# *[Draft] European sustainability Reporting Standard 1*
# *General provisions*

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*[ESRS1 – General Provisions]*

# Objective

This [draft] Standard prescribes the mandatory concepts and principles to apply for preparation of sustainability reporting under the (draft) Corporate Sustainability Reporting Directive (CSRD) and contains general disclosure requirements which complement those required by other European Sustainability Reporting Standards (ESRS).

1 The first part, from chapter 1 to chapter 6, covers the applicable **general principles**:

- (a) when reporting under European Sustainability Reporting Standards,
- (b) on how to apply CSRD concepts,
- (c) when disclosing on due diligence under the EU-legal framework,
- (d) when disclosing on policies, targets, actions and action plans, and resources,
- (e) when preparing and presenting sustainability information, and
- (f) on how sustainability reporting is linked to other parts of corporate reporting.

2 The second part, chapters 7 and 8, covers **general disclosure requirements** in relation to:

- (a) general information and statement of compliance, and
- (b) other general disclosure requirements.



# General principles

## 1 Reporting under European Sustainability Reporting Standards (ESRS)

### 1.1 Complying with ESRS

3 The undertaking shall disclose all material information on its sustainability-related impacts, risks and opportunities in accordance with applicable ESRS. Applicable ESRS mandate reporting under standardised sector-agnostic and sector-specific disclosures. These disclosures are complemented by entity-specific disclosures to be developed as prescribed under the principles established by this standard.

4 The undertaking shall perform an assessment of its sustainability-related material impacts, risks and opportunities in consideration of the disclosure requirements mandated by ESRS as well as in consideration of the undertaking’s specific facts and circumstances justifying entity-specific disclosures.

5 Standardised disclosure requirements are stipulated in ESRS that apply to all undertakings (sector-agnostic standards) and in ESRS that apply for undertakings doing business in one or several specific sectors (sector-specific standards). The undertaking shall disclose material sustainability-related information starting from the highest level of comparability: from sector-agnostic to sector-specific and then to entity-specific information.

6 Sustainability information shall cover the following topics:

- (a) environmental matters,
- (b) social matters, and

(c) governance matters.

7 Sustainability-related information shall cover the following reporting areas:

(a) strategy and business model in relation to sustainability,

(b) governance and organisation in relation to sustainability,

(c) sustainability-related impacts, risks and opportunities assessment,

(d) implementation measures, covering policies, targets, actions and action plans, allocation of resources, and

(e) performance metrics.

The first three reporting areas are covered by cross-cutting standards since they address several or all topics. The last two reporting areas are covered by topical standards.

8 Sustainability information is presented in Sustainability Statements that are part of the management report.

## 1.2 Standardised and entity-specific disclosures

9 Information on material sustainability-related impacts, risks and opportunities of the undertaking shall be disclosed following standardised disclosures prescribed by ESRS and when relevant through entity-specific disclosures.

10 To achieve a high degree of comparability, disclosure requirements that are mandated for all undertakings or for undertakings in a specific sector are standardised on a sector-agnostic and sector-specific bases. However as every undertaking operates under specific facts and circumstances and deals with a unique combination of risks and opportunities as well as of impacts, disclosure requirements mandated by ESRS may not be sufficient for the undertaking to depict in a faithful manner all its sustainability-related material impacts, risks and opportunities following its double materiality assessment (see chapter 2.2).

11 It is therefore key for the undertaking to define, when necessary, additional disclosures that best illustrate its unique situation and are entity-specific.

## 1.3 Sector-agnostic and sector-specific standards

12 Sector-agnostic standards define disclosures that are considered relevant across sectors. In order to address impacts, risks and opportunities not covered, or not sufficiently covered, by sector-agnostic sustainability disclosure requirements, sector-specific standards complement sector-agnostic standards and encompass appropriate disclosure requirements mandated from undertakings in each given sector, achieving comparability within a given sector.

## 1.4 Relationship between cross-cutting standards and topical standards

13 ESRS include cross-cutting and topical standards. Sustainability reporting topics, as described in paragraph 6, are structured groups of sustainability matters that at the highest topical level reflect the interaction between the undertaking and its sustainability impacts, risks and opportunities beyond what is already reflected in financial statements. In order to define sustainability-related disclosure requirements, topics are further divided in sub-topics (and when necessary, in sub-sub-topics) covering sector-agnostic and sector-specific levels and reflecting an adequate granular approach to disclosures related to environment, social matters and governance. Sustainability related topics and sub-topics may also be referred to as sustainability-related matters. Disclosure requirements prescribed by sector-agnostic or sector-specific ESRS are organised in accordance with this topical approach.

14 The topical approach is complemented by a cross-cutting approach defining all disclosure requirements that address information related to several or all matters. These disclosure requirements cover:

(a) the interaction between sustainability matters and the undertaking's strategy and business model(s),

(b) the way in which the undertaking governs and organises its material sustainability-related impacts, risks and opportunities, and

(c) the undertaking's assessment of its material sustainability impacts, risks and opportunities, including the ones that are prioritised and directly monitored by the highest governance bodies.

15 Certain material impacts, risks or opportunities are due to their importance to the undertaking prioritised and monitored directly by the highest governing bodies. They are distinct from impacts, risks and opportunities for which the highest governing bodies perform an oversight of the management and decision-making processes operated under agreed upon delegations to appropriate management levels. They deserve specific focused disclosures under the relevant cross-cutting standards. These focused disclosures are defined by topical standards on the basis of topical consistency.

16 Topical ESRS organise disclosure requirements in accordance with the following structure:

(a) additional focused disclosure requirements complementing, from a topical standpoint, the ones directly mandated following cross-cutting ESRS,

(b) disclosure requirements related to the undertaking's implementation of its sustainability-related objectives: policies, targets, actions and action plans, and allocation of resources, and

(c) disclosure requirements related to performance measurement metrics.

17 Reporting on implementation refers to the description of how an undertaking manages its material matters and their related risks, opportunities and impacts including policies and targets as well as actions and action plans and resources allocation, whereby:

(a) policies refer to an operational set of implementation decisions with defined related objectives, specific coverage of activities and an accountable person in oversight,

(b) targets refer to goals to be achieved at (sub-)topic level in relation to impacts, risks or opportunities that can be absolute or intensity based, with specific time frames, a base year, key performance indicators used to assess progress as well as a description of the methodologies and assumptions used to define the scenarios and calculate targets,

(c) actions and action plans refer to activities that are undertaken to ensure that the undertaking delivers against the targets set, whereby a transition plan is a specific category of an action plan, which is adopted by the undertaking, to address: a public policy objective, and/ or an entity-specific action plan that the undertaking decides to organise as a structured set of targets and actions and to associate when disclosing to (i) a key strategic decision, (ii) a major change in business model, and/or (iii) a particularly important action plan in terms of objectives or allocation of resources, and

(d) allocation of resources refers to the decisions taken to support actions and action plans with identified financial, human or technological resources

(see chapter 4).

18 Performance measurement metrics provide key indicators on the undertaking's impacts, risks and opportunities and explain how the undertaking delivers against its related policies and targets. They reflect its trajectory on the basis of its past performance and in relation to its forward-looking perspective. Reporting on performance measurement refers to the current achievements (qualitative and/or quantitative) and results (performance oriented) of the undertaking's operations and activities based on metrics/KPIs. Performance measurement is

most useful in monitoring and assessing progress against targets and supporting comparability across undertakings and sectors.

### 1.5 Developing entity-specific disclosures

19 For material entity-specific impacts, risks and opportunities (i.e., those not covered and therefore not mandated by topical standards), the undertaking shall develop disclosures that meet the characteristics of information quality: relevance, faithful representation, comparability, verifiability and understandability (see chapter 2.1).

20 The undertaking shall comply with the provisions set under paragraph 6, 7, 17 and 18 for material entity specific disclosures.

21 When developing its entity-specific disclosures the undertaking shall pay attention to the following:

(a) at entity-specific level comparability between undertakings may be limited. However available and relevant references, frameworks, initiatives and benchmarks shall be considered in order to provide elements of comparability to the maximum extent possible,

(b) comparability over time is a key aspect of comparability. As a consequence, consistency of methodologies and disclosures is a key comparability factor and changes in methodologies or disclosures shall be duly explained and justified, and

(c) no aspect of an identified entity-specific material impact, risk or opportunity shall be omitted. This may include disclosing, as applicable, relevant information in relation to strategy, governance, policies, targets, actions and action plans, resources and metrics. In this regard guidance can be found in a comparison with information required under ESRS addressing similar sustainability matters. Disclosures shall follow, when applicable, the definitions mandated by chapter 4: Disclosing on policies, targets, actions and action plans and resources.

22 The undertaking shall scrutinise the capacity of any metric or indicator to provide valuable insight to the users of reporting:

(a) information shall not have unintended consequences in terms of practices or interpretation of the information,

(b) information concerning measures shall provide relevant indications as to the likelihood that the company's practices are reducing negative outcomes and increasing positive outcomes for people and the environment,

(c) in the case of quantitative metrics, due consideration shall be given to whether the issue at hand can reasonably be measured by the undertaking without an excessive amount of conjecture and unknowns that would render it too arbitrary to be of value, and

(d) due consideration shall also be given to the extent to which an indicator can be relied upon for insight absent contextual information to enable its interpretation as well as the extent to which variations in such contextual information mean that a quantitative indicator does not provide for comparability over time.

## 2 Applying CSRD concepts

23 The undertaking shall comply with the CSRD concepts of information quality, double materiality, boundaries and value chain, and time horizons:

(a) Information to be reported shall be relevant, represented in a faithful manner, comparable, verifiable and understandable (information quality).

(b) The undertaking shall report all material information necessary to allow users of its sustainability report to understand its impacts on sustainability matters, and information necessary to understand how sustainability matters affect the undertaking's development, performance and position (double materiality).

(c) Material actual or potential (adverse) impacts connected with the undertaking's value chain, including its products and services, its business relationships and its supply chain, shall be considered (boundaries and value chain).

(d) Sustainability matters shall be considered over an appropriate short-, medium-, and long-term time horizon containing retrospective and forward-looking information.

## 2.1 Characteristics of information quality

24 When preparing its sustainability report and in particular when developing its entity-specific disclosures the undertaking shall apply the fundamental principles of information quality (relevance and faithful representation) as well the enhancing qualities of information (comparability, verifiability, and understandability).

*Relevance*

25 Sustainability information is relevant when it has substantive influence on the assessments and decisions of users of sustainability reports under a double materiality approach (see chapter 2.2).

26 Sustainability information is capable of making a difference in decisions made by stakeholders if it has predictive value, confirmatory value or both. Information has predictive value when it is valuable input allowing stakeholders to form a view on and assess future outcomes. Information has confirmatory value when it provides valuable feedback about the quality of previously reported information.

27 Materiality is an enabling factor of relevance. The undertaking should assess the extent to which a required disclosure is capable of providing insight that is decision-useful for stakeholders that are users of sustainability report, whether from the perspective of material impacts on people and the environment, or from the perspective of financial materiality, or both.

*Faithful representation*

28 Sustainability information should faithfully represent the reality it depicts. Faithful representation requires (i) complete, (ii) neutral and (iii) accurate information.

29 A complete depiction includes all material aspects related to the reportable content, including appropriate descriptions and explanations.

30 A neutral depiction is without bias in its selection and/or presentation of sustainability information. It should be balanced, so as to cover favourable/positive and unfavourable/negative aspects: both negative and positive material impacts from an impact materiality perspective as well as risks and opportunities from a financial materiality perspective should receive equal attention. Neutrality is supported by the exercise of prudence which implies the exercise of caution and clarity on assumptions when making judgements under conditions of uncertainty or in relation to forward looking information. Information shall a priori not be netted or compensated to be neutral. The undertaking may present net information if such presentation does not obscure relevant information and includes a clear explanation about the effects of the netting.

31 An accurate information implies that the undertaking has implemented adequate processes and internal controls to reduce errors or material misstatements. Estimates should be presented as such with a clear emphasis on possible limitations and uncertainty (see chapter 5.3). Information can be accurate even if not perfectly precise, as long as the disclosure reflects properly the sustainability matter it purports to address.

*Comparability*

32 Sustainability information is comparable when it is consistent over time and, to the greatest extent possible, presented in a way that enables comparisons between undertakings (across sectors and within a specific sector). A point of reference for comparison can be a target, a baseline, an industry benchmark, comparable information from other entities, from an internationally recognized organisation, etc.

33 Consistency refers to the use of the same approaches or methods for the same sustainability matter, from period to period by the undertaking (as well as by other undertakings to the maximum extent possible).

*Verifiability*

34 Sustainability information is verifiable if it enables users to trust the information in their decisions and if it can be audited when required.

35 Verifiability is about ensuring reliability of the presented information and of the process that has led to that information. Reliability is when different independent observers with reasonable expertise would be in a position to reach a similar conclusion and consider that a particular disclosure conveys a faithful representation.

36 Information is verifiable if it is possible to trace it, a prerequisite of information being auditable, as it allows for appropriate evidence to be obtained as to the audit assertions.

*Understandability*

37 Sustainability information is understandable when it is clear and concise.

38 Understandable information enables all (knowledgeable) intended users to readily identify the main points being made in a straight-forward manner.

39 For sustainability disclosures to be concise, they need to (i) avoid generic information, sometimes called ‘boilerplate’, that is not specific to the undertaking; (ii) avoid duplication of information, including unnecessary duplication of information also provided in financial statements; and (iii) use clear language and clearly structured sentences and paragraphs. Concise disclosures should include only material information. Any immaterial information included shall be provided in a way that avoids obscuring material information.

40 Some disclosures might be best understood in the context of information in the related financial statements. If sustainability risks and opportunities discussed in financial statements have implications for sustainability reporting, the undertaking shall include the information necessary for users to assess those implications and present connected information (see chapter 6: Providing linkage with other Parts of Corporate Reporting).

41 The level of information, granularity and technicality should be aligned with the needs and expectations of users. Abbreviations should be avoided; units of measure should be indicated.



## 2.2 Double materiality as the basis for sustainability disclosures

42 The undertaking shall report sustainability matters on the basis of the double materiality principle.

*Materiality*

43 Materiality is to be understood as the criterion for inclusion of specific information in corporate reports. It reflects (i) the significance of the information in relation to the phenomenon it purports to depict or explain, as well as (ii) its capacity to meet the needs and expectations of the stakeholders of the undertaking and of the undertaking itself, allowing for proper decision-making, and more generally (iii) the needs for transparency corresponding to the European public good. The implementation of materiality may imply the use of thresholds and/or criteria.

*Stakeholders*

44 Stakeholders are those who can affect or be affected by the undertaking's decisions and actions. Two main groups of stakeholders may be identified:

(a) affected stakeholders – stakeholders who may be positively or negatively impacted by the undertaking's activities and through its value chain, and

(b) users – stakeholders with an interest in the undertaking's sustainability reporting, including public authorities, business partners of the undertakings, equity investors (including asset managers) and lenders (including asset managers, credit institutions, insurance undertakings), civil society organisations, trade unions and social partners.

45 It is important to note that some, but not all, stakeholders may belong to both groups.

46 The materiality assessment process should ensure that impact on all affected stakeholders is considered and not only the needs of users.

*Double materiality*

47 Double materiality is a concept which provides criteria for determination of whether a sustainability matter or information has to be included in the undertaking's sustainability report. Double materiality is the union (in mathematical terms, i.e., union of two sets, not intersection) of impact materiality and financial materiality. A sustainability matter or information meets therefore the criteria of double materiality if it is material from the impact perspective or from the financial perspective or from both of these two perspectives.

*Impact materiality*

48 Impact materiality is a characteristic of a sustainability matter or information in relation to an undertaking, in a particular sector or in all sectors. A sustainability matter or information is material from an impact perspective if the undertaking is connected to actual or potential significant impacts on people or the environment and is related to the sustainability matter over the short, medium or long term. This includes impacts directly caused or contributed to by the undertaking and impacts which are otherwise directly linked to the undertaking's upstream and downstream value chain.

49 An impact is 'directly linked to' the undertaking's operations, products or services, if it occurs at any tier of business relationships, provided it occurs as part of the value chain. It is not restricted to most obvious links between the organisation and the other entity, and is therefore not limited for instance to direct contractual relationships, such as 'direct sourcing'. For example:

(a) 'Direct linkage' does not refer to the distinction between direct and indirect impacts, as commonly used in differentiating various scopes of GHG emissions. Indirect GHG emissions, i.e., Scope 2 and Scope 3, are still 'directly linked' to the undertaking's operations, products and services. However, GHG emissions of a business partner that are not connected to the undertaking's value chain, are neither 'directly linked', nor are part of Scope 3 emissions.

(b) If the organization uses cobalt in its products that is mined using child labor, the negative impact (i.e., child labor) is directly linked to the organization's products through the tiers of business relationships in its supply chain (i.e., through the smelter and minerals trader, to the mining enterprise that uses child labor), even though the organization has not caused or contributed to the negative impact itself.

50 The significance of an actual negative impact is determined by the severity of the impact (scale, scope, and irremediable character), while the significance of a potential negative impact is determined by the severity and likelihood of the impact. In the case of potential negative human rights impacts, the severity of the impact takes precedence over its likelihood.

### *Financial materiality*

51 Financial materiality, as defined in the next paragraph, relates to financial materiality in sustainability reporting. The definition of financial materiality for sustainability reporting is different from the concept of materiality used in the process of determining which information should be included in the undertaking's financial statements.

52 Financial materiality in the context of sustainability reporting is a characteristic of a sustainability matter or information in relation to the undertaking, a particular sector or all sectors. For the purposes of preparing sustainability reporting, a sustainability matter is material from a financial perspective if it triggers financial effects on undertakings, i.e., it generates risks or opportunities that influence or are likely to influence the future cash flows and therefore the enterprise value of the undertaking in the short, medium or long term, but it is not captured or not yet fully captured by financial reporting at the reporting date. A sustainability matter which is financially material may refer to risks and opportunities that derive from past events or future events and may have effects on future cash flows in relation (i) to assets and liabilities already recognised in financial reporting or that may be recognised as a result of future events or (ii) to factors of enterprise value creation that do not meet the accounting definition of assets (liabilities) and/or the related recognition criteria, but contribute to the creation/maintenance of enterprise value. The latter are generally defined as « capitals » in frameworks promoting a multi-capital approach.

53 Triggers of financial effects may be attributed to two groups:

(a) they may influence the undertaking's ability to continue to use or obtain the resources needed in its business process, and

(b) they may affect the undertaking's ability to rely on relationships needed in its business processes in acceptable terms.

54 Sustainability-related financial risks or opportunities are the combination of a probability of occurrence and an impact magnitude.

### *Relationship of double materiality and mandatory disclosure requirements*

55 Sector-agnostic and sector-specific ESRS mandate disclosure requirements for all undertakings or for all undertakings in a particular sector reflecting double materiality. Therefore, all mandatory disclosure requirements established by ESRS shall be presumed to be material and, therefore, to justify a full disclosure in accordance with the relevant ESRS. However, to consider the undertaking's facts and circumstances and the outcome of its assessment process, such a presumption is rebuttable on the basis of reasonable and supportable evidence.

56 The undertaking shall establish explicit thresholds and/or criteria to establish when a disclosure is complied with through a statement "not material for the undertaking".

57 As a consequence, the undertaking shall assess (see ESRS 4) for each sub-topic, sub-sub-topic and when relevant, for a group of disclosure requirements related to a specific aspect of a sub-sub-topic considered by a sector-agnostic or sector-specific topical ESRS if the presumption is rebutted for:

(a) all of the mandatory disclosures of an entire sub-topic or sub-sub-topic or

(b) a group of disclosure requirements related to a specific aspect of a sub-sub-topic

on the basis of reasonable and supportable evidence, in which case it is deemed to be complied with through a statement that:

(a) the sub-topic or the sub-sub-topic or

(b) the group of disclosure requirements

is "not material for the undertaking".

58 To illustrate the principle in paragraph 57, consider ESRS S1 on “Own workforce” together with ESRS S4 on the sub-topic “Other work-related rights” covering the following specific aspects of the sub-sub-topic:

(c) freedom of association and collective bargaining,

(d) child labour,

(e) forced labour,

(f) privacy, and

(g) adequate housing.

Based on its assessment in accordance with ESRS 4 the undertaking could conclude that “child labour” and “forced labour” are aspects with material impact and / or risk to the undertaking but the other aspects of “Other work-related rights” are not. It therefore complies with (i) all disclosure requirements related to “Child labour” and “Forced labour” and (ii) with the disclosure requirements related to “Freedom of association and collective bargaining”, “Privacy” and “Adequate housing” with a statement that these specific aspects are “not material for the undertaking”.

59 It follows that sustainability sub-topics, sub-sub-topics or specific aspects of sub-sub-topic that are not material under impact materiality nor under financial materiality need not be - subject to the statement that the sub-topics are “not material for the undertaking” (reference to the disclosure requirement in ESRS 4.12 (c)) - included in an undertaking’s sustainability report. If disclosing information related to non-material impacts, risks or opportunities, the undertaking shall not reduce the understandability of its sustainability report by obscuring material information with immaterial information.

## 2.3 Boundaries and value chain

### *Reporting boundary*

60 The undertaking’s reporting boundary for its sustainability reporting is the one retained for its financial statements complemented by information about its upstream and downstream value chain. Associates and joint ventures accounted for under the equity method are considered as part of the upstream or downstream value chain. Entities accounted for under proportional consolidation are considered as part of the boundary for the consolidated proportion.

61 The undertaking’s reporting boundary shall be complemented as required in paragraph 60 when the integration of information on impacts, risks and opportunities on matters connected to the undertaking by its direct and indirect business relationships on the upstream and/or downstream value chain is necessary in order to:

(a) allow users of sustainability reporting to understand the undertaking’s impacts and how sustainability-related risks and opportunities affect the undertaking’s development, performance and position, and

(b) produce a set of complete information that meets the qualitative characteristics of information quality (see chapter 2.1).

62 When determining at which level (within its own operations and its upstream and downstream value chain) a material sustainability matter arises, the undertaking shall leverage and rely on its assessment of impacts, risks and opportunities following the double materiality concept (see chapter 2.2). In particular:

(a) the financial materiality of a sustainability matter is not constrained to matters that are within the control of the undertaking. In reporting about sustainability matters that are considered financially material, the undertaking shall also include risks, opportunities and outcomes attributable to or associated with other undertakings/stakeholders beyond the scope of financial reporting that have a significant effect on the ability of the undertaking to create value, and

(b) the impact materiality of a sustainability matter is similarly based not only on the level of the undertaking's direct control with regard to the impact, but also on:

   (i) evidence of a link between the impact and the undertaking's own operations, products and services, including through its downstream and upstream value chain; and

   (ii) the relative severity of the impact.

63 When a topical or sector specific ESRS requires that a disclosure requirement is prepared using a specific reporting boundary, this requirement shall prevail.

### *Best efforts to be used in reporting impacts, risks and opportunities*

64 There is a rebuttable presumption that the undertaking is able - using its best efforts - to report about the actual or potential impacts, risks and opportunities, including adverse impacts, connected to its downstream or upstream value chain, regardless of its level of control or influence, as required by paragraph 61.

65 When using its best effort to assess the rebuttable presumption, the undertaking shall consider the potential loss of information and its impacts on the users' needs and decision making.

66 Where the undertaking concludes that a specific information cannot be produced using its best efforts, such information may be omitted. This is expected to occur in rare circumstances.

### *Reporting policy adopted for the definition and changes of reporting boundaries*

67 The undertaking shall reassess on a regular basis the definition of its reporting boundaries, in order to make sure it remains appropriate. When a change has occurred in the undertakings' boundaries, such as a change in its legal or operational structure or in its products and services, business relationships and supply chain, the definition of the reporting boundaries shall be adjusted accordingly. To facilitate the understanding of the undertaking's performance and developments, it shall restate the comparative information, unless the undertaking assesses that this is impracticable, after making every reasonable effort.

### *Level of disaggregation*

68 In addition to the distinction between information in relation to its own operations and information in relation to its downstream and upstream value chain, the undertaking shall consider all relevant facts and circumstances, in defining the appropriate level of disaggregation for information in sustainability reports.

69 Due to the dynamics and causal connections between levels, material information is not constrained to one particular level. However, the undertaking shall first and foremost adopt a level of disaggregation that is consistent with the ESRS sector classification and the sector-specific disclosure requirements mandated by sector-specific ESRS.

70 Disaggregation by country shall also be applied when material impacts, risks and opportunities are linked to laws, regulations or prevailing business practices in a given country.

71 Disaggregation in relation to a site or an asset shall also be considered by the undertaking when relevant for a proper understanding of its impacts, risks and opportunities, in particular in relation to other EU regulations.

72 Where data from different levels, or multiple locations within a level, is aggregated, the undertaking shall ensure that this is done in a way that avoids obscuring the specificity and context necessary to interpret the information and that avoids aggregating material items with different natures.

73 As such, data relevant to the existence or severity of impacts frequently does not sit uniquely at one level in the value chain but involves dynamics across different levels, including the

undertaking's own operations. Disclosures should enable undertakings to accurately reflect these connections and dynamics. The undertaking shall illustrate the dynamics and causal connections that exist between levels and provide information that reflect connections to the undertaking's business model and its role in generating positive or negative impacts on people and the environment and creating or destroying value for the undertaking as a result.

74 When a topical or sector specific ESRS requires that a specific level of disaggregation is adopted in preparing a specific item of information, this requirement shall prevail.

## 2.4 Time horizon

### *Reporting period*

75 The undertaking shall retain a reporting period in its sustainability report consistent with the one retained for its financial statements.

### *Linking past, present and future*

76 The undertaking shall link in its sustainability report retrospective and forward-looking information, in order to promote a clear understanding of how historical data relate to future-oriented data.

### *Reporting progresses against the base year*

77 A base year is the reference date or period to track backward-looking information over time. The undertaking shall use in its sustainability report a base year consistent with the one used to monitor its progress against each target.

78 When reporting the developments and progress realised for a given sustainability matter, unless the relevant disclosure requirement already defines how to report for progress, the undertaking shall include backward-looking information comparing the most recent results with the equivalent information for the base year. The undertaking may also include backward-looking information about achieved milestones between the base year and the reporting period when this supports the provision of more relevant information.

79 Base years shall be regularly reassessed by the undertaking in order to make sure they are still appropriate. When not appropriate any more, the base year has to be adjusted. It can be the case when significant changes in the undertaking's legal structure or boundaries have occurred or when new targets are set.

### *Definition of short-, medium- and long-term for reporting purposes*

80 When preparing its sustainability report, the undertaking shall adopt the following time intervals:

(a) one year for short-term,

(b) two to five years for medium-term, and

(c) more than five years for long-term.

81 In its processes of identification and management of material impacts risks and opportunities, the undertaking shall adopt time horizons that reflect the expected impacts on people or the environment or the expected financial effects. When defining its action plans and setting targets, the undertaking shall adopt time horizons that reflect its strategic planning horizons and resources allocation plans. When preparing its sustainability report, the entity shall:

(a) present its material impacts, risks and opportunities classifying them in the relevant time interval, and

(b) present its action plans and targets classifying them in the relevant time interval.

## 3 Due diligence under the CSRD

82 Sustainability due diligence is the process that undertakings carry out to identify, assess, prevent, mitigate and remediate the material actual and potential adverse impacts connected with their activities and identifies how they address those adverse impacts.

83 Due diligence is defined in international instruments, including in particular the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises and further specified in the OECD Due Diligence Guidance for Responsible Business Conduct, which contain recommendations on objectives and processes. The purpose of sustainability due diligence is to identify and address negative impacts with which the undertaking is, or is at risk of being, involved through its operations, products or services. This includes both actual and potential negative impacts. It includes impacts the undertaking has caused or may cause, impacts to which it has contributed or may contribute, and impacts where there is no contribution, but which remain linked to its operations, products or services through its business relationships. The nature of the undertaking's involvement affects the actions it will need to take.

84 ESRS provide disclosure requirements concerning due diligence, organised in the following categories that correspond to the main aspects of due diligence:

(a) embedding due diligence in governance and organisation,

(b) stakeholder engagement,

(c) identifying and assessing adverse impacts,

(d) taking actions to address those adverse impacts, and

(e) tracking the effectiveness of these efforts and communication.

*Embedding due diligence in governance and organization*

85 Key disclosures concerning embedding of due diligence shall be provided under ESRS 3. The undertaking shall in particular:

(a) report on management levels and/or functions within the undertaking to which responsibility for addressing impacts is assigned and on how the internal decision-making, budget allocations and oversight procedures enable responding to impacts,

(b) explain how senior management and the board is informed of severe actual and potential impacts, and whether those with daily responsibility for addressing human rights issues have adequate access to senior decision-making levels and appropriate means to escalate issues where necessary, and

(c) explain how performance incentives reflect the objectives of preventing and mitigating negative impacts on human rights and the environment.

*Stakeholder engagement*

86 Engaging with affected stakeholders is relevant in all steps and addressed in ESRS 3, 4 as well as in chapter 4 of this standard, and in the topical standards reflecting the different stages and purposes of stakeholder engagement throughout the due diligence process.

*Identifying and assessing adverse impacts*

87 This step of due diligence is reflected in ESRS 4 whereby the undertaking identifies instances where it is, or is at risk of being, involved with adverse impacts on the environment or people, and then assesses the nature of those actual or potential impacts (their context, causes, severity etc). In addition, in ESRS 2, the undertaking shall provide additional information on the results of the assessment of how the undertaking's business model and strategy play a role in creating or exacerbating the identified impacts and of the adopted changes to the business model and strategy. Due diligence is an on-going practice that responds to changes in the undertaking's

activities, business model, business relationships, operating, sourcing and selling contexts. It is independent of the undertaking's reporting processes but a source of critical inputs to them.

*Taking action*

88 This step of due diligence is addressed following the principles described in chapter 4 of this standard related to policies, targets, actions and action plans and resources. It is further addressed in topical standards. As a consequence the undertaking shall report on implementation measures taken to prevent and mitigate adverse impacts that have been identified, and reports on processes and actions to secure remedy for those harmed.

*Tracking effectiveness and communication*

89 This step of due diligence is addressed in chapter 4 of this standard and in the topical standards. The undertaking shall provide information on how it verifies through qualitative and quantitative indicators whether the negative impacts are being addressed. Tracking effectiveness of due diligence is based on performance measurement in relation to sustainability matters, and evaluated as part of measuring progress in achieving the objective of the undertaking's policy.

# 4 Disclosing on policies, targets, actions and action plans, and resources

## 4.1 Objective of disclosures on implementation

90 Disclosing on the implementation of the undertaking's strategy following the decisions taken by its governance and the assessment of its impacts, risks and opportunities is a key dimension of sustainability reporting. Understanding the undertaking's implementation approach encompasses information on the following aspects:

(a) the policies adopted by the undertaking to manage its material sustainability-related impacts, risks and opportunities,

(b) the targets the undertaking has set to define a direction of travel,

(c) the actions and action plans, including transition plans, the undertaking has put in place, and

(d) the resources -operational expenses and capital expenses- the undertaking is dedicating to the action plans.

91 The objective of this chapter is to specify, from a generic perspective, the key aspects to disclose (i) when the undertaking is required by topical ESRS to describe policies, targets, actions and action plans, and resources in relation to sustainability matters and (ii) when the undertaking decides to describe policies, targets, actions and action plans, and resources in relation to entity-specific sustainability matters.

92 This chapter therefore provides a common reference for the implementation of other ESRS, and sets the required content for disclosure on policies, targets, actions and action plans, and resources concerning entity-specific material matters, for which other ESRS do not provide specific disclosure requirements.

93 The disclosure principles in this (draft) standard can be grouped under three overarching disclosures, which serve as reference content for other ESRS.

## 4.2 Disclosure principles

### *[Disclosure principle 1] – On policies adopted to manage material sustainability matters*

94 This disclosure principle defines the aspects that are to be described for the relevant policies in respect of each sustainability matter identified as material following the assessment performed pursuant to ESRS 4. The undertaking shall disclose the policy in a concise manner to provide information which is necessary and relevant for users to understand how the undertaking intends to address the identified material sustainability impacts, risks and opportunities.

95 The disclosure of a policy to manage a material sustainability matter shall include the following information:

(a) a description of the policy, including its general objectives,

(b) a description of the scope of the policy, including the policy's perimeter about the undertaking's operations and the value chain, and geographical boundaries,

(c) a description of the allocation of responsibilities, including oversight, for the implementation of the policy across the undertaking,

(d) a description of third-party standards of conduct, if any, that the undertaking commits to respect through the implementation of the policy,

(e) a description of the consideration given to the interests of stakeholders in setting the policy, and

(f) a description if and if so, how the undertaking makes the policy available to potentially affected stakeholders, and stakeholders who need to help implement the policy.

96 If the undertaking cannot disclose the above required information, because it has not adopted a policy and/or objectives as outlined in paragraph 95 (a), it shall disclose this to be the case and provide reasons for not having adopted a policy or objectives. The undertaking may indicate a timeframe in which a policy will be adopted.

### *[Disclosure principle 2] – On targets, progress and tracking effectiveness*

97 This disclosure principle defines how the undertaking describes:

(a) where applicable, its measurable outcome-oriented targets set to meet the policy's objectives, in terms of expected results for people, the environment and the undertaking concerning material impacts, risks and opportunities,

(b) the overall progress towards the adopted targets over time, and

(c) if no measurable outcome-oriented targets exist, how it tracks effectiveness of the undertaking's actions and measure progress in achieving the policy objectives.

98 For each target, the undertaking shall include a description of:

(a) the value of the target,

(b) the scope of the target, including explanation of any limitations as to operations, value chain and geographical boundaries or activities,

(c) the baseline value and/or base year used to measure progress, if applicable,

(d) the timeframe to achieve the target, including any milestones or interim targets,

(e) the methodologies and significant assumptions used to define targets, including where applicable, the selected scenario and alignment with science-based methodologies,

(f) any changes in targets or underlying methodologies and assumptions adopted within the defined time horizon together with an explanation of the rationale for those changes and their effect on comparability,

(g) the overall progress towards the defined target, including information on whether the progress is in line with what had been initially planned, and an analysis of trends or significant changes in performance of the undertaking towards achieving the target, and

(h) where applicable, whether the target and progress towards the target is monitored by a third party.

99 If the undertaking has not adopted any measurable outcome-oriented target in line with paragraph 97, it shall describe whether such targets will be adopted and the timeframe for their adoption, or reasons why the undertaking does not plan to adopt such targets.

100 The undertaking shall describe, if it tracks effectiveness of its policies and actions and measures progress in achieving the policy's objectives without a specific target, and if so, how and what progress has been achieved in terms of the results for people, the environment and the undertaking concerning the material impacts, risks and opportunities.

### *[Disclosure principle 3] – Actions, action plans and resources in relation to policies and targets*

101 This disclosure principle defines the aspects that are to be described for the actions, action plans and allocation of resources to meet undertaking's policy objectives and targets to address material impacts, risks and opportunities by providing an understanding of (i) the stand-alone actions and action plans comprising closely interrelated management measures being undertaken in the framework of the policy, including where applicable engagement with third parties, through exercise of leverage or collective action to prevent and mitigate impacts, and (ii) the related allocation of resources.

102 For each policy, the undertaking shall include the description of:

(a) key actions and how their implementation addresses material impacts, risks and opportunities,

(b) the scope of the actions about the undertaking's operations and the value chain, and geographical boundaries,

(c) the time horizons under which the undertaking intends to complete each action,

(d) the expected outcomes of actions in relation to the contribution of the actions to the achievement of the underlying policy objectives and targets, and

(e) where applicable, any actions taken to provide for, cooperate in securing or support the provision of remedy for those harmed by the actual material impacts, and their results.

103 Where the implementation of an action plan requires significant operational expenses and/or investments the undertaking shall describe the resources needed and allocated and their type, including information on sustainable finance instruments such as green bonds and green loans.

104 If the undertaking cannot disclose the information required by paragraph 101, because it has not adopted any action plans or stand-alone actions, the undertaking shall disclose this to be the case and provide reasons for not having adopted them. The undertaking may indicate a timeframe in which action plans or actions will be adopted.

## 5 Preparing and presenting sustainability information

105 This chapter provides for principles to be applied when preparing and presenting sustainability information covering:

(a) general situations and

(b) specific circumstances.

## 5.1 General presentation principles

106 Sustainability information shall be presented:

(a) in a way that allows a clear distinction between information resulting from the implementation of ESRS and other information included in the management report, and

(b) under a structure that facilitates access to and understanding of the sustainability statements, both in human and machine-readable formats.

107 Detailed presentation prescriptions are included in ESRS P1.

## 5.2 Presenting comparative information

108 The undertaking shall present comparative information for the previous period for all amounts including metrics and key performance indicators reported in the actual period. Comparative information shall also be disclosed for narrative and descriptive information when relevant to the understanding of the current period's information.

109 When a topical (or sector-specific) standard requires to present more than one comparative period for a metric or key performance indicator, the requirements of that standard shall prevail.

## 5.3 Estimating under conditions of uncertainty

110 Measurement uncertainty arises when metrics cannot be quantified directly and can only be estimated. The use of reasonable estimates is necessary and unavoidable when preparing sustainability-related information. In order not to compromise the usefulness of sustainability information material estimates shall be clearly and accurately described and explained.

111 ESRS require information such as explanations about possible future events that have sustainability impacts, that because they might happen in future years involve uncertainty, or that have not, or not yet, affected the undertaking's financial performance or position, and that have uncertain outcomes. The undertaking shall consider when determining estimates regarding such possible future events:

(a) their effect on risks or opportunities that influence or are likely to influence the future cash flows and therefore the enterprise value of the undertaking,

(b) their effect on actual or potential significant impacts on people or the environment,

(c) the full range of possible outcomes considering all relevant facts and circumstances, and

(d) the likelihood of the possible outcomes within that range including low-probability and high-impact outcomes, which when aggregated, could become material.

## 5.4 Updating disclosures about events at the end of the reporting period

112 Estimation involves judgements based on the latest available reliable data. An estimate may need revision if changes occur in the circumstances on which the estimate was based or because of new data or more experience.

113 If the undertaking receives material sustainability data after the reporting period but before the management report is approved for issuance and the data brings evidence or insights about

conditions that existed at the end of the reporting period, it shall consider this data and update estimates and sustainability disclosures, in the light of the new information.

114 When the data brings evidence or insights about conditions that arised after the end of the reporting period and may modify the understanding by users of the related disclosure the undertaking shall provide qualitative or narrative information indicating the existence, nature and potential consequences of these post-year end events.

## 5.5 Changes in preparing or presenting sustainability information

115 The undertaking shall prepare and present sustainability information (approach, method, option, metrics used to report, and disclosures reported) consistently overtime. Any change from one year to another is expected to occur only when the new preparation or presentation allows to provide more useful information. When a change in preparation or presentation occurs, the data related to the comparative period should be restated according to the new preparation or presentation.

116 When an undertaking changes the preparation or presentation, in some circumstances, it might be impracticable to adjust comparative information to achieve comparability with the current period, in which case the undertaking shall disclose that fact (see paragraph 165).

## 5.6 Errors

117 Prior period errors are omissions from, and misstatements in, the undertaking's sustainability report for one or more prior periods arising from a failure to use, or misuse of, reliable data that:

(a) was available when the management report that includes the sustainability report for those periods was approved for issuance, and

(b) could reasonably be expected to have been obtained and considered in the preparation of sustainability disclosures included in these reports.

118 Material errors are sometimes not discovered until a subsequent period. These prior period errors shall be corrected in the comparative information presented in the sustainability-related disclosures for that subsequent period and duly explained.

119 The undertaking shall correct material prior period errors in the first management report approved for issuance after their discovery by retrospectively restating the comparative amounts for the prior period(s) presented in which the error occurred except to the extent that it is impracticable to determine either the period-specific effects or the cumulative effect of the error.

120 When it is impracticable to determine the cumulative effect, at the beginning of the current period, of an error on all prior periods, the undertaking shall restate the comparative information to correct the error prospectively from the earliest date practicable.

121 Any information disclosed about prior periods, including any historical summaries of sustainability-related financial information, shall be restated as far back as is practicable. Hindsight should not be used when correcting amounts for a prior period, either in making assumptions about what the undertaking's intentions would have been in a prior period or estimating the amounts disclosed in a prior period.

122 Corrections of errors are distinct from changes in estimates. Estimates by their nature are approximations that may need revision as additional information becomes known.

## 5.7 Adverse impacts and financial risks

123 Actions or action plans of the undertaking to avoid sustainability impacts or financial risks or to benefit from opportunities in relation to a sustainability topic or sub-topic might have adverse impacts or cause financial risks in relation to another sustainability topic or sub-topic. For example:

(a) an action plan to decarbonise production or products might have negative impacts on own workforce and financial risks for redundancy payments and

(b) an action plan of an automotive supplier to focus on the supply for e-vehicles might lead to stranded assets for the production of supply parts for conventional vehicles.

124 The undertaking shall:

(a) mention the existence of an adverse impact or financial risk together with the actions and action plans that generate them, with a cross-reference to, and

(b) a description of the adverse impact or financial risks and how they are addressed under the topic or sub-topic to which they relate.

## 5.8 Optional disclosures

125 ESRS may leave some disclosures optional. If an undertaking decides to disclose on those matters, it shall follow the prescription on those optional disclosures given in ESRS.

## 5.9 Consolidated reporting and subsidiary exemption

126 When the undertaking is reporting at consolidated level and one or more of its subsidiaries is using the subsidiary exemption of the CSRD the undertaking shall perform its assessment of material impacts, risks and opportunities making sure that all subsidiaries are covered in a way that allows for the unbiased identification of those impacts, risks and opportunities.

127 Criteria and thresholds for assessing an impact, risk or opportunity as material shall be determined based on severity of impacts and magnitude of risks and opportunities.

## 5.10 Stating relationship and compatibility with other sustainability reporting frameworks

128 The undertaking may decide to report under reporting frameworks or standards other than ESRS. Such a reporting can be done either as a separate reporting or based on stated compatibility or equivalence between its sustainability statements and such other reporting frameworks or standards.

# 6 Providing linkage with other parts of corporate reporting

## 6.1 General cohesiveness

129 The undertaking shall adopt presentation practices that promote cohesiveness between its sustainability report and:

(a) the information provided in the other parts of the management report, including in accordance with chapter 5 and article 29 of chapter 6 of Directive 2013/34/EU,

(b) its financial statements, and

(c) other sustainability-related regulated information.

130 To promote effective communication and avoid duplications to the maximum extent possible appropriate cross-referencing shall be put in place by the undertaking.

131 Listed undertakings or financial undertakings that comply with specific EU regulations must disclose information related to sustainability matters following the requirements specified in such specific EU regulations. In these cases, the undertaking shall:

(a) include in its sustainability report information that is consistent with the information disclosed under such specific EU regulations, and

(b) refer in its sustainability report to, and include where appropriate additional explanations of, the information disclosed under such specific EU regulations.

132 Examples of disclosure requirements relevant to sustainability matters required in other regulations are:

(a) the information to be disclosed in the registration document as required by the 2017/1129 Regulation of the European Parliament and of the Council (the Prospectus Regulation),

(b) the remuneration report required by the 2007/36/EC directive on the exercise of certain rights of shareholders in listed companies, and

(c) public disclosures under regulation 575/2013 (Pillar 3 disclosures).

## 6.2 Connectivity with financial statements

133 Financial data and assumptions presented in the sustainability report shall be consistent with the corresponding financial data and assumptions included in the undertaking's financial statements.

134 When the sustainability report includes monetary amounts or other quantitative data points that are directly presented in financial statements, the undertaking shall include a reference to the relevant paragraph of its financial statements where the corresponding information can be found.

135 When sustainability reporting includes monetary amounts or other quantitative data points that are either an aggregation or a part of monetary amounts or quantitative data presented in the undertaking's financial statements, the undertaking shall include a reconciliation with the most relevant amount(s) presented in the financial statements and a reference to the relevant paragraph(s) of its financial statements where the corresponding information can be found. Where appropriate, the reconciliation shall be provided in tabular form.

136 When a link cannot be made either directly or through reconciliation the undertaking shall demonstrate where needed the consistency of data, assumptions used, and qualitative information included in its sustainability report with the corresponding data, assumptions and qualitative information included in the financial statements. This may occur when the sustainability report includes:

(a) monetary amounts or other quantitative data linked or interdependent with monetary amounts or other quantitative data presented in financial statements, but a direct reconciliation is not possible, and

(b) qualitative information linked or interdependent with qualitative information presented in financial statements.

137 Consistency as required by paragraph 133 above shall be at the level of a single data point and shall include a reference to the relevant paragraphs of the financial statements. When the data, assumptions and qualitative information are not consistent, the undertaking shall state that fact and explain the reason.

138 Examples of items for which the statement in paragraph 134 above is required are:

(a) when the same KPI is presented as of the reporting date in financial statements and in projection in future periods in the sustainability report, and

(b) when macroeconomic or business projections are used to develop key indicators in the sustainability report and they are also relevant in estimating the recoverable amount of assets, the amount of liabilities or provisions in financial statements.

139 Topical and sector specific standards may include requirements to include reconciliations or consistency explanations for specific disclosure requirements. In such cases the requirements in those standards shall prevail.

# General Disclosure requirements

## 7 Business card of the undertaking in relation to sustainability reporting

### 7.1 General characteristics

#### *[Disclosure requirement 1] - General characteristics*

140 **The undertaking shall give general information about (i) the undertaking itself, (ii) the sustainability report, and (iii) the use of options given by the CSRD.**

141 The undertaking shall disclose:

(a) the domicile of the undertaking,

(b) the legal form of the undertaking,

(c) its country of incorporation,

(d) where applicable the identification of the auditor, the audit firm or the independent assurance service provider giving assurance on the (consolidated) sustainability report.

142 The undertaking shall inform about the sustainability report:

(a) whether the sustainability report is consolidated or individual,

(b) in the case of a consolidated sustainability report a confirmation that the reporting scope (see paragraph 60) used for sustainability reporting is identical to the scope used for the consolidated financial statements,

(c) the date of approval of the management report by the appropriate governance body,

(d) the period covered by the sustainability report,

(e) the currency used to report monetary values, and

(f) the level of assurance provided.

143 The undertaking shall disclose the use of the following options:

(a) whether the undertaking has applied the option of ESRS P1 when reporting the disclosures required by ESRS by:

(i) aggregating the disclosures into four separately identifiable parts of the management report being:

(1) general information,
(2) environment,
(3) social, and
(4) governance, or

(ii) aggregated the disclosures on an ESRS by ESRS basis and reporting them within identifiable parts of the management report.

Any undertaking that elects to apply option (i) or (ii) shall disclose, as part of the sustainability statements, a location table allowing to identify where the sustainability disclosures under (i) or (ii) are presented in the management report.

(b) whether the undertaking applied the Member-State exemption in articles 19a (3) and 29a (3) of the CSRD on disclosure of information prejudicial to commercial position,

144 If some of the aforementioned disclosures of this chapter are already provided in other parts of the management report or the statutory respectively consolidated financial statements, then they do not need to be duplicated. The undertaking shall give a reference in the sustainability report to the respective information.

## 7.2 Overview of the undertaking's business in context to sustainability reporting

### *[Disclosure requirement 2] - Overview of strategy and business model*

145 **The undertaking shall provide a concise description of its strategy and business model as context to its sustainability reporting.**

146 The principle to be followed under this disclosure requirement is to provide relevant contextual information necessary to understanding the sustainability reporting of the undertaking. It is therefore a reference-point for other disclosure requirements in chapter 7.2.

147 The disclosure shall include:

(a) a description of the mission statement of the undertaking, if formalised,

(b) an overview of the key features of the general strategy and business model(s) of the undertaking,

(c) a concise description of the how the undertaking's strategy and business model(s) addresses sustainability impacts, risks and opportunities, and

(d) how these impacts, risks and opportunities are interacting with sustainability matters, including its status (statutory or other) and its key features (such as vision, purpose and values).

### *[Disclosure requirement 3] – Sector(s) of activity*

148 **The undertaking shall provide a description of its significant activities, headcount and revenue.**

149 The principle to be followed under this disclosure requirement is to allow an understanding of the distribution of the undertaking's activities by reference to a common sector definition.

150 The disclosure shall include the following information:

(a) an illustration of the significant sector(s) the undertaking is active in, including in which significant country,

(b) a description of the groups of significant products or services the undertaking offers and to whom, providing information on:

(i) significant group of products and services offered,

(ii) significant markets the undertaking operates in,

(iii) significant customer groups targeted by the undertaking,

(c) the total number of headcount and its breakdown by significant country, and

(d) a breakdown of the total revenue, as included in its financial statement, by significant sector and by significant country.

151 If this information is already provided in the financial statements or required by the EU Taxonomy, the undertaking shall consider including it by reference to the document where they are presented.

### *[Disclosure requirement 4] - Key features of the value chain*

152 **The undertaking shall describe its value chain.**

153 The principle to be followed under this disclosure requirement is to provide an understanding of the value chain in which the undertaking operates, from the initial inputs into a product or service, in the upstream supply chain, to its downstream delivery to end-users, including ultimate disposal, recycling or reuse for physical products.

154 The disclosure shall include the following information:

(a) a description of key participants in the upstream and downstream value chain,

(b) until delivery and/or disposal of products and services to/by end-users a description of the key resources the undertaking is leveraging to perform its activities, and

(c) the characteristics of the undertaking's relationship with end-users of products and services delivered by the value chain.

155 The description of the value chain shall be granular enough to allow an understanding of where the material sustainability impacts, risks and opportunities, manifest in the value chain in which the undertaking operates, as determined by the undertaking, following its own assessment process (see ESRS 4).

### *[Disclosure requirement 5] - Key drivers of the value creation*

156 **The undertaking shall describe how it creates value.**

157 The principle to be followed under this disclosure requirement is to provide an understanding of the key drivers of value creation the undertaking is leveraging to contribute to the overall performance of the value chain it operates in with regard to the respective interests of all stakeholders.

158 The undertaking shall provide a description of how it structures its operations and relationships to create value for all stakeholders on the basis of its strategy and business model(s).

159 The undertaking shall consider a link to relevant information about its drivers of value creation presented in the financial statements or in other public documents.

## 7.3 General statement of compliance

### *[Disclosure requirement 6] - General statement of compliance*

**The undertaking shall give a statement of compliance with ESRS.**

160 The statement of compliance required by paragraph 140 shall comprise:

(a) a statement of:

(i) compliance with ESRS, and

(ii) if applicable, a list of ESRS applied early before they come effective and

(b) for entity specific disclosures

(i) an acknowledgement of the characteristics of quality as used by the undertaking as reference to define the disclosures related to entity-specific material impacts, risks and opportunities,

(ii) a description of specific steps, if any, taken to define the disclosures, and

(iii) if applicable, a description of significant changes in (i) and / or (ii) as compared to the previous reporting period.

# 8 Other general disclosure requirements

## 8.1 Disclosure on boundaries and value chain

### *[Disclosure requirement 7] - Boundaries and value chain*

161 Following the principle on boundaries and value chain of chapter 2.3 the undertaking shall:

(a) disclose, when the undertaking - using its best efforts - has omitted information (either required by a disclosure requirement in ESRS or material from an entity-specific perspective) on the basis of the rebuttable presumption (see paragraphs 64-66), which specific information connected to its value chain has been omitted, and

(b) give a clear explanation of the major effects of the change when it assesses that it is impracticable, after making every reasonable effort, to restate comparative information in accordance paragraph 67.

## 8.2 General statement on due diligence under the CSRD

### *[Disclosure requirement 8] - Statement on due diligence*

162 Following the principles on sustainability due diligence established under chapter 3 and in light of its holistic nature which is covered by a number of ESRS cross-cutting and topical disclosure requirements the undertaking shall provide a mapping reconciling the main aspects of sustainability due diligence (see paragraph 84) to the relevant disclosures in its sustainability statements.

163 The undertaking shall also disclose a general assessment regarding its embedding the core elements of due diligence across the undertaking.

## 8.3 Disclosure on conditions of estimation uncertainty

### *[Disclosure requirement 9] - Estimation uncertainty*

164 Following the principle on estimating under conditions of uncertainty in chapter 5.3 the undertaking shall

(a) identify metrics it has disclosed that have significant estimation uncertainty, disclosing the sources and nature of the estimation uncertainties and the factors affecting the uncertainties, and

(b) when qualitative information, such as explanations of possible effects of a sustainability factor, relate to possible future events about which there is significant outcome uncertainty, an undertaking shall identify and disclose the sources of significant uncertainty and the factors affecting these sources of uncertainty.

## 8.4 Disclosure on changes in preparation or presentation of sustainability information

### *[Disclosure requirement 10] - Changes in preparation and presentation*

165 Following the principle on changes in preparation or presentation of chapter 5.5 the undertaking shall explain changes in preparation or presentation by disclosing:

(a) the description of the methodology used for the restatement,

(b) the difference between the amount reported in the previous period and the revised comparative amount,

(c) the reasons for the change in reporting policy, and

(d) if applicable, when it is impracticable to adjust comparative information for one or more prior periods, an undertaking should disclose the fact.

## 8.5 Disclosure on errors

### *[Disclosure requirement 11] - Errors*

166 Following the principles on errors in chapter 5.6 the undertaking shall disclose for prior period errors if applicable the following:

(a) the nature of prior period errors,

(b) for each prior period disclosed, to the extent practicable, the amount of the corrections, and

(c) if retrospective restatement is impracticable for a particular prior period, the circumstances that led to the existence of that condition and a description of how and from when the error has been corrected.

## 8.6 Disclosure on relationship and compatibility with other sustainability reporting frameworks

### *[Disclosure requirement 12] – On other sustainability reporting frameworks*

167 The undertaking shall disclose if it purports to report in a way that is compatible with or equivalent to reporting frameworks or standards other than ESRS. Should the compatibility or equivalence be only partial the undertaking shall indicate the parts of the frameworks other than ESRS that are compatible or equivalent.

## APPLICATION PROVISIONS

### *Developing entity-specific disclosures*

168 The content of ESRS corresponds to the sustainability reporting architecture defined by the CSRD which establishes the sustainability matters to address. The way sustainability matters are addressed is expected to evolve as ESRS develop. In this context the need for entity-specific disclosures is likely to decrease as the coverage of sustainability matters by mandatory sector-agnostic and sector-specific disclosure requirements expands.

169 Because of the above, the undertaking is allowed to adopt transitional measures for the first (….) reporting periods by which it shall as a priority when defining its entity-specific disclosures:

(a) introduce in its reporting entity-specific disclosures (i) that have been reported on by the undertaking in prior periods (ii) if these disclosures meet or are adapted to meet the characteristics of quality referred to under chapter 2.1,

(b) consider the facts and circumstances that are unique to its activities and business model(s) and therefore likely to drive the medium- and long-term need for entity-specific disclosures, and

(c) in addition, consider the available best practices and/or frameworks to complement, in an appropriate manner, its sustainability reporting with a reasonable set of well prioritised disclosures additional to the ones covered by ESRS.

### *Boundaries and value chain*

170 In order to ease the first-time application of this standard, the requirement to integrate information about the value chain in the reporting boundary when reporting about material impacts, risks and opportunities as required by paragraphs 60 - 63 may be deferred by one year.

### *Presenting comparative information*

171 To ease the first-time application of this standard, an undertaking may defer presentation of comparative information as required by chapter 5.1 for one reporting period by one year.

# Appendix A: Defined terms

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

| | |
|---|---|
| **Policy** | A Policy is a set or framework of general objectives and management principles that the undertaking uses for making decisions. A policy implements the undertaking's strategy or management decisions related to a material sustainability matter. Each policy is under the responsibility of a defined person, specifies its precise perimeter of application, includes one or more objectives linked when applicable to measurable targets. A policy is validated and reviewed following the undertakings' applicable governance rules. A policy is implemented through actions or action plans. |
| **Objective** | Objectives are specific, direction setting, outcome-based statements. Objectives are defined in the policies translating the undertaking's strategy. |
| **Target** | A Target is a specific and measurable desired outcome, generally defined within the framework of an action plan, with specific time frames, a base year, key performance indicators used to assess progress, that supports the achievement of objectives set by the undertaking's policies. Targets are defined for material sustainability matters with respect to results for people or the environment or in terms of the effect on business. |
| **Sustainability matters** | Sustainability factors as defined in Article 2, point (24) of Regulation (EU) 2019/2088 of the European Parliament and of the Council, that is environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters; and governance factors. |
| **Action Plan** | An Action Plan is a detailed statement of actions that need to be taken to achieve a particular policy objective or a target, in terms of management of the material impacts, risks and opportunities. Action Plans are the practical implementation of Policies. |
| **Resources** | Resources are sources of economic benefits the undertaking relies on to function effectively. This includes tangible and intangible resources that meet the accounting definition of assets, as well as other resources not controlled by the undertaking such as skills and time of people. |

# Appendix B: Application Guidance

This appendix is an integral part of the proposed [draft] ESRS 1 [General Provisions]. It describes the application of the requirements of chapter 1.5 - Developing entity-specific disclosures, chapter 4 Disclosing on policies, targets, actions and action plans, and resources and the General Disclosure requirements of chapter 7 Business card of the undertaking in relation to sustainability reporting and chapter 8 Other general disclosure requirements. It has the same authority as the other parts of the [draft] ESRS Standard. The provisions set under the paragraphs of the aforementioned chapters and under paragraphs AG 1 to AG AG 56 of this Application Guidance below are cumulative.

### Application guidance on chapter 1.5 - Developing entity-specific disclosures

AG 1. When developing entity-specific disclosures the undertaking shall :

(a) determine them based on ESRS 4: Sustainability material impacts, risks and opportunities and follows its disclosure requirements,

(b) provide information on its strategy and business model, respectively its sustainability and governance of them together with those that are sector-agnostic and sector-specific in accordance with ESRS 2: Strategy and business model respectively ESRS 3: Sustainability governance and organization,

(c) provide information on its policies, targets, action plans, and resources on them in accordance with the disclosure principles of chapter 4.2 of this standard, and

(d) design appropriate disclosures for them to measure performance considering the concepts of paragraph 18.

### Application guidance on chapter 4 - Disclosing on policies, targets, actions and action plans, and resources

### *[Disclosure principle 1] – On policies adopted to manage material sustainability matters*

AG 2. A policy is a set or framework of general objectives and management principles that the undertaking uses for making decisions. Within the context of this ESRS, a policy implements the undertaking's strategy or management decisions related to a material sustainability matter. Such material sustainability matters are identified by the undertaking as disclosed following ESRS 4.

AG 3. Due to the interdependency between impacts on people and the environment, risks and opportunities, a single policy may apply to several material matters, including matters addressed by more than one ESRS. The undertaking shall report the required information once in the relevant ESRS whilst providing information required by other applicable ESRS, with a clear explanation of the disclosures covered and appropriate cross-references to other disclosures (e.g. the undertaking may enact a single policy to address several interconnected material human rights or environmental issues in its value chain, provided the policy is specific with respect to the management of the underlying material impacts, risks, and opportunities as outlined in this chapter).

AG 4. This disclosure principle concerns the policy the undertaking has adopted specifically for the related material matter. The undertaking shall not describe general policy commitments, such as those concerning responsible business conduct, respecting human rights, or the expectations, values, principles, and norms of behaviour. Such disclosures shall be provided, when applicable, pursuant ESRS 2.

AG 5. For the reported information to meet the necessary qualitative characteristics, the policy description should be concise and include relevant information, which is necessary for understanding how it addresses the identified significant impacts, risks and opportunities. The level of detail of policy description should correspond to the severity of the identified impacts and importance of the risks and opportunities which underpin the materiality of the sustainability matter addressed by the policy. The undertaking shall not provide a detailed list or content of all related policy documents, such as codes of conduct, that can be located in the undertaking's website as an example. Instead, the undertakings should prioritise and summarise relevant content from across applicable undertaking's documents.

AG 6. Within the description of the policy the undertaking shall provide information on the objectives of the policy defined in terms of outcomes for people and the environment or the effect on the undertaking's business, corresponding to the impacts, risks or opportunities underpinning the materiality of the matter. When applicable the undertaking shall explain whether the objectives of its policy are based on regulatory compliance or extend beyond it. The undertaking shall further outline the key decisions on how the undertaking intends to achieve such objectives, while the details of the implementation of the policy shall be provided under the disclosure principle related to measurable targets. Where relevant, the undertaking may describe how the policy is aligned with other operational policies and procedures, for example integration of the sustainability objectives and principles in purchasing practices and policies.

AG 7. The description of the scope of the policy shall explain which activities and/or segments of the undertaking's operations, value chain or other business relationships it concerns. The description should also explain further boundaries relevant to the specific topic or the undertaking's circumstances, which may include geographies, life cycles, etc. In certain cases, when the scope of the value chain perimeter differs from the one defined by other ESRS and the policy may not cover the full value chain, the undertaking should provide clear information regarding the extent of the value chain covered by the policy.

AG 8. The description of the allocation of responsibility shall indicate responsibilities at the appropriate organisational levels within the organisation (for example, senior management or middle management), insofar as this concern specifically the disclosed policy. The undertaking shall not describe the general organisation of sustainability management and governance, that is the allocation of responsibilities for the sustainability-related policies, which shall be described in the disclosures pursuant to ESRS 3. However, the undertaking may explain how the responsibilities of oversight over the policy and its implementation are connected to such general organisation.

AG 9. The information on the adherence to third-party standards of conduct, if any, shall be provided insofar as such standards explicitly address the sustainability matter addressed by the undertaking's policy (e.g., ETI Base Code for supply chain labour rights). The undertaking shall explain in sufficient detail the extent of its commitment, including whether it considers the standard to be binding and how it intends to act in case of breach. The undertaking should not refer under this disclosure reference content to international frameworks that are of general nature and to those with which undertakings are expected to comply by the governments and intergovernmental organisations, such as the UN Guiding Principles on Business and Human Rights or the OECD Guidelines for Multinational Enterprises.

AG 10. Where appropriate, the undertaking should include information on consideration of the interests of stakeholders. This is the case, for example,, with relation to the undertaking's most severe impacts which affect specific categories of stakeholders. The undertaking shall explain how it engaged with the stakeholders affected by the impacts, their legitimate representatives, or organisations defending their interests, and how their interests are reflected in the policy adopted to address the material sustainability matter. If the policy concerns change to the undertaking's business model and strategy, this disclosure must be provided in conjunction with the corresponding disclosures required in ESRS 2.

## *[Disclosure principle 2] – On targets, progress and tracking effectiveness*

AG 11. Paragraph 98 applies, if measurable outcome-oriented targets are set, and clarifies specific aspects which shall be disclosed for measurable targets and for progress towards those targets. In case the undertaking has not adopted measurable targets, it shall report on its progress in accordance with paragraph 99.

AG 12. Targets disclosed under the disclosure principle in paragraph 98 shall be articulated in terms of their relevance to outcomes for affected stakeholders and/or the environment or effect on the undertaking's business performance, position or development. Targets that are not directly related to such outcomes, for example a percentage of employees or suppliers covered by a particular practice, may be articulated and disclosed as part of the actions under disclosure principle 3.

AG 13. Targets disclosed in accordance with the disclosure principle shall not be defined in terms of implementation of processes (e.g., implementing a risk management system, training of employees or suppliers) which shall be disclosed as part of the action plan to implement the undertaking's policy and/or measurable target under disclosure principle 3.

AG 14. Targets that concern the prevention or mitigation of environmental impacts shall be specified in terms of reduction of the impacts in absolute and intensity-based terms. Targets that concern prevention or mitigation of social impacts shall be specified in terms of the effects on human rights, welfare and positive action for affected stakeholders.

AG 15. The undertaking shall not include in the calculation of targets any netting or offsetting of impacts.

AG 16. In the description of the methodology, the undertaking shall describe how the targets are set, whether and how the targets consider the wider context of sustainable development as well as local situation in which impacts take place, and whether the targets are based on scientific consensus (science-based), where applicable.

AG 17. The information on progress made towards achieving the targets may be provided in a comprehensive table, including information on the baseline and target value, milestones, and achieved performance over the prior periods.

AG 18. The undertaking shall describe how targets have been tracked and measured, including any estimations used in calculating performance throughout the relevant time horizon. In addition, the undertaking should disclose whether progress is satisfactory or not. If a target has not been achieved, the undertaking should explain why.

AG 19. Where an undertaking describes progress in achieving the objectives of a policy in the absence of a measurable target, it may specify a baseline against which the progress is considered. For example, the undertaking may assess an increase of wages by a certain percentage for those below a fair wage or by reference to issues raised by local communities that were resolved. The baseline and the assessment of the progress shall be related to the impacts, risks and opportunities which underpin the materiality of the matter addressed by the policy.

## *[Disclosure principle 3] – Actions, action plans and resources in relation to policies and targets*

AG 20. The undertaking shall disclose all relevant actions to meet the policy objectives and its targets for those implemented in the current period together with forward-looking information on planned actions across relevant time horizons.

AG 21. The undertaking may adopt stand-alone actions or more comprehensive action plans. A set of actions which are connected to a single objective, or a target shall be presented in a form of an action plan. Where the undertaking reports a stand-alone action, the disclosure reference contents concerning the action plans apply analogously.

AG 22. The description of the scope of the action plan shall specify which activities and segments of the undertaking's operations, value chain or other business relationships are considered. This information provided by the undertaking is to be consistent with AG 7 on the scope of the policy.

AG 23. For policies for which it is not meaningful to define a measurable outcome-oriented target, illustrations of the implementation of the undertaking's policy and effectiveness should be provided. Such illustrations should only be provided for impacts, risks and opportunities that the undertaking's policy is addressing but not for past impacts. The examples should present a balanced view of positive and negative aspects concerning the undertaking's involvement with the underlying impacts.

AG 24. Information on resources needed and their allocation shall be provided, when applicable, at the level of the undertaking's action plan. The undertaking should provide such information if the implementation of the action plans require substantial dedicated resources, such as significant capital expenditure or operational costs related for instance to the adoption of new technologies, refurbishment or replacement of industrial facilities (e.g., a climate net-zero transition plan in high-impact sectors), investment in people and organisation that the undertaking can rely on in order to effectively implement the action plan and meet policy objectives or targets. Conversely, where the effectiveness of the action plans does not depend on specific dedicated resources, the undertaking should clearly indicate it instead of disclosing resource allocations.

AG 25. Information on resources needed and allocated may be disclosed at the level of the entire action plan or by key action taken or planned.

AG 26. Information on resources allocation should be presented in the form of a table and should be broken down between capital expenditures and operating expenditures, and across the relevant time horizons, at minimum for the current reporting year resources, and the planned allocation of resources over specific time horizons.

## Application guidance on chapter 7 - Business card of the undertaking in relation to sustainability reporting

### *[Disclosure requirement 1] - General characteristics*

AG 27. The period covered by the sustainability report shall follow the period used in its (consolidated) financial reporting. Therefore, normally the undertaking consistently prepares sustainability reports for a one-year period. When the undertaking changes the reporting period used in its (consolidated) financial reporting, the period used in the sustainability report shall be modified accordingly. If so, the undertaking shall disclose that the amounts in sustainability reporting are not entirely comparable.

### *[Disclosure requirement 2] - Overview of strategy and business model*

AG 28. A strategy is the plan to achieve an undertaking's defined mission and vision and apply its core values. It incorporates the set of goals or purposes an undertaking assigns itself in terms of delivering certain defined products and services to defined categories of customers in certain defined geographic areas under a defined framework of relationships with all stakeholders.

AG 29. A concise description of an undertaking' strategy and business model(s) shall include:

(a) a description of the mission, vision and core values of the undertaking, when defined as such, and of the goals and purposes of the undertaking's in terms of product and services, customer categories, geographic areas and relationships with stakeholders,

(b) an assessment of the undertaking 's current market position in relation to its goals or purposes,

(c) a statement on the undertaking 's intended direction of travel on the basis of the time horizon defined in ESRS 1, including main challenges ahead, critical solutions or projects to be put in place and possible or projected or expected outcomes,

(d) the key sustainability targets the undertaking expects to reach and, where appropriate, the financial targets,

(e) a description of the undertaking's inputs and its approach to gather, develop and secure those inputs,

(f) a description of the key aspects of the undertaking's value creation system, including structure and processes, through which it brings added value to the inputs it gathers. This description requires specific attention since it provides explanations on how the undertaking creates value for stakeholders, and

(g) a description of the undertaking's outputs and outcomes with the related current and expected benefits for stakeholders.

AG 30. A business model is the system developed by the undertaking for transforming inputs through its business activities into outputs and outcomes, that aims to fulfill the undertaking's strategic purposes. The undertaking shall provide an overview of how it operates, the rationale of its structure and how it creates and preserves value over time. The undertaking may develop one or several business models.

AG 31. The undertaking's mission can be established following a purely internal definition process or following a definition process developed according to certain best practice, regulatory or legal frameworks. In the latter case explicit reference shall be made to those frameworks.

AG 32. Based on the level of boundaries of the considered sustainability reporting (as defined in chapter 2.3), information at a subsidiary level or by key business line may be considered.

AG 33. This disclosure requirement is at the undertaking level, or at its consolidated level, following the boundaries applicable to sustainability reporting as defined in chapter 2.3. A specific narrative may be needed if the boundaries of the financial reporting and of the sustainability reporting are different and if it has an influence on the understanding of the undertaking's strategy and business model(s). In the latter case, reconciliation tables can be useful.

## *[Disclosure requirement 3] – Sector(s) of activity*

AG 34. This disclosure requirement is a list of the significant sectors in which the undertaking operates.

AG 35. The undertaking shall list and map all its significant activities with the identified 40 sectors as requested by ESRS SEC1. A mapping of these sectors with NACE codification is available in ESRS SEC1. If a code for sub-sector does not exist, a narrative description of the sub-sector is given in the caption "others".

AG 36. The information of the significant sectors of activity where the undertaking operates that is disclosed under this disclosure requirement shall facilitate the understanding of the contextual information for the material impacts, risks and opportunities that originate or are connected to the undertaking's strategy, business model(s) and operations.

AG 37. Depending on the operational structure of the undertaking, internal transactions between business units belonging to different sectors may exist. In order to provide a faithful representation of its activities in each sector, the undertaking shall consider disclosing the relationship between the sectors and the key features of the business model(s) developed to perform the sector activities, including internal transactions.

AG 38. The undertaking shall consider disclosing potential challenges and/or competitive advantages of the undertaking in performing the activities.

AG 39. Quantitative information has to be provided in order to illustrate the weight of the various sectoral activities (such as for instance per cent of revenue). For undertakings applying segment reporting as required by IFRS 8, this information shall, as far as possible, reconcile with IFRS 8 information.

AG 40. Instead of disclosing the revenue by sector, undertakings belonging to the financial sector shall disclose the breakdown of their volumes by significant sector, in particular:

(a) undertakings belonging to the banking sector shall disclose their financial assets by sector.

(b) undertakings belonging to the insurance sector shall disclose their insurance liabilities by sector, and

(c) undertakings belonging to the asset management sector shall disclose their volumes of asset under management by sector.

AG 41. When disclosing their volumes by significant sector, the undertakings above shall refer to the relevant indicators mandated by other applicable sustainability EU regulations, in line with SFDR requirements.

AG 42. When describing its significant groups of products and services as well as significant markets the undertaking shall consider relevant disclosures related to changes occurred during the reporting period on:

(a) new products and services, removed products and services and their relative shares in revenue or equivalent information about volumes for financial institutions,

(b) new markets served as well as markets closed and their relative shares in revenue or equivalent information about volumes for financial institutions,

(c) new customer groups and customer groups not to be served anymore and their relative shares in revenue or equivalent information about volumes for financial institutions, and

(d) products and services under bans, restrictions or authorisation systems and other public information regarding potential bans, restrictions or authorisation systems in certain markets.

AG 43. The undertaking shall not necessarily include sectors / countries / groups of products and services / markets / customer groups, when they are not significant. This shall ensure a level of granularity that is adequate to achieve the required characteristics of the information quality as defined by ESRS 1 and provide a fair and complete view of its activities.

AG 44. Information by significant country should be based upon available information in the undertaking. This could cover countries of origin or groups of countries.

AG 45. To determine significance of sectors / countries / group of products and services / markets / customer groups the undertaking shall consider those as significant with a value creation:

(a) as evidenced by revenue, including both sales to external customers and intersegment revenue or transfers, above 10 per cent of the combined revenue, internal and external, of all its activities, or

(b) that cause certain material impacts, risks or opportunities that due to their importance to the undertaking are prioritised and monitored directly by the highest governing bodies (see paragraph 15).

## *[Disclosure requirement 4] - Key features of the value chain*

*AG 46.* The required description shall provide a high-level overview of the key features of the value chain participants indicating their relative contribution to the undertaking's performance and positions and explain how they contribute to the value creation of the undertaking.

*AG 47.* The undertaking shall describe the key characteristics of its business relationships with its suppliers, customers and distribution channels. The main groups of business relationships together with the related underlying contractual terms (including relevant rights and obligations) shall be disclosed.

*AG 48.* The boundaries of the value chain cannot be quantitatively defined in a way that suits all undertakings. Rather, the boundaries are defined qualitatively as relative to an undertaking's material risks, opportunities and impacts. The description of the value chain should be directly linked to the undertaking's material impacts, risks and opportunities as identified in ESRS 4 and to sustainability reporting boundaries as specified in chapter 2.3. Specific links shall be provided as appropriate for each of the impacts, risks and opportunities considered under ESRS 2.

AG 49. To illustrate the link between material impacts and its value chain, an undertaking may provide for example additional details on suppliers and resources connected to the identified or prescribed material issues.

## *[Disclosure requirement 5] - Key drivers of the value creation*

AG 50. When describing the key drivers of value creation for all stakeholders, the undertaking shall consider:

(a) the key drivers of investor-related value creation, including potential financial effects of impacts and also the organisation and main processes implemented by the undertaking to generate revenues and manage its cost base in a competitive manner, and

(b) the key drivers of value creation for other stakeholders, covering financial and other (non-financial) benefits.

AG 51. Keys drivers of investor-related value creation shall be disclosed in a summarised manner either by direct disclosure or by explicit reference to clearly identified indicators located in financial statements or located in the management report (for instance in relation to non-GAAP measures as disclosed by the undertaking). They shall cover the shareholders perspective as well as the credit institutions and other lenders perspective.

AG 52. Specific attention shall be given to disclosures on the forward-looking aspects of the undertaking's investor-related value creation that reflect its stated direction of travel and targets and/or ambitions. That may include, for example, revenue generation, cost management and control, profitability, capex plans, financial structure and cash flow generation. Specifying the stated time horizons of targets and ambitions is particularly critical. So is their relation to the resilience of the undertaking, both in that respect as well as in other sustainability-related objectives.

AG 53. Reconciliation with financial data should be performed with reference to applicable accounting standards, such as IFRS requirements or local GAAP.

AG 54. Disclosures on key drivers of value creation for other stakeholders shall build on the identification of the relevant stakeholders consistent with ESRS 4.

## *[Disclosure requirement 6] - General statement of compliance*

AG 55. The undertaking shall comply with all ESRS that are effective. ESRS not yet effective need not be complied with but can be applied early. ESRS that are not applicable for the undertaking e.g., because the undertaking is not active in a sector of a sector-specific standard are complied with (see paragraph 148).

AG 56. ESRS on impacts, risks or opportunities of sub-topics that are not material for the undertaking based on the assessment of ESRS 4 are complied with a disclosure that the sub-topic is not material for the undertaking (see Disclosure requirement 2 of ESRS 4).