

# Overview of EFRAG Working Paper

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## Draft ESRS – Road transport

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# AGENDA

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- 1. Objectives & Background**
- 2. Status of the Standard**
- 3. Questions**

# OBJECTIVES & BACKGROUND

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## Objectives:

to present overview of the working paper on Road transport, which constitutes the basis for the future sector Exposure Draft.

## Background:

1. As a first part of the development process a stakeholder engagement process was completed.
2. The first Transportation sector stakeholder engagement workshop was attended by both experts from the industry and civil society organisations. However, the first Transportation workshop did not include any discussion on proposed disclosure requirements for Road Transport. In fact, Cluster 7 did not work on drafting DRs for the land transport sector activity.
3. September 2022, a call was issued for interested stakeholders (preparers and preparer organisations, social partners, investment organisations and other interested parties) to join Community Sector Groups including a Community Sector Group for the Road transport Sector.
4. Following the establishment and subscription process an additional two workshops were held in October and November 2022 inviting Community Sector representatives to attend and provide feedback on work performed on sustainability matters, regulatory and legislative review, sector descriptions and summary level Disclosure Requirements to be included in [draft] working papers for Road transport. A survey was issued in advance of the workshops and live polling was completed during the workshops.  
Community sector participants: financial services and investment companies, road transport companies, academics, CSOs.

## General Overview

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1. Sector description developed on the basis of the EU NACE code classification system – the structure of the standard is divided into passenger land transport and freight transport services by road;
2. Mapping of existing disclosure requirements under SASB standard;
3. Corporate reporting analysis of several companies.

## The WP RT pre V.1 includes:

Cover note	2 pages
New Disclosure Requirements native to the Road Transport [draft] ESRS (20) and additional disclosures related to existing Set 1 Disclosure Requirements (30)	14 pages
Appendix A: Defined terms	2 pages
Appendix B: Application Requirements, corresponding to both the new Disclosure Requirements of the standard, as well as Disclosure Requirements of Set 1	4 pages
Appendix C: Sustainability matters description	8 pages
Appendix D: NACE codes	1 page



## ESRS 2 General disclosures

**Freight transport services by road**  
**DR related to ESRS 2 - SBM 1** Market position, strategy, business model(s) and value chain

## Environmental disclosures (1/2)

### Passenger land transport

**E1-5** Average fleet energy efficiency SASB

**E1-6** Average fleet CO2 emissions SASB

**RT-PT 1** Fleet composition

**E2-4** Pollution of air SASB

**RT-PT 2** Noise pollution

**E4 – 5** Biofuels, bioliquids and biomass fuels usage SASB

**RT-PT 3** Maintenance and repair SASB

**RT-PT 4** Passenger-kilometer

**RT-PT 5** Share of retrofitted or second-hand vehicles

## Environmental disclosures (2/2)

### Freight transport services by road

**E1-5** Average fleet energy efficiency SASB

**E1-6** Freight GHG intensity SASB

**RT-FT 1** Fleet composition

**RT-FT 2** Noise pollution

**E2-4** Pollution of soil SASB

**E4 – 5** Biofuels, bioliquids and biomass fuels usage SASB

**RT-FT 3** Maintenance and repair SASB

**RT-FT 4** Tonne-kilometer

**RT-FT 5** Share of retrofitted or second-hand vehicles

## Social disclosures (1/2)

### Passenger land transport

**S1-1** Policies related to own workforce

**S1-4** Taking action on material impacts on own workforce, and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions

**S1-5** Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

**S1-6 and S1-7** Percentage of posted workers

**S-10** Adequate wages

**S1-13** Training and skills development indicators

**S1-14** Health and safety

SASB

**RT-PT X** Working time

**RT-PT X** Right to transport and accessibility

**S4-4** Taking action on material impacts on consumers and end-users, and approaches to mitigating material risks and pursuing material opportunities related to consumers and end-users, and effectiveness of those actions

SASB

## Social disclosures (2/2)

### Freight transport services by road

**S1-1** Policies related to own workforce

**S1-4** Taking action on material impacts on own workforce, and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions

**S1-5** Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

**S1-6 and S1-7** Percentage of posted workers

**S-10** Adequate wages

**S1-13** Training and skills development indicators

**S1-14** Health and safety

SASB

**RT-PT X** Working time

**S3-4** Taking action on material impacts on affected communities, and approaches to mitigating material risks and pursuing material opportunities related to affected communities, and effectiveness of those actions

SASB

## Governance disclosures

### Passenger land transport and Freight transport services by road

**G1-2** Management of relationship with suppliers

**RT-PT 7** Transparency about contracts with governments

**RT-PT 8 and RT-FT 7** State aid and competition law

**RT-PT 9 and RT-FT 8** Number of data breaches, policies and practices relating to cybersecurity

**RT-PT 10 and RT-FT 9** Anti-competitive behaviour events

**G1-5** Business conduct



# Sustainability Matters – Environment 1/2

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## E1

### ➤ **Climate change mitigation**

Rationale: Transportation sector is a large CO2 emitter and road transport accounts for the majority of the total emissions.

Metrics: average fleet CO2 emissions, freight GHG intensity

### ➤ **Climate change adaptation (TBD)**

### ➤ **Energy**

Rationale: Road transport is huge energy consumer

Metrics: fleet energy efficiency, fleet composition.

## E2

### ➤ **Pollution of air**

Rationale: Road transport has a localised negative impact on outdoor air quality with its emissions of SOx, NOx, Particulate Matter.

Metrics: Noise pollution, level of compliance with emissions requirements

### ➤ **Pollution of soil**

Rationale: Road transport can often cause fuel leakage that harms the environment.

Metrics: Estimated number of accidents that cause fuel leakage

## Sustainability Matters – Environment 2/2

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### E4

- **Direct impact drivers of biodiversity loss**
- **Impacts on the state of species**
- **Impacts on the extent and condition of ecosystems**

Rationale: The use of biofuels affects land use change and has a huge impact on biodiversity loss.

Metrics: Biofuels, bioliquids and biomass fuels usage.

### E5

- **Resource outflows related to products and services.**

Rationale: Transport companies can play a role on circular economy, mostly ensuring that the use intensity of the vehicles is good and that they invest in maintenance and repair of the vehicles.

Metrics: Maintenance and repair of the fleet, Passenger-kilometer and tonne-kilometer

# Sustainability Matters – Social 1/2

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## Key characteristics of sector affecting social:

Deregulation, weak enforcement, low barriers to entry, low product differentiation, price competition, frequent subcontracting of operations, moderate skill requirements, segments of transport + labour market are highly internationalized

## S1 / S2

- **Secure employment**
  - High % of posted workers, self-employed, limited-term contracts
- **Working time**
  - High % of 'irregular work' – weekend/evening/night work, multi-day assignments, flexible scheduling
- **Health and safety**
  - Driver fatigue caused by working time issues, lack of adequate housing + security at truck stops
- **Social dialogue, freedom of association and collective bargaining**
  - Many EU MS - low collective bargaining coverage, weak social dialogue
- **Work-life balance**
  - Challenged by working time issues
- **Adequate wages**
  - Under pressure from price competition, low collective bargaining coverage, abuse of international labour sourcing

# Sustainability Matters – Social 2/2

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## **S1 / S2 (continued)**

### ➤ **Equal treatment and opportunities for all**

- Male-dominated sector, wage gap, policies often not supportive of families, difficulties in attracting young persons

### ➤ **Adequate housing**

- Lack of adequate, affordable overnight housing in many EU MS

### ➤ **Adequate training**

- Costs of training / regular refresher courses / qualification exams

## **S4**

### ➤ **Health and safety**

### ➤ **Access to products and services**

# Sustainability Matters – Governance 1/2

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## G1

### ➤ **Business conduct**

Rationale: This matter helps on having a general overview on how the undertaking addresses its negative impacts on the economy, environment and people and also of its political engagement and transparency.

### ➤ **Contract transparency**

Rationale: Relates mostly to the passenger transport activities and it is aimed at ensuring accountability, fair competition and it should improve quality of the service provided by the public transport operators.

### ➤ **State aid and competition**

Rationale: this matter is particularly important when it comes to road transport and support to investments in the green transition, for example.

# Sustainability Matters – Governance 2/2

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## G1

### ➤ **Management of relationships including payment practices**

Rationale: Managing relationships with governments, business partners, suppliers (subcontractors) and stakeholders for undertakings in the road transportation sector is very important.

### ➤ **Cybersecurity**

Rationale: Importance of cybersecurity is growing for the road transport sector due to the increase in the use of technology and connectivity in vehicles.

### ➤ **Anti-competitive behaviour**

Rationale: The road transportation industry is subject to competition with other providers and new competitors entering the market. The disclosure of this information protects consumers against practices that the undertaking might take such as price-fixing that would increase prices and reduce the choices and help the undertaking to protect its reputation.

# Questions

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