Process followed to develop the draft ESRS
Road Transportation Sector

Objective:

This paper provides an overview of the process and tasks completed as part of the development process for the [draft] ESRS working paper on the Road Transportation Sector.

Structure of the document:

This paper is structured in 2 Sections:

1. Section 1 describes the process followed in the research that allowed the writing team (part of the EFRAG Secretariat) to build the [draft] ESRS working paper for Road Transportation.

2. Section 2 describes the sources identified and provides background information on the sustainability matters that are commonly used in the road transportation sector.

PART 1: PROCESS TO DEVELOP THE DRAFT ESRS WORKING PAPER

General Approach to Development of [draft] Working Paper: Road transportation Sector: Work Completed as part of Cluster 7 ("C7") (2022)

Preliminary Analysis

1   The EFRAG Secretariat commenced its research work on sector specific standards in Q2 2022, based on the agreed list of sectors identified and outlined in [draft] SEC 1 Sector Classification using existing SASB sector specific standards as an initial guide and starting point. The EFRAG Secretariat benefitted from the work performed by the EFRAG PTF NFRS (active from September 2020 to March 2021) and renamed EFRAG PTF ESRS (active from May 2021 to April 2022), collectively 'PTF'. A specific Cluster (Cluster 7) of experts in the PTF was dedicated to run preparatory work for the sector standards.

2   Cluster 7 developed the classification system, using NACE codes and aggregating them into 40 Sectors, and delivered the document [draft] SEC 1 Exposure Draft. This document has not been exposed for comments so far.

3   Cluster 7 completed an initial mapping of the SASB standards to the NACE codes and to the EU Taxonomy and identified 40 different sectors and 14 sector groups.

4   C7 began by mapping the SASB Disclosure Requirements ("DRs") to the 40 ESRS sectors identified in [draft] SEC 1 and then did an analysis of whether the DRs for the relevant sector were covered by the agnostic standards or should be applied to sector specific standards.

5   This analysis was presented to all the topical clusters in the PTF and changes were made in accordance to their feedback.

6   This updated mapping was then informally presented to SASB staff, who suggested amendments, but on a general basis agreed with the reconciliation work done.

7   All remaining DRs were reviewed for US specific references which would not be applicable to Europe and subsequently these DRs were either amended or removed.

8   The DRs that remained created the V.0 of the standard and this version of the standard was presented in an initial set of workshops across 40 sectors during June 2022.

Stakeholder Workshop 1: Transportation, June 2022

9   The first Transportation sector stakeholder engagement workshop was attended by both experts from the industry and civil society organisations. The first Transportation workshop did not include any discussion on Road Transportation disclosure requirements. In fact, Cluster 7 did not work on drafting DRs for the land transport sector activity.

10   The content discussed during the workshop was limited to aviation and shipping and the general feedback was that additional work was required based on the [draft] working paper developed for Transportation and changes were required to include additional and vital topics such as land transport. Attendees provided also very limited written feedback.

11   During the EFRAG SR pillar discussions on the sectors prioritisation, a decision was taken to prioritise Road Transportation over aviation and shipping within the overall Transportation sector and a [draft] working paper only for Road Transportation was subsequently developed.

Proposed Methodology for determining material topics in sector-specific ESRS

12   In August and September 2022, a [draft] paper was approved by SR TEG and SRB outlining a proposed methodology for determining material topics in sector-specific ESRS.

13   The process and methodology outlined in this paper follows the decision-making process and tasks completed for Road Transportation in developing the [draft] working paper.

Double materiality Assessment and Main Decision Process
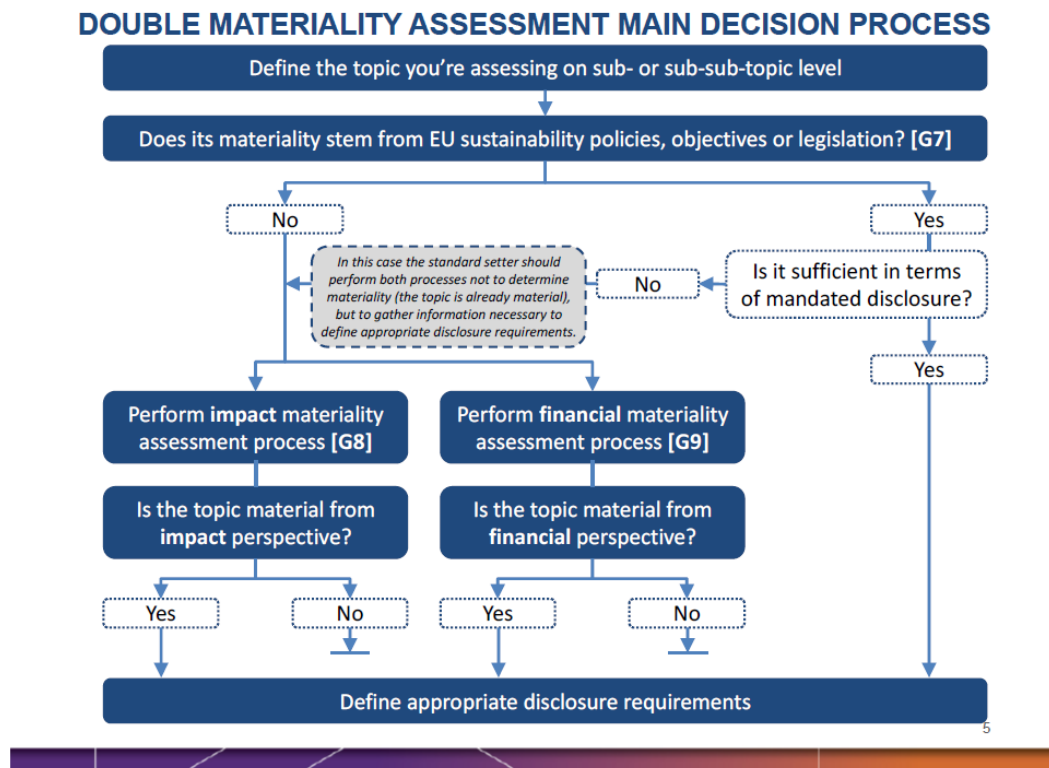
Review & Development Sustainability Matters: Road Transportation Sector

14 Following the initial workshops completed in June 2022 an analysis was completed on the main sustainability matters and topics covered by the aforementioned standards and defined by Cluster 7. Unfortunately, the sustainability matters identified by Cluster 7, included very little work relevant for Road Transportation.

15 In addition to this, the matters and topics covered by the largest undertakings in the sector were identified through additional analysis of company / sustainability reporting in Europe, to gain a better understanding of what currently is being and has been reported. An overview of companies reviewed during this process is included in this paper from paragraph 44 onwards.

16 Moreover, the updated list of matters, topics and subtopics was mapped to sustainability matters included within [draft] agnostic standards.

17 This resulted in an updated and more complete list of sustainability matters and topics being drafted for the Road Transportation Sector. This list is included in the [draft] working paper (Annex C) and encompasses both the sector agnostic and specific layers.

18 Descriptions of each sustainability matter was created post the above process based on the impacts, risks and opportunities identified for the sector.

Stakeholder Workshop 2: Road Transportation, November 2022 Sustainability Matters Discussions

19 In November 2022 the list of sustainability matters developed above and their descriptions were both presented in a questionnaire shared with subscribers to workshops for completion before the workshop was held. The output was presented in generic form during Workshop 1 (sustainability matters and regulatory review). This had both a private session with sector communities (subscribers to be part of Road Transportation sector community) and a short public session which shared feedback from the private session.

20 Overall, the stakeholders' community that took part in the workshop were satisfied with the sustainability matters identified and presented for the Road Transportation sector.

21 Some feedback was provided on the relevance of certain sustainability matters for the Road Transportation sector.

Incorporating Workshop Feedback: Sustainability Matters Road Transportation

22 The overall feedback received during the workshop has been collected and classifies in the spreadsheet named "Feedback received workshop road transport".

23 Feedback and inputs on prioritisation of sustainability matters were incorporated into the list of matters included in the [draft] working paper.

24 In addition to this, when the [draft] ESRS 1 was published in November 2022, the final list of sustainability matters covered by the sector agnostics standard was used to map the sustainability matters identified in Road transportation.

Stakeholder Workshop 3: Road Transportation, November 2022 Disclosure Requirements

25 During the third and final workshop, the EFRAG Secretariat presented the main topics/shortened versions of proposed DRs to the sector communities.

26 This had both a private session with sector communities (subscribers to be part of Road Transportation sector community) and a short public session which shared feedback from the private session.

27 This allowed the team to benefit from industry and civil society experts participating in the Workshops to get an understanding of what they considered most important when moving forward with the prioritisation process.

28 We received a good amount of feedback that we attempted to incorporate where possible in the [draft] Working paper for Road Transportation. The feedback received is summarised and classified in the document named "Feedback received workshop road transportation".

Review and Development of Sector Descriptions: Road Transportation Sector Preliminary Analysis

29 We developed the sector description starting from the description that was included in the

draft Road Transportation document and based on the European NACE code classification.

30 During the workshop we received the suggestion to add the rental and leasing activities as part of the standard and we accepted it.

EU Legislation, Regulatory Review and Policies Alignment:

CSRD

31 The CSRD states that, in addition to a set of 'sector-agnostic' standards and disclosure requirements for Set 1 ESRS, EFRAG is to develop a set of 'sector-specific' standards.

32 As part of the process in development of [draft] DRs for the Road Transportation sector the requirements under Article 29b) and its definition of an exclusive list of sustainability factors categorised in E, S, and G formed part of the development of the DRs.

33 The writing team started from zero to map the relevant existing legislation supported by EU policies and regulations tools. The legislation mapping that had already been done during the development of technical screening criteria under the EU Taxonomy Regulation mandate was of great support.

34 The writing team also considered existing ILO publications.

35 The team has endeavoured to consider all relevant legislation and regulation in their review, but also acknowledge that, due to time constraints in the process, additional work may need to be performed for completeness and it will be done in parallel to review of the [draft] Working papers.

36 Through the written questionnaire submitted and during the workshops, there were no additional comments to the regulatory overview and review completed and presented to stakeholders.

EU Taxonomy Regulation

37 The writing team has done a mapping of the existing criteria for the Road Transportation sector under the EU Taxonomy Regulation and considered both technical screening criteria for substantial contribution (SC) and do not significant harm (DNSH) criteria.

38 The writing team deemed it relevant to seek alignment with the existing criteria under the EU Taxonomy Regulation.

PART 2: SOURCES AND COMMON SUSTAINABILITY MATTERS IN ROAD TRANSPORTATION

Analysis of Sustainability Reporting in the Road Transportation Sector: 2022 Available Information

Existing standards

39 As part of the regulatory and legislative review, we have considered the below regulations and reporting requirements as relevant to the Road transportation sector and used information as a basis to develop the [draft] Working paper for Road Transportation.

Sustainability Accounting Standards Board ("SASB")

40 The SASB standards are the most developed in regards to comprehensive sector specific sustainability reporting. Their work is also being incorporated into ISSB and has therefore been the foundation of our standard development.

41 However, SASB standards have been developed for the USA and are therefore not up to date with European or global legislation. They have also not been updated over the past 10 years and are therefore lacking some technological aspects to our society that are vital to create a comprehensive standard.

42 The disclosure requirements developed by SASB for the Road transportation sector have been taken into account and complemented.

TCFD

43 The writing team considered sector recommendations from the Task Force on Climate-Related financial disclosures and in particular the existing examples for the transportation group (https://www.fsb.org/wp-content/uploads/P141021-4.pdf).

Corporate reporting analysis

Passenger land transport

Keolis annual report and materiality assessment

44 (https://www.unglobalcompact.org/participation/report/cop/create-and-submit/advanced/470024):

- Contributing to energy transition
- Developing & promoting low-carbon transport solutions
- Reducing environmental footprint
- Promoting new forms of mobility
- Innovating to develop new mobility solutions
- Passenger safety

- Operations safety
- Workforce health and safety
- Fostering dialogue with stakeholders
- Facilitating diversity & inclusion
- Ensuring accessibility for people with reduced mobility
- Employee relations & social dialogue
- Proactive and reasonable governance

RATP sustainability report 2021

45 https://www.ratp.fr/sites/default/files/inline-files/RAFI%20RSE_GB.pdf

- Combating climate change
- Adapting to climate change
- Resource consumption
- Eco-friendly design and circular economy
- Pollution and waste
- Biodiversity and ecosystems
- Diversity and inclusion
- Respect for human rights
- Training and skills development
- Quality of life at work
- Access to services for as many people as possible
- Passenger safety and security
- Social dialogue
- Business ethics
- Responsible procurement
- Compliance with commitments to transport authorities
- Dialogue with stakeholders
- Control of operational and financial risks

Freight transport

DHL sustainability report and materiality assessment

46 (https://www.dhl.com/content/dam/dhl/global/dhl-supply-chain/documents/pdf/DPDHL-2021-Annual-Report.pdf) :

- Climate protection and reduction of logistics-related GHG emissions: use of sustainable technologies and fuels, road fleet electrification
- Green last mile delivery
- Equal opportunities, healthy and safe work environment, employee engagement,

diversity and inclusion

GLS sustainability report and materiality assessment

47 https://gls-group.com/GROUP/en/our-responsibility
- Energy efficiency
- Environmentally friendly transport
- Long-term emission reduction strategy
- Education & training
- Safe driving
- Diversity & non-discrimination
- Labor standards in the supply chain
- Employer attractiveness
- Occupational health and safety
- Transparency & dialogue
- Compliance
- Data protection & information security

Known issues in the Road Transportation sector:

48 There are a number of environmental issues that according to legislation, international existing frameworks, publications and general literature are deemed relevant for the Road transportation sector. In particular:
- Climate change mitigation
- GHG emissions reduction
- Air pollution
- Noise pollution
- Biodiversity related to the use of sustainable fuels

49 There are a number of social issues that according to legislation, international existing frameworks, trade unions publications and studies are deemed relevant for the Road transportation sector. In particular:
- Working conditions
  https://www.europarl.europa.eu/RegData/etudes/etudes/join/2013/495855/IPOL-TRAN_ET(2013)495855_EN.pdf
- Working time
- Adequate housing of drivers
- Work-life balance https://www.etf-europe.org/wp-content/uploads/2021/05/Driver-Fatigue-in-European-Road-Transport-Report.pdf
- https://www.etf-europe.org/wp-content/uploads/2022/03/Etf_BusandCoach_report_web-2.pdf

-	Accessibility for consumers

WHO – World Health Organisation

50	There are several publications from the World Health Organisation that demonstrate the existing link between road transport, air pollution and health issues.

-	https://www.who.int/health-topics/air-pollution#tab=tab_1
-	Transport and health report 2015 https://www.euro.who.int/__data/assets/pdf_file/0020/324641/Health-2020-Transport-and-health-en.pdf%3Fua%3D1

OECD – Environmental impacts of Increased International road and rail freight transport

51	OECD published a number of important studies on the environmental impact of the road transportation sector.

-	https://www.oecd.org/greengrowth/greening-transport/41380980.pdf
-	https://read.oecd-ilibrary.org/environment/the-cost-of-air-pollution_9789264210448-en#page4
-	https://www.oecd.org/environment/envtrade/2386636.pdf