

# POSITION PAPER



## **Consultation Document**

### **EFRAG public consultation on draft ESRS**

ESBG (European Savings and Retail Banking Group)

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**August 2022**



## 1C. Overall ESRS Exposure Drafts relevance – Exposure Drafts content

For the purpose of the questions included in this section, respondents are encouraged to consider the following:

- when sharing comments on a given ESRS Exposure Draft, and as much as possible, reference to the specific paragraphs being commented on should be included in the written comments,
- in the questions asked, for each ESRS, about the alignment with international sustainability standards, these include but are not limited to the IFRS Sustainability Standards and the Global Reporting Initiative Standards. Other relevant international initiatives may be considered by the respondents. When commenting on this particular question, respondents are encouraged to specify which international standards are being referred to.

### ***ESRS 1 – General Principles***

This [draft] Standard prescribes the mandatory concepts and principles to apply for preparation of sustainability reporting under the Corporate Sustainability Reporting Directive (CSRD) proposal.

It covers the applicable general principles:

- (a) when reporting under European Sustainability Reporting Standards;
- (b) on how to apply CSRD concepts;
- (c) when disclosing policies, targets, actions and action plans, and resources;
- (d) when preparing and presenting sustainability information;
- (e) on how sustainability reporting is linked to other parts of corporate reporting; and
- (f) specifying the structure of the sustainability statements building upon the disclosure requirements of all ESRS.

Most questions relevant for ESRS 1 are covered in the previous sections of the survey (section 1 Overall ESRS Exposure Drafts relevance – architecture and section 2 Overall ESRS Exposure Drafts relevance – implementation of CSRD principles).

- 1 **Question 38: in your opinion, to what extent can ESRS 1 – General principles foster alignment with international sustainability reporting standards (in particular IFRS Sustainability Reporting S1 Exposure draft)? Please explain your reservations or your suggestions for improvement or any other comment you might have**

1/ Not at all	
2/ To a limited extent with strong reservations	
3/ To a large extent with some reservations	Despite ESRS seeks alignment with international reporting initiatives and other European legislation, it is especially crucial to achieve full alignment with Sustainability Standards issued by the ISSB, given its potential to become a global playing field in terms of sustainability reporting. This convergence between both standards will avoid the burden of additional disclosures to give response to investors and stakeholders expectations not included in the ESRS.



4/ Fully	
5/ No opinion	



**ESRS 2 – General, strategy, governance and materiality assessment**

This [draft] standard sets out the disclosure requirements of the undertaking’s sustainability report that are of a cross-cutting nature. Those disclosures can be grouped into those that are:

- (a) of a general nature;
- (b) on the strategy and business model of the undertaking;
- (c) on its governance in relation to sustainability; and
- (d) on its materiality assessment of sustainability impacts, risks and opportunities.

**2 Question 39: Please, rate to what extent do you think ESRS 2 – General, strategy, governance and materiality assessment.**

**1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion**

	1	2	3	4	5
A. Covers sustainability information required by articles 19a and 19b of the CSRD proposal (see Appendix II for CSRD detailed requirements)				X	
B. Supports the production of relevant information about the sustainability matter covered				X	
C. Fosters comparability across sectors			X		
D. Covers information necessary for a faithful representation from an impact perspective				X	
E. Covers information necessary for a faithful representation from a financial perspective				X	
F. Prescribes information that can be verified and assured			X		
G. Meets the other objectives of the CSRD in term of quality of information			X		
H. Reaches a reasonable cost / benefit balance		X			
I. Is sufficiently consistent with relevant EU policies and other EU legislation			X		
J. Is as aligned as possible to international sustainability standards given the CSRD requirements			X		

**For part H, please explain why costs would be unreasonable and / or what particular benefit ESRS 2 offers**

We are concerned that EFRAG is running a cost-benefit analysis in parallel to the consultation. Also, EFRAG didn’t make a mock sustainability report to assess the feasibility of the draft standards, which could give clarity regarding reporting expectations to the banking sector. Thus this creates for now a theoretical standard.

We also consider that the assessment of the materiality is burdensome and disproportionate given the lack of clarity of the value chain concept in the case of the financial institutions



**For part I, please specify what European law or initiative you think is insufficiently Considered**

Policymaking in key areas of sustainability reporting for financial institutions is decentralised in the EU. Taking aside application and interpretation challenges from EU Taxonomy and SFDR, we welcome EFRAG's approach to include them in sector-agnostic ESRS as it is considered that this information shall be reported by companies in the value chain and collected by financial institutions to meet the reporting obligations of the latter.

However, this approach is not followed for other binding disclosure requirements applicable to financial institutions, such as Pillar 3 disclosures on ESG risks.

ESRS already include quantitative disclosure requirements that cover Pillar 3 disclosures on ESG risks. More clarity and guidance is needed to avoid overlaps and duplicities. We also encourage EFRAG to allow incorporation by reference to Pillar 3 reports or embed them in ESRS in the same way as SFDR and EU Taxonomy via:

- Reconciliation on how Pillar 3 disclosures on ESG risks are included in ESRS Disclosure Requirements.
- Addition of those Pillar 3 disclosures on ESG risks that are not already covered by existing ESRS Disclosure Requirements.

This approach will allow to:

- Have a single set of standards with all binding disclosure requirements stemming from EU legislation.
- Comply with the mandate stemming from CSRD to take into account Prudential requirements for Credit Institutions and Investment Firms when adopting delegated acts.
- Allow that undertakings in the value chain of financial institutions prepare sustainability information to be collected by the latter to comply with their own reporting obligations.

In addition, we are concerned that the rebuttable presumption principle (leading to not disclosing certain mandatory individual disclosure requirements or data points) and the determination of entity-specific disclosures could not be appropriate for principal adverse impacts (PAI) disclosures under the SFDR. Under SFDR, institutions need to collect information from product manufacturers to comply with the relevant disclosure requirements. We are concerned that the application of the rebuttable presumption principle on SFDR disclosures under ESRS 1 could negatively impact the collection of such information from the investees.

Moreover, we would like to highlight that disclosure requirements contained in ESRS overlaps with national legislation applicable to member states with different first application dates, providing uncertainty and implementation challenges. The European Commission should avoid fragmentation in policy-making on sustainability aspects.

In addition, further considerations needs to be given on alignment with the provisions of the CSDDD.

**For part J, please explain how you think further alignment could be reached**

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**Please share any comments and suggestions for improvement you might have relating to the questions, referring explicitly to the part of the question you are providing comment**



**ESRS E1 – Climate change**

The objective of this [draft] standard is to specify Disclosure Requirements which will enable users of sustainability reporting to understand:

- (a) how the undertaking affects climate change, in terms of positive and negative material actual or potential adverse impact;
- (b) its past, current, and future mitigation efforts in line with the Paris Agreement (or an updated international agreement on climate change) and limiting global warming to 1.5°C;
- (c) the plans and capacity of the undertaking to adapt its business model(s) and operations in line with the transition to a sustainable economy and to contribute to limiting global warming to 1.5°C;
- (d) any other actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential adverse impacts;
- (e) the nature, type and extent of the undertaking’s material risks and opportunities related to the undertaking’s impacts and dependencies on climate change, and how the undertaking manages them; and
- (f) the effects of risks and opportunities, related to the undertaking’s impacts and dependencies on climate change, on the undertaking’s development, performance and position over the short-, medium- and long- term and therefore on its ability to create enterprise value.

This [draft] standard derives from the [Draft] Corporate Sustainability Reporting Directive stating that the sustainability reporting standards shall specify which information to disclose about climate change mitigation and climate change adaptation.

This [draft] standard covers Disclosure Requirements related to ‘Climate change mitigation’, ‘Climate change adaptation’ and ‘Energy’.

**3 Question 40: Please, rate to what extent do you think ESRS E1 – Climate change**

**1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion**

	1	2	3	4	5
A. Covers sustainability information required by articles 19a and 19b of the CSRD proposal (see Appendix II for CSRD detailed requirements)					
B. Supports the production of relevant information against the intended objective of the sustainability matter covered		X			
C. Fosters comparability across sectors		X			
D. Covers information necessary for a faithful representation from an impact perspective			X		
E. Covers information necessary for a faithful representation from a financial perspective			X		
F. Prescribes information that can be verified and assured					
G. Meets the other objectives of the CSRD in term of quality of information					



H. Reaches a reasonable cost / benefit balance					
I. Is sufficiently consistent with relevant EU policies and other EU legislation		x			
J. Is as aligned as possible to international sustainability standards given the CSRD requirements		x			

For part H, please explain why costs would be unreasonable and / or what particular benefit ESRS E1 offers

In DR E1-1 par. 15 (c), the undertaking is required to disclose an explanation of the financial resources supporting the implementation of the transition plan. In ESBG’s view, the requirement to disclose the allocation of a financial institution’s financial resources supporting the implementation of the transition plan is a confidentiality matter and may give a competitive advantage to competitors. We propose to remove this disclosure requirement.

We would also like to refer to CSRD recital 29a (page 21) « It is not the objective of this Directive to require undertakings to disclose intellectual capital, intellectual property, know-how or the results of innovation that would qualify as trade secrets as defined in the Trade Secrets Directive.”

For part I, please specify what European law or initiative you think is insufficiently considered

ESRS E1 implementation should be phased in. All information from the financial institutions; value chain should be phase-in at least in the first year as banks are dependent on their counterparties for the disclosure of the activities of the latter. In the first reporting year, banks can only report on their activities. For example, financial institutions are dependent on their counterparties for Scope 3 GHG emissions disclosures. Therefore, financial institutions should disclose all information from the value, including GHG emissions, two years after the reporting of non-financial institutions. Under the Taxonomy reporting obligation, financial institutions have secured an one year reporting gap to accommodate the required data from NFRD undertakings. However, there is a large number of undertakings that are not in scope of NFRD and they will start reporting when the CSRD will become applicable.

Disclosure requirements contained in ESRS E1 overlaps with national legislation applicable to member states with different first application dates, providing uncertainty and implementation challenges. The European Commission should avoid fragmentation in policy-making on sustainability aspects.

For part J, please explain how you think further alignment could be reached

Both IFRS and ESRS standards should be as aligned as possible. IFRS standards will create a playing field that most undertakings will use globally, thus we need to secure as much convergence as possible with the ESRS. Also, an undertaking’s reporting under ESRS should be recognised as valid by the IFRS to avoid duplication and double reporting.

Please share any comments and suggestions for improvement you might have relating to the above questions, referring explicitly to the part of the question you are providing comment

In relation to point b), it is considered that climate adaptation disclosure requirements are sector specific not sector agnostic. Given that climate change adaptation is not significant for the financial industry. Two options are proposed:

- a) all disclosure requirements regarding climate change adaptation should be moved to the upcoming sector specific standards
- b) comply or explain approach: after every reference to climate change adaptation disclosures in the environmental – sector agnostic standards, the legislators should add “where applicable” or “where relevant” to ensure that banks wouldn’t need to disclose information that are irrelevant. However, this solution already applies to all disclosure requirements as in scope companies must



only disclose what is relevant and material based on a materiality assessment that is – as for now – complex and time-consuming.



**ESRS E2 – Pollution**

The objective of this [draft] standard is to specify Disclosure Requirements which will enable users of the sustainability reporting to understand:

(a) how the undertaking affects pollution of air (both indoor and outdoor), water (including groundwater) and soil, living organisms and food resources (referred to in this [draft] Standard as “pollution”), in terms of positive and negative material actual or potential adverse impacts;

(b) any actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential adverse impacts;

(c) the plans and capacity of the undertaking to adapt its strategy, business model(s) and operations in line with the transition to a sustainable economy concurring with the needs for prevention, control and elimination of pollution across air (both indoor and outdoor), water (including groundwater), soil, living organisms and food resources, thereby creating a toxic-free environment with zero pollution also in support of the EU Action Plan ‘Towards a Zero Pollution for Air, Water and Soil’;

(d) the nature, type and extent of the undertaking’s material risks and opportunities related to the undertaking’s impacts and dependencies arising from pollution, as well as from the prevention, control, elimination or reduction of pollution (including from regulations) and how the undertaking manages them; and

(e) The effects of risks and opportunities, related to the undertaking’s impacts and dependencies on pollution, on the undertaking’s development, performance and position over the short, medium and long term and therefore on its ability to create enterprise value.

This standard derives from the (Draft) Corporate Sustainability Reporting Directive stating that the sustainability reporting standards shall specify the information that undertakings are to disclose about environmental factors, including information about ‘pollution’.

This standard sets out Disclosure Requirements related to pollution of air (both indoor and outdoor), water (including groundwater), soil, substances of concerns, most harmful substances and enabling activities in support of prevention, control and elimination of pollution.

**4 Question 41: Please, rate to what extent do you think ESRS E2 - Pollution**

**1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion**

	1	2	3	4	5
A. Covers sustainability information required by articles 19a and 19b of the CSRD proposal (see Appendix II for CSRD detailed requirements)					
B. Supports the production of relevant information against the intended objective of the sustainability matter covered					
C. Fosters comparability across sectors					
D. Covers information necessary for a faithful representation from an impact perspective					
E. Covers information necessary for a faithful representation from a financial perspective					



F. Prescribes information that can be verified and assured					
G. Meets the other objectives of the CSRD in term of quality of information					
H. Reaches a reasonable cost / benefit balance					
I. Is sufficiently consistent with relevant EU policies and other EU legislation					

**For part H, please explain why costs would be unreasonable and / or what particular benefit ESRS E2 offers**

**For part I, please specify what European law or initiative you think is insufficiently considered**

**For part J, please explain how you think further alignment could be reached**

**Please share any comments and suggestions for improvement you might have relating to the above questions, referring explicitly to the part of the question you are providing comment**



**ESRS E3 – Water and marine resources**

The objective of this [draft] standard is to specify disclosure requirements which will enable users of the sustainability reporting to understand:

(a) how the undertaking affects water and marine resources, in terms of positive and negative material actual or potential adverse impacts;

(b) any actions taken, and the result of such actions, to protect water and marine resources, also with reference to reduction of water withdrawals, water consumption, water use, water discharges in water bodies and in the oceans, habitat degradation and the intensity of pressure on marine resources;

(c) to what extent the undertaking is contributing to the European Green Deal’s ambitions for fresh air, clean water, a healthy soil and biodiversity as well as to ensuring the sustainability of the blue economy and fisheries sectors, to the EU water framework directive, to the EU marine strategy framework, to the EU maritime spatial planning directive, the SDGs 6 Clean water and sanitation and 14 Life below water, and respect of global environmental limits (e.g. the biosphere integrity, ocean acidification, freshwater use, and biogeochemical flows planetary boundaries) in line with the vision for 2050 of ‘living well within the ecological limits of our planet’ set out in the 7th Environmental Action Programme, and in the proposal for a decision of the European Parliament and the Council on the 8th Environmental Action Programme;

(d) the plans and capacity of the undertaking to adapt its business model and operations in line with the transition to a sustainable economy as well as with the preservation and restoration of water and marine resources globally;

(e) the nature, type and extent of the undertaking’s material risks and opportunities related to the undertaking’s impacts and dependencies on water and marine resources, and how the undertaking manages them; and

(f) the effects of risks and opportunities, related to the undertaking’s impacts and dependencies on water and marine resources, on the undertaking’s development, performance and position over the short, medium and long term and therefore on its ability to create enterprise value.

This standard derives from the [Draft Corporate Sustainability Reporting Directive] stating that the sustainability reporting standards shall specify information to disclose about two sub-subtopics: ‘water’ and ‘marine resources’.

**5 Question 42: Please, rate to what extent do you think ESRS E3 – Water and marine resources**

**1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion**

	1	2	3	4	5
A. Covers sustainability information required by articles 19a and 19b of the CSRD proposal (see Appendix II for CSRD detailed requirements)					
B. Supports the production of relevant information against the intended objective of the sustainability matter covered					
C. Fosters comparability across sectors					
D. Covers information necessary for a faithful representation from an impact perspective					



E. Covers information necessary for a faithful representation from a financial perspective					
F. Prescribes information that can be verified and assured					
G. Meets the other objectives of the CSRD in term of quality of information					
H. Reaches a reasonable cost / benefit balance					
I. Is sufficiently consistent with relevant EU policies and other EU legislation					
J. Is as aligned as possible to international sustainability standards given the CSRD requirements					

**For part H, please explain why costs would be unreasonable and / or what particular benefit ESRS E3 offers**

**For part I, please specify what European law or initiative you think is insufficiently considered**

**For part J, please explain how you think further alignment could be reached**

**Please share any comments and suggestions for improvement you might have relating to the above questions, referring explicitly to the part of the question you are providing comment**



## ***ESRS E4 – Biodiversity and ecosystems***

The objective of this [draft] standard is to specify Disclosure Requirements which will enable users of sustainability reporting to understand:

(a) how the undertaking affects biodiversity and ecosystems, in terms of positive and negative material actual or potential adverse impacts;

(b) any actions taken, and the result of such actions, to prevent, mitigate or remediate, actual or potential adverse impacts and to protect and restore biodiversity and ecosystems;

(c) to what extent the undertaking contributes to (i) the European Green Deal's ambitions for protecting the biodiversity and ecosystems, the EU Biodiversity Strategy for 2030, the SDGs 2 Zero Hunger, 6 Clean water and sanitation, 12 Responsible consumption, 14 Life below water and 15 Life on land, the Post-2020 Global Biodiversity Framework and (ii) the respect of global environmental limits (e.g. the biosphere integrity and land-system change planetary boundaries);

(d) and the plans and capacity of the undertaking to adapt its business model and operations in line with the transition to a sustainable economy and with the preservation and restoration of biodiversity and ecosystems globally in general; and in particular in line with the objective of (i) ensuring that by 2050 all of the world's ecosystems and their services are restored to a good ecological condition, resilient, and adequately protected and (ii) contributing to achieving the objectives of the EU Biodiversity Strategy at latest by 2030;

(e) the nature, type and extent of the undertaking's material risks and opportunities related to the undertaking's impacts and dependencies on biodiversity and ecosystems, and how the undertaking manages them;

(f) the effects of risks and opportunities, related to the undertaking's impacts and dependencies on biodiversity and ecosystems, on the undertaking's development, performance and position over the short, medium and long term and therefore on its ability to create enterprise value.

This standard derives from the [Draft Corporate Sustainability Reporting Directive] stating that the sustainability reporting standards shall specify information to disclose about 'biodiversity and ecosystems'.

This standard sets out Disclosure Requirements related to the undertaking's relationship to terrestrial, freshwater and marine habitats, ecosystems and populations of related fauna and flora species, including diversity within species, between species and of ecosystems and their interrelation with many indigenous and local communities.

### **6 Question 43: Please, rate to what extent do you think ESRS E4**



## **Biodiversity and ecosystems**

**1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion**

	1	2	3	4	5
A. Covers sustainability information required by articles 19a and 19b of the CSRD proposal (see Appendix II for CSRD detailed requirements)					
B. Supports the production of relevant information against the intended objective of the sustainability matter covered					
C. Fosters comparability across sectors					
D. Covers information necessary for a faithful representation from an impact perspective					
E. Covers information necessary for a faithful representation from a financial perspective					
F. Prescribes information that can be verified and assured					
G. Meets the other objectives of the CSRD in term of quality of information					
H. Reaches a reasonable cost / benefit balance					
I. Is sufficiently consistent with relevant EU policies and other EU legislation					
J. Is as aligned as possible to international sustainability standards given the CSRD requirements					

**For part H, please explain why costs would be unreasonable and / or what particular benefit ESRS E3 offers**

**For part I, please specify what European law or initiative you think is insufficiently considered**

**For part J, please explain how you think further alignment could be reached**

**Please share any comments and suggestions for improvement you might have relating to the above questions, referring explicitly to the part of the question you are providing comment**



**ESRS E5 – Resource use and circular economy**

The objective of this [draft] standard is to specify Disclosure Requirements which will enable users of the sustainability reporting to understand:

(a) the impact of the undertaking on resource use considering the depletion of non-renewable resources and the regeneration of renewable resources and its past, current and future measures to decouple its growth from extraction of natural resources;

(b) the nature, type and extent of risks and opportunities arising from the resource use and the transition to a circular economy including potential negative externalities;

(c) the effects of circular economy-related risks and opportunities on the undertaking’s development, performance and position over the short-, medium- and long-term and therefore on its ability to create enterprise value in;

(d) the plans and capacity of the undertaking to adapt its business model and operations in line with circular economy principles including the elimination of waste, the circulation of products and materials at their highest value, and the nature’s regeneration.

This [draft] standard derives from the [Draft] Corporate Sustainability Reporting Directive stating that the sustainability reporting standards shall specify information to disclose about ‘resource use and circular economy’.

**7 Question 44: Please, rate to what extent do you think ESRS E5 – Resource use and circular economy**

**1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion**

	1	2	3	4	5
A. Covers sustainability information required by articles 19a and 19b of the CSRD proposal (see Appendix II for CSRD detailed requirements)					
B. Supports the production of relevant information against the intended objective of the sustainability matter covered					
C. Fosters comparability across sectors					
D. Covers information necessary for a faithful representation from an impact perspective					
E. Covers information necessary for a faithful representation from a financial perspective					



F. Prescribes information that can be verified and assured					
G. Meets the other objectives of the CSRD in term of quality of information					
H. Reaches a reasonable cost / benefit balance					
I. Is sufficiently consistent with relevant EU policies and other EU legislation					
J. Is as aligned as possible to international sustainability standards given the CSRD requirements					

**For part H, please explain why costs would be unreasonable and / or what particular benefit ESRS E5 offers**

**For part I, please specify what European law or initiative you think is insufficiently considered**

**For part J, please explain how you think further alignment could be reached**

**Please share any comments and suggestions for improvement you might have relating to the above questions, referring explicitly to the part of the question you are providing comment**



## ***ESRS S1 – Own workforce***

The objective of this [draft] standard is to specify Disclosure Requirements which will enable users of the sustainability reporting to understand:

(a) how they affect the undertaking affects own workforce, in terms of positive and negative material impacts;

(b) any actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential adverse impacts;

(c) the nature, type and extent of the undertaking's material risks and opportunities related to its impacts and dependencies on own workforce, and how the undertaking manages them; and

(d) the effects of risks and opportunities, related to the undertaking's impacts and dependencies on own workforce, on the undertaking's development, performance and position over the short, medium and long term and therefore on its ability to create enterprise value.

In order to meet the objective, this [draft] Standard also requires an explanation of the general approach the undertaking takes to identify and manage any material actual and potential impacts on its own workforce in relation to:

(a) working conditions (impacts related to e.g. living wage, health and safety, social security, working hours, water and sanitation);

(b) access to equal opportunities (impacts related to e.g. 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);

(c) other work-related rights, (impacts related to e.g. trade union rights, freedom of association and collective bargaining, child labour, forced labour, privacy, adequate housing).

This draft standard derives from the [Draft] Corporate Sustainability Reporting Directive stating that the sustainability reporting standards shall specify the information that undertakings are to disclose regarding social factors.

This [draft] Standard covers an undertaking's "own workforce", which is understood to include both workers who are in an employment relationship with the undertaking ("employees") and non-employee workers who are either individuals with contracts with the undertaking to supply labour ("self-employed workers") or workers provided by undertakings primarily engaged in 'employment activities' (NACE Code N78). This [draft] Standard does not cover (i) workers in the upstream or downstream undertaking's value chain for whom neither work nor workplace are controlled by the undertaking; or (ii) workers whose work and/or workplace is controlled by the undertaking but are neither employees, nor individual contractors ("self-employed workers"), nor workers provided by undertakings primarily engaged in "employment



activities” (NACE Code N78); these categories of workers are covered in ESRS S2 Workers in the Value Chain.

**8 Question 45: Please, rate to what extent do you think ESRS S1 – Own workforce**

**1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion**

	1	2	3	4	5
A. Covers sustainability information required by articles 19a and 19b of the CSRD proposal (see Appendix II for CSRD detailed requirements)			X		
B. Supports the production of relevant information against the intended objective of the sustainability matter covered			X		
C. Fosters comparability across sectors		X			
D. Covers information necessary for a faithful representation from an impact perspective			X		
E. Covers information necessary for a faithful representation from a financial perspective			X		
F. Prescribes information that can be verified and assured					
G. Meets the other objectives of the CSRD in term of quality of information					
H. Reaches a reasonable cost / benefit balance		X			
I. Is sufficiently consistent with relevant EU policies and other EU legislation					
J. Is as aligned as possible to international sustainability standards given the CSRD requirements					

**For part H, please explain why costs would be unreasonable and / or what particular benefit ESRS S1 offers**

Burdensome in practice to obtain information from other companies that the undertaking does not control.

Legal restrictions to share personal data between companies to fulfil the disclosure requirements of the undertaking.

**For part I, please specify what European law or initiative you think is insufficiently considered**



**For part J, please explain how you think further alignment could be reached**

**Please share any comments and suggestions for improvement you might have relating to the above questions, referring explicitly to the part of the question you are providing comment**



## ***ESRS S2 – Workers in the value chain***

The objective of this [draft] standard is to specify Disclosure Requirements which will enable users of the sustainability reporting to understand:

(a) how the undertaking affects workers in its value chain through its own operations and its upstream and downstream value chain (including its products and services, its business relationships and its supply chain), in terms of material positive and negative actual or potential adverse impacts;

(b) any actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential adverse impacts;

(c) the nature, type and extent of the undertaking's material risks and opportunities related to its impacts and dependencies on workers in the value chain, and how the undertaking manages them; and

(d) the effects of risks and opportunities, related to the undertaking's impacts and dependencies on workers in the value chain, on the undertaking's development, performance and position over the short-, medium- and long-term and therefore on its ability to create enterprise value.

In order to meet the objective, the [draft] standard requires an explanation of the general approach the undertaking takes to identify and manage any material actual and potential impacts on value chain workers in relation to impacts on those workers':

(a) working conditions (impacts related to e.g. living wage, health and safety, social security, working hours, water and sanitation);

(b) access to equal opportunities (impacts related to e.g. 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);

(c) other work-related rights, (impacts related to e.g. trade union rights, freedom of association and collective bargaining, child labour, forced labour, privacy, adequate housing).

This draft standard derives from the [Draft] Corporate Sustainability Reporting Directive stating that the sustainability reporting standards shall specify the information that undertakings are to disclose regarding social factors.

This [draft] standard 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'). Own workforce is covered in ESRS S1 Own workforce.



9 **Question 46: Please, rate to what extent do you think ESRS S2 – Workers in the value chain**

**1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion**

	1	2	3	4	5
A. Covers sustainability information required by articles 19a and 19b of the CSRD proposal (see Appendix II for CSRD detailed requirements)					
B. Supports the production of relevant information against the intended objective of the sustainability matter covered					
C. Fosters comparability across sectors					
D. Covers information necessary for a faithful representation from an impact perspective					
E. Covers information necessary for a faithful representation from a financial perspective					
F. Prescribes information that can be verified and assured					
G. Meets the other objectives of the CSRD in term of quality of information					
H. Reaches a reasonable cost / benefit balance		X			
I. Is sufficiently consistent with relevant EU policies and other EU legislation					
J. Is as aligned as possible to international sustainability standards given the CSRD requirements					

**For part H, please explain why costs would be unreasonable and / or what particular benefit ESRS S2 offers**

<p>Burdensome in practice to obtain information from other companies that the undertaking does not control.</p> <p>Legal restrictions to share personal data between companies to fulfil the disclosure requirements of the undertaking.</p>
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**For part I, please specify what European law or initiative you think is insufficiently considered**

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**For part J, please explain how you think further alignment could be reached**

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**Please share any comments and suggestions for improvement you might have relating to the above questions, referring explicitly to the part of the question you are providing comment**



### ***ESRS S3 – Affected communities***

The objective of this [draft] standard is to specify Disclosure Requirements which will enable users of the sustainability reporting to understand:

(a) how the undertaking affects its local communities through its own operations and its upstream and downstream value chain (including its products and services, its business relationships and its supply chain), in terms of material positive and negative actual or potential adverse impacts;

(b) any actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential adverse impacts;

(c) the nature, type and extent of the undertaking’s material risks and opportunities related to the undertaking’s impacts and dependencies on affected communities, and how the undertaking manages them; and

(d) the effects of risks and opportunities, related to their impacts and dependencies on local communities, on the undertaking’s development, performance and position over the short-, medium- and long-term and therefore on its ability to create enterprise value.

In order to meet the objective, the [Draft] standard requires an explanation of the general approach the undertaking takes to identify and manage any material actual and potential impacts on affected communities in relation to:

(a) impacts on communities’ economic, social and cultural rights (e.g. adequate housing, adequate food, water and sanitation, land-related and security-related impacts);

(b) impacts on communities’ civil and political rights (e.g. freedom of expression, freedom of assembly, impacts on human rights defenders); and

(c) impacts on particular rights of Indigenous communities (e.g. free, prior and informed consent, self-determination, cultural rights). This draft standard derives from the [Draft] Corporate Sustainability Reporting Directive stating that the sustainability reporting standards shall specify the information that undertakings are to disclose regarding social factors.

#### **10 Question 47: Please, rate to what extent do you think ESRS S3 – Affected communities**

**1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion**



	1	2	3	4	5
A. Covers sustainability information required by articles 19a and 19b of the CSRD proposal (see Appendix II for CSRD detailed requirements)					
B. Supports the production of relevant information against the intended objective of the sustainability matter covered					
C. Fosters comparability across sectors					
D. Covers information necessary for a faithful representation from an impact perspective					
E. Covers information necessary for a faithful representation from a financial perspective					
F. Prescribes information that can be verified and assured					
G. Meets the other objectives of the CSRD in term of quality of information					
H. Reaches a reasonable cost / benefit balance					
I. Is sufficiently consistent with relevant EU policies and other EU legislation					
J. Is as aligned as possible to international sustainability standards given the CSRD requirements					

**For part H, please explain why costs would be unreasonable and / or what particular benefit ESRS S3 offers**

**For part I, please specify what European law or initiative you think is insufficiently considered**

**For part J, please explain how you think further alignment could be reached**

**Please share any comments and suggestions for improvement you might have relating to the above questions, referring explicitly to the part of the question you are providing comment**



## ***ESRS S4 – Consumers and end-users***

The objective of this [draft] standard is to specify Disclosure Requirements which will enable users of the sustainability reporting to understand:

(a) how the undertaking affects the consumers and end-users of its products and/or services (referred to in this [draft] Standard as “consumers and end-users”), in terms of material positive and negative actual or potential adverse impacts connected with the undertaking’s own operations and upstream and downstream value chain, including its business relationships and its supply chain;

(b) any actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential adverse impacts;

(c) the nature, type and extent of the undertaking’s material risks and opportunities related to its impacts and dependencies on consumers and end-users, and how the undertaking manages them; and

(d) the effects of risks and opportunities, related to their impacts and dependencies on consumers and end-users, on the undertaking’s development, performance and position over the short-, medium and long-term and therefore on its ability to create enterprise value.

In order to meet the objective, the [draft] standard requires an explanation of the general approach the undertaking takes to identify and manage any material actual and potential impacts on the consumers and/or end-users related to their products and/or services in relation to:

(a) information-related impacts for consumers/end-users, in particular privacy, freedom of expression and access to information;

(b) personal safety of consumers/end-users, in particular health & safety, security of a person and protection of children; and

(c) social inclusion of consumers/end-users, in particular non-discrimination and access to products and services.

This draft standard derives from the [Draft] Corporate Sustainability Reporting Directive stating that the sustainability reporting standards shall specify the information that undertakings are to disclose regarding social factors.

### **11 Question 48: Please, rate to what extent do you think ESRS S4 – Consumers and end-users**

**1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion**



	1	2	3	4	5
A. Covers sustainability information required by articles 19a and 19b of the CSRD proposal (see Appendix II for CSRD detailed requirements)					
B. Supports the production of relevant information against the intended objective of the sustainability matter covered					
C. Fosters comparability across sectors					
D. Covers information necessary for a faithful representation from an impact perspective					
E. Covers information necessary for a faithful representation from a financial perspective					
F. Prescribes information that can be verified and assured					
G. Meets the other objectives of the CSRD in term of quality of information					
H. Reaches a reasonable cost / benefit balance					
I. Is sufficiently consistent with relevant EU policies and other EU legislation					
J. Is as aligned as possible to international sustainability standards given the CSRD requirements					

**For part H, please explain why costs would be unreasonable and / or what particular benefit ESRS S4 offers**

**For part I, please specify what European law or initiative you think is insufficiently considered**

**For part J, please explain how you think further alignment could be reached**

**Please share any comments and suggestions for improvement you might have relating to the above questions, referring explicitly to the part of the question you are providing comment**



**ESRS G1 – Governance, risk management and internal control**

The objective of this [draft] standard is to specify disclosure requirements which will enable users of the undertaking’s sustainability report to understand the governance structure of the undertaking, and its internal control and risk management systems.

This [draft] standard derives from the [Draft Corporate Sustainability Reporting Directive] stating that the sustainability reporting standards shall specify information to disclose information about governance factors, including:

- (i) the role of the undertaking’s administrative, management and supervisory bodies, including with regard to sustainability matters, and their composition, as well as a description of the diversity policy applied and its implementation;
- (ii) (ii) the undertaking’s internal control and risk management systems, including in relation to the undertaking’s reporting process.

**12 Question 49: Please, rate to what extent do you think ESRS G1 – Governance, risk management and internal control**

**1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion**

	1	2	3	4	5
A. Covers sustainability information required by articles 19a and 19b of the CSRD proposal (see Appendix II for CSRD detailed requirements)			X		
B. Supports the production of relevant information against the intended objective of the sustainability matter covered		X			
C. Fosters comparability across sectors			X		
D. Covers information necessary for a faithful representation from an impact perspective			X		
E. Covers information necessary for a faithful representation from a financial perspective			X		
F. Prescribes information that can be verified and assured			X		
G. Meets the other objectives of the CSRD in term of quality of information					
H. Reaches a reasonable cost / benefit balance		X			
I. Is sufficiently consistent with relevant EU policies and other EU legislation		X			
J. Is as aligned as possible to international sustainability standards given the CSRD requirements					



**For part H, please explain why costs would be unreasonable and / or what particular benefit ESRS G1 offers**

There is a lack of proportionality with respect to the disclosure requirements. It is considered that some disclosure requirements are disproportionate for companies that are unlisted e.g. on evaluation process, remuneration policy. Proposal: There should be an option whereas the requirements for disclosure are optional for non-listed companies.

Moreover, we consider the information requested in the proposed standard ESRS G1 to be too detailed. Especially for smaller institutions, this would mean a high effort, which is not necessarily required by Articles 19a and 19b of the CSRD.

**For part I, please specify what European law or initiative you think is insufficiently considered**

Generally, the proposed standards have limitations to their suitability for the financial sector. Separate standards should apply here. These standards should take better account of the legal particularities of all types of institutions.

The proposed standard ESRS G1 is partly not compatible with the governance of some of our member institutions. In particular, it does not take into account special legal requirements.

Examples: (1.) Independence of members (see para. 14(d)) is not required in some Member States for less significant institutions, therefore this information should not be required. (2.) The creed /religion of the members (see para. 12, AG 6) may not be asked by the employer at all. Therefore, this cannot be reported. (3.) In some types of institutions, the institution has no influence on the selection and appointment of supervisory body members. Although the nomination process can be described, it cannot be influenced. (4.) The same is true for diversity policy-requirements (see para., 22-26). (5.) In some institutes there are no "shareholder-selected members" (see p. 9, No. 43(a)). (6.) It is unclear what use the attendance rate is supposed to have (see para. 48 (b)).

**For part J, please explain how you think further alignment could be reached**

**Please share any comments and suggestions for improvement you might have relating to the above questions, referring explicitly to the part of the question you are providing comment**

In relation to point B), there is an overlap between the disclosure requirements found in this standard with those found in other reports e.g. the corporate governance report, remuneration report. There needs to be a clarification with respect to cross-referencing of disclosure requirements e.g. through an index, in order to avoid duplication of reporting requirements.

In general, there should be a uniform set of rules for disclosure requirements in order to avoid duplication of reporting requirements.





**ESRS G2 – Business conduct**

The objective of this [draft] standard is to specify disclosure requirements for the undertaking to provide information about its strategy and approach, processes and procedures as well as its performance in respect of business conduct.

This [draft] standard derives from the [Draft Corporate Sustainability Reporting Directive] stating that the sustainability reporting standards shall specify information to disclose about business ethics and corporate culture, including anti-corruption and anti-bribery.

In general, business conduct covers a wide range of behaviours that support transparent and sustainable business practices to the benefit of all stakeholders. This [draft] standard focusses on a limited number of practices as follows:

- (a) business conduct culture;
- (b) avoiding corruption, bribery and other behaviours that often have been criminalised as they benefit some in positions of power with a detrimental impact on society; and
- (c) transparency about anti-competitive behaviour and political engagement or lobbying.

This [draft] standard is addressing business conduct as a key element of the undertaking’s contribution to sustainable development. This [draft] standard requires the undertaking to report information about its overall policies and practices for business conduct, rather than information for specific material sustainability topics.

**13 Question 50: Please, rate to what extent do you think ESRS G2 – Business conduct**

**1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion**

	1	2	3	4	5
A. Covers sustainability information required by articles 19a and 19b of the CSRD proposal (see Appendix II for CSRD detailed requirements)					
B. Supports the production of relevant information against the intended objective of the sustainability matter covered		X			
C. Fosters comparability across sectors					



D. Covers information necessary for a faithful representation from an impact perspective					
E. Covers information necessary for a faithful representation from a financial perspective					
F. Prescribes information that can be verified and assured		X			
G. Meets the other objectives of the CSRD in term of quality of information					
H. Reaches a reasonable cost / benefit balance		X			
I. Is sufficiently consistent with relevant EU policies and other EU legislation					
J. Is as aligned as possible to international sustainability standards given the CSRD requirements					

**For part H, please explain why costs would be unreasonable and / or what particular benefit ESRS G2 offers**

The information requested in the proposed standard ESRS G2 is too far-reaching and detailed. Especially for smaller institutions, this would mean a high effort, which is not necessarily required by Articles 19a and 19b of the CSRD.

**For part I, please specify what European law or initiative you think is insufficiently considered**

**For part J, please explain how you think further alignment could be reached**

**Please share any comments and suggestions for improvement you might have relating to the above questions, referring explicitly to the part of the question you are providing comment**

Regarding points B) and F): Some of the expected disclosures concern confidential information or relate to preliminary matters. Such requirements should be deleted, and a significant streamlining should be made overall.



### **Additional information**

Should you wish to provide additional information (e.g. a position paper, report) or raise specific points not covered by the questionnaire, you can upload your additional document(s) below. **Please make sure you do not include any personal data in the file you upload if you want to remain anonymous.**

In addition to the above, we would like to raise some additional comments that do not fit into any specific question:

**Proportionality:** The ESRS lacks proportionality with respect to reporting requirements. In our view, some reporting requirements are disproportionate for unlisted companies/smaller companies in terms of the type, scope and level of detail of the information requested. The reporting standards should take into account the specifics of the European banking market. For example, options could be provided as to which reporting requirements are optional (gradation of reporting requirements according to size, regional activity only, and legal form or capital market orientation/listing of companies). This could obviously be done as part of the materiality analysis according to the ESRS specifications for defining an ESRS set for the different types of banks. Otherwise, the sheer volume of information to be reported threatens to completely overburden reporting companies and, at the same time, the effort and benefit for third parties is hardly in an appropriate ratio given this volume of data. Compact reports reduced to the relevant information are not only in the interest of the addressees, but also increase the quality, practicability and verifiability of the information. In addition, stakeholders - including us as the addressees of the report - have an interest in clear and quickly comprehensible information. Concentrating on the essentials in this way would also accelerate the implementation of the necessary processes, which is still pending in many places, and free up resources tied up by excessive reporting obligations for the urgently needed support of companies in their transformation to a sustainable European economic area.

**SME standards:** The planned reporting standards for SMEs should be developed promptly as planned or even further accelerated to give companies sufficient time to adjust to the reporting requirements. In addition, substantial relief is required compared to the currently consulted ESRS.

**Consistency with GRI:** The EFRAG drafts are apparently also based on the GRI standard, according to which many large, reportable financial institutions already report today. Here, with a view to the above-mentioned special features of the European banking market, the ESRS would, on the one hand, ensure compatibility of the reporting standards so that the reports remain largely consistent in a time comparison. On the other hand, it must be ensured that the complexity of reporting for smaller banks and medium-sized companies is not aligned with the GRI, which was developed in particular for international groups and large companies, without necessity.

**Timing of the consultation:** Overall, the time provided for this consultation is not enough and that the quality of the responses will most probably suffer for that reason. Timing is also not the most appropriate due to the summer vacation period.

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