

7 July 2023

John Berrigan
Directorate-General for Financial Stability,
Financial Services and Capital Markets Union (DG FISMA)
European Commission
2, rue de Spa
1000 Bruxelles
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Dear Mr Berrigan

Draft Delegated Act – European Sustainability Reporting Standards

Deloitte Global supports the objectives of the European Green Deal and policy and regulation that are designed to enable the flow of high-quality, consistent and comparable sustainability information which is essential to support these objectives.

In line with the European Commission's (EC) Better Regulation Guidelines, policy and regulation are effective when they are proportionate, cohesive, easy to comply with, and result in the least burden possible. In that light, we welcome the steps that the EC has already taken to simplify the European Sustainability Reporting Standards (ESRS) requirements by ensuring that all disclosure requirements and data points in topical standards are subject to materiality; making some disclosure requirements voluntary; and improving the understandability of the standards.

Our key comments are included below.

Materiality

Application of materiality filter

We welcome the decision to apply the materiality filter to all disclosures and data points in the topical standards, other than those that stem from ESRS 2 *General disclosures*. The materiality filter, in our view, supports reporting that is relevant and decision-useful, which in turn improves the quality of the information reported. We believe this better reflects the Corporate Sustainability Reporting Directive's (CSRD) intention for a company to "*include information necessary to understand the undertaking's impacts on sustainability matters, and information necessary to understand how sustainability matters affect the undertaking's development, performance and position*" [paragraph 1, Article 19a].

Interaction with Sustainable Finance Disclosure Regulation (SFDR)

We believe that the ESRS approach to materiality as set out in the draft Delegated Act is appropriate for corporate reporting. Interoperability needs to be achieved between ESRS and other areas of European Union (EU) regulation, in particular in relation to the SFDR, to ensure a cohesive and coherent approach to EU regulation. For example, as companies will report material information under ESRS, SFDR reporting obligations should reflect this so that financial market participants are not required to obtain information from companies on indicators that they have assessed as not material.

Definition of financial materiality

We acknowledge that ESRS, consistent with the CSRD, uses the concept of double materiality, which includes impact and financial materiality. We welcome the ESRS articulation of the concept of impact materiality and its interrelationship with financial materiality in paragraphs 43 and 38 of ESRS 1 *General requirements*. This articulation is, in our view, well aligned with the Global Reporting Initiative (GRI) Standards and therefore should be familiar to many preparers and users of sustainability reports.

On the other hand, the definition of financial materiality and related content in paragraphs 47-49 of ESRS 1 and in the Glossary in Annex II is not aligned with the International Accounting Standards Board/International Sustainability Standards Board (ISSB) definition. The ESRS wording is broader than the ISSB definition and states that ESRS financial materiality is 'not limited to' the needs of investors and other providers of financial capital. The ESRS definition would include information that is reasonably expected to influence decisions of other users in addition to investors, which could result in a broader set of information being assessed as material from a financial materiality perspective. Many EU and global companies report using IFRS Accounting Standards, US GAAP or other frameworks which use the concept of investor focused financial materiality. For reporting to be of high quality and to be compliant with ESRS in respect of connectivity with financial statements, it is important that the definition of financial materiality used in ESRS standards is consistent with the definition of materiality used in financial reporting. This will help make the annual report cohesive and reduce the risk of greenwashing.

Furthermore, the proposed approach in ESRS to financial materiality may be highly confusing for preparers, users and auditors who already understand and apply the current investor-focused definition of materiality in their financial statements and will be required to provide information on financial effects that are reflected in the financial statements as part of their sustainability reporting. It is not clear from the definition in ESRS what additional information it is intended to capture or how far the company would need to assess for matters 'not limited to' those material to investors and for assurance providers to assess completeness of such matters. This could result in inconsistent application of the standard in practice.

Interoperability

The use of a different definition of financial materiality also stands in the way of achieving interoperability between ESRS and investor focused reporting frameworks, including ISSB standards. Many EU companies operate globally and therefore may have to follow other reporting requirements in addition to those of their home jurisdiction. Similarly, many non-EU companies are in scope of the CSRD and will have to comply with ESRS in addition to their domestic requirements. If a company is attempting to report in compliance with investor focused reporting requirements in addition to ESRS, the investor focused information cannot be readily identified and could be obscured by information intended for a broader group of stakeholders. We believe that global companies operating in multiple jurisdictions and having to

comply with multiple jurisdictional reporting requirements should be able to collect data targeting the same audience only once.

Therefore, we believe that alignment of the definition of financial materiality is a critical issue that needs to be resolved before the ESRs are finalised. This change can be effected through targeted amendments to paragraphs 47-49 and Annex II.

Complexity and granularity

We welcome the simplifications already made. However, we believe that there remains significant complexity, granularity and a high volume of requirements in the ESRs. In order to deliver high quality corporate reporting, companies will need time to collect data and to build processes, systems, internal controls and governance structures that are needed to support high-quality corporate reporting which is a pre-requisite for high-quality independent assurance. It is important to acknowledge that it will be a huge step for companies to build the necessary level of reporting capacity and put in place the required reporting infrastructure. Allowing companies sufficient time to prepare is essential for high quality outcomes, to enable assurance and provide decision-useful information to users. Not allowing sufficient time for companies to get ready, may result in weaknesses in internal controls and processes which could in turn lead to a high number of assurance reports containing modified conclusions, including qualified conclusions or disclaimers of opinion, arising from immature internal controls and processes. To allow sufficient time for companies to get ready, the EC could consider further transitional reliefs such as repositioning application guidance as non-binding guidelines in the first three years of adoption whilst setting out a clear expectation of what will be required by the end of the transition period, or allowing a 'comply or explain' approach for all disclosures in the transition years. Such measures would allow companies to build reporting capacity and related controls, implement measurement methodologies and collect the necessary data with confidence in its reliability.

There is a conflict between the requirement to provide entity-specific disclosures when these are assessed as material and voluntary disclosures that are prefixed by 'may'. We therefore recommend that the EC provide clarification on this interaction.

Interoperability and equivalence

Fragmentation of reporting standards creates barriers to comparability, undermines the utility of sustainability information in decision-making, and leads to complex and extensive compliance exercises—which divert resources and investment from actions that support the achievement of climate objectives and sustainable development. We welcome the steps the EC has taken to enhance interoperability in ESRs through engagement with the ISSB and GRI. We observe that this is excellent leadership from the EC which demonstrates how jurisdictional interoperability can be achieved. As noted above, aligning the definition of financial materiality in ESRs with the ISSB definition of material information is essential for interoperability. We also encourage the EC to continue to engage with the ISSB as it develops its standards to ensure ongoing interoperability, and to publish interoperability tables as soon as practicable, as this is critical for companies to understand how to apply both sets together.

We recommend that EC moves quickly to make decisions on equivalence of standards. Because of the EC's double materiality approach, we believe that equivalence should be granted when a non-EU company is supplementing investor-focused reporting with reporting on information about impacts relevant to its broader stakeholders. This for example would be the case where a company is required to,

or chooses to, report using ISSB standards and voluntarily supplements this with reporting using GRI Standards in its annual report.

Due process

Going forward, it is fundamental that robust due process is followed when developing EU sustainability reporting standards, including:

- Adequate time given to stakeholders to consider proposals for new standards or amendments to existing standards, as well as proposed guidance
- Field testing
- Sufficient time for implementation of standards ahead of effective date
- Appropriate governance over interpretations process
- Appropriate level of funding for the European Financial Reporting Advisory Group (EFRAG) to establish its role as standard setter

If you have any questions concerning our comments, please contact Veronica Poole at +44 20 7936 3000, Simon Cleveland at +44 117 984 2739 or Pablo Zalba at +34 914381908

Yours sincerely



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Appendix

1. General comments

Please see the Deloitte Global letter for our key comments.

2. Further drafting points

We make some comments, requests for clarification, and suggested edits on the draft ESRS, provided by some of our Deloitte experts. These are provided in addition to those set out in our cover letter. They do not represent an exhaustive set of comments due to the limited amount of time available for review of the draft delegated regulation.

Specific comments on the main text of the draft delegated act

We have no comments on the wording of the draft delegated act itself.

Specific comments on Annex I

Standard	Paragraph or AR number or appendix reference	Comment
ESRS 1	<i>Para 34</i>	<p>We think paragraph 34 of ESRS 1 should be clarified as to whether it is intended to represent an overarching principle for the materiality filter of information, or whether it applies only to material metrics on impacts, risks and opportunities (IROs), because this paragraph could be read as relating solely to paragraph 33, which explains when datapoints related to metrics shall be disclosed. If the former, it should be located before paragraph 32 of ESRS 1.</p> <p>In addition, we believe that information should be disclosed when both conditions (a) <u>and</u> (b) are met (and not when (a) <u>or</u> (b) are met). Information disclosed should be both significant <u>and</u> meet the users' decision-making needs.</p>
ESRS 1	<i>Para 62/67</i>	<p>We would appreciate greater clarity on the treatment of information relating to associates and joint ventures, and whether they should always be considered as part of the value chain or not. We consider that paragraph 67 is not clear enough.</p> <p>On the one hand, paragraph 62 states that the sustainability statement shall be for the same reporting undertaking as the financial statements. As</p>

Standard	Paragraph or AR number or appendix reference	Comment
		<p>an example, it indicates that <i>“if the reporting undertaking is a group and if the parent company is required to prepare consolidated financial statements, the consolidated financial and sustainability statement will be for the parent and its subsidiaries”</i>.</p> <p>Such an example refers only to subsidiaries, which are clearly defined in the accounting standards, for example by IFRS 10 – <i>Consolidated Financial Statements</i>, where a subsidiary is defined as an <i>“Entity controlled by another entity”</i> with the meaning of control defined by IFRS 10 itself; group is defined as well as <i>“parent and its subsidiaries”</i>. Consolidated financial statements also account for various forms of investments in other entities (such as investments in Associates or Joint Ventures), using accounting treatments different from the line-by-line consolidation as per subsidiaries. We would specifically welcome clear guidance on whether and how entities accounted for under the equity method should be considered for the purpose of sustainability reporting. We think that disregarding those entities for the calculation of sustainability metrics referring to own operations might create a misalignment between financial and sustainability reporting, particularly with respect to relative KPIs, e.g. in sustainability KPIs in relation to revenue.</p> <p>On the other hand, paragraph 67 of ESRS 1 starts with <i>“<u>When</u> associates or joint ventures are part of the undertaking’s value chain...”</i>, starting with “when”, leads to confusion as to whether such investments should always be considered to be part of the value chain or not. We have assumed that “when” was probably having in mind the specific metrics to be disclosed for GHG emissions in ESRS E1 <i>Climate Change</i>, for which the concept of <i>“operational control”</i> applies as an exception to the general rules, but this is not explicit.</p> <p>We therefore suggest clarifying whether associates and joint ventures are always to be considered as part of the value chain, except that for determining certain metrics, an assessment of whether there is operational control shall be made.</p>
ESRS 1	Para 67	We would welcome further guidance on how to deal with unconsolidated subsidiaries (e.g., because they were not material for financial reporting purposes). On the one hand, they are financially controlled, even if not

Standard	Paragraph or AR number or appendix reference	Comment
		accounted for line-by-line in the consolidated financial statements (which would be our understanding of the requirements). Is an entity required to obtain the information for unconsolidated subsidiaries?
ESRS 1	<i>Para 73</i>	We suggest that ESRS 1 provide clarification that, similar to the general consolidation requirements for financial statements and subject to jurisdictional requirements (e.g., in some jurisdictions, no more than a three-month lapse is allowed), it is possible to prepare consolidated sustainability reporting even if some of the subsidiaries do not have the same reporting dates as the parent entity, as long as certain conditions are met. We propose guidance is provided based on IFRS S2 <i>Climate-related Disclosures</i> , Appendix B paragraph 19.
ESRS 1	<i>Para 105</i>	ESRS 1.105(a) effectively gives a definition of ‘ <i>Secret</i> ’. We suggest adding it to the glossary in Annex II as it is a critical issue in some sectors.
ESRS 1	<i>Para 108(b)</i>	We suggest adding “ <i>anticipated</i> ” in “ <i>whether the inclusion of quantitative measures of anticipated financial effects is appropriate, taking into account the number of assumptions that it could require and consequential uncertainty [...]</i> ”, which would be consistent with the latest additions from the EC in other parts of ESRS.
ESRS 1	<i>Para 130</i>	<p>We would welcome clarification of what is expected during the transitional period, especially in relation to “<i>shall <u>as a priority</u></i>”. We suggest the text is amended to read:</p> <p>“When defining its entity-specific disclosures, the undertaking may adopt transitional measures for their preparation in the first three annual sustainability statements <u>during</u> which it shall <u>consider</u>: ...</p> <p>(a) introduce in its reporting those entity-specific disclosures that it reported in prior periods, if these disclosures meet or are adapted to meet the qualitative characteristics of information referred to under chapter 2 of this Standard; and</p> <p>(b) <u>complementing</u> its disclosures prepared on the basis of the topical ESRS with an appropriate set of additional disclosures to cover sustainability matters that are material for the undertaking in its sector(s), using available best practice and/or available frameworks or reporting standards, such as IFRS sector-specific material and GRI Sector Standards.”</p>

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ESRS 1	<i>Appendix C</i>	<p>In the Explanatory Memorandum of the proposed Commission Delegated Regulation, section 2. <i>Consultations prior to the adoption of the act</i>, point (d), it is stated:</p> <p>(d) The phasing-in of a number of disclosure requirements considered more challenging for undertakings. Undertakings would be allowed to omit metrics (data) on their value chains for a period of 3 years. <u>In addition, there would be certain phase-ins of between 1 and 3 years for certain information on the following issues:</u> the financial effects on the undertaking arising from climate; breakdown of employees by gender; collective bargaining coverage; adequate wages; social protection; <u>and training and skills development.</u></p> <p>However, <i>S1-13 Training and skills development</i> is missing in Appendix C of ESRS 1 'List of phased-in disclosure requirements'.</p>
ESRS 1	<i>Appendix C</i>	<ul style="list-style-type: none"> – For S1-11, S1-12, and S1-15, if the phasing-in is intended for all datapoints, we suggest changing the wording to clarify this (i.e., to replicate the same wording as for S1-7): suggested edit: “The undertaking may omit <u>for all information</u> prescribed by ESRS S1-xx for the first year of preparation of its sustainability statement.” – For both S1-8 and S1-14, we suggest inserting the reference to specific paragraph/paragraphs to understand the exact information that may be omitted.
ESRS 1	<i>Appendix E</i>	<p>The flowchart currently included in Appendix E is confusing to follow and appears to miss some steps, for example:</p> <ul style="list-style-type: none"> - The flowchart does not include a requirement to disclose entity-specific disclosures in cases when material sustainability matters are not covered by an ESRS (as per ESRS 1, para 30(b)) nor the link to paragraphs 33 and 34) - The process flow breaks halfway (there is no option ‘no’ for some questions). See proposal for revision of the flowchart below

Standard	Paragraph or AR number or appendix reference	Comment
<p>ESRS 1 – Deloitte proposed flowchart</p> <p>ESRS 1 - AR 16. When performing its materiality assessment, the undertaking shall consider the following list of sustainability matters covered in the topical ESRS</p> <p>ESRS 1 - 29. Irrespective of the outcome of its materiality assessment, the undertaking shall always disclose the information required by ESRS 2 General Disclosures (i.e. all the Disclosure Requirements and data points specified in ESRS 2).</p>		
ESRS 2	Para 17(e)	<p>We think this bullet is confusing. In effect, as drafted, it could mean entities are required to disclose metrics if a sustainability topic/sub-topic/sub-sub-topic is identified in the list in ESRS 1 AR16 and is assessed material, which does not seem to be consistent with the objective of the phasing-in.</p> <p>We suggest deleting para 17(e).</p>
ESRS 2	Appendix B	<p>We think it should be clear that the datapoints arising from EU legislation should be subject to the materiality assessment set out in ESRS 1. As this Appendix is contained within a Standard that should be applied irrespective of materiality, it could be read that the datapoints should also be provided irrespective of materiality, which is inconsistent with the principle that all topical standards are subject to materiality assessment by the entity. The clarification could be achieved by a clear statement at the top of the Appendix that the requirement to disclose metrics set out in the Appendix is subject to materiality assessment by the entity as set out in ESRS 1.</p>
ESRS 2	Appendix C	<p>To be consistent with paragraph 2 of ESRS 2, we would welcome an explicit clarification in Appendix C that the information would always be provided</p>

Standard	Paragraph or AR number or appendix reference	Comment
		in respect of IRO-1 (including in the topical standards), and that information in respect of the Disclosure Requirements of GOV-1, GOV-3, SBM-2, SBM-3 would be provided only if it relates to a sustainability matter that is assessed as material.
ESRS E1	AR 40	<p>ESRS includes the “operational control” notion of the GHG Protocol in the context of ESRS E1 <i>Climate Change</i>. We would welcome further clarification of this concept, and interactions with the financial reporting boundaries. A clear understanding of how this principle applies to joint ventures and joint operations accounted for in accordance with IFRS 11 <i>Joint Arrangements</i>, or jointly controlled entities that are proportionately consolidated under some EU local GAAP), associates, and unconsolidated subsidiaries, would be helpful.</p> <p>In addition, we would like confirmation whether this concept is also supposed to apply when determining metrics in Standards other than ESRS E1. For instance, ESRS E2 <i>Pollution</i>, paragraph 29 requires that “<i>The consolidated [pollutant] emissions include in the basis for calculation both the assets or sites on [which] the undertaking has financial control and those on which the undertaking has <u>operational control</u></i>”. Also, ESRS E4 <i>Biodiversity and ecosystems</i> requires in paragraph 34 that “<i>the undertaking shall disclose the number and area (in hectares) of sites owned, leased or <u>managed</u> in or near these protected areas or key biodiversity areas</i>”.</p>
ESRS E1	AR 47(b)	Based on the Danish compromise, financial institutions are not required to include their insurance activities in their value chain information, for the purposes of their prudential reporting requirements. ESRS E1 AR47 bullet (b) specifies that, when determining scope 3 GHG emissions, financial institutions shall consider insurance-linked emissions, following the GHG Accounting and Reporting Standard for the Financial Industry from PCAF. On our reading, this could create an interoperability issue with other EU regulations.
ESRS E2	Para 24(b)	Targets on pollution in the EU are usually defined by local authorities. Therefore, we suggest the following clarification to be provided in paragraph 24(b):

Standard	Paragraph or AR number or appendix reference	Comment
		“whether or not the thresholds are entity-specific <u>(or reflects a threshold defined by the local authorities)</u> , and if so, how they were determined.”
ESRS E2	<i>Para 28</i>	<p>Is it intended that the consolidated amounts are for all pollutants and microplastics? We would find consolidation confusing as pollutants and microplastics are of a different nature. We suggest the following edits to paragraph 28:</p> <p>“The undertaking shall disclose the consolidated amount of:</p> <p>(a) each pollutant listed in Annex II of the E-PRTR Regulation (European Pollutant Release and Transfer Register) emitted, <u>for consolidated emissions</u> to air, water and soil⁴⁵.</p> <p>(b) microplastics generated or used by the undertaking.”</p>
ESRS S1	<i>DR S1-8 / Para 63(a)</i>	<p>We consider that requiring the information to determine the global percentage of employees covered by workers’ representatives at the establishment level is too granular. We suggest deleting the reference to “establishment” so that paragraph 63(a) reads:</p> <p>“the global percentage of employees covered at the establishment level by workers’ representatives, reported at the country level for each EEA country in which the undertaking has significant employment”.</p>
ESRS S1	<i>DR S1-9 / Para 64</i>	We would welcome further guidance on, or a definition of, ‘top management’ so as to promote comparability.
ESRS S1	<i>DR S1-10 / AR 72</i>	<p>We think there is an inconsistency because AR 72 to this DR explains how to calculate the “lowest wage” but the DR itself does not seem to include any disclosure in relation to “low wages”. We would welcome clarification on whether this means that this DR should include only the lowest employment category (consistently with GRI 202-1 which is a basis for this DR). If so, it is not clear how to articulate this with the requirement that “<i>The undertaking shall disclose whether <u>[all] its employees</u> are paid an adequate wage...</i>”.</p> <p>Alternatively, reconsider the guidance in AR 72-73.</p>
ESRS S1	<i>DR S1-14 / Para 88(c)</i>	We suggest clarifying that ‘work-related accidents’ could also be determined based on the local legal definitions of a work-related accident.

Standard	Paragraph or AR number or appendix reference	Comment
Editorial comments, identified typos, consistency or cross reference issues		
ESRS 1	<i>Para 7</i>	<p>We suggest that the list of reporting areas in the last sentence is amended. Currently, "management" only refers to "risk and opportunity", and not to "impact" (assuming it is supposed to be read as "impact, risk and opportunity").</p> <p>We suggest paragraph 7 read: "... on the reporting areas governance, strategy, management of impacts, risks and opportunities management, and metrics and targets."</p>
ESRS 1	<i>118(e)</i>	The number of the Regulation referred to is incorrect (2017/1128). It should be 2017/1129 instead.
ESRS 1	<i>Para 129</i>	Heading "10.1 Transitional provision related to <i>section 1.4 Entity-specific disclosures</i> " is incorrect as there is no such section.
ESRS 1	<i>Para 133</i>	Typo: Paragraphs 1 131 and 132....
ESRS 1	<i>AR 16</i>	Is there a reason why 'water and sanitation' is not stated under ESRS S1 Own workforce? It is stated under ESRS S2 Workers in the value chain but not replicated in ESRS S1, whereas all other elements are the same though in a different format.
ESRS 1	<i>AR 16</i>	<p>General drafting inconsistencies between ESRS S1 and ESRS S2 sub-sub-topics list:</p> <ul style="list-style-type: none"> - "<i>Employment and inclusion of persons with disabilities</i>" vs. "<i>The employment and inclusion of persons with disabilities</i>" <p>Also, there are three sub-sub-topics that are not associated with a sub-topic. We assume that they relate to ESRS S2.</p>
ESRS 1	<i>AR 16</i>	<p>The sustainability matters presented in the table are not always consistent (at sub-topic level) with those presented in the topical Standards. They should be aligned. For example:</p> <ul style="list-style-type: none"> • ESRS E1 – Climate change

Standard	Paragraph or AR number or appendix reference	Comment
		<ul style="list-style-type: none"> o Sub-topics named here are: Climate change adaption, Climate change mitigation, Energy o Sustainability matters named in ESRS E1 are: Climate change mitigation, Climate change adaptation • ESRS E2 – Pollution <ul style="list-style-type: none"> o Sub-topics named here are: Pollution of air, Pollution of water, Pollution of soil, Pollution of living organisms and food resources, Substances of concern, Substances of very high concern, Microplastics o Sustainability matters named in ESRS E2 are: Pollution of air, water, soil, substances of concern, including substances of very high concern • ESRS E3 – Water and marine resources <ul style="list-style-type: none"> o Sub-topics named here are: Water, Marine resources o No sub-topics are specifically named as “sustainability matters” in the Standard
ESRS 1	<i>Appendix C</i>	In the table presenting the list of phased-in Disclosure Requirements, the Standard reference provided on row ESRS E2-6 (paragraph 38(b)) is not accurate. We believe the reference should be made to paragraph 40(b).
ESRS 1	<i>Appendix F</i>	Typo: There are two issues with the box at the bottom of the page that used to include text referring to Article 8 (EU Taxonomy) disclosures: (1) There is no visible text in the box; (2) The box is presented outside the box for “Environmental information”, which is inconsistent with paragraph 112.
ESRS 2	<i>Table of contents</i>	We suggest modifying the name of the Disclosure Requirement BP-1 to match that used in the text of the Standard: “General basis for preparation of <u>the sustainability statements</u> ”.
ESRS 2	<i>Para 15, penultimate line</i>	Typo: We suggest inserting () around the s in “paragraphs” - “paragraph <u>s</u> ”.
ESRS 2	<i>Para 22(a)</i>	Typo: we suggest adding an (s) after individual to read individual <u>s</u> .

Standard	Paragraph or AR number or appendix reference	Comment
ESRS 2	<i>Para 53(c)i)</i>	This paragraph refers to “ESRS 1 section 3.3. Financial materiality”. Financial materiality is not dealt with in ESRS 1 section 3. 3 , but in ESRS 1 section 3. <u>5</u> .
ESRS 2	<i>Para 59, 3^d line</i>	The word “material” is missing before “to address <u>material</u> risks and/or to pursue material <i>opportunities</i> ...”.
ESRS E1	<i>Para 9</i>	Typo: “ESRS S4 Consumers and users” should be “ESRS S4 Consumers and <u>end</u> -users”.
ESRS E1	<i>Para 9</i>	Typo: “ESRS 2 Workers in the value chain” should be “ESRS S2 Workers in the value chain”.
ESRS E1	<i>Para 16</i>	We believe that reference should be made to paragraph 14, not 13.
ESRS E1	<i>Para 21</i>	We believe that reference should be made to paragraph 20, not 19.
ESRS E2	<i>Table of contents</i>	Title of ARs of E2-6 reads as “ Potential financial effects”, shouldn’t it be updated to “ <u>Anticipated</u> financial effects”?
ESRS E2	<i>Para 29</i>	First sentence: The current drafting states “ <i>The consolidated emissions amount shall include in the basis for calculation both the assets or sites</i> ”. We suggest updating the sentence to read “... shall include in the basis for calculation both the assets and sites “, in order to make it clear that assets and sites are relevant for the calculation. Second sentence: should “and sites” be added so that it reads “The consolidation shall include only the asset <u>and sites</u> emissions which reach the thresholds for release...”?
ESRS E2	<i>Para 36</i>	The word “ impacts ” has been removed from the paragraphs of DR E2-6, but still remains in the heading. Should it be removed from heading or added back in the paragraphs?
ESRS E3	<i>Para 23(b)</i>	For consistency, with AR 10 and AR 12, we suggest removing the refence to deep sea minerals.
ESRS E3	<i>Para 30</i>	The word “impacts” has been removed from the drafting of DR E3-5 but remains in the heading presented immediately before it. Should it be removed also from the heading or added back in the paragraph?

Standard	Paragraph or AR number or appendix reference	Comment
ESRS E3	AR 28	We suggest replacing “water management performance” by “water <u>consumption</u> performance” to align the wording with the related DR.
ESRS E4	Para 4	We suggest adding a cross reference to ESRS E3.
ESRS E4	Para 30(d)	We recommend adding “... <u>and whether the target is in relation to the undertaking’s own operations or its value chain</u> ”.
ESRS E4	Para 41	The word “impacts” has been removed from the drafting of DR E4-6 but remains in the heading presented immediately before it. Should it be removed also from the heading or added back in the paragraph?
ESRS E4	AR 24(a)	We suggest adding “... <u>or by a relevant competent authority</u> ”.
ESRS E5	Para 41	The word “impacts” has been removed from the drafting of DR E5-6 but remains in the heading presented immediately before it. Should it be removed also from the heading or added back in the paragraph?
ESRS S2	Para 9	The paragraph includes an incomplete sentence. We suggest adding the text to be consistent with the DR in ESRS S1 para. 12: “When responding to ESRS 2 SBM-2 paragraph 43, the undertaking shall disclose how the interests, views, and rights of its <i>value chain workers</i> who can be materially impacted by the undertaking, including respect for their human rights, <u>inform its strategy and business model</u> . Value chain workers are a key group of affected <i>stakeholders</i> .”
ESRS G1	Para 10(c)(ii)	This requirement seems to suggest that workers should be protected against non-retaliation, which is a double negative. Suggest amending as follows: “measures to <u>offer non-retaliation</u> protection for against non-retaliation its own workers who are whistle-blowers in accordance with the applicable law transposing Directive (EU)2019/1937”.
ESRS G1	Para 10(g)	We suggest splitting this point into two, as it refers to different matters (1. policy for training on business conduct; and 2. functions within the undertaking that are most at risk in respect of corruption and bribery),
ESRS G1	AR 8	The example table presents a total number and a total number of people receiving training, not the percentage as the DR (G1-3, para 21(b)) asks for functions-at-risk. We suggest adding one more row in the table for this data point.

Specific comments on Annex II

Defined term	Comment
Own workforce	<p>Check the consistency of the definition provided in Annex II with the definition in ESRS S1 paragraph 4 as they are not fully aligned. In addition, the definition in Annex II still also refers to “own workers” as a synonym for “own workforce”, but this term is no longer used in ESRS S1.</p> <p>ESRS S1, Paragraph 4:</p> <p>“This Standard covers an undertaking’s own workforce, which is understood to include both people who are in an employment relationship with the undertaking (“employees”) and non-employees who are either people with contracts with the undertaking to supply labour (“self-employed people”) or people provided by undertakings primarily engaged in “employment activities” (NACE Code N78)”.</p> <p>Annex II:</p> <p>“Own workforce/own workers: Employees who are in an employment relationship with the undertaking (‘employees’) and nonemployees who are either individual contractors supplying labour to the undertaking (‘self-employed people’) or people provided by undertakings primarily engaged in ‘employment activities’. (NACE Code N78)”.</p>
Whistle-blower	We suggest adding a definition of “whistle-blower” and/or “whistle-blowing mechanisms” to Annex II or to the Application Requirements of G1-1.
Editorial comments, identified typos, consistency or cross reference issues	
Administrative, management and supervisory bodies (p.5)	Typo: We suggest adding a “,” in the second sentence so that it reads “If ₁ in the governance structure, there are no members...”.