ACCOUNTANCY EUROPE'S FEEDBACK AND TECHNICAL ANALYSIS TO THE EC'S DRAFT DA ON EUROPEAN SUSTAINABILITY REPORTING STANDARDS (ESRS)

Accountancy Europe continues to support European Sustainability Reporting Standards (ESRS) as a much-needed step forward in the harmonisation of reporting practices and as a catalyst to providing relevant, comparable and ultimately verifiable sustainability-related information. We have contributed to all the steps of the ESRS development, by voicing the European accountancy profession views during public consultations, and by providing to EFRAG experts with the necessary expertise to draft the ESRS.

We support principle-based standards underpinned by materiality. Therefore, we welcome the European Commission's (EC) ESRS materiality approach in the draft delegated act (DA). Guidance on ESRS, particularly on double materiality, will be key.

We applaud the EC for setting up an interpretations and guidance committee jointly with EFRAG and prioritising work on guidance. However, we strongly call on the EC to clarify the legal status, for instance as an EC Communication or Recommendation, of any upcoming guidance produced by EFRAG.

We recognise that the changed approach to ESRS has raised questions on how different European Union (EU) legal frameworks work together. We call on the EC to ensure consistency between these legal acts, including clarifying how financial market participants will be able to comply with the SFDR or Pillar 3 requirements considering that these datapoints are subject to materiality in the ESRS reporting.

Most importantly, we believe that the remaining non-alignment between the ESRS and the International Sustainability Standards Board (ISSB) IFRS sustainability standards is a fatal flaw which should be amended by the EC before the adoption of these DAs. This includes aligning the currently diverging:

- ESRS' financial materiality definition and description with the IFRS materiality
- materiality assessment approaches (ESRS focus on the phenomena whereas ISSB focuses on information)
- determination of useful information for each type of user of information.

Accountancy Europe remains committed to robust and fit-for-purpose ESRS, to serve as a tool towards transitioning to more sustainable business models. Proper and transparent standard-setting due process is the first precondition and a prerequisite in the Corporate Sustainability Reporting Directive (CSRD).

We believe that the process followed was neither ideal nor as intended in the Better Regulation principles. EFRAG developed the first set of ESRS under extremely challenging deadlines, which resulted in a short consultation period and outsourcing of important tasks (the cost-benefit and feedback analyses). The standards also underwent significant changes (both by EFRAG and the EC) compared to the last time they were issued for public consultation as Exposure Drafts, which could have merited a broader and longer consultation than the EC's targeted 4-week feedback period.

High-quality implementation is also paramount for the ESRS to achieve the intended objectives. Whilst we appreciate the additional phase-ins and simplifications to the ESRS, we recognise that a significant compliance burden remains, particularly for the first companies to report. The challenge is also heightened due to the lack of field-testing and the fact that stakeholders only have 4-5 months to implement the necessary operational changes (processes, internal controls, systems, including IT) to start complying from 1 January 2024.

As a result, all stakeholders in the reporting ecosystem will need more support. Achieving high-quality ESRS reports will be a journey: preparers, assurance providers and enforcers will need to work together, support and learn from each-other to improve implementation gradually in the first years. We call for a public communication to establish a shared understanding on compliance, assurance and enforcement.

In the attached document we provide further comments on all ESRS, including areas for improvement, guidance and clarifications.

Template for comments on draft ESRS Delegated Act

The draft delegated act on European Sustainability Reporting Standards (ESRS) comprises: the main text of the legal act; twelve draft standards (annex I); and a glossary of abbreviations and defined terms (annex II).

The twelve draft standards in Annex I are:

Group	Number	Subject
Cross-cutting	ESRS1	General Requirements
Cross-cutting	ESRS2	General Disclosures
Environment	ESRS E1	Climate
Environment	ESRS E2	Pollution
Environment	ESRS E3	Water and marine resources
Environment	ESRS E4	Biodiversity and ecosystems
Environment	ESRS E5	Resource use and circular economy
Social	ESRS S1	Own workforce
Social	ESRS S2	Workers in the value chain
Social	ESRS S3	Affected communities
Social	ESRS S4	Consumers and end users
Governance	ESRS G1	Business conduct

Each standard is divided into numbered paragraphs. Each standard also has an appendix A containing “application requirements” which are numbered as AR 1, AR 2 etc. Some standards also contain additional appendices.

To facilitate analysis of comments, respondents are kindly requested to use the simple template below when sending their comments.

Name of respondent/responding organisation: Accountancy Europe

1. GENERAL COMMENTS

(1) Accountancy Europe is pleased to provide feedback to the European Commission's (EC) draft Delegated Act (DA) on the first set of European Sustainability Reporting Standards (ESRS). We congratulate the EC for issuing the draft DA with the ESRS and reiterate our congratulations to EFRAG for delivering their Technical Advice with the Draft ESRS to the EC.

(2) We welcome and support the improvements to ESRS compared to the last time they were issued for public consultation as Exposure Drafts (ED): they are better organised, clearer, more concise and more streamlined. We support:

a. the additional phase-ins and transitional provisions to ease implementation

b. the materiality approach, which underpins principle-based ESRS and increases interoperability with the International Sustainability Standards Board's (ISSB) standards

c. the incorporation of the four-pillar structure in the draft ESRS, which aligns with the Task Force on Climate-Related Financial Disclosures (TCFD) pillars and the structure of the ISSB's standards, whilst incorporating the necessary elements to address double-materiality

d. the improvements to the Application Requirements sections of all ESRS, which now mainly focus on actual application.

(3) Nonetheless, we believe that the ESRS can be further improved. To this end, we have summarised our suggestions below, which we have classified in two categories: those for immediate action (including amending the ESRS before the EC adopts the DA) and those for further improvements (which can be considered at a future stage). For the specificities on how to operationalise these proposals, see our detailed comments in Section 3 "*Specific comments on Annex I*" and Section 4 "*Specific comments on Annex II*" below).

TWO SUGGESTIONS FOR IMMEDIATE ACTION ON ESRS

International alignment

(4) In line with the requirement in the Corporate Sustainability Reporting Directive (CSRD), we strongly suggest the EC to modify ESRS to ensure consistency and align with the ISSB's IFRS sustainability standards to the maximum extent possible before adopting the DA (see our detailed suggestions on how to improve alignment in Section 3 "*Specific comments on Annex I*" and Section 4 "*Specific comments on Annex II*" below). Considering that the ISSB has already published its standards and that the first set of ESRS will be applicable by 1 January 2024, the EC still has time to make these changes before adopting the DA. Alignment between the two sets of standards (where possible and not in conflict with EU legislation) should also be a long-term goal to be considered in case of any future amendments from either side.

(5) There are differences between the ESRS and the IFRS sustainability standards, such as:

a. overall language used to (perhaps) mean the same thing, including in definitions and descriptions (particularly on materiality)

b. presentation (which we appreciate is a difference that stems from the requirements in the CSRD, not the ESRS)

c. how users are defined and how useful information for each group of users is determined

d. differences between Draft ESRS 1 and IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* (IFRS S1) on:

   i. definitions and description between "materiality" in IFRS S1 (which also includes defining "sustainability") and "financial materiality" in ESRS 1

   ii. the basis on which materiality judgements should be made: ESRS looks at the phenomena/topic, whereas the ISSB focuses on decision-useful information (this could create pervasive differences in the information to be reported)

   iii. classification of users, including on "who" uses information based on either lens of the double materiality

   iv. how changes in estimates are treated

   v. transitional measurements and phase-ins, whilst this is only a temporary difference for as long as the reliefs from both the EC/EFRAG and the ISSB last

   vi. proportionality

   vii. defining "sustainability" (i.e., IFRS S1 defines the term, ESRS does not)

e. differences between Draft ESRS E1 and IFRS S2 *Climate-related Disclosures* (IFRS S2) on:

   i. requirements for explaining current and anticipated financial effects (such as when it is appropriate to provide this type of analysis)

   ii. how the presentation/scope is split between standards (e.g. in ESRS E1 climate-related impacts, risks and opportunities related to social topics will be found in the respective social standard and reported in that section of the sustainability statement whereas IFRS S2 allows to tell the full climate related story in the same section).

(6) We strongly call for a co-signed interoperability table between EFRAG/EC and ISSB on their shared topic standards to help clarify how both standards are aligned. The differences between the standards, including the ones we evidenced above increase the risk of having 2 different sets of reports, particularly during the first years of applications as stakeholders gain experience with the standards. A similar interoperability table could ideally be produced between EFRAG and GRI as well.

Link between ESRS and other EU law

(7) We call on the EC to clarify as soon as possible how the materiality approach in ESRS would link to the Sustainable Finance Disclosure Regulation's (SFDR) and/or Pillar 3 requirements. The EC should either ensure consistency between EU laws or clarify how to consider the requirements in these other acts, because currently the adopted materiality approach is unlikely to have a practical effect on the volume of data that companies need to collect and report for the indicators in those regulations. We expect financial market participants to continue to request companies to provide this information to them, as long as it is information they need in order to satisfy their own reporting obligations.

OTHER SUGGESTIONS TO FURTHER IMPROVE ESRS IN THE FUTURE

(8) We call on the EC to align the ESRS with other EU and Member State legislation, such as with:

a. the CSRD on the definition of users, provisions on consolidations and phase-ins for value chain information

b. different member state laws, particularly in relation to ESRS S1 and ESRS G1 requirements and definition of terminology

c. the EU Taxonomy, including how to consider different principles such as "do no significant harm" in relation to ESRS E1.

(9) We applaud the EC's initiative to build a structure jointly with EFRAG to provide implementation support and guidance. We also welcome the EC's decision to prioritise guidance on the first set of ESRS and we look forward to EFRAG's deliverables. We reiterate our joint call to the EC to make resources available and provide a clear mandate to EFRAG to:

a. build a structure and have the necessary due process to help with the application and implementation of ESRS

b. address issues raised in practice from the application of standards, including providing interpretations (similarly to the IFRS Interpretation Committee)

c. serve as a capacity building mechanism, including having an educational focus

d. provide guidance, including on application and implementation, as well as illustrative and practical examples.

(10) Guidance, including on application and implementation, is particularly important for ESRS 1. This standard contains many key concepts, e.g., double materiality (particularly on impact materiality), value chain provisions, for which guidance is key, as ambiguity on how to apply these overarching concepts results in confusion in all the ESRS. In addition, this confusion creates reporting and assurance issues when applying these standards.

(11) We strongly call on the EC to clarify the legal status, for instance as an EC Communication or Recommendation, of any upcoming guidance produced by EFRAG.

(12) In addition, we suggest the EC ensures that ESRS are clear, robust, consistent and proportionate and as a result:

a. improve, clarify and provide definitions of all terminology

b. make sure the contents of the standards meet their objectives (e.g., ESRS are quite inconsistent in prescribing or providing all together "financial effects" metrics, which makes it hard to meet the objective of understanding "*the financial effects […] of risks and opportunities arising from the undertaking's impacts and dependencies*")

c. ensure consistency

d. only incorporate "shall" language in the main body of the standard.

(13) We noticed that the Application Requirement section still includes a few disclosures, which we suggest putting in the main body of the standard. It also includes voluntary disclosures to encourage good practices. We suggest clearly evidencing them in a separate section within this Appendix. Similarly, we suggest moving the voluntary disclosure requirements in the main body of the standard (i.e., disclosures for which "may" is used) in this section of the Application Requirements, which would then serve to encourage good practices.

(14) Stakeholders in the reporting ecosystem will still face difficulties in applying these ESRS, particularly in the first years due to various factors. Specifically:

a. the lack of field-testing for the ESRS, due to the challenging deadlines set by the EC to EFRAG, will raise unforeseen issues when applying the standards in practice

b. companies, particularly the first to start reporting on 1 January 2024, will not have had the sufficient time or the adequate understanding needed to effectively adapt their internal controls and processes, including (IT) systems, that serve as the backbone in reporting to collect data that is reliable. Preparers will have less than 6 months to prepare for disclosing on 12 ESRS (effective 1 January 2024), which may impact the quality of reporting, particularly for the first year, and resultantly affect the assurance work

c. despite the many simplifications, standards are still very granular d. the missing Basis for Conclusions for the EC's draft DA ESRS, which could have help understand the rationale of the many changes proposed by the EC from EFRAG's Draft ESRS.

2. SPECIFIC COMMENTS ON THE MAIN TEXT OF THE DRAFT DELEGATED ACT

See above.

3. SPECIFIC COMMENTS ON ANNEX I

Standard	Paragraph or AR number or appendix	Comment
ESRS 1	General	Accountancy Europe welcomes the many improvements in ESRS 1 *General requirements* (ESRS 1) both by EFRAG and the EC when compared to the last time the standard was out for public consultation (at Exposure Draft stage). These include improvements on: ▪ time horizons, by striking a good balance between allowing preparers to use their own timeframes if they are different from the conventions ▪ qualitative characteristics of information, where the concepts have been streamlined to the maximum extent with the well-known ones in the IFRS Conceptual Framework ▪ the elimination of the rebuttable presumption.
ESRS 1	Para. 12	We strongly support adopting the TCFD pillars, and adapting where needed to encompass a broader scope, as it enables alignment with the ISSB – a requirement in the CSRD.

Standard	Paragraph or AR number or appendix	Comment
ESRS 1	Para. 18(b)	We call for a clarification on what are the expectations related to the voluntary disclosures incorporated in various ESRS, i.e., by using “may disclose” language. If a topic is deemed material, then the respective disclosure requirements should be provided either based on the (sector-agnostic and future sector-specific) standard or as entity-specific disclosures. Therefore, having this additional “optional” layer of disclosures: ▪ is not aligned with the outcome of the materiality assessment ▪ risks providing immaterial information and overloading the report ▪ will raise assurance and enforcement issues. If the intention is to encourage good practice with these “may” disclosures, then we suggest the EC moves them to a separate section of the Application Requirements of each standard.
ESRS 1	Para. 22 – Para. 24	We call on the EC to align these paragraphs under section 3.1 “*Stakeholders and their relevance to the materiality assessment process*”, of ESRS 1 with paragraph 9 of the CSRD. This would include: ▪ determining that there are two primary groups of users and providing examples on who falls in those groups in line with the CSRD (i.e., investors and asset managers fall in the first group, whereas civil society actors, NGOs and social partners fall in the second group) ▪ recognising that there may be other stakeholders that find sustainability information useful, but they are not primary users ▪ clearly distinguishing in these paragraphs “users of sustainability statements” and the “affected stakeholders”, whereby the first is a group to consider in the process of identifying information to be included in the sustainability report and the latter is a group to consider when making materiality assessment of impacts ▪ including what both groups of the primary users are expected to benefit from sustainability information as per paragraph 9 in CSRD (e.g., first group wants to better understand the risks and opportunities that sustainability issues pose for their investments and the impacts of those investments on people and the environment, whereas the second group wishes to better hold undertakings to account for their impacts on people and the environment).

Standard	Paragraph or AR number or appendix	Comment
		All of the above would help preparers in their process of identifying stakeholders, which would also help during the assurance process.
ESRS 1	Para. 29, Para. 33, Para. 39	We understand the EC's goal in changing EFRAG's mixed "materiality and mandatory" approach was to ease the burden for the reporting ecosystem. However, it is important to understand why requirements that stem from European legislation such as the SFDR are not mandatory in ESRS when they are mandatory under that legislation. The confusion between the link between ESRS and SFDR is further heightened by the EC's Notice C(2023) 3719, dated 12 June 2023, that seems to state that the expectation is for companies to provide SFDR indicators in all cases. Therefore, we call on the EC to ensure consistency in EU legislation and clarify the link between ESRS, CSRD and SFDR, particularly how to consider the mandatory requirements of the SFDR. Similarly, we call for clarity and consistency on how to treat the list of disclosure requirements and datapoints in Appendix B of ERSR 2. Our understanding is that Appendix B too will be subject to the materiality assessment. However, these paragraphs as well as Appendix B of ESRS 2 itself refer to those disclosures as "mandatory" and "required by EU law".
ESRS 1	Para 37 – Para. 53, AR6 – AR16	We believe there is a strong need for more materiality guidance, e.g., in the form of a Practice Statement, to help preparers conduct, and in turn assurance providers assure, the materiality assessment and notably make double materiality judgements. Particularly, it would be useful to provide implementation guidance and illustrative examples on assessing materiality from either perspective, and overall under a double materiality perspective. The EC should fund EFRAG in developing such an important "Practice Statement". It is necessary to: ▪ clarify, determine the thresholds and provide examples of application for all concepts used, such as severity and its components (scope, scale, irremediable character), likelihood, value ▪ align guidance to the extent possible, particularly on the "financial materiality" aspect (both EFRAG and ISSB are developing guidance on their respective standards, which among other will include guidance on materiality)

Standard	Paragraph or AR number or appendix	Comment
		▪ clarify how the "impact" materiality should be determined, including how should the company identify the decisions users would need to make in relation to the 'material topics' and the information users would need to support those decisions ▪ clarify what will be considered as material from the impact perspective: paragraphs 35 and AR9 appear to give the preparer discretion in determining what should be considered 'impact material' based on the outcome of an assessment process. However, paragraph 43 seems to suggest that anything that pertains to the entity's actual or potential impacts should be considered material. Further, paragraph 45 appears to suggest that every possible 'severe' human rights impact must be considered material. ▪ have guidance on the practical elements when conducting the materiality assessment such as when it should be performed, how the assessment should be carried out when reporting on a consolidated basis (e.g., top-down or bottom-up) ▪ have guidance on how to consider the value chain in the materiality assessment (e.g., how far along the value chain to go) and whether including the value chain in the materiality assessment is subject to phase-ins or not ▪ have more guidance and understand better on how to account for nature as a silent stakeholder, as mentioned in AR7 of ESRS 1 ▪ better explain the interaction between the "sustainability matters" for which a list is provided under AR16 of ESRS 1 and the "impacts, risks and opportunities" that should be identified and assessed to provide information on ▪ clarify whether a materiality assessment shall be carried out before mitigation and/or adaptation related actions (i.e. whether the assessment of material IROs shall be made on a gross or a net basis). We welcome and appreciate EFRAG has already started working on guidance, including on materiality. We suggest EFRAG builds on the "*Double materiality conceptual guidelines for standard-setting*" working paper of the EFRAG's Project Task Force on ESRS. In addition, we strongly call on the EC to clarify the legal status, for instance as an EC Communication or Recommendation, of any upcoming guidance produced by EFRAG.

Standard	Paragraph or AR number or appendix	Comment
ESRS 1	Para. 47 – Para. 51 AR13 – AR16	We appreciate the efforts to align to the greatest extent possible the financial and impact materiality aspects of double materiality with the definitions and guidance from the ISSB and GRI standards respectively. However, there are inconsistencies with the IFRS sustainability standards and ESRS particularly on materiality (ESRS's "financial materiality" lens) definitions and descriptions. We suggest the EC makes the necessary changes to the ESRS to align the financial materiality aspect with the ISSB definition and description. Alignment with ISSB standards is also a requirement in the CSRD.
ESRS 1	Para. 47	We point out that this paragraph can be read in different ways and may create confusion in practice. Specifically, as it refers to the materiality process to determine information to include in financial statements, it may be read as requiring performing such a test too for the sustainability statement's financial materiality (resulting in two different tests: one for the financial statements and the other for the sustainability report). Nonetheless, if the EC is to align terminology with the ISSB, this paragraph may become redundant and therefore can be deleted altogether to avoid any confusions.
ESRS 1	Para. 48	To align with IFRS S1, we suggest deleting "is not limited to" in the opening sentence of this paragraph in order not to give the impression that there are two different scopes for the purposes of the materiality assessment that results in useful information for the primary users of general-purpose financial reports: ▪ "*The financial materiality assessment described in paragraph 37 includes~~, but is not limited to,~~ the identification of information that is considered material for primary users of general-purpose financial reporting in making decisions relating to providing resources to the entity.*"
ESRS 1	Para. 49	To align with IFRS S1, we suggest incorporating in this paragraph the main focus on producing decision-useful information to the primary users of general-purpose financial reports. This would enable scoping of information under the "financial materiality" lens as that information that would affect decision-making of these users. In addition, it would enable alignment with the materiality approach of the ISSB in this shared scope between the two standards where

Standard	Paragraph or AR number or appendix	Comment
		there is currently divergence: ISSB focuses on decision-useful information, whereas ESRS on the topic/phenomena (i.e., “sustainability matter” as referred to in the ESRS), which may result in different outcomes in reporting. To this end, the following sentences of this paragraph can be deleted/adapted: “~~*A sustainability matter is material from a financial perspective if it triggers or could reasonably be expected to trigger material financial effects on the undertaking.*~~ *[…]* ~~*Risks and opportunities may derive from past events or future events. The financial materiality of a sustainability matter is not constrained to matters that are within the control of the undertaking but includes information on material risks and opportunities attributable to business relationships with other undertakings or stakeholders beyond the scope of consolidation used in the preparation of financial statements*~~.” and rephrased using paragraph 2 of IFRS S1: “*Information about sustainability-related risks and opportunities is useful to primary users because an entity’s ability to generate cash flows over the short, medium and long term is inextricably linked to the interactions between the entity and its stakeholders, society, the economy and the natural environment throughout the entity’s value chain. Together, the entity and the resources and relationships throughout its value chain form an interdependent system in which the entity operates. The entity’s dependencies on those resources and relationships and its impacts on those resources and relationships give rise to* ~~sustainability-related~~ *risks and opportunities for the entity.*”
ESRS 1	Para. 57	This paragraph refers to ESRS sector classification which is not available yet. Whilst we understand that sector-specific information is phased-in, we invite the EC to consider how this paragraph would apply in the next years when the phase-ins will no longer be available, but also the ESRS sector classification standard may not yet be adopted. The EC should clarify how, or if, companies should provide sector-specific information in those circumstances.

Standard	Paragraph or AR number or appendix	Comment
ESRS 1	Para. 62 – Para. 72, AR17	We welcome the improvements made to the value chain provisions as per these paragraphs of ESRS 1 and disclosure requirements throughout other ESRSs. However, we believe that this is another area where more guidance is needed, particularly on: ▪ value chain data estimated using indirect sources, such as sector-average data or other proxies ▪ when and where to collect the data in the value chain ▪ how to use indirect sources, including any condition or applicability criteria ▪ how to take into account the impacts that are directly linked to the undertaking's products and services through its business relationships instead of limiting the data of the associate or joint venture to the share of equity held (as per paragraph 67) ▪ what is a "reasonable effort" to collect value chain information (as per paragraphs 69 and AR17 of ESRS 1) These provisions raise concerns with preparers, particularly in the financial sector, that should be addressed as soon as possible. Such guidance is important also for the work of assurance providers. In addition, we suggest providing a list that include metrics from the value chain, as it would provide clarity on when there is a need to collect the respective data and for what purposes.
ESRS 1	Para. 83	We call for clarity on this paragraph as it may be difficult to apply and assure when determining what or why comparative information is "significant" to understand current period disclosures.
ESRS 1	Para. 102	This paragraph and overall section 7.6 "*Consolidated reporting and subsidiary exemption*" of ESRS 1 includes provisions that go beyond the CSRD, as the latter is limited to requiring more information for cases when the risks or impacts of one/more subsidiary(ies) differ significantly to those of the group. Therefore, we suggest the EC amends this paragraph to align with the CSRD.
ESRS 1	Para. 101 - 103	We call for more guidance for groups' consolidation, as well as the subsidiary exemption, including:

Standard	Paragraph or AR number or appendix	Comment
		▪ how judgements, assessments and ultimately reporting interact between individual company and consolidated group level ▪ if and how impacts, risks and opportunities at subsidiary (or third party) level feed into group (own company) assessments ▪ (unless paragraph 102 of ESRS 1 is aligned with the CSRD) to what extent a parent company shall identify opportunities in its subsidiaries that are different from those of the group (i.e., would the level of materiality of the differences in opportunities be the same with that of the differences in risks and impacts?) ▪ when the differences between the subsidiary and group level could be considered significant as per paragraph 102 of ESRS 1 ▪ how to consolidate sustainability information (particularly impact metrics), including what methods to use (e.g., for intra-company elimination) how and to what extent to use the principles of consolidation in financial statements? For example, how to consolidate the GHG information knowing that the boundaries in Draft ESRS E1 do not align with the principles of consolidation in financial reporting and could result in data that are not comparable between the two statements? ▪ clarifying in paragraph 67 what is meant with "*when determining impact metrics, the data of the associate or joint venture are not limited to the share of equity held, but shall be taken into account on the basis of the impacts that are directly linked to the undertaking's products and services through its business relationships*" ▪ how to prevent double counting at users' level. Such guidance and clarifications would help the work of preparers and assurance providers as a result.
ESRS 1	Para. 104 Para. 106	Accountancy Europe appreciates EC's clarification whereby classified or sensitive information, despite it being material or not, is not required to be disclosed.
ESRS 1	Para 108 (b)	As an editorial note, we suggest specifying in this paragraph that it refers to the "anticipated" financial effects. This would align both with changes in the terminology the EC has made throughout ESRSs, but also with the ISSB standards. The EC could therefore add this word in the paragraph to read:

Standard	Paragraph or AR number or appendix	Comment
		"*whether the inclusion of quantitative measures of* ***anticipated financial effects*** *is appropriate, taking into account the number of assumptions that it could require and consequential uncertainty* […]".
ESRS 1	Para. 129 – Para. 136	We call for confirmation on whether the transitional provisions refer to the first three annual periods of the ESRS being enforced (starting 1 January 2024) or to the first three years a company reports under ESRS. To our understanding it is the latter. Confirmation is important because there will be cases where a company will fall in the ESRS/CSRD scope in the future and will start to report under ESRS after that date. For these cases, it would be useful to know whether these transitional provisions would still apply.
ESRS 2	General	Accountancy Europe welcomes EFRAG's and the EC's improvements, efforts for international alignment and streamlining of content in ESRS 2 *General disclosures* (ESRS 2), particularly when compared to the last time the standard was out for public consultation (at Exposure Draft level). In addition, we welcome addressing governance as an overarching matter, as part of ESRS 2. This is an improvement from the Exposure Drafts and is consistent with the final CSRD text. Whilst we appreciate the reduction of many requirements and additional phase-ins, the standard could have been more concise and clearer. We reiterate our comments on guidance on ESRS 1's concepts as these raise questions on ESRS 2 including on how to overall apply and comply with the disclosure requirements. We recognise that this ambiguity on overarching concepts and the fact that set 1 of Draft ESRS were not field-tested, raise questions on the clarity and applicability of the requirements for all stakeholders of the reporting ecosystem, including preparers and assurance providers.
ESRS 2	Para. 17	We would like the EC to clarify the level of information that is expected in accordance with this paragraph for companies which have opted to use the phase-in measures provided for when not exceeding 750 employees. The listed information seems quite exhaustive and significantly offsets the simplification brought about by ESRS 1 in the first years of application of the ESRS.

Standard	Paragraph or AR number or appendix	Comment
ESRS 2	General Para. 46 – Para.49	Guidance would be useful on how to match different ESRS to one-another. For example, the content in disclosure requirement SBM-3 varies between ESRS 2 and the topical standards. These clarifications would help all the participants in the reporting ecosystem, including preparers and assurance providers, in complying with ESRS 2.
ESRS 2	General Para. 51 – Para. 53	We call for clarity on how to operationalise the disclosure requirements that ESRS 2 shares with other topical standards, where they are further detailed based on that topic (e.g., disclosure requirement IRO-1 is addressed in ESRS 2, but also in the topical standards such as ESRS E4). It is important to understand why Draft ESRS 2 disclosure requirements are further detailed in topical standards and others are not; an element which should have been explained in the Basis for Conclusions.
ESRS 2	AR2, AR4, AR5, AR8, AR14, AR18, AR20, AR23, AR25	Whilst most of the Application Requirements focuses on application, there are still voluntary disclosures in these paragraphs. For clarity purposes, we suggest clearly evidencing these voluntary disclosures in a separate section within the Application Requirements section.
ESRS 2	Appendix B	As per our comments in ESRS 1, we call for clarity and consistency on how to treat the list of disclosure requirements and datapoints in this appendix (i.e., whether they are in the scope of the materiality assessment or not).
ESRS E1	General	Accountancy Europe welcomes the improvements to ESRS E1 *Climate Change* (ESRS E1) by both EFRAG and the EC compared to the last time the standard was out for public consultation (at ED stage). These include: ▪ the restructuring of the disclosure requirements under the TCFD-based pillars ▪ efforts on alignment with ISSB and GRI standards ▪ limitation of scope of various disclosure requirements, within own boundaries which previously also encompassed the value chain (e.g., E1-2, E1-5).

Standard	Paragraph or AR number or appendix	Comment
ESRS E1	Alignment with EU law	We appreciate the references on when disclosure requirements stem from EU legislation. However, we call consistency and for a clearer connection to other pieces of EU legislation, including the SFDR and Pillar 3 indicators, and the “do no significant harm” and “minimum safeguards” concepts of the EU Taxonomy.
ESRS E1	Value chain information Appendix A	We call for more guidance on how to use indirect sources, as per ESRS 1, for the cases when the entity cannot collect information in the value chain. ESRS E1 should provide examples of such sources for the respective requirements. This would have helped all stakeholders of the reporting ecosystem, including preparers and assurance providers.
ESRS E1	Para. 47 Para. 51, AR41	Whilst we understand the need for clarifications on boundaries for GHG emissions calculations, we note that comparability and connectivity with financial statements is impaired. We recognise that this problem stems from the outdated GHG Protocol, which whilst it is the most used convention for GHG emissions calculations, is not aligned with newer financial reporting standards (i.e., IFRS 10 *Consolidated Financial Statements* or IFRS 11 *Joint Arrangements*). We call for: ▪ clarification on whether to consider the associates and joint ventures as part of the value chain or whether the requirement is to consolidate them in case of “operational control” ▪ definition and more guidance on “operational control” in ESRS E1 ▪ consistency between what is indicated under AR 41 and the definition of operational control provided under Annex II ▪ clarity on how to consolidate associates and joint ventures. Stakeholders, particularly preparers but assurance providers as well, will face practical issues. For example, under IFRS 11, joint operations are consolidated at a pro rata, which is different from the current approach in ESRS E1 which will result in strange information on various metrics that use financial data such as GHG intensity ▪ guidance and clarification on how to address cases where there will be a misalignment on the consolidation approach between ESRS and national accounting practices (GAAP). The ESRS will also be applied for companies not using IFRS accounting standards, but rather national GAAP, which may require different rules.

Standard	Paragraph or AR number or appendix	Comment
		For example, German, French and Spanish GAAPs require/ allow for a proportionate consolidation, which will result in misalignments with the information in the sustainability statement.
ESRS E1	AR20, AR24, AR26(b), AR42, AR46(e), AR50, AR59(e), AR72(b), AR75, AR77, AR82	Whilst most of the Application Requirements focus on application, there are still voluntary disclosures in these paragraphs. For clarity purposes, we suggest clearly evidencing these voluntary disclosures in a separate section within the Application Requirements section.
ESRS E1	AR47(i)	We note that the requirement to justify any excluded Scope 3 categories from the inventory list as per this paragraph may be an editorial mistake and leftover from the removal of the "rebuttable presumption". Therefore, we call for a check on this and other similar elements that may conflict with the materiality approach in ESRS.
ESRS E1	AR49	The requirement in this paragraph to present GHG emissions as per the template table may be read as requiring the listed Scope 3 GHG emissions categories, which would contradict with other parts of the standards that require disclosing only the significant categories.
ESRS E2	General	Accountancy Europe welcomes the improvements to ESRS E2 *Pollution* (ESRS E2) by both EFRAG and the EC compared to the last time the standards was out for public consultation (at ED level). These include: ▪ clarifying the scope of the standard related to topics already covered in other standards (e.g., various GHGs are now either covered by ESRS E1 or ESRS E2, but not both) ▪ significantly reducing requirements and datapoints in all disclosure requirements ▪ eliminating of sector-specific requirements (e.g., for targets, where ESRS E2 now strikes a good balance by simply requiring the company to clarify whether the targets are mandatory by legislation or voluntary)

Standard	Paragraph or AR number or appendix	Comment
		▪ specifying what to disclose regarding the financial effects of impacts, risks and opportunities.
ESRS E2	Para. 29	We call for more guidance in order to understand the limit of financial and operational control within own operations. In addition, we call for a clarification of the term "at the level of the reporting undertaking", including on what constitutes an operational control for Pollution KPI. It would be useful to have application requirements related to determining the operational control. If the concept is identical to the "operational control" in ESRS E1, we suggest updating the wording to ensure consistency.
ESRS E2	Para. 36 – Para. 41	We appreciated the specifications on E2-6 on anticipated financial effects metrics and welcome allowing for qualitative disclosures for cases where quantitative disclosures are impractical to provide (paragraph 39(b)). Nonetheless, we call for more guidance on quantitative metrics, for cases when they would have been applicable, as these metrics are the most difficult aspect for topical standards that are less mature. This would help all stakeholders of the reporting ecosystem, including preparers and assurance providers.
ESRS E2	AR11, AR13, AR25	There are additional disclosure requirements in these paragraphs of the Application Requirements, which we suggest moving to the main body of the standard.
ESRS E3	General Para.18 Para. 24 Para27c Para. 30 – 33	We welcome EFRAG's and EC's changes to ESRS E3 *Water and marine resources* (ESRS E3) compared to the last time this standard was issued for public consultation (at ED level). These include: ▪ defining and splitting the scope between other environmental standards as well as linking it with ESRS S3 *Affected Communities* ▪ reducing the number of requirements, by merging water-related disclosure requirements and cutting down many datapoints, which may be sector-specific, (e.g., water intake, water outflow) as well as deleting the ones on marine resources as they may also be sector-specific. Whilst we appreciate the simplifications to the standard, we note that datapoints have also been added compared to the Exposure Draft (e.g., paragraph 18 in E3-2, paragraph 24 in E3-3, paragraph 27c in E3-4, and the ones in E3-5).

Standard	Paragraph or AR number or appendix	Comment
ESRS E3	Para. 33	We appreciate the flexibility in E3-5 on potential financial effects metrics in allowing for qualitative disclosures for cases where quantitative disclosures are impractical to provide. Nonetheless, we call for more guidance on producing quantitative metrics, as these metrics are the most difficult aspect for topical standards that are less mature. This would help all stakeholders of the reporting ecosystem, including preparers and assurance providers.
ESRS E3	AR27 – AR28	There are still additional disclosure requirements in these paragraphs, which we suggest moving to the main body of the standard.
ESRS E3	AR17 – AR18, AR23 – AR26, AR29 – AR32	There are still voluntary disclosures in these paragraphs. For clarity purposes, we suggest clearly evidencing these voluntary disclosures in a separate section within the Application Requirements section.
ESRS E3	AR6	On an editorial note, we noticed that this paragraph refers to “river basins” which is a term defined in Annex II but is not used anywhere else in the Standard.
ESRS E3	AR13(a)(i)&(v	On an editorial note, we suggest replacing “marine ecosystem” by the wider term “aquatic ecosystems” which we understand is generally used in this standard.
ESRS E3	AR15	This paragraph reads like Phase 4 of the LEAP (Locate-Evaluate-Assess-Prepare) approach, which corresponds to reporting results of materiality assessment. This is both not part of the scope of this disclosure requirement but also conflicts with paragraph AR2.
ESRS E3	AR21	On a smaller note, we wonder whether this paragraph is still necessary, particularly when the CAPEX requirement was deleted from the Exposure Draft.
ESRS E3	AR 28	On an editorial note, we suggest replacing the term “water management performance” by “water consumption performance” which we understand is the broader term used in the standard.

Standard	Paragraph or AR number or appendix	Comment
ESRS E4	General	Accountancy Europe appreciates that addressing biodiversity is particularly difficult as it is a topic under development and at the time this standard was developed, there were no biodiversity scenarios, methodologies, or metrics. Nonetheless, we recognise the improvements to ESRS E4 *Biodiversity and ecosystems* (ESRS E4) by both EFRAG and the EC compared to the last time the standard was out for public consultation (ED stage). Specifically, we appreciate the simplification and reduction of the requirements. We recognise that many disclosure requirements have been merged, cut down and deleted. In addition, we welcome limiting the scope to E4-4 on metrics to own operations. However, we noted that for other disclosure requirements (e.g., complementary Draft ESRS 2 requirements), some specific requirements were added.
ESRS E4	Par. 22(a) Par. 34	We call for guidance related to determining if a site is “managed”. If the concept is identical to "operational control" in ESRS E1, we suggest updating the wording to ensure consistency. We would also appreciate guidance on: ▪ how to determine if a site is managed if it is not owned or leased ▪ what defines management in this regard and (how) it differs from the concept of operational control in ESRS E1?
ESRS E4	Para. 44(a)	We appreciate the specifications on E4-6 on anticipated financial effects metrics and welcome allowing for qualitative disclosures for cases where quantitative disclosures are impractical to provide. Nonetheless, we call for more guidance on quantitative metrics, for cases when they would have been applicable, as these metrics are the most difficult aspect for topical standards that are less mature. This would help all stakeholders of the reporting ecosystem, including preparers and assurance providers.
ESRS E4	AR1 - AR3, AR7, AR8(c), AR12 – AR13,	We welcome improvements to section Application Requirements such as the guidance on tools and methodologies when applying and disclosing relevant scenarios. Nonetheless, there are still voluntary disclosures in these paragraphs. For clarity purposes, we suggest clearly evidencing these voluntary disclosures in a separate section within the Application Requirements section.

Standard	Paragraph or AR number or appendix	Comment
	AR15 – AR19, AR25, AR31, AR34	
ESRS E5	General	Accountancy Europe appreciates EFRAG's and the EC's improvements to ESRS E5 *Resource use and circular economy* (ESRS E5) compared to the last time the standard was out for public consultation (at ED stage). These include the clarification of scope between this standard and other ESRS (particularly the environmental ones). We note that many requirements initially placed in the Application Guidance section of the Exposure Draft have been moved to the main body of the standard. Whilst we support the approach, we note that this did not result in a reduction of requirements. In addition, whilst we appreciate that some requirements have been deleted and that overall conciseness is improved, we note that there many more requirements were added (e.g., paragraph 11, E5-1, E5-2, E5-3, E5-4). Overall, whilst we recognise that this version of ESRS E5 is much more concise and clearer than the Exposure Draft, we note that is it also considerably different. To this end, we wonder whether re-exposure was needed.
ESRS E5	Para. 16, Para. 20(e), Para. 29 – 30	There are value chain requirements in these paragraphs, which could have been phased-in in compliance with the option provided by the CSRD.
ESRS E5	Para. 33 – Para.40	We still find ESRS E5 too granular (particularly E5-5), and call for further simplifications of disclosure requirements whilst continuing to provide useful information.
ESRS E5	Para. 43(a)	Whilst we appreciated the flexibility on E5-6 on anticipated financial effects metrics in allowing for qualitative disclosures for cases where quantitative disclosures are impractical, we call for more guidance on quantitative metrics.

Standard	Paragraph or AR number or appendix	Comment
		Quantitative metrics are the most difficult aspect for topical standards that are less mature. Therefore, such guidance would have helped all stakeholders of the reporting ecosystem, including preparers and assurance providers.
ESRS E5	AR 19	This is a disclosure requirement in these paragraphs, which we suggest moving to the main body of the standard.
ESRS E5	AR19, AR2, AR28, AR33 – AR35	There are still voluntary disclosures in these paragraphs. For clarity purposes, we suggest clearly evidencing these voluntary disclosures in a separate section within the Application Requirements section.
ESRS S1	General	Accountancy Europe appreciates the improvements made to ESRS S1 *Own workforce* (ESRS S1) by both EFRAG and the EC compared to the Exposure Draft (last time it was out for public consultation). We recognise that the requirements are simpler (including because they focus on own boundaries) and that the requirements have been considerably reduced (by merging, deleting and streamlining requirements and focusing them in the main body of the standard). However, we still note that this ESRS S1 is one of the more granular ones, which risks running a tick-box exercise rather than providing useful information. Whilst we appreciate the simplifications of the standard, there are additional requirements and specifications added when compared to the ED. Instead, we would have preferred to have core metrics for each of the topics that compose this standard. We reiterate our comments on guidance on ESRS 1's concepts as these raise questions on ESRS S1 including on how to overall apply and comply with the disclosure requirements. These raise issues for all stakeholders of the reporting ecosystem, including preparers and assurance providers. We recognise that this ambiguity on overarching concepts and the fact that set 1 of the ESRS were not field-tested, raise questions on the clarity and applicability of the requirements.
ESRS S1	Para. 21, AR13, AR32(f)	We call for clarity on disclosure requirements on alignment between company policies with international texts as per these paragraphs, and what the expectations of these disclosures are. Is a binary disclosure (i.e. a "yes/no" disclosure on whether there is alignment) sufficient or is the expectation to disclose what the company is aligned to and what it is

Standard	Paragraph or AR number or appendix	Comment
		not? The former would raise litigation costs, whereas the latter could result in irrelevant, overloaded and costly-to-gather information.
ESRS S1	Alignment with EU and Member State laws Para. 86 – Para. 90, Para. 88(a)	We suggest the EC ensures that the requirement of ESRS S1 align with EU and own Member States laws. For example, relating to disclosure requirement S1-14 in these paragraphs, in most Member States the law includes in work-related incidents the ones that may happen when workers are commuting, even if the undertaking is not responsible for the transport. Therefore, the health and safety management system of the undertaking should cover these types of incidents as well. As another example, the requirement in paragraph 88(a) on the percentage of workers covered by a health and safety management system may be redundant as this may be a requirement by law. We also point out that there may be conflicts between some disclosure requirements with Member States laws on data privacy protection requirements, including GDPR. It could also be the case that there is no legal basis that allows the company to collect the required data for work-related health items. To this end, ESRS could clarify that as an overarching principle, local legislation requirements supersede ESRS requirements. This would also be aligned with the ISSB's approach.
ESRS S1	Alignment with EU laws Para. 50(a), Para. 52, Para. 64 – Para. 66, Para. 80,	We reiterate our suggestion on the alignment of ESRS S1 requirements with EU and own Member States laws, including GDPR. There may be conflicts between some disclosure requirements with Member States laws on data privacy protection requirements, including GDPR. It could also be the case that there is no legal basis that allows the company to collect the required data. This would be the case for the gender-related data as per the paragraphs listed. To this end, ESRS could clarify that as an overarching principle, local legislation requirements supersede ESRS requirements. This would also be aligned with the ISSB's approach.

Standard	Paragraph or AR number or appendix	Comment
	Para. 83, Para. 92 – Para. 93, Para. 97 – Para. 98, Para. 102	
ESRS S1	General Para. 91 – Para. 94, Para. 83 and AR78	We also call on ensuring the relevance of all disclosure requirements. For example, we note that the disclosure requirements in S1-15 on work-life balance still only addresses one aspect, i.e., family leave, and could have been broadened to provide more relevant information. Entities set various measures to provide their employees a better work-life balance (e.g., limiting working hours and overtime, promoting working from home, study leave, etc), which is one of the main concerns of many stakeholders. In addition, as it currently stands this disclosure requirement may scope out employees that do not have families and thus do not provide useful information. As another example, in S1-13 paragraph 83 and the related AR78 can produce misleading information on the percentage of employees that participate in performance reviews and count them twice considering the several performance reviews one employee may have received during the year whilst other employees did not receive any.
ESRS S1	AR63, AR103	Lastly, we seek clarification of terminology, including the below examples: ▪ how to comply with and provide useful information on estimations on the number of “non-employees” as per paragraph AR63 ▪ clarifying and providing guidance on how to calculate the fair value of all annual long-term incentives, a requirement in AR 103.

Standard	Paragraph or AR number or appendix	Comment
ESRS S1	AR13, AR23, AR43, AR55, AR65, AR77, AR81, AR93, AR94	There are still disclosure requirements in these paragraphs, which we suggest moving to the main body of the standard.
ESRS S1	AR1, AR10, AR14, AR17, AR21, AR25 – AR26, AR28 – AR29, AR31, AR33, AR35, AR37, AR39, AR41, AR44, AR48 – AR49, AR51, AR55, AR58, AAR61, AR65, AR81 – AR82, AR101, AR104 – AR105, AR108	There are still voluntary disclosures in these paragraphs. For clarity purposes, we suggest clearly evidencing these voluntary disclosures in a separate section within the Application Requirements section. In addition, some of these voluntary disclosures do not complement any existing requirements in the main body of the standard. For example, AR14 does not match any requirements on communication policies in the main body. As another example, AR55 requires a consideration for a voluntary disclosure for paragraphs 55. Moreover, we also noted overlaps and duplications in various paragraphs (e.g., AR5 with S1-2, AR4 with ESRS 2 SBM-2, AR15 with paragraph25, AR21 with AR23, AR24 with AR19, AR94-AR96 with AR85-AR90), which could be simplified.
ESRS S2	General Para. 9	Accountancy Europe appreciates that ESRS S2 *Workers in the value chain* (ESRS S2) has been streamlined and simplified compared to the last time it was out for public consultation (as an Exposure Draft) by both EFRAG and the EC. This includes reducing or merging a number of requirements as well as deleting many requirements from Application Requirements.

Standard	Paragraph or AR number or appendix	Comment
		We welcome the specifications on ESRS 2 linked disclosures, even though these are additions in respect to the original Exposure Draft.
ESRS S2	Para. 1(d)	We are not sure how this objective regarding financial effects would be met by this standard, as it mostly focuses on impacts, risks and opportunities, and less so on metrics and targets. Therefore, we call for clarity and specifications on how to meet this objective.
ESRS S2	Para. 19, AR28(f)	The EC should clarify these paragraphs (regarding the disclosure requirements on alignment between company policies with international texts), including specifying what the expectations of these disclosures are. Is a binary disclosure (i.e., a "yes/no" disclosure on whether there is alignment) sufficient or is the expectation to disclose what the company is aligned to and what it is not? The former would raise litigation costs, whereas the latter could result in irrelevant, overloaded and costly-to-gather information.
ESRS S2	AR1, AR5, AR12, AR14, AR16, AR18, AR23 – AR 27, AR32 – AR35, AR37 – AR39, AR46, AR 47 - AR50	Whilst most of the Application Requirements focuses on application, there are still voluntary disclosures in these paragraphs. For clarity purposes, we suggest clearly evidencing these voluntary disclosures in a separate section within the Application Requirements section.
ESRS S2	AR13 and AR15	These paragraphs represent disclosure requirements left in the Application Requirement, which we suggest moving in the main body of the standard.

Standard	Paragraph or AR number or appendix	Comment
ESRS S3	General	Accountancy Europe appreciates that ESRS S3 *Affected communities* (ESRS S3) has been streamlined and simplified compared to the last time it was out for public consultation (as an Exposure Draft) by both EFRAG and the EC. This includes reducing or merging a number of requirements as well as deleting all the requirements from Application Requirements. We welcome the specifications on ESRS 2 linked disclosures, even though these are additions in respect to the original Exposure Draft.
ESRS S3	Para. 1(d)	We are not sure how this objective regarding financial effects would be met by this standard, as it mostly focuses on impacts, risks and opportunities, and less so on metrics and targets. Therefore, we call for clarity and specifications on how to meet this objective.
ESRS S3	Para. 17 AR27(f)	The EC should clarify this paragraph (regarding disclosure requirements on alignment between company policies with international texts), including what the expectations of these disclosures are. Is a binary disclosure (i.e., a "yes/no" disclosure on whether there is alignment) sufficient or is the expectation to disclose what the company is aligned to and what it is not? The former would raise litigation costs, whereas the latter could result in irrelevant, overloaded and costly-to-gather information.
ESRS S3	AR2, AR4, AR12, AR16 – AR19, AR22 – AR24, AR26, AR30, AR32, AR34, AR38, AR47-AR50	Whilst most of the Application Requirements focus on application, there are still voluntary disclosure requirements in these paragraphs. For clarity purposes, we suggest clearly evidencing these voluntary disclosures in a separate section within the Application Requirements section.

Standard	Paragraph or AR number or appendix	Comment
ESRS S3	AR12	This voluntary disclosure does not complement any existing requirements in the main body of the standard as it does not match any requirements on communication policies in the main body of the standard. We suggest the EC to make sure any voluntary disclosures in the Application Requirements match a certain requirement in the main body of the standard.
ESRS S3	AR10	This paragraph represents a disclosure requirement left in the Application Requirement, which we suggest moving in the main body of the standard.
ESRS S3	AR15 and AR19	These paragraphs cover the same type of information. Therefore, as an editorial note, we suggest merging the paragraphs in the Application Requirements which cover the same type of information to further simplify the standard.
ESRS S3	Name of disclosure requirement for S3-4	The title of this disclosure requirement is different between the main body of the standard and the Application Requirement. We suggest the EC runs a final editorial check to make sure that the titles of the disclosure requirements between the main body of the standard and the Application Requirements are the same.
ESRS S4	General Para. 4	Accountancy Europe welcomes ESRS S4 *Consumers and end-users* (ESRS S4) and appreciates that compared to the last time it was out for public consultation (as Exposure Draft), many of the disclosure requirements have been simplified and streamlined. This includes clarifying the scope as per paragraph 4. ESRS S4 also has reduced the number of requirements, particularly considering the Application Requirements.
ESRS S4	Para. 1(d)	We are not sure how this objective regarding financial effects would be met by this standard, as it mostly focuses on impacts, risks and opportunities, and less so on metrics and targets. Therefore, we call for clarity and specifications on how to meet this objective.
ESRS S4	Para. 13 - para.17 (disclosure	Aiming to make the standard to be more concise, the EC could add a more tangible requirements to disclosure requirement S4-1 such as referring to the compliance with any mandatory regulations related to health and safety products and services as well as to the existence of voluntary codes on ethical and responsible marketing practices.

Standard	Paragraph or AR number or appendix	Comment
	requirement S4-1)	
ESRS S4	Para. 28 – para. 37 (disclosure requirement S4-4)	Aiming to make the standard to be more concise, the EC could add metrics/targets to disclosure requirement S4-4 such as: ▪ the number of non-compliance incidents with mandatory regulations related to health and safety products/services, or ▪ the code on marketing practices.
ESRS S4	Para. 17 AR24(f)	The EC should clarify this paragraph (regarding disclosure requirements on alignment between company policies with international texts), including what the expectations of these disclosures are. Is a binary disclosure (i.e., a "yes/no" disclosure on whether there is alignment) sufficient or is the expectation to disclose what the company is aligned to and what it is not? The former would raise litigation costs, whereas the latter could result in irrelevant, overloaded and costly-to-gather information.
ESRS S4	AR4, AR11, AR13, AR15 – AR17, AR20 – AR23, AR27 – AR30, AR33 – AR34, AR41 – AR45	Whilst most of the Application Requirements focus on application, there are still many voluntary disclosure requirements in these paragraphs. For clarity purposes, we suggest clearly evidencing these voluntary disclosures in a separate section within the Application Requirements section.

Standard	Paragraph or AR number or appendix	Comment
ESRS S4	AR13	This voluntary disclosure does not complement any existing requirements in the main body of the standard. We suggest the EC to make sure any voluntary disclosures in the Application Requirements match a certain requirement in the main body of the standard.
ESRS G1	General	Accountancy Europe appreciates the improvements made by both EFRAG and the EC compared to the last time ESRS G1 *Business conduct* (ESRS G1) was out for public consultation (at an Exposure Draft phase). We welcome the significant reduction in the disclosure requirements and datapoints (either by merging, simplifying or deleting) when compared to the Exposure Draft, including largely limiting information to own operations. We also appreciate that the Application Requirements now focus on application and do not include additional disclosure requirements. However, we recognise that it will be difficult to digitalise information in this standard (e.g., disclosure requirement G1-4).
ESRS G1	Alignment with EU law Para. 11	Our main concern is how the reporting requirements in this standard align with other EU and Member States legislation. For example, in relation to disclosure requirement G1-6, Spain and Sweden legally require disclosing (not necessarily in the annual report) the number of invoices and monetary amounts paid within the legal term of payment and percentages over the totals. Therefore, we call for the EC to ensure alignment with EU legislation as well make sure there are no conflicts with Member State own legislations. On the latter, it is important the standard is flexible enough to accommodate and not conflict with any future amendments of these laws. To this end, the EC may extend the principle in paragraph 11 (which currently only covers whistle-blowers) to other matters in ESRS G1.
ESRS G1	Para. 7 – Para. 11	Similarly to the structure in the environmental standards, we suggest including in disclosure requirement G1-1 an additional paragraph (language used in other ESRS but adapted for this standard):

Standard	Paragraph or AR number or appendix	Comment
		"The disclosure required by paragraph 7 shall contain the information on the ***policies*** *the undertaking has in place to manage its material* ***impacts, risks*** *and* ***opportunities*** *related to business conduct matters in accordance with ESRS 2 MDR-P Policies adopted to manage material sustainability matters."*
ESRS G1	Para. 10 (g)	We suggest splitting this line item into two as they refer to two different datapoints: (1) policy for training on business conduct and (2) functions at risk of corruption and bribery. This would also facilitate their digital tagging.
ESRS G1	Para. 18	We believe that describing the process of reporting allegations or governance incidents in disclosure requirement G1-3 would have provided more useful information than the one in this paragraph.
ESRS G1	Para. 21	Whilst we agree that training is key to business conduct and corporate culture, we believe that paragraph 20 is a very small aspect of managing bribery and corruption, which may not result in information overall useful for the matter.
ESRS G1	AR2, AR5 – AR8, AR12 – AR16	There are still a few voluntary disclosures left in these paragraphs of the Application Requirement section. For clarity purposes, we suggest clearly evidencing these voluntary disclosures in a separate section within the Application Requirements section.
ESRS G1	AR3, AR4, AR9	We suggest moving the definitions provided in these paragraphs for "vulnerable suppliers", "functions-at-risk" and "political contribution" respectively, in Annex II *Acronyms and Glossary of Terms,* where they are currently not included.
ESRS G1	Disclosure Requirement G1-1, G1-3	On a small editorial note, we suggest aligning the titles of the disclosure requirements between the main body of the standard and the Application Requirements. For example, in the main body of the standard the title of disclosure requirement G1-1 is "*Business conduct policies and corporate culture*" whereas in the Application Requirements it is "*Corporate culture and business conduct policies*" (which we understand is the intended one based on the table of contents). Similarly, in the main body of the standard the title of disclosure requirement G1-3 is "*Procedures to address corruption and bribery*", whereas in the Application

Standard	Paragraph or AR number or appendix	Comment
		Requirements it is "*Prevention and detection of corruption and bribery*" (which we understand is the intended one based on the table of contents).

4. SPECIFIC COMMENTS ON ANNEX II

Defined term	Comment
Users	We suggest aligning this term, definition and explanation provided in paragraph 9 of the CSRD, by: ▪ using the CSRD's term "primary groups of users" ▪ determining that there are two primary groups of users (i.e. investors and asset managers fall in the first group, whereas civil society actors, NGOs and social partners fall in the second group) ▪ including what either groups of primary users are expected to benefit from sustainability information as per paragraph 9 in CSRD (e.g., first group that wants to better understand the risks and opportunities that sustainability issues pose for their investments and the impacts of those investments on people and the environment, whereas the second group wishes to better hold undertakings to account for their impacts on people and the environment).
Material information	We suggest defining this term which further enforces materiality and "relevance" as a quality of information. The ISSB's definition can be used as a starting point and it can incorporate the "primary groups of users" as per the CSRD. The following is a proposal: "*In the context of sustainability statements, information is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that primary groups of users make.*"
Financial materiality	We call on the EC to align this term with the IFRS S1 definition of materiality.

Defined term	Comment
Sustainable land/ agriculture practice	We call for definitions for these terms, which are used in ESRS E4.
Sustainable oceans/ seas practices	We call for definitions for these terms, which are used in ESRS E4.
Science-based	We call for a definition for this term, including determining the scope of what "science-based" consists of. For example, would a published article, or Science Based Targets initiative (SBTi) or Intergovernmental Panel on Climate Change (IPCC) count?). This would help as it is an important concept used in different environmental standards.
Material/ Significant/ Key (ESRS 2 concepts)	The EC should clarify the "material", "significant" and "key" concepts, including the differences between them (used frequently in ESRS 2). ESRS should be consistent with the ISSB on the definitions and use of these concepts.
Water bodies	We call for a definition of this term, which is used widely in ESRS E3.
Own workforce	We call on the EC to clarify which workers classify as "own workers", including "employees" (e.g., would students and trainees, employees on paid leave, employees on secondments, etc be included?). We suggest this classification includes employees which are on the company's payroll.
Own employees/ **Employees/** **Non-employees/** **Full-time employees**	We call on the EC to clarify the boundaries between "own employees", "employees", "non-employees" and "full- time employees (FTE)", which are still not comparable with the financial statements. Would the "number of own workers/employees/non-employee workers" be determined on a headcount bases or on an FTE basis (as can be interpreted by other disclosure requirements in ESRS S1)? Or would outsourced functions be considered as own workforce (e.g., a medical company that outsources the R&D function)?
Work-hours	We call for a definition for this term, which is used in ESRS S1.

Defined term	Comment
Purchasing power differences	We call for a definition for this term, which is used in ESRS S1.
Health and safety management system	We call for a definition for this term, which is used in ESRS S1.
Human trafficking	We call for a definition for this term, which is used in ESRS S1.
Basic wage	We call for a definition for this term, which is used in ESRS S1. Whilst we understand that this term may be defined at Member State level, inconsistent definitions from companies for ESRS purposes will impair comparability.
Pay	We call for a definition for this term, which is used in ESRS S1. Whilst we understand that this term may be defined at Member State level, inconsistent definitions from companies for ESRS purposes will impair comparability.
Value chain worker	We call to clearly define the scope of "value chain worker", particularly in view of the relation between the definition and scope of "own workforce". It is important to identify all type of workers, including defining "other workers", and group them in the respective category. In addition to clarifying which category of worker falls in which grouping, this would help stakeholders determine which standard to apply for each case.
Human rights defenders	We call for a definition for this term, as it is referred to in paragraph 2(b) of ESRS S3 and affects the disclosures related to the undertaking's engagement with affected communities. It is also mentioned in ESRS 1.
Adequate housing	We call for a definition for this term, which is used in ESRS S1, ESRS S2 and ESRS S3.
Legal cases	We call for a definition of this term, which is part of the disclosure requirement in paragraph 25(d) ESRS G1. It is important to understand what "legal cases" would include (e.g., active, settled, or dismissed cases).
Legal proceedings	We call for a definition of this term, which is part of the disclosure requirement in paragraph 33c) ESRS G1. It is important to understand what "legal proceedings" would include (e.g., brought against the company, initiated by the company or both).

Defined term	Comment
Lobbying activities	We believe that this definition is not fully reasonable (e.g., is it reasonable to assume that attending a conference is lobbying?).