

BRIEFING NOTE

FIRST SET OF EXPOSURE DRAFT EUROPEAN SUSTAINABILITY REPORTING STANDARDS

7 July 2022

PRI Association

Registered office: 5th floor, 25 Camperdown Street
London, UK, E1 8DZ - Company no. 7207947
T: +44 (0) 20 3714 3220 W: www.unpri.org E: info@unpri.org



**United Nations
Global Compact**

CONTENTS

Introduction	3
Background information	3
Cross-issue Draft ESRS	5
Exposure Draft ESRS 1: General principles	5
Exposure Draft ESRS 2: General strategy, governance and materiality assessment disclosure Requirements.....	8
Issue-specific Exposure Draft ESRS	10
Exposure Draft ESRS E1: Climate change.....	11
Exposure Draft ESRS E2: Pollution.....	12
Exposure Draft ESRS E3: Water and marine resources	14
Exposure Draft ESRS E4: Biodiversity and ecosystems	16
Exposure Draft ESRS E5: Resource use and circular economy	18
Exposure Draft ESRS S1: Own workforce – general standard	20
Other Social Exposure Draft ESRS	27
Exposure Draft ESRS G1: Governance, risk management and internal control	29
Exposure Draft ESRS G2: Business conduct.....	30
Additional resources	32

INTRODUCTION

The Principles for Responsible Investment (PRI) is the world's leading initiative on responsible investment. The PRI now has over 5,000 signatories (pension funds, insurers, investment managers and service providers) to the PRI's six principles with over US\$121 trillion in AUM.

The PRI supports its international network of signatories in implementing the Principles. As long-term investors acting in the best interests of their beneficiaries and clients, our signatories work to understand the contribution that environmental, social and governance (ESG) factors make to investment performance, the role that investment plays in broader financial markets and the impact that those investments have on the environment and society as a whole.

The PRI's [Driving Meaningful Data programme](#) is a key PRI Blueprint target and works on the types of data, sources and reporting frameworks needed to support responsible investors. This work includes ensuring consistent data across all the various units and entities, as well as addressing gaps identified in the [Driving Meaningful Data Framework](#). This requires collaboration with others across the financial and corporate sectors as well as standard setters, policy makers and regulators. The PRI has an important role in working with our signatories to provide a clear signal on their data needs, how they aid decision-making and understanding their contribution towards sustainability objectives.

The briefing note provides a concise overview of the 13 Exposure Draft European Sustainability Reporting Standards (ESRS) published by the European Financial Reporting Advisory Group (EFRAG) for [consultation](#). [The objective of this note is](#) to support signatories in their understanding and analysis of these draft standards. The PRI will also provide signatories with a draft response to EFRAG's consultation for feedback and welcomes any reflections on the Exposure Drafts in advance.

This briefing note references further explanatory materials published by EFRAG in the [Additional resources](#) section. It focuses on disclosures that would be required unless deemed non-material by an undertaking, and does not contain calculation methodologies, presentation requirements, guidance or optional disclosures. **References indicate the source paragraph in the relevant Exposure Draft ESRS.**

BACKGROUND INFORMATION

In April 2021 the European Commission adopted a legislative proposal for a Corporate Sustainability Reporting Directive ([CSRD](#)). In June 2022 the European Parliament and Council reached a provisional political agreement on the CSRD and published the [agreed text](#).

The CSRD amends the 2014 Non-Financial Reporting Directive ([NFRD](#)). It will introduce more detailed reporting requirements on risks, opportunities and impacts related to a broader range of environmental, social and governance issues. Reporting will be initially subject to limited assurance – standards for this purpose would be adopted through Delegated Act by the European Commission before 1 October 2026 – and then potentially to reasonable assurance with these standards to be adopted no later than 1 October 2028 [Art. 26a(3)].

The CSRD will also cover a wider scope of companies – including all large companies, companies listed on regulated markets [Art. 1], and non-European companies generating a net turnover of €150 million in the EU and with at least one subsidiary or branch in the EU [Art. 40a].

The CSRD implementation timeline is as follows [Art. 5]:

- 1 January 2024 for companies already subject to the NFRD.
- 1 January 2025 for large companies that are not presently subject to the NFRD.

- 1 January 2026 for listed SMEs, small and non-complex credit institutions and captive insurance undertakings – an opt-out will be possible for SMEs during a transition period, meaning that they would be exempted from the application of the Directive until 2028.

EFRAG was [tasked](#) to provide technical advice in form of Exposure Draft European sustainability reporting standards (ESRS). Finalised versions – adopted through Delegated Acts by the European Commission and agreed by the European Parliament and Council of the European Union – will constitute reporting requirements under the CSRD.

In April 2022 EFRAG released a first set of sector-agnostic Exposure Draft ESRS for [consultation](#) until August 8th. The European Commission aims to adopt these by 30 June 2023, followed by standards specifying complementary information to be disclosed (including sector- and SME-specific information) by 30 June 2024 [cf. page 39 of the [agreed text](#)].

This first set of Exposure Draft ESRS are collectively 395 pages. They include:

- Two **cross-cutting standards** applicable to reporting on all sustainability issues: [ESRS 1 General principles](#) and [ESRS 2 General, strategy, governance and materiality assessment disclosure requirements](#).
- Eleven **issue-specific standards** with additive disclosures on individual sustainability issues
 - E: [ESRS E1 Climate change](#), [ESRS E2 Pollution](#), [ESRS E3 Water and marine resources](#), [ESRS E4 Biodiversity and ecosystems](#) and [ESRS E5 Resource use and circular economy](#).
 - S: [ESRS S1 Own workforce](#), [ESRS S2 Workers in the value chain](#), [ESRS S3 Affected communities](#) and [ESRS S4 Consumers and end-users](#).
 - G: [ESRS G1 Governance, risk management and internal control](#) and [ESRS G2 Business conduct](#).

Exposure Draft ESRS reflect the CSRD's double materiality approach with equal importance attributed to financial and impact materiality. Undertakings must report on their material sustainability risks, opportunities and impacts (**'matters'**), and on how they are addressing these. Each document contains disclosure requirements and application guidance (Appendix B) with equal authority.

Following its consultation, EFRAG intends to share revised drafts with the European Commission in November 2022, to be consulted on as Delegated Acts and adopted in 2023. The PRI will work with its signatories to respond to the European Commission's consultation as well, where it has the needed expertise, to ensure that (to the extent possible) the final ESRS disclosure requirements meet investor data needs.

Further information can be found on our [webpage](#) dedicated to PRI engagement on the ESRS. The PRI has previously provided views and recommendations on sustainability reporting developments in Europe through [consultation responses](#) and [public statements](#).

For more information, contact:

Susanne Dräger

Senior Specialist, Sustainability Reporting
susanne.draeger@unpri.org

Benjamin Taylor

Analyst, Driving Meaningful Data
benjamin.taylor@unpri.org

CROSS-ISSUE DRAFT ESRS

This section summarises cross-issue disclosures applicable to reporting on all sustainability issues covered by the CSRD. Note that cross-issue disclosure would need to be issued irrespective of materiality assessments conducted by an undertaking [61].

Additional reporting recommendations and guidance are set out in each Draft ESRS (see links in the [About this briefing note](#) section).

EXPOSURE DRAFT ESRS 1: GENERAL PRINCIPLES

[Exposure Draft ESRS 1](#) sets out mandatory concepts and principles to apply for the preparation of sustainability statements under the CSRD.

Characteristics of information quality

Reported information would be expected to meet the two 'fundamental qualities' (relevance and faithful representation) and three 'enhancing characteristics of quality' (comparability, verifiability and understandability) of sustainability-related data [25-41]. These terms are also used within [Exposure Draft IFRS Sustainability Disclosure Standards](#). Definitions are similar, with some differences arising from the CSRD's double materiality approach, multi-stakeholder user approach¹ and audit requirements.

Materiality

Under Exposure Draft ESRS 1 a sustainability matter can be material from the 'financial' and/or 'impact' perspective [46], as defined by the standard.

- **Impact materiality** – impacts connected to actual / potential significant impacts by the undertaking on people or the environment over the short, medium or long-term, including [49]:
 - impacts directly caused or contributed to by the undertaking in its own operations, products or services; and
 - impacts which are **directly linked to any tier of** the undertaking's upstream/downstream value chain, not limited to direct relationships between the undertaking and another entity – for instance, this would not be limited to direct contractual relationships such as 'direct sourcing'.

Materiality of negative impacts would depend on: (i) their likelihood; and (ii) their severity, which is defined as their scale, scope and irremediable character [51]². Materiality of positive impacts would depend on their likelihood, scale and scope [Exposure Draft ESRS 2, AG68(d)]³.

¹ Under the Exposure Draft ESRS reporting users would include existing and potential investors, lenders and other creditors; business partners, trade unions, social partners, civil society organisations and NGOs [44(b)]. This differs from the ISSB scope, which is existing and potential investors, lenders and other creditors.

² [Exposure Draft ESRS 2](#) defines these parameters as follows: 'scale' refers to how grave an impact is, 'scope' refers to how widespread an impact is, and 'irremediable character' refers to how hard it is to counteract or make good the resulting harm [AG64(c)].

³ [Exposure Draft ESRS 2](#) defines these parameters as follows: 'scale' refers to how positive / beneficial impacts are for people or the environment, and 'scope' refers to how widespread the benefits are [AG68(d)].

- **Financial materiality** – sustainability matters that trigger or may trigger significant financial effects on the undertaking [53], measured as a combination of a probability of occurrence and magnitude of financial effects [56]. This influence can occur in relation to:
 - assets and liabilities already recognised in financial reporting or that may be recognised as a result of future events [54]; or
 - ‘capitals’ that do not meet the accounting definition of assets (liabilities) and/or related recognition criteria but contribute to the creation/maintenance of enterprise value [54].

Where undertakings deem **issue-specific (but not cross-issue)** ESRS or disclosure requirements within a particular ESRS to be non-material they would need to explicitly state this fact and **be exempted from reporting against these requirements** [57-61].

Reporting boundaries

Reporting boundaries would need to be expanded from the financial statements to the upstream / downstream value chain, where this is necessary to capture material sustainability matters and meet the aforementioned characteristics of information quality [63-64]. Impact and financial materiality would not be constrained to matters within an undertaking’s direct control, but rather would need to be assessed along the value chain [65].

Time horizon

Undertakings would be required to adopt the following time intervals as of the end of the reporting period: one year (‘short-term’), two to five years (‘medium-term’) and over five years (‘long-term’) [83]. Note that time horizons may vary by issue as specified in issue-specific Exposure Draft ESRS. For instance, in the case of assessing transition risks within [Exposure Draft ESRS E1](#) and biodiversity and ecosystem-related target-setting within [Exposure Draft ESRS E4](#), ‘medium-term’ would refer to 5-10 years and ‘long-term’ would refer to 10 years or more but no later than 2050.

Time horizons adopted when identifying and managing material sustainability matters would need to be suitable for these impacts, while horizons adopted in defining action plans and setting targets would need to reflect strategic planning horizons and resource allocation plans [84].

Presentation

Sustainability statements would need to follow one of these three structures:

- reporting disclosures within a single separately identifiable section of the management report [148(a)];
- aggregating disclosures into four separately identifiable parts of the management report: (i) general information; (ii) environmental information; (iii) social information; and (iv) governance information [148(b)]; and
- aggregating the disclosures required by each ESRS and reporting them as non-separable blocks in identifiable parts of the management report, i.e. on a ‘standard-by-standard’ basis [148(c)].

Also note that the reporting period would need to be consistent with those retained in the financial statements [78], with comparisons of the most recently reported developments/progress against a chosen base year [81].

Entity-specific disclosures

Entity-specific disclosures would need to be issued for risks, opportunities and impacts deemed material by the undertaking but not covered by an ESRS.

Such disclosures would be required to meet the aforementioned characteristics of information quality [19], and would need to cover the same categories as disclosures on matters covered by the ESRS:

- strategy / business model(s), governance / organisation and materiality assessment – presented in accordance with relevant provisions in [Exposure Draft ESRS 2](#) [23(b)]; and
- policies, targets, actions / action plans and resources allocated to address these matters, presented in accordance with relevant disclosure principles in Exposure Draft ESRS 1 [23(c)].

Furthermore, to enhance comparability of these disclosures undertakings would be expected to consider relevant references, frameworks, initiatives, reporting standards and benchmarks [21(a)] and explain any changes in methodologies or disclosures over time [21(b)].

Undertakings would be allowed to adopt transitional measures for entity-specific disclosures in the first two annual sustainability reports [154], including but not limited to prioritising: (i) previously reported information; (ii) reporting that meets the characteristics of information quality [154(a)]; and (iii) facts and circumstances that are unique to the undertaking and its activities [154(b)].

Trade-offs

Undertakings would need to describe material adverse impacts or financial risks, the actions and action plans that generate them, and specify how these are addressed [126].

Subsidiarity

Undertakings reporting at consolidated level would be required to ensure that their assessment of material sustainability matters reflects those faced by subsidiaries [128].

Due diligence

Exposure Draft ESRS 1 indicates where due diligence-related requirements on governance, identifying / assessing / addressing impacts, tracking effectiveness and communicating [87-91] can be found in the ESRS, and includes further implementation guidance on due diligence within Appendix C.

Disclosure Principles on implementation

Exposure Draft ESRS 1 includes disclosure principles on policies, targets, actions / action plans and resources to address material sustainability matters. These are not disclosure requirements per se but are adopted and built upon within issue-specific requirements.

- For each policy implementing strategies / management decisions related to material sustainability matters, disclosures would include the below elements [97]:
 - description and general objectives [97(a)];
 - scope, including geographical boundaries and operations / value chain [97(b)];
 - allocation of responsibilities for implementation (including oversight) [97(c)];
 - third party standards of conduct to be respected during implementation [97(d)];
 - consideration given to the interests of stakeholders in setting the policy [97(e)]; and
 - how the policy is made available to relevant stakeholders [97(f)].
- For each target, disclosures would include:
 - how the target is related to the undertaking's policy objectives [100(a)];
 - target value to be achieved [100(b)] – undertakings would be unable to include any netting or offsetting of impacts in the calculation of targets [AG14];
 - scope, including geographical / activity boundaries and operations / value chain [100(c)];
 - baseline value and base year [100(d)];

- timeframe to achieve the target, including any milestones or interim targets [100(e)];
 - methodologies and significant assumptions including but not limited to information on scenarios used to define the target, alignment with science-based methodologies and national / EU / international policy goals [100(f)];
 - any changes in targets or underlying methodologies/assumptions adopted within the defined time horizon, and their rationale and effect on comparability [100(g)]; and
 - overall progress, including how this is tracked and measured and whether the progress is in line with what was initially planned [100(h)].
- For each action plan, disclosures would include:
 - current / planned actions and how their implementation addresses material sustainability matters [104(a)];
 - scope of key actions including geographical boundaries and operations / value chain [104(b)];
 - time horizon for completion of each action [104(c)];
 - expected outcomes of actions in terms of achieving policy objectives / targets [104(d)];
 - actions to provide for, cooperate in securing or support the provision of remedy for those harmed by the actual material impacts, and results of these actions [105(e)];
 - whether and how key actions may induce significant adverse impacts on other sustainability matters or financial risks for the undertaking [105(f)]; and
 - where relevant, an explanation of changes in the action plan [105(g)].
 - Where action plans require substantial mobilisation of resources undertakings would specify:
 - the type / amount of current and future financial and other resources allocated to the action plan [105(a)], broken down by capital and operating expenditure [AG26]; and
 - further explanatory information where the ability to implement action plans depends on specific preconditions, such as dependencies on funding or public policy [105(b)].

Additional provisions

Exposure Draft ESRS 1 also contains provisions relating to approximation [67-68], disaggregation [72-77], comparative information [110-111], estimations and errors [112-124], connectivity [137-143] and presentation [144-152, AG27-38].

EXPOSURE DRAFT ESRS 2: GENERAL STRATEGY, GOVERNANCE AND MATERIALITY ASSESMENT DISCLOSURE REQUIREMENTS

[Exposure Draft ESRS 2](#) sets out cross-issue disclosures on general characteristics of the undertaking, strategy and business model(s), governance and organisation and the materiality assessment.

General characteristics

Undertakings would provide contextual information about their sectors of activity [10-13], value chain [14-17] and key drivers of value creation [18-21]. This section also covers reporting on topics such as approximations [23], estimation [24], preparation and presentation changes [24] and errors [26].

Strategy and business model

Undertakings would provide an overview of their strategy and business model(s), including:

- information on how the strategy and business model(s) reflect sustainability matters [35]; and

- key stakeholders and how the strategy / business model(s) are impacted by their views, interests and expectations [38].

Undertakings would also need to specify interactions with material sustainability matters, including:

- how these originate from or are connected to the strategy and business model(s) [41-b, 47-b];
- how they inform and contribute to adapting the undertaking's strategy and business model(s), including relevant strategic decisions, commitments and business model changes [41-c, 47-c];
- on impacts alone, how the strategy / business model(s) are informed by and compatible with specific sustainability objectives at EU or global levels [42]; and
- on risks/opportunities alone, the resilience of the strategy / business model(s) regarding the undertaking's capacity to address material risks and leverage material opportunities [47-d].

Governance

Undertakings would need to report on the below aspects of sustainability-related governance:

- mandates, roles and responsibilities of its administrative, management and supervisory bodies ('governance bodies') on oversight / strategy related to sustainability matters [52(a)];
- the underlying organisational structure and committees involved [52(b)];
- sustainability-related expertise that governance bodies (and individuals within these) possess or have access to, and how this relates to material sustainability matters [52(c)];
- sustainability-related criteria for nominating and selecting governance body members and other key personnel [52(d)];
- reporting lines and interactions on material sustainability matters between governance bodies and (i) senior executives / other internal staff; and (ii) stakeholders that have an interest in or are affected by the undertaking's activities [56 and AG44];
- a list of sustainability matters addressed by governance bodies during the reporting period, and how the relevant body dealt with these matters including key decisions taken [61];
- information on sustainability-related incentive policies, including:
 - how incentive policies consider sustainability-related objectives and performance [64], and to whom such policies apply [AG50]; and
 - specific targets and/or impacts and against which performance is being considered, whether KPIs are being considered as performance benchmarks, and the proportion of variable compensation conditioned to such KPIs being met [AG52].

Materiality assessment

Undertakings would be required to report on the identification and materiality assessment of sustainability-related risks, opportunities and impacts, and provide a clear statement of which sustainability matters are material (and non-material) to the undertaking.

Regarding identification, undertakings would be required to disclose:

- for sustainability impacts:
 - the extent to which the identification involves: (i) reviewing own activities and business relationships across operations and the value chain; and (ii) assessing both impacts an undertaking may cause or contribute to through its own actions and decisions, and impacts that may be directly linked to its operations, products or services by business relationships [74(b)];
 - how scientific / analytical research on impacts has been considered [AG66(b)]; and

- scope defined when identifying impacts and any exclusions, for instance of business relationships from certain parts of the value chain [74(b)].
- for sustainability risks/opportunities – how the undertaking assessed implications of risk/opportunities on its ability to continue to use needed resources and rely on needed relationships under acceptable terms [AG67].

Regarding the materiality assessment, undertakings would need to report on:

- how prioritisation of risks, opportunities and impacts was done [AG68-69];
- involvement of and engagement with stakeholders and experts during the process [74(c)];
- how the prioritisation of negative impacts reflects their relative likelihood and severity (determined by scale, scope and irremediability) [AG68];
- how prioritisation of positive impacts reflects their relative scale and scope [AG68]; and
- information on the effect of prioritised risks/opportunities on future cash flows [AG69].

Finally, undertakings would need to disclose their material sustainability risks, opportunities and impacts covered by ESRS, along with the following information:

- for impacts – whether they are involved with these through activities or business relationships, and a description of relevant activities or business relationships [77(a)];
- for risks/opportunities – how they are exposed to sustainability risks, or intend to pursue sustainability opportunities, and how these have (and are expected to) affect financial performance, financial position and cash flows [77(a)];
- for risks, opportunities and impacts:
 - matters for which the undertaking has or will put in place initiatives to modify its strategy and business model(s) in order to address these [77(b)];
 - a list of entire ESRS and/or groups of disclosure requirements related to a specific aspect covered by an ESRS that is ‘not material for the undertaking’, justification and the materiality thresholds/criteria used to determine this [77(c)]; and
 - changes compared to the previous reporting period [77(d)].

Disclosure on material sustainability matters not covered by ESRS (‘entity-specific’) are broadly the same. However, since these are entity-specific disclosures undertakings would not need to provide a list of related ‘non-material’ disclosure requirements. Instead, undertakings would include a summarised description of the substance/objective of their disclosures related to these entity-specific risks, opportunities and impacts [80(c)].

ISSUE-SPECIFIC EXPOSURE DRAFT ESRS

Issue-specific Exposure Draft ESRS include disclosures on risks, opportunities and impacts related to sustainability issues covered by the CSRD. These are clearly linked to reporting areas within cross-issue Exposure Draft ESRS, and add issue-specific disclosures, performance metrics and guidance.

This section lists issue-specific disclosure requirements additional to cross-issue reporting, these being:

- disclosures on strategy, governance and materiality assessment beyond those within [Exposure Draft ESRS 2](#); and

- disclosures on policies, targets and action plans beyond those within [Exposure Draft ESRS 1](#).

Specific requirements and guidance on reporting interlinkages between the various sustainability issues covered are also set out in the Exposure Draft ESRS. For instance, under [Exposure Draft ESRS E3](#) on water and marine resources, undertakings would need to reference relevant performance measures within other environmental ESRS [35(b)].

EXPOSURE DRAFT ESRS E1: CLIMATE CHANGE

Strategy

- Resilience of the strategy / business model to climate-related risks, information on scenarios used to assess this and implications given planned strategic / operational changes [AG7].
- On transition plans undertakings would need to explain:
 - how the business model / strategy, emissions reduction targets and future business growth (in terms of locked-in emissions by 2030 and 2050) are compatible with this commitment, and how Taxonomy alignment supports their transition [15(a-e)]; and
 - decarbonisation levers, key actions, financial resources, information on embedding of and governance underlying the plan, and progress made in implementation [15(c-g)].

Governance

- Information on carbon pricing schemes including emissions covered, scope and prices [AG11].
- How climate performance indicators shape remuneration policies, including links between remuneration and GHG emissions reduction targets [AG8-9].

Material sustainability risks, opportunities and impacts

- Process to identify and assess impacts and physical / transition risks in own operations and along the value chain [AG14-15].
- How scenario analysis was used to inform identification and assessment of risks, including assumptions, methodologies and other information on scenarios employed [AG17-21].

Policies, targets, action plans and resources

- Specific disclosures on emissions reduction targets, including:
 - share of target per GHG emission scope (1, 2 or 3) [AG28(b)];
 - how consistency of targets with the GHG inventory boundaries is ensured – undertakings would be unable to include GHG removals, carbon credits or avoided emissions as a means of achieving these targets [AG24(c)];
 - target values in five-year rolling periods, including values for 2030 and (if available) 2050 – presented with reference to a 1.5°C emissions pathway [24(e)];
 - whether GHG emission reduction targets are science-based and in line with limiting global warming to 1.5°C, and how this has been determined [24(f)]; and
 - expected quantitative contributions from different ‘decarbonisation levers’ (ways of reaching targets) to achievement of targets [24(h)].
- Specific disclosures on net-zero targets, including: scope, methodologies and how the undertaking intends to neutralise residual GHG emissions [25].

- Disclosures on action plans, including:
 - how key actions are linked to material climate-related risks or opportunities [AG33(a)];
 - achieved or expected GHG emissions reductions of key actions in the climate change mitigation action plan [AG33(b)];
 - climate change mitigation actions presented by decarbonisation lever [AG33(c)];
 - adaptation actions presented by type of adaptation solution [AG33(d)]; and
 - significant adverse impacts that key actions may cause or contribute to [AG33(e)].

Performance metrics

- Energy consumption from renewable / non-renewable sources and energy intensity [31-37].
- Scope 1, 2 and 3 GHG emissions [38-49] and emissions intensity [51], as well as:
 - share of Scope 1 GHG emissions under regulated trading schemes [40(b)];
 - location- and market-based Scope 2 GHG emissions [43]; and
 - Scope 3 GHG emissions broken down by upstream purchasing, downstream sold products, goods transportation, travel and financial investments [46].
- Information on GHG removals in own operations and the value chain [55].
- Information on the purchase of carbon credits [58], and amount of GHG emissions reductions or removals from climate change mitigation projects financed through carbon credits [56].
- Financial exposure to material physical/transition risks in terms of assets (€) and share of turnover exposed – and share of these assets addressed by mitigation/adaptation plans [65-72].
- Potential financial effects from climate-related opportunities in terms of: (i) expected cost savings from climate mitigation/adaptation actions; and (ii) potential market size for low carbon products/services or adaptation solutions the undertaking may have access to [75].

EXPOSURE DRAFT ESRS E2: POLLUTION

[Exposure Draft ESRS E2](#) contains requirements related to pollution of air, water, soil, substances of concern, most harmful substances and enabling activities in support of prevention, control and elimination of pollution [3]. In-scope pollutants are laid out in the 'Application Guidance' section [AG15]. Disclosures do not cover the health impacts resulting from emitted pollutants.

Strategy and governance

- The extent to which an undertaking is (or may be) affected by targets/measures of the [EU Action Plan 'Towards Zero Pollution for Air, Water and Soil'](#), and how they intend to reduce their pollution footprint to contribute to these targets [AG3].

Material sustainability risks, opportunities and impacts

- How the undertaking has applied the [Commission Recommendation \(EU\) 2021/2279 on the use of the Environmental Footprint methods](#) to measure and communicate the life cycle environmental performance of products and organisations [AG7].
- Pollution impacts, risks and opportunities related to regular activities [AG8(a)].

- Incidents or emergency situations that are likely to lead to pollution and the issue of domino effects, or that have led to pollution with subsequent impacts [AG8(b)].

Policies, targets, action plans and resources

- Which sub-subtopics each policy covers and which objectives they pursue, with reference to a list of potential options provided in paragraph 21.
- Whether targets are mandatory (based on legislation) or voluntary [27(a)].
- Which emissions data and information the undertaking is required to report under the Industrial Emissions Directive (IED) and Best Available Techniques (BAT) frameworks (Best Available Techniques Reference Documents (BREFs); BAT Conclusions) [27(b)].
- Presentation of targets in five-year periods including a set date in 2030, detailing the scope covered in terms of total volume and/or specific loads [27(c)].
- Where relevant, the geographical scope of targets including geographies covered and (where appropriate) why geographies identified as relevant were not included [27(d)].
- Whether actions within action plans are planned or implemented to achieve compliance with environmental legislation such as the EU Taxonomy Regulation and its Delegated Acts, BAT requirements and any phase out of materials/compounds that may have a material negative impact [31(a)].
- List of stakeholders: (i) involved in the actions or action plan and how they are involved; and/or (ii) impacted negatively/positively by actions or action plans and how they are impacted [31(b)].
- Whether actions intended to be a one-time initiative or a systematic practice [31(b)].
- Whether key actions may induce significant sustainability impacts, related to other environmental topics beyond pollution and/or related to social topics [31(c)].
- Whether actions are individual or collective, and the role and contribution of the undertaking in collective actions [31(d)].
- Whether the success of actions depends on similar or supporting actions by other undertakings, and to what degree [31(e)].

Performance metrics

- For each pollutant to air, water or soil:
 - emissions volume and loads of emissions in relation to production outputs [36(a-b)];
 - associated targets and, if relevant, the land or water affected (in km²) [36(c-d)]; and
 - contextual information on local air quality indices (AQI), the degree of urbanisation for the area where the undertaking's pollution to air occurs [(37(a-b))], and the undertaking's percentage of total emissions of pollutants to water and soil occurring in areas of high water stress [37(c)].
- Where undertakings' activities are subject to the Industrial Emission Directive (IED) and relevant BREFs, irrespective of whether the activity takes place within the European Union or not, they would need to disclose information on the installations falling under IED and EU BAT Conclusions [38(a)], and on their performance and non-compliance [38(b-e)].

- The following reporting related to (i) substances of concern; and (ii) most harmful substances⁴:
 - total amounts generated and/or used by the undertaking, split into main classes of ‘substances of concern’ and ‘most harmful substances’ defined in Appendix A [41(a)];
 - net turnover and share of total net turnover of the undertaking made with products and services that are, or that contain, these substances [41(b)]; and
 - absolute raw material cost and share of total raw material cost that relates to the procurement of these substances to produce other products and services [41(c)].
- Major incidents and deposits whereby pollution had negative effects on the environment and/or financial performance in the past reporting year [47], and which material environmental and societal impacts these incurred [AG24(a)].
- Operational and capital expenditures in the reporting period in conjunction with major incidents and deposits [48], including monetary costs incurred due to these incidents [AG24(b)].
- Information on provisions for environmental protection and remediation costs, or a reference to the financial statements if they already include this information [49, AG25].
- Potential effects of risks and opportunities arising from pollution-related impacts and dependences on the undertaking’s development, performance and position over the short, medium and long-term [51] – no mandatory performance metrics are provided in this section, but undertakings could optionally include an assessment of the market size of related products and services at risk over the short, medium and long term, explaining how these are defined, how financial amounts are estimated and which critical assumptions are made [52].

EXPOSURE DRAFT ESRS E3: WATER AND MARINE RESOURCES

Strategy and governance

- Reporting would follow relevant cross-issue disclosures within [Exposure Draft ESRS 2](#).

Materiality assessment

- Processes to identify suppliers in the value chain with material water quantity/quality-related impacts or risks, assess key suppliers, and screen marine resources-related commodities in purchases in order to identify material risks / impacts [AG2].
- Key suppliers that are more likely to be associated with material impacts, for which replacements will be difficult to identify, and which may delay/stop operations should supplies be interrupted for reasons related to water and/or marine resources [AG3].
- List of geographical areas, commodities and business activities associated with material risks / opportunities / impacts [AG5].
- How the undertaking’s strategy and business model(s) would be affected if key resources it depends on would not be available [AG13].
- Short, medium and long-term strategy resulting from the assessment to ensure the undertaking is compatible with global and EU objectives of ensuring the good ecological and

⁴ ‘Most harmful substances’ cover substances listed in the [EU chemicals strategy for sustainability towards a toxic-free environment](#)

chemical quality of water bodies in order to protect human health, water supply, natural ecosystems and biodiversity, the good environmental status of marine waters and the protection of the resource base upon which marine related activities depend [AG13(c)].

- Key assumptions, time horizon of the analysis [AG13(a-b)] and tools, methodologies and databases used to conduct the assessment [AG9].

Policies, targets, action plans and resources

- Policy commitments to reduce material water withdrawals / consumption / discharges [14(a)].
- How policies relate to EU and international reference frameworks (third party standards of conduct) for water and marine resources [14(b)].
- How policies contribute to SDGs 6 and 14, the EU Water Framework Directive and the EU Marine Strategy Framework Directive [AG14(a)].
- Whether policies are mandatory or voluntary, and if mandatory which legal requirements they arise from [AG14(b)].
- Content of exemptions/permits to the EU Water Framework Directive or the EU Marine Strategy Framework Directive granted by member states, and whether policies listed may enable the undertaking to not rely on these exemptions / permits [AG14(c)].
- Criteria to select actions within action plans, and how actions relate to policies / targets [AG21(a)].
- Whether a given action (or action plan) is meant to be a one-time action or systematic practice [AG21(b)].
- Whether actions (or action plans) are carried out only by the undertaking, using the undertaking's resources and in the undertaking's own operations [AG22(a)].
- Whether the undertaking is leading a collective action (or action plan) which involves the contribution of other parties [AG22(b)].
- Whether the undertaking is participating in a collective action or action plan of which it is a member, plus information on the project, its specific contribution, sponsors and other participants [AG22(c)].

Performance metrics

- Total water withdrawals, consumption and discharges [28] plus: (i) (optionally) intensity figures for each [32]; and (ii) breakdowns per geographical area and segment [AG26-28].
- Material discharges for priority substances of concern [28(d)] and number of incidents of non-compliance with discharge limits [AG29].
- Total water recycled or reused, and total water stored [29].
- Nature and quantity of commodities of marine origin used by the undertaking [35(a)].
- Performance measures within other environmental ESRS – such as on pollutants, land use, habitat change and waste – that are relevant to water and marine resources [35(b)].
- Potential effects of risks and opportunities, arising from water and marine resources-related impacts and dependences, on the undertaking's development, performance and position over the short, medium and long-term [40] – no mandatory performance metrics are provided in this section, but undertakings could optionally include an assessment of the market size of related

products and services at risk over the short, medium and long term, explaining how these are defined, how financial amounts are estimated and which critical assumptions are made [41].

EXPOSURE DRAFT ESRS E4: BIODIVERSITY AND ECOSYSTEMS

Strategy and governance

- Transition plans to ensure that the business model / strategy are 'compatible with the transition to achieve no net loss by 2030, net gain from 2030 and full recovery by 2050' [12], including:
 - plans for own operations and throughout the upstream/downstream value chain [14];
 - whether the governance bodies have approved the transition plan [15] and the level of approval to which the Transition Plan is subjected [AG5]; and
 - the main drivers of biodiversity loss and possible mitigation actions – particularly the main path-dependencies and locked-in assets and resources associated with biodiversity and ecosystems loss, metrics and related tools used to measure progress to no net loss / net gain (including how biodiversity offsets are integrated in this measurement approach and how the process is managed) [AG3].
- Whether the resilience of current business model(s) and strategy to biodiversity and ecosystems-related physical and transition risks has been verified by conducting a range of scenarios with different possible pathways [AG7(a)].
- Information on the scenarios considered, scope of the resilience analysis, key assumptions, time horizon and results [AG7(b-e)].

Materiality assessment

- The Exposure Draft contains extensive application guidance on conducting the materiality assessment for biodiversity-related risks, opportunities and impacts [AG10-18], and provides categories for undertakings to label these risks and opportunities [AG19-20].
- Biodiversity-specific reporting on the processes used to identify risks/opportunities/impacts and assess these for materiality, including but not limited to methodologies / time horizons / scenario analysis used, how these processes cover own operations and the upstream/downstream value chain and information on consultations with affected local communities [AG21].
- Breakdown of material impacts, dependencies, risks and opportunities by geographical site location and/or by raw material produced, sourced or consumed – covering own operations and the upstream / downstream value chain [AG22].
- Whether the undertaking has geographical site locations located in 'biodiversity-sensitive areas' with activities 'negatively affecting' those areas [AG29], as defined within paragraph AG29.
- Whether the undertaking has material impacts on threatened species in its own operations [AG30(a)].
- Whether the undertaking has a biodiversity protection policy covering operational sites owned, leased, managed in, or adjacent to a protected area or an area of high biodiversity value outside protected areas [AG30(b)], as defined by paragraph AG30(b).

Policies, targets, action plans and resources

- The sustainability matter addressed by policies from a list provided by the Exposure Draft [21] and follow-on disclosures depending on the matter addressed [22-24, AG31-32]
- How relevant policies are connected to and aligned with EU and national policies and legislation related to biodiversity and ecosystems [25].
- Reporting on targets would follow target-related Disclosure Principles within [Exposure Draft ESRS 1](#) [30], with additions including but not limited to information on: (i) milestones; (ii) allocation of responsibilities; and (iii) alignment with ecological thresholds, authoritative intergovernmental instruments, and relevant EU and national policies and legislation [34].
- Reporting on action plans would follow target-related Disclosure Principles within [Exposure Draft ESRS 1](#) [39], with additions including but not limited to information on:
 - the geographical scope of actions and any limitations to geographical boundaries or activities [42(a)];
 - information on stakeholders involved and impacted by actions or the full action plan [42(b)];
 - the material impact each action or action plan aims to tackle [42(c)];
 - actions categorised according to the mitigation strategy: avoid (conserve), reduce and minimise, or restore/rehabilitate [42(d)];
 - reason(s) why the undertaking selected actions over other possible actions [42(e)];
 - an explanation whether actions are intended to be a one-time initiative or a systematic practice [42(f)];
 - whether action are individual or collective, and for collective actions the specific role of the undertaking [42(g)];
 - whether the success of the action depends on the undertaking or supporting actions by other undertakings, and to what degree [42(h)]; and
 - a brief assessment of whether key actions may induce significant adverse sustainability impacts [42(i)].

Performance metrics

For the most part Exposure Draft ESRS E4 does not contain performance metrics, citing ongoing collective work in this area as the main reason [AG46]. However, as for Exposure Drafts E2, 3 and 5 undertakings would need to disclose their financial exposure to risks and opportunities arising from biodiversity-related impacts and dependencies [68].

In general, undertakings would be expected to report the below categories of metrics.

- Pressure metrics on identified material impact drivers of biodiversity/ecosystems loss [44-52].
 - Where climate change, pollution, land-use / habitat change, natural resource use and exploitation, and/or invasive species have been assessed by the undertaking as material impact drivers of biodiversity and ecosystem services loss, it would need to report pressure metrics pertaining to these categories – i.e. metrics from other relevant Exposure Draft ESRS [47-51].
- Impact metrics, by material geographic locations of sites and/or by material raw materials [53].
- Response metrics indicating how an undertaking minimises, rehabilitates or restores material impacts on biodiversity and ecosystems, by material geographical locations of sites and/or by raw materials identified [57].

- Optional categories of metrics, including:
 - metrics on an undertaking's consumption and production that qualifies as being 'biodiversity friendly' [59-60]; and
 - actions, developments and financing of biodiversity and ecosystems mitigation projects (offsets) inside and outside its value chain [64].
- Finally, regarding all metrics undertakings would need to provide disclosures including:
 - methodologies used and why these were selected [AG55(a)];
 - information on scope of the metrics and methodologies [AG55(b)];
 - biodiversity components of the metrics (species specific, ecosystem specific) [AG55(c)];
 - geographies covered by the methodology and, if applicable, why relevant geographies identified were not included [AG55(d)];
 - how the metrics allow for the respect of ecological thresholds [AG55(e)];
 - frequency of monitoring, key indicators being monitored, baseline value/condition and year/period, and the reference period [AG55(f)];
 - whether the parametrisation of these metrics rely on primary data, secondary data, modelled data or on expert judgement, or a mixture of these [AG55(g)];
 - which actions are measured and monitored via the metrics and how they relate to the achievement of targets [AG55(h)];
 - whether metrics are mandatory (based on legislation) or voluntary, as well as the relevant legislation or voluntary standard/procedure used [55(i)]; and
 - whether the metrics are informed by or correspond to expectations or recommendations of relevant and authoritative national, EU-level or intergovernmental guidelines, policies, legislation or agreements [55(j)].

EXPOSURE DRAFT ESRS E5: RESOURCE USE AND CIRCULAR ECONOMY

Strategy / governance / materiality assessment

- Description of the alignment of business models with key principles of circular economy including the elimination of waste in the value chain, the circularity of products and materials keeping them at their highest value, and the regeneration of nature [AG1(b)].
- Description of the decoupling of the economic activity from extraction of natural resources [AG1(c)].
- Information on how the current and future business model / strategy cause and drive pressure on resources that reduce stocks and flows of resources and provide benefits to society [AG3].
- A list and prioritisation of the natural resources used based on the evaluation of the remaining resources and the negative externalities resulting from use of resources [AG4(a)].
- Description of: (i) the capability of the undertaking to safeguard future stocks and flows of resources and the related benefits to society; (ii) how activities are decoupled from extraction and natural resources by implementing a value strategy of the resources use and intensifying circular material use; and (iii) the resulting short-, medium- and long-term strategic implications for its business model and strategy [AG4(b)].

- Description in own operations and along the value chain of: (i) the extraction and use of non-renewable resources; (ii) the depletion of stock and use of renewable resources; and (iii) the stages of the value chain where resource use, risks and negative impacts are concentrated [AG4(c)].
- Description of how the risks and opportunities both related to the transition to a circular economy and to the risks of staying in a linear economy serve as an input to the management's strategy and decision making [AG4(d)].
- The description of the materiality assessment process would need to cover:
 - the 'five sub-subtopics' of resources use and circular economy: resource inflows, resource outflows, waste, resource use optimisation and circularity enablers [AG5(a)];
 - 'negative, adverse and positive impacts' associated with the linear or circular nature of the activities of the undertaking on its own operations and along the value chain [AG5(b)];
 - when describing the identification process on its own operations – raw material consumption, potential substitution of natural resources by recycling materials and waste management (hazardous and non-hazardous wastes), while considering other potential adverse or beneficial environmental impacts [AG7]; and
 - when describing the identification process on its supply chain – raw material inputs, practices to secure renewable resources regeneration, waste management and other potential impacts downstream on the operations [AG8].

Policies, targets and action plans

- Whether actions or actions plan are meant to be one-time initiatives or systematic practice [29(b)].
- How stakeholders are involved in actions or action plans; and/or a list of stakeholders impacted negatively or positively by actions or action plans and how they are impacted [29(c)].
- Whether actions or action plans are individual or collective – and if collective, the undertaking's role and whether success depends on the undertaking's support [30].
- When describing action plans within own operations, information on relevant internal processes such as those related to manufacturing and distribution adaptation, development of skills and training, innovation and R&D, remuneration incentives and lobbying activities in favour of the circular economy [AG13].
- When describing action plans in the upstream and downstream value chain, information on the development of collaborations with the local ecosystem and suppliers, or more generally stakeholders, to increase the circularity of products and materials [AG14].

Performance metrics

- Information on resource inflows, including raw materials, associated process material and semi-manufactured goods or parts [AG18]:
 - total weight of materials used during the reporting period to manufacture products and services [33(a)];
 - weight in both absolute value (tons) and percentage of renewable input materials used to manufacture products and services (including packaging) [33(b)]; and
 - weight in both absolute value (tons) and percentage of reused or recycled input materials used to package products [33(c)].
- Total weight and percentage of material and products that are designed along circular principles: durability, reusability, repairability, disassembly, remanufacturing/refurbishment, recycling or other optimisation of the use of the resource [37, AG25(a)].

- Total weight and percentage of products containing substances of concern, as defined in [ESRS E3 Water and marine resources](#) [AG25(b)].
- Total amount of waste generated, and for each hazardous and non-hazardous waste:
 - the amount by weight diverted from disposal by recovery operation type (preparation for reuse, recycling and other recovery operations), and the total amount summing up all three types [41(b)]; and
 - the total amount by weight averted to disposal by recovery operation type (landfilling, incineration and other disposal operations), and the total amount summing up all three types [41(c)].
- Total amount and percentage of non-recycled waste [41(d)].
- Total amount of hazardous waste and radioactive waste generated by the undertaking [42].
- Share of the net turnover from products/services leveraging the transition to a circular economy through circular business models such as pay-per-use, sharing or repairing services [46].
- Actions to prevent waste generation in the upstream/downstream value chain and to manage significant impacts from waste generated, and the extent to which (and how) the undertaking engages with customers/suppliers on advancing circular economy topics [49, AG39].
- Potential effects of risks/opportunities arising from circular economy-related impacts and dependencies on development, performance and position over the short, medium and long-term [54] – no mandatory performance metrics are provided in this section, but undertakings could optionally include an assessment of the market size of related products and services at risk over the short, medium and long term, explaining how these are defined, how financial amounts are estimated and which critical assumptions are made [55].

EXPOSURE DRAFT ESRS S1: OWN WORKFORCE – GENERAL STANDARD

[Exposure Draft ESRS S1](#) (Own Workforce) contains disclosure requirements related to an undertaking’s own workforce, which includes:

- employees who are in an employment relationship with the undertaking [5]; and
- non-employee workers including individuals in contracts with the undertaking to supply labour (‘self-employed workers’) or workers provided by undertakings primarily engaged in ‘employment activities’ [5].

Like other Exposure Draft Social ESRS’, ESRS S1 contains sections on processes for engaging relevant stakeholders (to which the ESRS relate) on impacts, and channels for these stakeholders to raise concerns – **these sections are additional non-social Exposure Draft ESRS**. In addition, note that Exposure Draft ESRS S1 is the only social Exposure Draft ESRS containing performance metrics.

Impacts / dependencies (and any resulting risks/opportunities) relating to the below are covered:

- working conditions – training and development, health and safety, access to water and sanitation, working time, flexible working time arrangements, childcare, paternal leave, minimum wage and access to social security;
- access to equal opportunities – discrimination, equality in pay, access to secure employment, equal treatment regarding working conditions and inclusion of persons with disabilities; and

- other work-related rights – freedom of association and collective bargaining, social dialogue, child labour, forced labour, privacy at work and adequate housing (including for migrant and mobile workers).

Strategy and governance

- Disclosures are modelled after cross-issue requirements within [Exposure Draft ESRs 2](#). Specific application guidance on strategy-related reporting is provided in paragraphs AG2-7.

Materiality assessment

- Material impacts, types of workers affected [AG8(a)] and how this was determined [AG(9)].
- Whether negative impacts are widespread or systemic in contexts in which the undertaking operates [AG8(b)].
- Activities that result in positive impacts including types of own workers that are or could be positively affected [AG8(c)].
- Material risks / opportunities [AG8(d)] and which ones arise from material positive / negative impacts on own workers [AG(9)].
- Impacts on own workforce that may arise from the transition to a climate-neutral economy [AG8(e)].
- Operations at significant risk of incidents of forced / compulsory / child labour including type of operations and countries / geographic areas considered at risk [AG8(f-g)].

Policies

- Whether policies in relation to own workers explicitly address trafficking in human beings, forced or compulsory labour and child labour [19].
- Whether the undertaking has a workplace accident prevention policy or management system [20].
- How relevant policies are communicated in an accessible form to own workers [21].
- Whether any material impacts are not covered by or addressed in any relevant policies, and plans to address the gap [AG(18)].
- Whether relevant policies are mandatory or recommendatory in nature, and if mandatory how the undertaking ensures adherence by employees and non-employee workers [AG(19)].
- How policies are communicated to impacted or responsible individuals / entities [AG(22)].
- Where relevant, whether and why the undertaking has not adopted a policy or objectives [22].
- Additional disclosures, varying based on which sub-topics a policy covers [AG23-31].

Processes for engaging with own workers and workers' representatives about impacts

- Whether and how engagement occurs with own workers or their representatives to inform decisions and activities aimed at managing actual/potential material impacts on own workforce [25(a), AG33].
- Steps to understand the perspectives of workers particularly vulnerable to impacts [AG34].
- Type and frequency of engagement, due diligence stage at which it occurs, and information on responsibilities for engagement [25(b-c), AG35-37].

- Agreements with trade unions / worker representatives on issues affecting the workforce [25(d)], including information on any agreements with national, European or international trade unions or work councils related to the rights of own workers [AG38].
- How the effectiveness of and, where relevant, outcomes and agreements from engagements are monitored [25(e)], and information from previous reporting periods about the effectiveness of processes for engaging with workers [AG(43)].

Channels for own workers and workers' representatives to raise concerns

- Information about the formal means by which the undertaking's own workers and their representatives can make their concerns and needs known directly to the undertaking, and/or through which the undertaking supports the availability of grievance mechanisms in the workplace of their own workers and workers' representatives [27].
- Whether there are channels in place to cover working conditions, access to equal opportunities and other work-related rights [29].
- Whether the undertaking operates the channels itself or participates in third-party grievance mechanisms [AG45].
- Intended purpose and users of the program and/or processes mentioned [AG50(a)].
- How the mechanisms operate and who administers them, including whether operational-level grievance mechanisms are administered at the organisational level or a lower level (at the site or project level), and if the latter how information from these mechanisms is centralised [AG50(b)].
- How the mechanisms have been designed and on which principles and guidelines they are based, including whether they are designed to meet the effectiveness criteria set out in [UN Guiding Principle 31](#) [AG50(c)].
- The process to investigate grievances, whether grievances are communicated to the highest governance body and whether they are treated confidentially [AG50(d-f)].
- Whether the mechanisms can be used by stakeholders anonymously through representation by a third party [AG(50)].
- How the undertaking supports or requires the availability of such channels [28, AG45].
- Whether and how the undertaking knows that its own workers are aware of and trust these structures / processes as a way to raise their concerns or needs and have them addressed [30], including any relevant and reliable data on the effectiveness of these channels from the perspective of own workers and their representatives (e.g. surveys) [AG48].
- Whether the undertaking has policies in place regarding the protection of individuals that use such mechanisms (including workers' representatives) against retaliation [30].
- How follow up is done with own workers and their representatives regarding the issues raised, and the effectiveness of these channels [27].

Targets

- Whether and how own workers and representatives were engaged in setting targets, tracking performance and identifying lessons/improvements based on the undertaking's performance [37].

- Whether and the extent to which targets are defined in terms of the intended outcomes to be achieved for workers, measurable/verifiable, and stable over time in terms of definitions and methodologies [AG(57)].

Actions to address material impacts, risks and opportunities

- Information on actions or additional initiatives planned or underway to prevent, mitigate or remedy **material negative impacts** on own workforce connected to operations, products or services [39].
- Approach to identifying actions as needed and appropriate [42(a)], taking action and ensuring that processes to provide or enable remedy in the event of negative impacts are available and effective in their implementation and outcomes [42].
- Information about whether and how own workers and representatives play a role in decisions regarding the design and implementation of these programmes or processes [AG68].
- Which internal functions are involved in managing each material impact [AG62].
- Information on how the undertaking ensures that its own practices do not cause or contribute to material negative impacts on its own workers [AG63].
- Information on resources allocated to the management of material impacts [AG64].
- Approaches and processes used to track the effectiveness of actions in delivering outcomes for the own workforce [43], progress achieved during the reporting period [AG61(c)] and aims for continued improvement [AG61(d)].
- Any additional initiatives or processes in place whose primary purpose is to deliver positive impacts for own workers [44].
- Measures taken to mitigate negative impacts on own workforce arising from the transition to a climate-neutral economy [AG81].
- Additional disclosures varying based on which topics individual actions cover [AG74-80].
- Actions planned or underway to **mitigate material risks and pursue material opportunities** [45], how these actions will achieve this, how their effectiveness is tracked and any evidence to date of their success [47-48].
- How the undertaking processes material risks related to its own workers, including the extent to which and how these material risks are integrated into its existing management processes for business risks [AG86].

Performance metrics

Key characteristics of employees and non-employee workers in its own workforce

- Breakdown of total number of employees by country in which the undertaking has 50 or more employees, permanent employees, temporary employees, non-guaranteed hours employees, full-time employees and part-time employees – and a further breakdown by gender for each category [51].
- Total number of non-employee workers in the workforce [54].
- The most common types of non-employee workers, their relationship with the undertaking and the type of work they perform [54].

- Description of significant fluctuations in the number of employees and non-employees during the reporting period and between the current and previous reporting period [51, 54].

Working conditions

Training and skills development

- Percentage of own workers that participate in regular performance and career development reviews, broken down by employee category [57(a)].
- Average number of training hours per own worker, broken down by employee category and gender [57(b)].
- Average expenses on training per full-time equivalent (FTE) for the reporting year [57(c)].

Health and safety

- Management systems, standards or guidelines implemented by the undertaking, including:
 - whether they are derived from recognised frameworks / standards / guidelines [60(a)];
 - whether the undertaking excludes non-employee workers from health and safety management systems [60(a)];
 - percentage of own employees covered by the management system based on legal requirements and/or recognised standards or guidelines [60(b)].
- Number of fatalities due to work-related injuries and work-related ill health [63(a)].
- Number and rate of recordable work-related injuries [63(b)].
- Number of cases of recordable work-related ill health [63(c)].
- Number of days lost to work-related injuries and fatalities from work-related accidents, work-related ill health and fatalities from ill health [63(d)].

Working hours (optional)

- Percentage of full-time own workers (as FTEs) working more than 48 hours per week, including overtime, over the applicable reference period [66].

Work life balance

- Percentage of employees: (i) entitled to take family related leave; and (ii) that took family-related leave, both disaggregated by gender [69(a-b)].
- Return to work and retention rates of employees that took maternity, paternity and/or parental leave, disaggregated by gender [69(c)].

Fair remuneration

- Percentage of own workers whose wage is below the fair wage ⁵, and countries in which the lowest wage for own workers is below the fair wage [72].

⁵ Exposure Draft ESRS S1 defines fair wage as 'a wage that provides for the satisfaction of the needs of the worker and his/her family in light of national economic and social conditions as per Principle 6 of the [European Pillar of Social Rights](#).

Paragraph AG141 specifies the following: 'The fair wage calculated by this benchmark shall not be less than 60% of the national median gross wage or 50% of the national average gross wage, as calculated by the OECD, Eurostat or another public or inter-governmental organisation. For countries where this data is not available, the benchmark fair wage shall not be less than the statutory minimum wage (if it exists) and not less than a recognised international fair or living wage benchmark, such as those calculated by the Wage Indicator Foundation.'

- Fair wage benchmark used for comparison with the lowest wage in countries in which the undertaking has operations [AG141].

Social security eligibility coverage

- Percentage of own workers: (i) eligible for social security [75]; and (ii) not eligible for social security through the undertaking or government programmes [77].

Equal opportunities

Pay gap between men and women

- Male-female pay gap, expressed as a percentage of average gross hourly earnings of male paid employees and actions taken to reduce the pay gap [81].

Annual total compensation ratio

- Ratio of: (i) annual total compensation; and (ii) percentage annual compensation increase – for the highest paid individual relative to the median for all employees [84].

Discrimination incidents related to equal opportunities (including harassment)

- Complaint or grievance mechanisms to report alleged cases of discrimination [88(a)].
- Number of discrimination incidents reported during the reporting period, their status and actions taken in response [88(b-c)].
- How the undertaking assesses the extent to which own workers are informed, enabled and protected in raising complaints/grievances about discrimination, including harassment [88(d)].
- If material, the total amount of fines, penalties and compensation for damages as a result of violations regarding own workers' equal opportunities rights [89].

Employment of persons with disabilities

- Number and percentage of own workers with disabilities, broken down by gender [93].

Differences in the provision of benefits to employees with different employment contract types

- Information on benefits which are standard for full-time employees but not provided to employees with temporary, part-time and non-guaranteed hour contracts [94], broken down by countries in which the undertaking has at least 50 employees [AG153].

Other work-related rights

Grievances and complaints related to other work-related rights

- Whether the undertaking lacks a grievance / complaints handling mechanism related to employee matters [100(a)].
- For each work-related right listed in paragraph AG12(c), the number of complaints [100(b)]:
 - filed through operational-level grievance mechanisms;
 - raised through internal grievance mechanisms that are found to be substantiated by the undertaking;
 - resolved through remediation;
 - raised to National Contact Points for the OECD Multinational Enterprises; and
 - resolved through National Contact Points for the OECD Multinational Enterprises.

Collective bargaining coverage

- Percentage of total employees covered by collective bargaining agreements, broken down by each country where the undertaking has at least 50 employees [103(a)].
- For employees not covered by collective bargaining agreements, whether the undertaking determines their working conditions and terms of employment based on collective bargaining agreements that cover its other employees, or from other organisations [103(b)].
- Extent to which working conditions and terms of employment of non-employee workers are determined or influenced by collective bargaining agreements [103(c)].

Work stoppages

- Number of major work stoppages [107(a)].
- For each major work stoppage: number of workers involved, length (days), reasons for the stoppage and steps taken to resolve each dispute [107(b)].
- Total number of idle person-days FTE due to major work stoppages [107(c)].

Social dialogue

- Percentage of own workforce represented by workers' representatives, for each EEA country in which the undertaking has at least 50 employees [110(a)].
- The existence of any agreement with the workforce for representation by a European Works Council (EWC), a Societas Europaea (SE) Works Council, or a Societas Cooperativa Europaea (SCE) Works Council [110(b)].
- Number of worker representatives included in the undertaking's governance bodies and a description of their rights, as well as the selection process [110(c)].
- Whether significant reorganisation events which trigger information and consultation rights for workers in the EU labour law acquis and/or national legislation took place (e.g. changes in ownership), and how rights were respected in each case [110(d)].
- For operations outside of EU/EEA countries, undertakings would need to disclose:
 - minimum weeks' notice typically provided to employees / their representatives prior to significant operational changes that could substantially affect them [110(e)]; and
 - whether the notice period and provisions for consultation and negotiations are specified in collective agreements [110(e)].

Identified cases of severe human rights issues and incidents

- Number of severe human rights issues and incidents connected to the undertaking's own workforce in the reporting period, including how many of these are violations of [UN Global Compact](#) principles and [OECD Guidelines for Multinational Enterprises](#) [113(a)].
- Number of severe human rights incidents where the undertaking has played a role in securing remedy for those affected [113(b)].
- If material, the total amount of fines, penalties, and compensation for damages as a result of violations regarding own workers' equal opportunities rights [114].

Privacy at work

- Description of the Information Security System used to protect workers' personal data [118[a], and information on procedures and responsibilities for handling data [AG168].

- Number of data breaches involving worker data [118(b)], information on the nature of these breaches, and whether and how these breaches were resolved [AG169].
- Types of workforce surveillance used and the percentage of workers subject to each form of surveillance [118], information on employee consent to these and how collected data is used [AG20], and the main types of own workers covered by each surveillance type [AG170-172].

OTHER SOCIAL EXPOSURE DRAFT ESRS

Most Exposure Draft ESRS S2-4 disclosures are the same as in Draft ESRS S1 – but applied to other stakeholders: value chain workers (S2), local communities (S3) and consumers and end-users (S4). For instance, undertakings would need to simultaneously disclose whether they assess the degree to which material impacts on each category of stakeholders originate from the business model / strategy.

Given similarities between Exposure Draft ESRS S1 requirements and those in S2-4, summaries of Exposure Draft ESRS S2-4 below focus on substantive differences to Draft ESRS S1. Variation mainly occurs within the ‘Application Guidance’ section of each Exposure Draft ESRS (Appendix B).

Exposure Draft ESRS S2-4 additions to Exposure Draft ESRS S1

Sustainability issues covered

- [Exposure Draft ESRS S2 *Workers in the value chain*](#)⁶ [2]:
 - working conditions (living wage, health and safety, social security, working hours, water and sanitation);
 - access to equal opportunities (discrimination, including on the rights of workers with disabilities or on women workers, as well as impacts related to issues of equality in pay and work-life balance, precarious work); and
 - other human rights (trade union rights, freedom of association and collective bargaining, child labour, forced labour, privacy, adequate housing).
- [Exposure Draft ESRS S3 *Affected communities*](#) [2]:
 - impacts on communities’ economic, social and cultural rights (e.g. adequate housing, adequate food, water and sanitation, land-related and security-related impacts);
 - impacts on communities’ civil and political rights (e.g. freedom of expression, freedom of assembly, impacts on human rights defenders); and
 - impacts on particular rights of Indigenous communities (e.g. free, prior and informed consent, self-determination, cultural rights).
- [Exposure Draft ESRS S3 *Consumers and end-users*](#) [2]:
 - information-related impacts for consumers/end-users, in particular impacts on privacy, freedom of expression and access to information;
 - personal safety of consumers/end-users, in particular health and safety, security of a person and protection of children; and
 - social inclusion of consumers/end-users, in particular on non-discrimination and access to products and services.

⁶ Exposure Draft ESRS S2 covers all workers in the undertaking’s upstream and downstream value chain who are or can be materially impacted. This also includes all non-employee workers whose work and/or workplace is controlled by the undertaking but are not included in the scope of ‘own workforce’ (‘own workforce’ includes employees, individual contractors, i.e., self-employed workers, and workers provided by third party undertakings primarily engaged in ‘employment activities’).

Information in relation to the value chain

- Paragraphs AG2 of Exposure Drafts S2-4 note that undertakings must not omit value chain-related information they possess or should be able to produce within a reasonable time frame.

Types of stakeholders subject to material impacts via operations or the value chain

- Paragraph AG9 of each Exposure Draft provides a list of types of stakeholders to specify as subject to material impacts – these lists vary based on the focus of each Exposure Draft.

Scope of negative impacts

- As under [Exposure Draft ESRS S1](#), under paragraph AG9 of each Exposure Draft S2-4, undertakings would specify whether negative impacts are systemic in contexts where they operate or relate to individual incidents. Under Exposure Draft ESRS S2-4, undertakings would also need to explain whether impacts are related to specific business relationships.
- In the case of Exposure Draft ESRS S2 *Workers in the Value Chain*, undertakings would need to specify geographies **or commodities** (as opposed to just geographies in other Exposure Draft Social ESRS) for which there is a significant risk of child, forced or compulsory labour among workers in the value chain [AG9(b)].
- Reporting on impacts on an undertaking's own workforce that may arise from the transition to a climate-neutral economy would be unique to [Exposure Draft ESRS S1](#) [AG8(e)].

Processes for engaging stakeholders about impacts

- Under Exposure Draft ESRS S2 undertakings would need to specify whether they have a Global Framework Agreement or other formal arrangements with a global union federation related to the rights of value chain workers, and explain how the agreement enables the undertaking to gain insight into those workers' perspectives [AG34].
- Where applicable, under Exposure Draft ESRS S3 undertakings would explain how engagement with communities that are marginalised and/or particularly vulnerable to impacts includes a good faith negotiation with affected Indigenous Peoples to obtain their Free, Prior and Informed Consent (FPIC), where the undertaking [AG28]:
 - affects the lands, territories or resources that Indigenous Peoples customarily own, occupy or otherwise use; or
 - relocates them from land or territories subject to traditional ownership or under customary use or occupation; or affects or exploits their cultural, intellectual, religious and spiritual property.

Taking action on material impacts on stakeholders and effectiveness of those actions

- Where applicable, under Exposure Drafts ESRS S2 [AG54-56], ESRS 3 [AG50-52] and ESRS 4 [AG48-50], undertakings would explain whether and how:
 - they seek to use leverage with relevant business relationships to manage impacts;
 - any industry or multi-stakeholder initiatives in which the undertaking participates as part of its actions to address material negative impacts, or its involvement in the initiative, is aiming to address the material impact concerned; and
 - they consider actual and potential impacts on the stakeholders covered by each standard in decisions to terminate business relationships and whether and how they seek to address any negative impacts that may result from termination.
- Under Exposure Draft ESRS 3, when describing initiatives or processes to deliver positive impacts for affected communities, undertakings would provide an explanation of the approximate scope of value chain communities covered by the described social investment or

development programmes, as well as the rationale for why selected communities were chosen for a given social investment or development programme's implementation [AG58(c)].

EXPOSURE DRAFT ESRS G1: GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL

[Exposure Draft ESRS G1](#) focuses on an undertaking's overall governance structure, risk management systems and internal control. It distinguishes this from 'disclosure requirements for the description of governance and organisation in relation to sustainability matters', which it notes are covered in [Exposure Draft ESRS 2](#). Suggested disclosures within Exposure Draft ESRS G1 are listed below.

Governance

- Structure of the governance body and roles / key responsibilities of each committee [14(a)].
- The corporate governance code to which the undertaking is subject (or has voluntarily decided to apply), relevant information about corporate governance practices applied over and above the requirements of national law [17], and explanation / justification of any departures from this code in accordance with national law [18].
- Nomination / selection processes for governance bodies and their committees – and how the process considers stakeholders, diversity, independence and competencies relevant to the sector of the undertaking [21].
- Description of the diversity policy applied in relation to governance bodies regarding gender, age, minority or vulnerable groups and educational and other professional backgrounds – along with objectives of the policy and how it has been implemented [24].
- Whether there are any legal / regulatory requirements mandating diversity representation within the governance bodies, and if so a reference to those requirements [26(a)].
- Whether representation is over and above these requirements [26(b)].
- Targets on diversity within the governance bodies and progress against these targets [26(c)].
- Process for evaluating the performance of the governance bodies, frequency of the process, whether it is independent, and actions taken in response to the performance evaluation [29].
- Description of the remuneration policy for governance bodies, including information on how this is determined and the types of remuneration used [32-33].

Risk management processes

- Approach to risk assessment, prioritisation and management, including how findings on key risks are integrated into relevant internal functions and processes, and a description of reporting on risk management to governance bodies [37].
- The principal risks to which an undertaking is exposed, strategies and processes to manage / mitigate these, how the governance bodies and senior management assess and manage risks, and general information on the distribution of risk management responsibilities [AG16].
- Description of related policies, procedures, associated roles and responsibilities, and relevant training activities [AG19].

Internal control processes

- Information on internal control processes including scope, main features and components, internal reporting on internal control systems to the governance bodies [40(a-b)] and allocation of responsibilities [AG21].
- Main features of internal control systems over the reporting process, including the process for reviewing and approving information included in sustainability reporting [40(c)].

Performance metrics

- Percentage of independent shareholder-elected members [43(a)].
- Percentage of each of the following diversity classifications within the governance bodies: gender, age group and any other relevant diversity indicators [43(b)] such as ancestry and ethnic origin, citizenship, creed, and disability [AG25(e)].
- Number of meetings of the governance bodies in the reporting period and number of members who participated in each meeting [48].

EXPOSURE DRAFT ESRS G2: BUSINESS CONDUCT

[Exposure Draft ESRS G2](#) covers policies and practices with respect to business conduct culture, anti-corruption / bribery, anti-competitive behaviour, political engagement and lobbying. Suggested disclosures within this Exposure Draft are listed below.

Strategy / governance / materiality assessment

- Information on business conduct culture, including:
 - subjects considered / discussed by the governance bodies [17(a)];
 - how a business conduct culture is promoted, topics promoted within this culture and incentives for employees to foster and encourage such a culture [17(b-d)];
 - communication of the business conduct culture and/or values [17(e)];
 - any specific contractual clauses with its value chain on business conduct [17(f)]; and
 - expertise and allocation of roles / responsibilities for business conduct matters [AG3].

Policies, targets and action plans

- Information on business conduct-related policies, including:
 - mechanisms for reporting concerns about unethical / unlawful behaviour [20(a)];
 - whether the undertaking has policies on anti-corruption or anti-bribery consistent with the [United Nations Convention against Corruption](#) [20(b)];
 - safeguards for employees reporting irregularities, including whistleblowing protection [20(c-d)];
 - whether the undertaking is committed to investigate business conduct incidents (including corruption or bribery) promptly, independently and objectively [20(e)];
 - how associated incidents on contracts and relationships with the value chain are handled [20(f)]; and
 - information on internal training related to these topics [20(g)].
- Information on systems to prevent, detect, investigate and respond to allegations or incidents relating to corruption and bribery [24] and anti-competitive behaviour [29], including:

- procedures in place and whether investigators or investigating committees are separate from the chain of management involved in the matter [24(a-b)];
- number of: (i) reported allegations received via whistleblowing channels [24I]; and (ii) internal investigations launched in response to allegations / incidents [24(d)]; and
- systems to report outcomes to senior management and governance bodies [24(e)].

Performance measures

- Anti-corruption and bribery training offered [30] including nature, scope, frequency, delivery methods, assessment methodology and percentage of employees most at risk with respect to corruption covered [32, AG11].
- How the anti-corruption and anti-bribery policies are shared within the value chain [33].
- Information on corruption and bribery events, including:
 - main outcomes of legal proceedings related to corruption or bribery against the undertaking or its employees concluded during the reporting period, including sanctions or fines [38(a)];
 - details of ongoing legal proceedings against the undertaking and its employees related to corruption or bribery [38(b)];
 - number of investigations into and decisions in which employees were dismissed or disciplined for corruption or bribery-related incidents [38(c)];
 - number of investigations into and decisions relating to contracts with business partners that were terminated or not renewed due to violations related to corruption or bribery [38(d)]; and
 - any insufficiencies in actions taken to address breaches in procedures and standards of anti-corruption and anti-bribery [39].
- Information on anti-competitive behaviour events, including:
 - investigations into and decisions relating to violations of anti-trust and monopoly legislation where the undertaking (or its subsidiaries) was named as a participant by a competent authority [42(a)];
 - number of new, continuing, or finalised legal action (separately) during the reporting period regarding anti-competitive behaviour [42(b)]; and
 - main outcome of legal proceedings against the undertaking concluded during the reporting period, including sanctions, fines and damages orders [42(c)].
- Beneficial owners and control structure, including identities and respective ownership or control percentages [43-45].
- Total monetary value of: (i) financial and in-kind political contributions per country and/or type of recipient / beneficiary; (ii) lobbying and advocacy expenses; and (iii) amount paid for membership to professional or advocacy associations [48] – as well as the main topics covered by such activities and the main position on these topics [49].
- Information about the appointment of any members of governance bodies or senior executives who previously held a comparable position in public administration [50].
- Information on payment practices, including but not limited to:
 - average time the undertaking takes to pay an invoice in number of days [53(a)]; and
 - details about the undertaking's standard contractual payment terms, in number of days for both purchases and sales of products or services provided [53(b)].

ADDITIONAL RESOURCES

In addition to engaging with PRI materials, signatories may wish to review some of the resources EFRAG has published to improve understanding of its Exposure Drafts, including:

- a [document](#) clarifying the structure of Exposure Drafts;
- a [document](#) showing how Exposure Drafts cover requirements in the CSRD;
- a [document](#) linking ESRS disclosures to SFDR Principal Adverse Impacts (PAI) Indicators;
- a [reconciliation table](#) comparing TCFD recommendations with relevant ESRS requirements;
- a [reconciliation table](#) comparing ISSB Exposure Drafts with relevant Exposure Draft ESRS;
- a [document](#) defining acronyms and providing a glossary of terms; and
- 'basis for conclusion' documents explaining and justifying suggested disclosures – these can be found on the [consultation homepage](#) below the links to each Exposure Draft ESRS.