. its planned sources of funding to implement its strategy;
  - (e) information about the resilience of the undertaking's strategy and business model(s) regarding its capacity to address its material impacts and risks and to take advantage of its material opportunities. The undertaking shall disclose a qualitative and, when applicable, a quantitative analysis of the resilience, including how the analysis was undertaken and its time horizon as defined in [draft] ESRS 1 (see ESRS 1 chapter 6). When providing quantitative information, the undertaking may disclose single amounts or ranges;
  - (f) the changes to the material impacts, risks and opportunities as compared to the previous reporting period; and
  - (g) specification of those impacts, risks and opportunities that are covered by [draft] ESRS disclosure requirements as opposed to those covered by the undertaking using additional entity-specific disclosure.
46. The undertaking may disclose the descriptive information required above alongside the disclosure provided under the corresponding topical ESRS. If the undertaking decides to do so, it shall still retain a statement of its material impacts, risks and opportunities in its disclosures under this chapter of ESRS 2 *General disclosures*.

## **4. Impact, risk and opportunity management**

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### **4.1 Disclosure on the materiality assessment process**

47. The objective of this chapter is to set disclosure requirements to be applied when reporting on:
- (a) the processes to identify material impacts, risks and opportunities; and
  - (b) the information that the undertaking has assessed to be material for reporting on those impacts, risks and opportunities.

## ***Disclosure Requirement IRO-1 - Description of the processes to identify and assess material impacts, risks and opportunities***

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48. **The undertaking shall disclose its processes to identify its impacts, risks and opportunities and to assess which ones are material.**
49. The objective of this Disclosure Requirement is to provide an understanding of the processes through which the undertaking identifies impacts, risks and opportunities and assesses of their materiality, as the basis for determining the disclosures in its sustainability reporting (see [draft] ESRS1, Appendix B: Application requirements for more guidance).
50. The disclosure shall include the following information:
- (a) a description of the methodologies and assumptions applied in the described processes;
  - (b) an overview of the process(es) to identify, assess and prioritise the undertaking's potential and actual impacts on people and the environment, informed by the undertaking's sustainability due diligence process(es), including explanation of the extent to which the process(es):
    - iii. Focuses on general areas where the adverse impacts are most likely;
    - iv. identifies the impacts with which the undertaking is involved through its own activities and as a result of its business relationships;
    - v. includes consultation with affected stakeholders to understand how they may be impacted and/or with external experts;
    - vi. prioritises negative impacts based on their relative severity and likelihood, (see [draft] ESRS 1 chapter 3.4 Impact materiality);
    - vii. prioritises positive impacts based on their relative scale, scope and likelihood, (see [draft] ESRS 1 chapter 3.4 Impact materiality); and
  - (c) an overview of the process(es) used to identify, assess and prioritise sustainability risks and opportunities that affect or may affect the undertaking's cash flows, financial performance and position, including how the undertaking assesses the likelihood and effects associated with them (such as the qualitative factors, quantitative thresholds and other criteria used);
  - (d) an explanation of how the undertaking has determined the material information related to its material impacts, risks and opportunities, including

the use of thresholds and/or how it has implemented the criteria in [draft] ESRS 1 Chapter 3 to determine when an impact, risk or opportunity is material, including the input parameters it uses (for example, data sources, the scope of operations covered and the detail used in assumptions).

51. The undertaking shall disclose relevant information on the organisation of the materiality assessment process, including:
- (a) a description of the organisation and process of decision-making and the related internal control procedures;

- (b) the extent to which and how the identification processes of impacts and risks are integrated into the undertaking's overall risk management process and the extent to which and, where applicable, how the identification process of opportunities is integrated into the undertaking's overall management process; and
- (c) whether the processes has changed compared to the prior reporting period, when the process(es) was modified for the last time and future revision dates of the materiality assessment.

### ***Disclosure Requirement IRO-2 – Disclosure Requirements in ESRS covered by the undertaking's sustainability statements***

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- 52. **The undertaking shall report on the Disclosure Requirements complied with in its sustainability statements.**
- 53. The objective of this Disclosure Requirement is to provide an understanding of the Disclosure Requirements included in the undertaking's sustainability reporting and of the topics that have been omitted as not material as a result of the materiality assessment.
- 54. The undertaking shall include a list of the Disclosure Requirements complied with in preparing the sustainability statements, following the outcome of the materiality assessment (see [draft] ESRS 1 chapter 3), including the page numbers and/or paragraphs where the related disclosures are located in the sustainability statements. This may be presented as a content index.
- 55. When all the Disclosure Requirements in a [draft] topical ESRS are omitted as the topic is assessed not to be material for the undertaking, the undertaking shall report a brief explanation of the conclusions of its materiality assessment for the topic.

### ***4.2 Reporting on opportunities***

- 56. When reporting on opportunities, the disclosure on opportunities should consist of descriptive information allowing the reader to understand the opportunity for the undertaking or the entire sector. When reporting on opportunities, the undertaking shall consider the materiality of the information to be disclosed. In this context, it shall consider, among other factors:
  - (a) whether the opportunity is currently being pursued and is incorporated in its general strategy, as opposed to a general opportunity for the undertaking or the sector; and
  - (b) whether the inclusion of quantitative measures of financial effects is appropriate, taking into account the number of assumptions that it could require and consequential uncertainty.

### ***4.3 Cross-cutting Requirements on policies and actions***

- 57. This section sets out cross-cutting disclosure requirements that shall be applied when the undertaking discloses information on its policies and actions to address material impacts or risks and/or to pursue material opportunities (collectively, to 'manage material sustainability matters'). They shall be applied together with the Disclosure Requirements, including Application Requirements, provided in the relevant [draft] topical ESRS. They shall also be applied when the undertaking prepares entity-specific disclosure.
- 58. The corresponding disclosures shall not be located together with [draft] ESRS 2 related disclosures, but alongside the Disclosure Requirements prescribed by the [draft] topical ESRS, in order to facilitate the understanding of the reported information. As an exception, when a single policy addresses

several interconnected sustainability matters, the undertaking may disclose the required information in its reporting under one topical ESRS and cross reference to it in its reporting under other topical ESRS .

59. If the undertaking cannot disclose the information on policies and actions required under this standard or relevant topical standards, because it has not adopted policies and/or actions with reference to the specific sustainability matter concerned, it shall disclose this to be the case, and provide reasons for not having adopted policies and/or actions, and it may report a timeframe in which it aims to adopt them.

### ***Cross-cutting Requirement CCR-1 – Policies adopted to manage material sustainability matters***

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60. **This Cross-Cutting Requirement defines the aspects to be described for the relevant policies in respect of each sustainability matter identified as material through the undertaking’s materiality assessment.**
61. The objective of the Cross-Cutting Requirement is to provide an understanding of the policies that the undertaking has in place to address the identification, assessment, management and/or remediation of material sustainability matters.
62. The disclosure of a policy to manage a material sustainability matter shall include the following information:
- (a) a description of the key contents, including its general objectives and whether the policy is dedicated to impacts or risk management;
  - (b) a description of the scope of the policy in terms of activities, value chain, geographies and if relevant, stakeholder groups;
  - (c) the most senior level in the undertaking’s organisation that is accountable for the implementation of the policy;
  - (d) a reference, if relevant, to the third-party standards or initiatives the undertaking commits to respect through the implementation of the policy;
  - (e) if relevant, a description of the consideration given to the interests of key stakeholders in setting the policy; and
  - (f) if relevant, whether and how the undertaking makes the policy available to potentially affected stakeholders, and stakeholders who need to help implement it.

### ***Cross-Cutting Requirement CCR-2 – Actions and resources in relation to material sustainability matters***

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63. **This Cross-Cutting Requirement defines the sustainable-related aspects that are to be described for the actions, including action plans, and resources allocated and/or planned.**
64. The objective of this Cross-Cutting Requirement is to provide an understanding of the key actions taken and/or planned to address material impacts, risks and opportunities, and where applicable achieve the objectives and targets of related policies.
65. Where the implementation of a policy requires actions, or a comprehensive action plan, to achieve its objectives, as well as when actions are implemented without a specific policy, the disclosure should include the following information:



- (a) the list of key actions taken in the reporting year and planned for the future, their expected outcome and, where relevant, how their implementation contributes to the achievement of policy's objectives and targets including actions to prevent or mitigate potential negative impacts;
  - (b) the scope of the key actions (i.e. coverage in terms of activities, value chain geographies and, where applicable, affected stakeholder groups);
  - (c) the time horizons under which the undertaking intends to complete each key action;
  - (d) if applicable, key actions taken (along with results) to provide for and cooperate in or support the provision of remedy for those harmed by actual material impacts;
  - (e) if applicable, quantitative and qualitative information of the progress of actions or action plans disclosed in prior periods; and
  - (f) any further explanation deemed useful to understand key actions.
66. Where the implementation of an action plan requires significant operational expenditures (Opex) and/or capital expenditures (Capex) the undertaking shall:
- (a) describe the type and amount of current and future financial and other resources allocated to the action plan, including the amounts, environmental or social objectives and relevant terms of sustainable finance instruments, such as green bonds, social bonds and green loans;
  - (b) provide complementary explanatory information, where the ability to implement the actions or action plan depends on specific preconditions, e.g., granting of financial support or public policy and market developments; and
  - (c) relate significant monetary amounts to the most relevant amounts presented in the financial statements.

## **5. Metrics and targets**

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67. The objective of disclosures on metrics and targets is to understand how an undertaking measures its performance, including progress towards the targets it has set.

### **5.1 Disclosing on metrics**

68. Metrics are addressed in topical and sector-specific [draft] ESRS.
69. Metrics shall include those metrics defined in any other applicable [draft] ESRS, as well as metrics identified on an entity-specific basis, from the other sources, and developed by an undertaking itself.
70. The undertaking shall disclose whether the measurement of a metric is validated by an external body other than the assurance provider and, if so, which body.
71. The undertaking shall label metrics using meaningful, clear and precise names and descriptions.
72. When currency is specified as the unit of measure, the undertaking shall use the presentation currency of its financial statements.

## 5.2 Cross-Cutting Requirements on targets

73. This section sets Cross-Cutting requirements that shall be applied when the undertaking discloses on targets on material impacts, risks and opportunities. They shall be applied together with the Disclosure Requirements, including Application Requirements, provided in the relevant [draft] topical ESRS. They shall also be applied when the undertaking prepares entity-specific disclosure on targets.
74. The corresponding disclosures shall not be located under [draft] ESRS 2-related disclosures, but alongside the disclosure requirements prescribed by the [draft] topical ESRS, to facilitate the understanding of the reported information.
75. When applying disclosure requirements on targets required by a [draft] ESRS and when applying the cross-cutting requirements illustrated in this section, if the undertaking cannot disclose the required information, because it has not adopted targets with reference to the specific sustainability matter concerned, it shall disclose this to be the case, it shall provide reasons for not having adopted them, and may report a timeframe in which it aims to adopt such targets.

### ***Cross-Cutting Requirement CCR-3 - Tracking effectiveness of policies and actions through targets***

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76. **This Cross-Cutting Requirement defines the targets, progress and tracking effectiveness of sustainability related aspects.**
77. The objective of the Cross-cutting Requirement is to provide an understanding of:
- (a) measurable time-bound outcome-oriented targets set by the undertaking to meet the policy's objectives, defined in terms of expected results for people, the environment or the undertaking regarding material impacts, risks and opportunities;
  - (b) the overall progress towards the adopted targets over time;
  - (c) if and how the undertaking tracks the effectiveness of its actions to address material impacts, risks and opportunities and measures the progress in achieving its policy objectives if no measurable outcome-oriented targets exist; and
  - (d) whether and how stakeholders have been involved in target setting for material sustainability topics.
78. For each measurable outcome-oriented target, the disclosure shall include the following information:
- (a) a description of the relationship of the target to the policy objectives;
  - (b) the defined level of ambition to be achieved, including, where applicable, whether the target is absolute or relative and in which unit it is measured;
  - (c) the scope of the target, including the undertaking's activities and/or its value chain where applicable and geographical boundaries;
  - (d) the baseline value and base year from which progress is measured;
  - (e) the period to which the target applies and if applicable, any milestones or interim targets;
  - (f) the methodologies and significant assumptions used to define targets, including where applicable, the selected scenario, data sources, alignment with national, EU or international policy goals and how the targets consider the wider context of sustainable development and/or local situation in which impacts take place;

- (g) whether the undertaking's targets related to environmental matters are based on conclusive scientific evidence;
- (h) any changes in targets and corresponding metrics or underlying measurement methodologies, significant assumptions, limitations, sources and processes to collect data adopted within the defined time horizon. This includes an explanation of the rationale for those changes and their effect on comparability (refer to Disclosure Requirement BP-2 Disclosures in relation to specific circumstances); and
- (i) the performance or overall progress against its disclosed targets, including information on how the target is monitored and reviewed, whether the progress is in line with what had been initially planned, and an analysis of trends or significant changes in the performance of the undertaking towards achieving the target.

79. If the undertaking has not adopted any measurable outcome-oriented target, it shall describe:

- (a) whether such targets will be adopted and the timeframe for their adoption, or the reasons why the undertaking does not plan to adopt such targets;
- (b) whether it tracks the effectiveness of its policies and actions in relation to the material sustainability-related impact, risk and opportunity, and if so:
  - i. any processes through which it does so;
  - ii. any qualitative or quantitative indicators it uses to evaluate progress, including the base period from which progress is measured.

## Appendix A: Defined terms

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

|  |  |
|--|--|
| <b>Administrative, management and supervisory bodies</b> | The governance bodies with the highest decision-making authority in the undertaking including its committees. Where there are no members of the administrative, management or supervisory body of the undertaking, the CEO and if such function exists in an undertaking, the deputy CEO should be included. In some jurisdictions, governance systems consist of two tiers, where supervision and management are separated. In such cases, both tiers are included under the definition of administrative, management and supervisory bodies.   |
| <b>Business model</b>                                    | An undertaking's system of transforming inputs through its business activities into outputs and outcomes that aims to fulfil the undertaking's strategic purposes and create value over the short-, medium- and long-term. The undertaking may develop one or several business models.   |
| <b>Business relationships</b>                            | Those relationships an undertaking has with business partners, entities in its value chain and any other non-State or State entity directly linked to its business operations, products or services. They include indirect business relationships in its value chain, beyond the first tier, and minority as well as majority shareholding positions in joint ventures or investments  |
| <b>Content index</b>                                     | A tabular list of the parts of the management report that contain the sustainability information required by [draft] ESRS indicating their location within the management report.  |
| <b>Fossil Fuel</b>                                       | Fossil fuel means non-renewable carbon-based energy sources such as solid fuels, natural gas and oil.  |
| <b>Governance</b>  | The system by which an undertaking is directed and controlled in the interests of shareholders and other stakeholders. Governance involves a set of relationships between an undertaking's management, its board, its shareholders, and other stakeholders. Governance provides the structure and processes through which the objectives of the undertaking are set, progress against performance is monitored, and results are evaluated. The term 'governance bodies' refers to the administrative, management and supervisory bodies with the highest decision-making authority in the undertaking. |
| <b>Impact</b>  | The effect an undertaking has or could have on the environment and people, including effects on their human rights, as a result of the undertaking's activities or business relationships. The impacts can be actual or potential, negative or positive, short-term or long-term, intended or unintended, and reversible or irreversible. Impacts indicate the undertaking's contribution, negative or positive, to sustainable development.   |
| <b>Severity of a negative impact</b>                     | It is determined by the following characteristics (i) Scale: how grave the impact is, (ii) scope: how widespread the impact is, and (iii) its irremediable character: how hard it is to counteract or make good the resulting harm.  |

|  |   |
|--|---|
| <b>Stakeholder engagement</b>                                    | An ongoing process of interaction and dialogue between an undertaking and its stakeholders that enables the undertaking to hear, understand and respond to their interests and concerns.  |
| <b>Strategy</b>  | An undertaking's plan to achieve its mission and vision and apply its core values. It incorporates the set of goals or purposes an undertaking assigns itself in terms of delivering certain defined products and services to defined categories of customers in certain defined geographic areas under a defined framework of relationships with all stakeholders.   |
| <b>Supply chain</b>  | The full range of activities or processes carried out by entities upstream from the undertaking, which provide products or services that are used in the development of the undertaking's own products or services. This includes upstream entities with which the undertaking has a direct (often referred to as a first-tier supplier) or indirect business relationship.   |
| <b>Sustainability-related opportunities (or 'opportunities')</b> | Sustainability-related opportunities are uncertain environmental, social or governance events or conditions that, if they occur, could cause a potential material positive effect on the undertaking's business model, strategy, its capability to achieve its goals and targets and to create value, and therefore may influence its decisions and those of its business relationship partners as regard to sustainability matters. Like any other opportunity, sustainability-related opportunities are measured as a combination of a probability of occurrence and an impact magnitude.   |
| <b>Sustainability-related risks (or 'risks')</b>                 | Sustainability-related risks are uncertain environmental, social or governance events or conditions that, if they occur, could cause a potential material negative effect on the undertaking's business model, strategy and sustainability strategy, its capability to achieve its goals and targets and to create value, and therefore may influence its decisions and those of its business relationships as regard to sustainability matters. The risk management framework implemented by the undertaking aims at the identification, measurement, prevention and mitigation of sustainability-related risks. Like any other risks, sustainability-related risks are the combination of a probability of occurrence, and an impact magnitude. |
| <b>Transition plan</b>   | A transition plan is a specific type of action plan that is adopted by the undertaking in relation to a strategic decision and that addresses:<br>a public policy objective; and/ or<br>an entity-specific action plan that the undertaking decides to organise as a structured set of targets and actions and is associated to (i) a key strategic decision; (ii) a major change in business model; and/or (iii) a particularly important action plan in terms of objectives or allocation of resources.   |

## **Appendix B: Application Requirements**

This appendix is an integral part of the proposed [draft] ESRS 2 General Disclosures. It describes the application of the requirements of chapter 1. Basis for preparation to chapter 5 Metrics and targets.

### **1. Basis for preparation**

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#### ***Disclosure Requirement BP-1 - General basis for preparation of the sustainability statements***

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AR 1. When describing for which categories of disclosures the undertaking has expanded the reporting boundary to include value chain information, (see [draft] ESRS 1 chapter 5.1 Value chain), it may distinguish between:

- a. how it performs its materiality assessment of impacts, risks and opportunities;
- b. how it considers actors of the value chain in its policies, actions and targets;
- c. how it includes value chain data in disclosing on metrics; and

### **2. Governance**

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#### ***Disclosure Requirement GOV-1 – The role of the administrative, management and supervisory bodies***

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AR 2. In describing the roles and responsibilities of the administrative, management and supervisory bodies over sustainability matters, the undertaking may specify:

- a. the aspects of sustainability over which oversight is being exercised, covering environmental, social and governance matters the undertaking may be facing, including:
  - i. assessment of and changes to sustainability-related aspects of the undertaking's strategy and business model(s);
  - ii. identification and assessment of material risks, opportunities and impacts;
  - iii. related policies and targets, action plans and dedicate resources; and
  - iv. sustainability reporting;
- b. the form such oversight takes for each of the above aspects: information, consultation or decision-making; and
- c. the way such oversight is being organised and formalised, i.e. processes by which the administrative, management and supervisory bodies are engaging on all above aspects.

AR 3. In describing the undertaking's governance organisational structure regarding sustainability matters, a description of complex governance may be complemented and presented in the form of a diagram.

AR 4. The description of the level of expertise or access to expertise of the administrative, management and supervisory bodies may be substantiated by illustrating the composition of the

bodies, including on whom the expertise to oversee sustainability matters lies and how it is leveraged by the member as a group. In the description, the undertaking shall consider how the expertise and skills are relevant to the undertaking's material impacts, risks and opportunities and whether the bodies and/or its members have access to other sources of expertise, such as specific experts and training and other educational initiatives to update and develop sustainability-related expertise within these bodies.

***Disclosure Requirement GOV-2 – Information provided to and sustainability matters addressed by the undertaking’s administrative, management and supervisory bodies***

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AR 5. Depending on the undertaking’s organisation, the administrative, management and supervisory bodies may focus on the overarching targets, while management focuses on the more detailed targets. In this case, the undertaking may report on how the monitoring bodies ensures that an appropriate mechanism of performance monitoring is in place.

***Disclosure Requirement GOV-3 - Integration of sustainability strategies and performance in incentive schemes***

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AR 6. For listed undertakings, this Disclosure Requirement should be consistent with the remuneration report prescribed in articles 9a and 9b of the Directive 2007/36/EC on the exercise of certain rights of shareholders in listed companies. A reference to this remuneration could be made.

***Disclosure Requirement GOV-4 – Statement on sustainability due diligence***

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AR 7. The mapping required by paragraph 31 may be presented in the form of a table, referencing the core elements of sustainability due diligence, for both impacts on people and the environment, to the relevant disclosures in the undertaking’s sustainability statements, as set out below.

AR 8. The undertaking may include additional columns to the table below to clearly identify those disclosures that relate to impacts on people and/or the environment given that, in some cases, more than one disclosure requirement provides information about the same due diligence step.

AR 9. The references to the core elements of the due diligence process as stated in the international instruments of the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises, are illustrated in ESRS 1 chapter 4 Sustainability due diligence.

| CORE ELEMENTS OF DUE DILIGENCE   | PARAGRAPHS IN THE SUSTAINABILITY STATEMENT |
|--|--|
| a) Embedding due diligence in governance, strategy and business model        |  |
| b) Engaging with affected stakeholders in all key steps of the due diligence |  |
| c) Identifying and assessing adverse impacts                                 |  |

|  |  |
|--|--|
| d) Taking actions to address those adverse impacts               |  |
| e) Tracking the effectiveness of these efforts and communicating |  |

**Disclosure Requirement GOV-5 – Risk management and internal control system in relation to the sustainability reporting**

AR 10. This Disclosure Requirement focuses solely on the internal control processes over the sustainability reporting process. The undertaking may consider risks such as: completeness and integrity of the data, accuracy of estimation results, availability of value chain data, timing of availability of the information.

**3. Strategy**

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**Disclosure Requirement SBM-1 Market position, strategy, business model(s) and value chains**

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AR 11. To provide the information on sectors required by paragraph 38, the undertaking shall map its significant activities in accordance with ESRS sectors. If a code for a sub-sector does not exist, the caption “others” is detailed.

AR 12. When preparing the reporting prescribed by paragraph 39 of this disclosure requirement, in order to determine whether a groups of products and/or services offered, a market and/or customer groups served or an ESRS sector is significant, the undertaking shall consider both the following criteria:

- a. where it generates revenues above 10 per cent of the revenues of all its activities; and
- b. where it is connected with material actual impacts or material potential negative impacts.

AR 13. In preparing disclosures relating to business model(s) and value chains, the undertaking shall consider:

- a. its key business relationships, including with customers, and their key characteristics, its key activities, suppliers, resources, distribution channels, customer segments;
- b. cost structure and revenue for its business segments, where its margins are generated in line with IFRS 8 disclosure requirements in the financial statements;
- c. the potential sustainability-related impacts, risks and opportunities in its sector(s) of operation.

AR 14. Contextual information may be relevant for users if the reporting boundary is expanded beyond the scope of consolidation in financial reporting to include value chain information. The



identification of key value chains by the undertaking should support the understanding of how the undertaking applies the requirements of [draft] ESRS 1, Chapter 5 and the materiality assessment performed by the undertaking under [draft] ESRS 1 Chapter 3. The required description may provide a high-level overview of the key features of the value chain participants indicating their relative contribution to the undertaking's performance and positions and explain how they contribute to the value creation of the undertaking.

#### ***Disclosure Requirement SBM-2 – Interests and expectations of stakeholders***

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AR 15. Undertakings occasionally engage with stakeholders when developing initiatives that prevent, remediate or end its impacts or as part of its sustainability process (as described in [draft] ESRS 1, chapter 3). To the extent that these initiatives and due diligence process(es) are connected to the undertaking's strategy and business model, the undertaking shall consider, where relevant, the interests of the engaged stakeholders.

#### ***Disclosure Requirement SBM-3 - Material impacts, risks and opportunities and their interaction with strategy and business model***

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AR 16. When describing where in its value chain material impacts, risks and opportunities are concentrated, the undertaking shall consider: geographical areas, facilities or types of assets, inputs, outputs or distribution channels.

AR 17. This disclosure may be provided at level of single impact, risk or opportunity or aggregating groups of material impacts, risks and opportunities, when this provides more relevant information and does not obscure material information.

AR 18. The required information on impact, risk and opportunity management and on metrics and targets related to specific sustainability matters are covered by the disclosures required under [draft] topical or sector-specific ESRS.

### **4. Impacts, risks and opportunities management**

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#### ***Disclosure Requirement IRO-2 – Disclosure Requirements in ESRS covered by the undertaking's sustainability statements***

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AR 19. Notwithstanding the basis for the presentation of the information about sustainability matters included in [draft] ESRS 1 chapter 8 Structure of sustainability statements, the undertaking may disclose the list of the Disclosure Requirements complied with in preparing the sustainability statements (see paragraph 54) in the general information part or in other section of the sustainability statement as it deems appropriate.

#### ***Cross-Cutting Requirement CCR 1 – On policies adopted to manage material sustainability matters***

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AR 20. Due to the interdependency between impacts on people and the environment, risks and opportunities, a single policy may apply to several material sustainability matters, including matters addressed by more than one [draft] ESRS. The undertaking may report the required information once in the relevant [draft] ESRS, whilst providing information required by other applicable [draft] ESRS, with a clear explanation of the disclosures covered and appropriate cross-references to other disclosures. For example, the undertaking may have a single policy to address several interconnected material human rights or environmental issues in its value chain.

In this case, it is necessary that the policy is sufficiently specific with respect to the management of the different material impacts, risks, and opportunities covered.

AR 21. The description of the scope of the policy may explain which activities and/or segments of the undertaking's own operations or value chain it concerns. The description may also explain further boundaries relevant to the specific topic or the undertaking's circumstances, which may include geographies, life cycles, etc. In certain cases, when the scope of the value chain perimeter differs from the one defined by other [draft] ESRS and the policy may not cover the full value chain, the undertaking may provide clear information regarding the extent of the value chain covered by the policy.

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### ***Cross-cutting Requirement CCR 2 – Actions and resources in relation to material impacts, risks and opportunities***

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AR 22. Key actions in the context of this Disclosure Requirements are those actions that materially contribute to achieving the company's objectives in addressing material impacts, risks and opportunities. For reasons of understandability, key actions may be aggregated where appropriate.

AR 23. Information on resources allocation may be presented in the form of a table and broken down between capital expenditures and operating expenditures, and across the relevant time horizons, at minimum for the current reporting year resources, and the planned allocation of resources over specific time horizons.

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## **5. Metrics and targets**

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### ***Cross-cutting Requirement CCR 3 – Tracking effectiveness of policies and actions, through targets***

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AR 24. When setting targets related to the prevention or mitigation of environmental impacts, the undertaking shall prioritise targets related to the reduction of the impacts in absolute terms rather than in relative terms. When targets address prevention or mitigation of social impacts, they may be specified in terms of the effects on human rights, welfare or positive action for affected stakeholders.

AR 25. The information on progress made towards achieving the targets may be presented in a comprehensive table, including information on the baseline and target value, milestones, and achieved performance over the prior periods.

AR 26. Where the undertaking describes progress in achieving the objectives of a policy in the absence of a measurable target, it may specify a baseline against which the progress is considered. For example, the undertaking may assess an increase of wages by a certain percentage for those below a fair wage; or may assess the quality of its relationships with local communities by reference to the proportion of issues raised by communities that were resolved to their satisfaction. The baseline and the assessment of the progress shall be related to the impacts, risks and opportunities which underpin the materiality of the matter addressed by the policy.

## **Appendix C: List of data points in cross-cutting and [draft] topical standards that are required by EU law**

This appendix is an integral part of the proposed [draft] ESRS 2 General, Disclosures. The table below illustrates the datapoints in [draft] ESRS 2 and topical [draft] ESRS that emanate from other EU legislation. They are to be reported irrespective of the outcome of the materiality assessment.

| <b>Disclosure Requirement (DR) and related datapoint</b>   | <b>SFDR reference</b>                 | <b>Pillar 3 reference</b> | <b>Benchmark regulation reference</b>                          | <b>EU Climate Law reference</b>         |
|--|---------------------------------------|---------------------------|--|---|
| ESRS 2 DR GOV-1<br>Board's gender diversity<br>paragraph 20 (d)  | Indicator n.13 of Table #1 of Annex 1 |                           | Commission Delegated Regulation (CDR) (EU) 2020/1816, Annex II |   |
| ESRS 2 DR GOV-1<br>Percentage of board members who are independent<br>paragraph 20 (e)                               |                                       |                           | CDR (EU) 2020/1816, Annex II                                   |   |
| ESRS 2 DR GOV-4<br>Statement on due diligence<br>paragraph 31  | Indicator n. 10 Table #3 of Annex 1   |                           |  |   |
| ESRS 2 DR SBM-1<br>Involvement in activities related to fossil fuel activities<br>paragraph 39 (d) i                 | Indicators n. 4 Table #1 of Annex 1   |                           |  |   |
| ESRS 2 DR SBM-1<br>Involvement in activities related to chemical production<br>paragraph 39 (d) ii                   | Indicator n. 9 Table #2 of Annex 1    |                           |  |   |
| ESRS 2 DR SBM-1<br>Involvement in activities related to controversial weapons<br>paragraph 39 (d) iii                | Indicator n. 14 Table #1 of Annex 1   |                           | CDR (EU) 2020/1818, Articles 12(1)                             |   |
| ESRS 2 DR SBM-1<br>Involvement in activities related to cultivation and production of tobacco<br>paragraph 39 (d) iv |                                       |                           | CDR (EU) 2020/1818, Articles 12(1)                             |   |
| ESRS E1 DR E1-1<br>Transition plan to reach climate neutrality by 2050<br>paragraph 13 and AR 1                      |                                       |                           |  | Regulation (EU) 2021-1119 Article 2 (1) |
| ESRS E1 DR E1-1<br>Transition plan for   |                                       | Article 449a<br>Capital   | CDR (EU) 2020/1818, Article                                    |   |

| <b>Disclosure Requirement (DR) and related datapoint</b>  | <b>SFDR reference</b>                     | <b>Pillar 3 reference</b>  | <b>Benchmark regulation reference</b>        | <b>EU Climate Law reference</b> |
|---|---|--|--|---------------------------------|
| climate change mitigation<br><br>Undertakings excluded from Paris-aligned Benchmarks<br><br>ESRS E1 paragraph 15 (f) and AR 6             |   | Requirements Regulation – CRR;<br>Template 1: Banking book-Climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity) | 12.1 (d) to (g), and Article 12.2)           |                                 |
| ESRS E1 DR E1-4 GHG emission reduction targets paragraph. 32  | Indicator n. 4 Table #2 of Annex 1        |  | CDR (EU) 2020/1818, Article 6                |                                 |
| ESRS E1 DR E1-5 energy consumption from non-renewable sources disaggregated by sources (only high climate impact sectors) paragraph 35(a) | Indicator n. 5 Table #2 of Annex 1        |  |  |                                 |
| ESRS E1 DR E1-5 Energy consumption and mix paragraph 36   | Indicators n. 5-Table #1 of Annex 1       |  |  |                                 |
| ESRS E1 DR E1-5 Energy intensity associated with activities in high climate impact sectors paragraphs 37 to 40                            | Indicator n. 6 Table #1 of Annex 1        |  | CDR (EU) 2020/1818, Article 8(1)             |                                 |
| ESRS E1 DR E1-6 Gross Scope 1, 2, 3 and Total GHG emissions paragraphs 41 to 49   | Indicators n. 1 and 2 Table #1 of Annex 1 |  | CDR (EU) 2020/1818, Article 5(1), 6 and 8(1) |                                 |
| ESRS E1 DR E1-6 Gross GHG emissions intensity Paragraphs 50 to 52   | Indicators n. 3 Table #1 of Annex 1       |  | CDR (EU) 2020/1816, Annex II)                |                                 |
| ESRS E1 DR E1-9 Disaggregation of monetary amounts by   |   | Article 449a CRR; Final  |  |                                 |

| <b>Disclosure Requirement (DR) and related datapoint</b>   | <b>SFDR reference</b>              | <b>Pillar 3 reference</b>   | <b>Benchmark regulation reference</b> | <b>EU Climate Law reference</b> |
|--|------------------------------------|---|---------------------------------------|---------------------------------|
| acute and chronic physical risk ESRS E1-9 Potential financial effects from material physical risks,<br><br>paragraphs 63 (a) and AR 64 (a) (ii).<br>material transition risks and climate-related opportunities<br>Location of significant assets at material physical risk,<br>paragraphs 63 (c) and AR 64 (a) (i). |                                    | draft ITS, paragraphs 46 and 47;<br>Template 5: Banking book - Climate change physical risk: Exposures subject to physical risk.  |                                       |                                 |
| ESRS E1 DR E1-9 Breakdown of the carrying value of its real estate assets by energy-efficiency classes<br>Paragraphs 64 (c) and AR 67 (b)  |                                    | Article 449a CRR; Final draft ITS, paragraph 34;<br>Template 2: Banking book - Climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral |                                       |                                 |
| ESRS E2 DR E2-4 Tonnes of emissions of air pollutants generated by the undertaking paragraph 31(a)   | Indicator n. 2 Table #2 of Annex 1 |   |                                       |                                 |
| ESRS E2 DR E2-4 Tonnes of emissions to water generated by the undertaking paragraph 31(b)  | Indicator n. 8 Table #1 of Annex 1 |   |                                       |                                 |
| ESRS E2 DR E2-4 Tonnes of emissions of inorganic pollutants generated by the undertaking paragraph 31(c)   | Indicator n.1 Table #2 of Annex 1  |   |                                       |                                 |

| <b>Disclosure Requirement (DR) and related datapoint</b>  | <b>SFDR reference</b>                | <b>Pillar 3 reference</b> | <b>Benchmark regulation reference</b> | <b>EU Climate Law reference</b> |
|---|--------------------------------------|---------------------------|---------------------------------------|---------------------------------|
| ESRS E2 DR E2-4<br>Tonnes of emissions of ozone-depleting substances generated by the undertaking paragraph 31(d) | Indicator n. 3 Table #2 of Annex 1   |                           |                                       |                                 |
| ESRS E3 DR E3-1<br>water and marine resources paragraph 11  | Indicator n. 7 Table #2 of Annex 1   |                           |                                       |                                 |
| ESRS E3 DR E3-1<br>Dedicated policy paragraph 15  | Indicator n.8 Table 2 of Annex 1     |                           |                                       |                                 |
| ESRS E3 DR E3-1<br>Sustainable oceans and seas paragraph 16   | Indicator n. 12 Table #2 of Annex 1  |                           |                                       |                                 |
| ESRS E3 DR E3-4<br>Total water recycled or reused paragraph 30 (a)  | Indicator n. 6.2 Table #2 of Annex 1 |                           |                                       |                                 |
| ESRS E3 DR E3-4<br>Total water consumption in m <sup>3</sup> per net revenue on own operations paragraph 31       | Indicator n. 6.1 Table #2 of Annex 1 |                           |                                       |                                 |
| ESRS E4 DR related to IRO-1<br>Paragraph 23(e)  | Indicator n. 10 Table #2 of Annex 1  |                           |                                       |                                 |
| ESRS E4 DR E4-2<br>Sustainable land / agriculture practices or policies Paragraph 28(b)                           | Indicator n.11 Table #2 of Annex 1   |                           |                                       |                                 |
| ESRS E4 DR E4-2<br>Sustainable oceans / seas practices or policies Paragraph 28(c)                                | Indicator n. 12 Table #2 of Annex 1  |                           |                                       |                                 |
| ESRS E4 DR E4-2<br>policies to address deforestation Paragraph 28(d)  | Indicator n. 15 Table #2 of Annex 1  |                           |                                       |                                 |
| ESRS E4 DR E4-5<br>Total surface area of the plots of all assets paragraph 42                                     | Indicator 22 Table #2 of Annex 1     |                           |                                       |                                 |
| ESRS E5 DR E5-5   | Indicator n. 13 Table #2 of Annex 1  |                           |                                       |                                 |

| <b>Disclosure Requirement (DR) and related datapoint</b>  | <b>SFDR reference</b>                       | <b>Pillar 3 reference</b> | <b>Benchmark regulation reference</b> | <b>EU Climate Law reference</b> |
|---|---|---------------------------|---------------------------------------|---------------------------------|
| Non-recycled waste paragraph 39 (d)   |   |                           |                                       |                                 |
| ESRS E5 DR E5-5 Hazardous waste and radioactive waste paragraph 40  | Indicator n.9 Table #1 of Annex 1           |                           |                                       |                                 |
| ESRS S1 Related to SBM 3 Interaction of impacts and the undertaking's strategy and business model(s) paragraph 16                               | Indicators n. 12 and 13 Table #1 of Annex I |                           |                                       |                                 |
| ESRS S1 DR S1-1 Human rights policy commitments paragraph 23  | Indicators n. 9 and 11 Table #3 of Annex I  |                           |                                       |                                 |
| ESRS S1 DR S1-1 Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8, paragraph 24 |   |                           | CDR (EU) 2020/1816, Annex II          |                                 |
| ESRS S1 DR S1-2 processes and measures for preventing trafficking in human beings paragraph 25  | Indicators n.11 Table #3 of Annex I         |                           |                                       |                                 |
| ESRS S1 DR S1-2 workplace accident prevention policy or management system paragraph 18  | Indicators n.1 Table #3 of Annex I          |                           |                                       |                                 |
| ESRS S1 DR S1-3 grievance/complaints handling mechanisms paragraph 33 (b)   | Indicator n. 5 Table #3 of Annex I          |                           |                                       |                                 |
| ESRS S1 DR S1-14 Rate of accidents and weighted average ratio of accidents, injuries, fatalities  | Indicator n. 2 Table #3 of Annex I          |                           | CDR (EU) 2020/1816, Annex II          |                                 |

| <b>Disclosure Requirement (DR) and related datapoint</b>   | <b>SFDR reference</b>   | <b>Pillar 3 reference</b> | <b>Benchmark regulation reference</b> | <b>EU Climate Law reference</b> |
|--|---|---------------------------|---------------------------------------|---------------------------------|
| paragraph 89 (c)   |   |                           |                                       |                                 |
| ESRS S1 DR S1-14<br>Number of days lost to injuries, accidents, fatalities or illness<br>paragraph 89 (e)  | Indicator n. 3 Table #3 of Annex I                              |                           |                                       |                                 |
| ESRS S1 DR S1-16<br>Unadjusted gender pay gap and weighted average gender pay gap<br>paragraph 97 (a)  | Indicator n. 12 Table #1 of Annex I                             |                           | CDR (EU) 2020/1816, Annex II          |                                 |
| ESRS S1 DR S1-16<br>Excessive CEO pay ratio<br>paragraph 97 (b)  | Indicator n. 8 Table #3 of Annex I                              |                           |                                       |                                 |
| ESRS S1 DR S1-17<br>Incidents of discrimination<br>paragraph 103 (a)   | Indicator n. 7 Table #3 of Annex I                              |                           |                                       |                                 |
| ESRS S1 DR S1-14<br>Violations of UNGC principles and OECD<br>paragraph 104 (a)  | Indicators n. 10 Table #1 and n. 14 in Table #3 of Annex I      |                           | CDR (EU) 2020/1816, Annex II          |                                 |
| ESRS S2 DR S2-1<br>Human rights policy commitments<br>Paragraph 18   | Indicator n. 9 Table #3 and Indicator n. 11 Table #1 of Annex 1 |                           |                                       |                                 |
| ESRS S2 DR S2-1<br>Policies related to value chain workers<br>Paragraph 19   | Indicator n. 11 and n. 4 Table #3 of Annex 1                    |                           |                                       |                                 |
| ESRS S2 DR S2-1<br>Violations of UNGC principles and OECD guidelines<br>paragraph 20   | Indicator n. 10 Table #1 of Annex 1                             |                           | CDR (EU) 2020/1816, Annex II          |                                 |
| ESRS S2 DR S2 S2-1<br>Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8, paragraph AR 13 |   |                           | CDR (EU) 2020/1816, Annex II          |                                 |
| ESRS S2 DR S2-3<br>Policies to regard the protection of individuals<br>Paragraph 29  | Indicator n. 6 Table #3 of Annex 1                              |                           |                                       |                                 |



| <b>Disclosure Requirement (DR) and related datapoint</b>  | <b>SFDR reference</b>  | <b>Pillar 3 reference</b> | <b>Benchmark regulation reference</b> | <b>EU Climate Law reference</b> |
|---|--|---------------------------|---------------------------------------|---------------------------------|
| ESRS S2 DR S2-4<br>Human rights issues and incidents connected to its upstream and downstream value chain<br>Paragraph 37             | Indicator n. 14 Table #3 of Annex 1  |                           |                                       |                                 |
| ESRS S3 DR S3-1<br>Human policy commitments<br>Paragraph 17   | Indicator n. 9 Table #3 of Annex 1 and Indicator n. 11 Table #1 of Annex 1 |                           |                                       |                                 |
| ESRS S3 DR S3-1<br>Violations of UNGC principles and OECD guidelines<br>paragraph 18  | Indicator n. 10 Table #1 Annex 1   |                           | CDR (EU) 2020/1816, Annex II          |                                 |
| ESRS S3 DR S3-3<br>Policies to regard the protection of individuals<br>Paragraph 28   | Indicator n. 6 Table #3 of Annex 1   |                           |                                       |                                 |
| ESRS S3 DR S3-4<br>Human rights issues and incidents<br>Paragraph 36  | Indicator 14 Table #3 of Annex 1   |                           |                                       |                                 |
| ESRS S4 DR S4-1<br>Policies related to consumers and end-users<br>Paragraph 16  | Indicator n. 9 Table #3 and Indicator n. 11 Table #1 of Annex 1            |                           |                                       |                                 |
| ESRS S4 DR S4-1<br>Violations of UNGC principles and OECD guidelines<br>paragraph 17  | Indicator 10 Table #1 of Annex 1   |                           | CDR (EU) 2020/1816, Annex II          |                                 |
| ESRS S4 DR S4-3<br>Processes to remediate negative impacts and channels for consumers and end-users to raise concerns<br>Paragraph 26 | Indicator n. 6 Table #3 of Annex 1   |                           |                                       |                                 |
| ESRS S4 DR S4-4<br>Human rights issues and incidents<br>Paragraph 34  | Indicator n. 14 Table #3 of Annex 1  |                           |                                       |                                 |
| ESRS G1 DR G1-1<br>United Nations Convention against Corruption   | Indicator n. 15 Table #3 of Annex 1  |                           |                                       |                                 |

| <b>Disclosure Requirement (DR) and related datapoint</b>   | <b>SFDR reference</b>               | <b>Pillar 3 reference</b> | <b>Benchmark regulation reference</b> | <b>EU Climate Law reference</b> |
|--|-------------------------------------|---------------------------|---------------------------------------|---------------------------------|
| Paragraph 8(b)   |                                     |                           |                                       |                                 |
| ESRS G1 DR G1-1<br>Protection of whistle-blowers<br>Paragraph 8(d)                                 | Indicator n. 6 Table #3 of Annex 1  |                           |                                       |                                 |
| ESRS G1 DR G1-4<br>Fines for violation of anti-corruption and anti-bribery laws<br>Paragraph 21(b) | Indicator n. 17 Table #3 of Annex 1 |                           | CDR (EU) 2020/1816, Annex II)         |                                 |
| ESRS G1 DR G1-4<br>Standards of anti-corruption and anti-bribery<br>Paragraph 23                   | Indicator 16 Table #3 of Annex 1    |                           |                                       |                                 |

## **Appendix D: Disclosure/Application Requirements in [draft] topical ESRS that are applicable to [draft] ESRS 2 General Disclosures**

The following table outlines the requirements in topical ESRS that need to be taken into account when reporting against the Disclosure Requirements in ESRS 2.

| <b>Disclosure Requirement</b>  | <b>Related [draft] ESRS Standards</b>   |  |
|--|---|--|
|  | Main body of topical ESRS   | Application requirements   |
| <b>GOV-2 Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies</b> |   |  |
| <b>GOV-3 Integration of sustainability-related performance in incentive schemes</b>  | [draft] ESRS E1 Climate change (12)   |  |
| <b>SBM-2 Interests and views of stakeholders</b>   | [draft] ESRS S1 <i>Own workforce</i> (19)   | [draft] ESRS S1 <i>Own workforce</i> (AR 8 to AR 9)  |
| <b>SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model(s)</b>                                 | [draft] ESRS E1 Climate Change (17)<br>[draft] ESRS E4 <i>Biodiversity and ecosystems</i> (20)<br>[draft] ESRS S1 <i>Own workforce</i> (15 to 18)                                 | [draft] ESRS E1 Climate change (AR 7 to AR 9)<br>[draft] ESRS S1 <i>Own workforce</i> (AR 4 to AR 7)   |
| <b>SBM – 4 Material impacts, risks and opportunities and their interaction with strategy and business model</b>                                  | [draft] ESRS S2 <i>Workers in the value chain</i> (10 to 13)<br>[draft] ESRS S3 <i>Affected communities</i> (8 to 11)<br>[draft] ESRS S4 <i>Consumers and end-users</i> (8 to 11) | [draft] ESRS S2 <i>Workers in the value chain</i> (AR 3 to AR 6)<br>[draft] ESRS S3 <i>Affected communities</i> (AR 2 to AR 5)<br>[draft] ESRS S4 <i>Consumers and end-users</i> (AR 2 to AR 5)  |
| <b>SBM – 5 Interests and expectations of stakeholders</b>  | [draft] ESRS S2 <i>Workers in the value chain</i> (14)<br>[draft] ESRS S3 <i>Affected communities</i> (12)<br>[draft] ESRS S4 <i>Consumers and end-users</i> (12)                 | [draft] ESRS S2 <i>Workers in the value chain</i> (AR 7 to AR 8)<br>[draft] ESRS S3 <i>Affected communities</i> (AR 6 to AR7)<br>[draft] ESRS S4 <i>Consumers and end-users</i> (AR 6 to AR7)  |
| <b>IRO-1 Description of the processes to identify and assess material sustainability impacts, risks and opportunities</b>                        | [draft] ESRS E1 Climate change (18 to 19)<br>[draft] ESRS E3 <i>Water and marine resources</i> (8)<br>[draft] ESRS E4 <i>Biodiversity and ecosystems</i> (21 to 23)               | [draft] ESRS E1 Climate change (AR 10 to AR 14)<br>[draft] ESRS E2 <i>Pollution</i> (AR 1 to AR 10)<br>[draft] ESRS E3 <i>Water and marine resources</i> (AR 1 to AR 15)<br>[draft] ESRS E5 <i>Resource use and circular economy</i> (AR 1 to AR 10) |

|  |  |  |
|--|--|--|
|  | [draft] ESRS E5 Resource use and circular economy (11) |  |
|--|--|--|

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