

# POSITION PAPER



## **ESBG response to the European Commission consultation on the Delegated Act concerning the first set of European Sustainability Reporting Standards**

ESBG (European Savings and Retail Banking Group)

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**JULY 2023**

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

The twelve draft standards in Annex I are:

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

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

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



## 1. General comments

ESBG welcomes many of the changes made by the EU Commission to the Sustainability Reporting Standards (ESRS) compared to EFRAG's final drafts. We particularly welcome the transitional provisions for companies with fewer than 750 employees and the materiality assessment enshrined in the ESRS. However, this goes too far in some cases and contradicts banking-specific regulation. For this reason, the materiality assessment should not be applied without restriction.

### **Expanded materiality assessment vs. mandatory disclosures**

The basic option provided in the DA to assess all ESG (sub-)issues within the framework of the materiality assessment at least leads to more flexibility and avoids the need to report on non-relevant sustainability information at great expense. It enhances the clarity and thus the usability of sustainability reporting. Therefore, the materiality approach should also function as a prerequisite for reporting in the sector-specific ESRS. Nevertheless, conducting a materiality assessment remains challenging and requires significant capacity. Similarly, the reporting requirements remain extensive and detailed, while companies and banks have little time for internal implementation once the final legislation is available. An in-depth assessment of all materiality data points in the first year of application appears to be largely unfeasible given the existing human resources and ESG expertise that is still being developed. The resilience of the bank's own staff should not be overstretched in the implementation of the regulatory requirements.

At the same time, the materiality approach of the CSRD / ESRS now goes too far in some places and should be limited. In addition to the CSRD, financial companies are subject to further reporting and disclosure obligations, e.g. Pillar 3 disclosure under the CRR, and are obliged to use sustainability aspects for the management of individual financial products (e.g. sustainable funds) or the institution as a whole (risk management). In order to fulfil these obligations, banks rely on the information provided by companies in their sustainability reports. ESBG is concerned that in the effort to simplify the disclosure requirements, financial companies will suffer because of the lack of material information being disclosed. When all disclosure requirements are subject to materiality assessments, the European Commission is potentially undermining the intention of the CSRD and ESRS. As a result of the changes to the ESRS, some aspects may now be considered immaterial based on the bank's own business model, while financial institutions need them for regulatory purposes to manage financial products, the institution as a whole or to meet their own reporting obligations. This includes, for example, CO2 emissions or the consideration and disclosure of Principal Adverse Impacts (PAIs)



under the Sustainable Finance Disclosure Regulation (SFDR). Therefore, the materiality proviso should not apply without qualification - information on GHG emissions and the other PAIs must remain mandatory for all reporting companies through the ESRS. At the very least, it may be appropriate to require this for certain sectors/business activities

To a large extent, ESG supports the Eurosif statement on the 12th of June, and reversal on some of the suggested changes from the European Commission.

- Maintain mandatory key climate disclosure indicators and topics, including Scope 1, 2, and 3 GHG emissions, climate targets and transition plans;
- Keep mandatory key environmental and social disclosures necessary to comply with the SFDR, the Benchmark Regulation and Climate Benchmark Delegated Acts, as well as Pillar 3 disclosure requirements;
- Reconsider the voluntary nature of certain disclosures, , as well as on biodiversity and own workforce.

### **Phase-in certain requirements**

We support the intention of reducing the disclosure requirements on SMEs and expanding the flexibility on introducing the disclosure requirements. However, the new suggested phase-in approach risks making the implementation of the requirements more complex and less understandable and could potentially end up having the opposite of the desired effect. Moreover, if the expanded materiality assessment is kept for the ESRS, the need for further phase-in of the requirements is reduced further.

### **CSRD vs. ESRS**

The CSRD states the requirement to disclose information related to the undertaking's business model and strategy (article 19a and 29a). More specifically, there is a requirement to disclose "the plans of the undertaking, including implementing actions and related financial and investment plans, to ensure that its business model and strategy are compatible with the transition to a sustainable economy and with the limiting of global warming to 1,5 °C in line with the Paris Agreement" (article 19a 2. (a) (iii)).



However, with the expanded materiality assessment of the ESRS, the requirement to disclose a transition plan either on climate or other sustainability related topics will be subject to a materiality assessment. Further guidance is needed on the relationship between the disclosure requirements described in the CSRD and the ESRS, and what takes precedence.

### **ESRS vs. CSDDD**

The ESRS are introducing requirements that appear to anticipate the requirements of the CSDDD, as they impose value chain Due Diligence in line with the OECD guidelines. The CSDDD is currently under negotiation and it seems counter-productive to introduce similar requirements through the ESRS. Instead, to ensure regulatory consistency, a single definition based on the CSDDD should be used. This contains, inter alia, various clarifications on the composition of the value chain of credit institutions and should therefore serve as a basis for reporting under the ESRS. Given the current low availability of data along the value chain in some areas, we welcome the simplification of the value chain disclosures for the first three reporting years as well as the new transitional provisions for the disclosure of employees in the value chain.

### **Turnover, CapEX and OpEX related requirements**

There should be a general remark that any disclosure requirement concerning the above mentioned KPIs doesn't apply to the financial institutions as they refer to and can be calculated only for non-financial undertakings.

## **2. Specific comments on the main text of the draft delegated act**

According to the explanatory memorandum last Para. listed SME will have the option for using separate proportionate standards adopted by June 2024. It should be mentioned that this option is provided for SNCI as well (cf. Art. 19 a (6) Accounting Directive).



### 3. Specific comments on Annex I

Stand- ard	Paragraph or AR num- ber or ap- pendix	Comment
ESRS 1	Para 29	<p><b>VALUE CHAIN - DISCLOSURE REQUIREMENTS STEMMING FROM OTHER EU LEGISLATION</b>  <b>Issue</b></p> <p>Disclosure requirements and datapoints that are included in cross-cutting and topical standards that are required by other EU legislation are subject to materiality assessment.</p> <p><b>Fact patterns (operational effects of applying the requirements)</b></p> <p>The banking sector plays a key role in reorienting capital flows towards sustainable investment to achieve sustainable and inclusive growth. Financial institutions rely on the information provided by different types of counterparties. To succeed in this role, it is essential that financial institutions have access to data provided by their clients of their lending portfolios.</p> <p>The datapoints prescribed in the standards that are required by other EU legislation are necessary for the financial service-sector to fulfil its role in financing a more sustainable economy.</p> <p>Under the current approach proposed by the European Commission financial undertakings will only have access to sustainability information from their borrowers to the extent that the corresponding information is assessed to be material by the borrower. This will impair the ability of credit institutions to aggregate data that are non-material when referred to an individual exposure of the borrower but can become material when considered at portfolio level of the financial undertaking.</p>



		<p>In practice, financial institutions do not have the capacity to enforce a client without significant influence and control to provide sustainability information and they rely on the information directly published by the counterparty.</p> <p><b>Evidence</b></p> <p>The investors' community through its representative in the Sustainability Reporting Board of EFRAG expressed on many occasions her concerns on this issue. Companies not disclosing certain sustainability information needed by the investors might face the risk of being excluded from investments and other financing services.</p> <p><b>Proposed solution</b></p> <p>Make disclosure requirements stemming from EU legislation compulsory, irrespective of the outcome of the borrowers' materiality assessment.</p> <p>In the event that financial entities do not have the minimum breakdown of non-financial information required from their counterparties, in order to assess the risks and opportunities arising from their investments on their counterparties, financial entities may have to rely on the use of Estimates and Proxies (subjected to interpretations and errors), and ESG Data Providers to supply the lack of primary information from their investees.</p> <p>It is our understanding that, the anticipated cost of reporting reduction due to voluntary and additional phase-in period provisions, would result in an increase in costs for financial institutions in the use of ESG data providers, proxies and estimates and processes of engagement with companies to gather all the information required by EU regulation.</p>
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		<p>Regarding SFDR specifically, mandatory DRs for companies could be limited to the mandatory SFDR PAIs (Table 1), while the optional SFDR PAIs (Table 2 &amp; 3) could be subject to materiality assessment.</p>
<p>ESRS 1</p>	<p>Para 29</p>	<p><b>VALUE CHAIN - VOLUNTARY REPORTING AND MATERIALITY ASSESSMENT</b> <b><i>Issue</i></b></p> <p>The latest draft ESRS published by the EC, reduces various reporting requirements for European firms compared to the EFRAG proposal, by setting them as voluntary or subject to materiality assessment.</p> <p><b><i>Fact patterns (operational effects of applying the requirements)</i></b></p> <p>Companies are increasingly exposed to sustainability information requests from their stakeholders, not only by banks. All companies, irrespective of their size, will need to adapt their processes to generate adequate sustainability information. Companies not able to adapt to the new reporting landscape face the risk of being excluded from investments and financing. Under the current approach proposed by the European Commission financial undertakings will only have access to sustainability information from their borrowers to the extent that the corresponding information is disclosed by the borrower. This will impair the ability of credit institutions to aggregate data that are published by the borrower, but the financial undertaking is willing to report it on a voluntary basis or is material at portfolio level.</p> <p><b><i>Evidence</i></b></p> <p>As an example, there is a broad consensus within the financial markets participants that in case SFDR datapoints are not disclosed by a potential investee the investment will not materialise. This opinion was reiterated in many occasions in EFRAG’s TEG and Sustainability Board meetings by investors’ representatives and by ESMA as observer. Failure to report on sustainability SFDR datapoints might compromise market access and expansion of those companies not able to report, creating a cliff between companies able to report and the rest.</p>





	<p><b>Proposed solution</b></p> <p>We believe that the process for undertaking to conclude if a sustainability matter is material or not could vary as different views may exist on the scope of the materiality assessment, as opposed to the scope of items to be always reported. The proposed materiality approach and voluntary reporting still allows companies to omit DRs/datapoints (maybe resulting in an entire topic to be omitted). In this regard, while providing a high-level explanation of why it is not-disclosed, there should be a minimum mandatory list of DRs/datapoints in specific cases for which there is evidence that the market practice considers DRs/ datapoints material or relevant.</p> <p>In this sense, we would suggest an approach that follows a list of matters identified as always to be reported by the standard setter, and materiality approach applied to DRs/datapoints for specific metrics. It is our concern that many of the hard performance metrics may not be reported in favour of narrative disclosure on policies and commitments, leading to undermine comparability where it is most needed. In addition, it would be helpful to understand if the information is not relevant for the company own operations or its entire value chain.</p> <p>The current phase-in provisions provide some relief for companies in terms of the cost of reporting, as it will be reduced compared to the EFRAG proposal. However, we understand that if the indicator is material to the company, the reporting should be mandatory and not voluntary. In any case, an explanation of why certain sustainability topics have been classified as not disclosed should be mandatory and not a voluntary disclosure.</p> <p>Furthermore, we strongly support that irrespective of the outcome of the materiality assessment the datapoints required by EU law shall always be disclosed. Alternatively, mandatory DRs for listed SMEs could be limited to the mandatory SFDR PAIs (Table 1), while the optional SFDR PAIs (Table 2 &amp; 3) could be subject to materiality assessment. In any case, corporates should distinguish between three situations:</p> <ul style="list-style-type: none"><li>- Not reported because not material;</li></ul>
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		<ul style="list-style-type: none"> <li>- Not reported because the value is zero;</li> <li>- Not reported because data is unfeasible to obtain without undue costs;</li> </ul> <p>As a summary, we believe that less space for materiality assessment or voluntary disclosure could improve the level of data to be reported in the long term. In our view, companies should include the entire list disclosure requirements, in order to secure the possibility for large undertakings to collect the necessary data.</p>
<i>ESRS 1</i>	<i>Para 61</i>	<p>Collective bargaining coverage and social dialogue - (Kollektivvertragliche Deckung und sozialer Dialog) - In CEE (Central and Eastern Europe) there are different forms of employee representation. The concept of and therefore the term “Kollektivvertrag” does not exist in each country. There are countries e.g. Hungary where we talk about “minimum” wages which are defined by the state (in consultation with the trade unions). ESBG proposes that the requirements should be modified, as follows: Collective bargaining coverage “where applicable”</p>
<i>ESRS 1</i>	<i>Para 62-67</i>	<p><b>VALUE CHAIN - BOUNDARIES</b> <b>Issue</b></p> <p>The concept of value chain and boundaries included in the standards is too broad and wide. Given the nature of the activity carried out by financial institutions, in which their indirect impact from their value chain is more important compared to the impact directly produced by their own operations, this lack of clarity is more critical compared to other sectors.</p> <p><b>Fact patterns (operational effects of applying the requirements)</b></p> <p>Financial institutions need clear boundaries to ensure the feasibility of reporting on sustainability impacts, risks and opportunities.</p> <p>As far as the financial industry is concerned, providing financial solutions to clients does not affect the stakeholders of the clients:</p>



		<ul style="list-style-type: none"> <li>i) Providing finance to a borrower does not imply that the credit institution has the capacity to affect the stakeholders of the borrowing company.</li> <li>ii) Holding a non-controlling interest, not being involved in the decision-making process and relying on information from public sources to monitor the investments does not imply that an investor affects the stakeholders of its investee's company.</li> <li>iii) Insuring specific assets (.eg. a fleet of vehicles) or policies that are legally required by the legislation in certain jurisdictions do not imply that an insurance company affects the stakeholders of the insured company.</li> </ul> <p>Financial institutions should only assess and disclose those impacts, risks and opportunities directly linked to their direct counterparties and not extend it to the counterparty's value chains.</p> <p><b>Evidence</b></p> <p>This concern is not only shared by the financial industry but also by their main regulators and supervisors, such as the ECB, EBA and EIOPA and are thoroughly expressed in their opinions on ESRS Set 1. As stated by the EBA, the absence of clear boundaries “<i>would lead to an indeterminate number of entities included in the value chain</i>”.</p> <p><b>Proposed solution</b></p> <p>Limit the scope of the value chain of financial institutions to the direct counterparty and not extend it to the counterparty's value chains. This approach (i) would ensure the feasibility of reporting indirect impacts, risks and opportunities of the financial institution's value chain and (ii) would prevent double/multiple counting of the same quantitative impacts.</p>
<p>ESRS 1</p>	<p>Para 62-67</p>	<p><b>VALUE CHAIN - CONSISTENCY WITH OTHER EUROPEAN LEGISLATION</b></p> <p><b>Issue</b></p> <p>Decentralised policymaking in key areas of the sustainable finance agenda (EFRAG, EBA, ESMA, EIOPA, Platform on Sustainable finance, European Commission) may generate potential</p>



		<p>overlaps and inconsistencies. This might be the case for the definition that will be included in the CSDDD under the development and in ESRS for reporting purposes.</p> <p><b>Fact patterns (operational effects of applying the requirements)</b></p> <p>The application of divergent definitions for the same concept might lead to confusion, interpretation and implementation challenges, lack of comparability and incurring in unnecessary administrative burdens and costs given the coexistence of two definitions for different purposes.</p> <p><b>Proposed solution</b></p> <p>Align the definition of value chain contained in the CSDDD and the ESRS and limit it to the direct counterparty of the undertaking as stated above.</p>
<p>ESRS 1</p>	<p>Para 68-72</p>	<p><b>VALUE CHAIN - REAL DATA COLLECTED FROM ACTORS IN THE VALUE CHAIN</b></p> <p><b>Issue</b></p> <p>Huge heterogeneity of data quality collected by financial institutions, that once aggregated by the financial institution might ultimately impair the quality of its own sustainability information published.</p> <p>The root cause of this potential lack of comparability might be (i) the absence of a harmonised methodology and standardisation guidance on the process (ii) and lack of adequate tools to calculate actual data by the borrower. ESRS sets “what” shall be disclosed but not “how” to do it.</p> <p><b>Fact patterns (operational effects of applying the requirements)</b></p>



		<p><b>Section 1.01</b>                      <b>Financial institutions rely on the information provided by different types of counterparties with different abilities to disclose sustainability information. This ability to produce sustainability information is mainly driven by the size of the corporation. The fact that the sustainability information is directly published by the borrower does not necessarily imply that the information is accurate and reliable. Most of the sustainability information collected and aggregated from financial institutions' value chains is sourced from SMEs and it is unaudited.</b></p> <p>Reporting and data availability are two sides of the same coin. Setting compulsory sustainability disclosures without putting in place adequate tools, guidance and methodologies might be a failure and might impair the sustainability information disclosed by financial institutions from their value chains.</p> <p><b><i>Proposed solution</i></b></p> <p>European authorities must ensure that companies have (i) access to widespread tools that allow them to calculate and gather accurate sustainability information (ii) harmonised methodology and standardisation guidance on the process of gathering and calculating sustainability information.</p> <p>We propose to delay the Value Chain indicators for financial entities, being performed for the first time one year after all other companies subjected to CSRD have reported their non-financial information, including their expected financial effects to climate and other environment-related impacts, risks and opportunities.</p> <p>An additional phase-in period for financial institutions, would ensure that the necessary information on their counterparties is gathered accordingly.</p>
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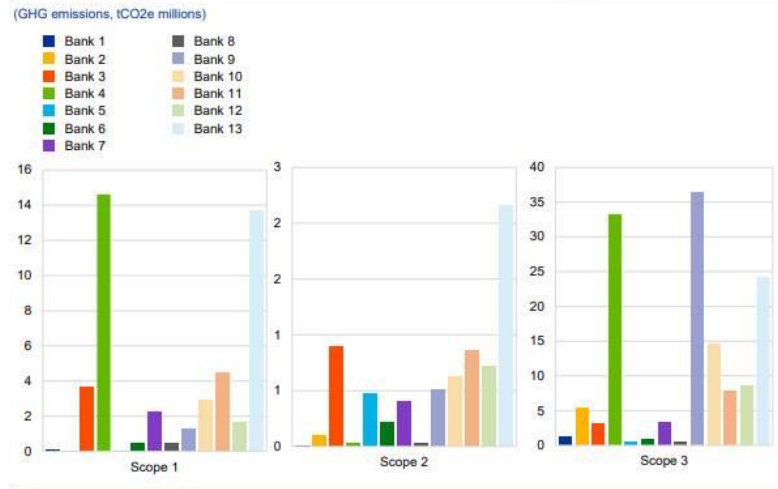
<p>ESRS 1</p>	<p>Para 68-72</p>	<p><b>VALUE CHAIN - SECTOR-AVERAGE DATA AND OTHER PROXIES</b></p> <p><b>Issue</b></p> <p>The high reliance on proxies and estimates during the first years of reporting and the lack of standardisation in terms of guidance on underlying data sources to use might lower the reliability and comparability of sustainability information across entities.</p> <p>The root cause of this potential lack of comparability might be the absence of a harmonised methodology and standardisation guidance on underlying data sources to use in the absence of actual data from the counterparty. As a result, the use of proxies (top-down approach) would compromise the comparability with the information that has been built bottom-up, being in any case necessary to specify the estimation methodology and hypothesis used.</p> <p><b>Fact patterns (operational effects of applying the requirements)</b></p> <p>ESRS 1 recognises the difficulty of undertakings to obtain sustainability information from their value chains. Under certain circumstances ESRS 1 allows to estimate sustainability information from the value chain by using available sector-average data and other proxies.</p> <p>This possibility granted by the standard assumes a high degree of maturity of available sector-average data and other proxies. This is also true for climate related topics, which are more mature than other sustainability concepts.</p> <p>In practice, the available sector-average data and other proxies provided by research firms present a high dispersion and heterogeneity. Sustainability information of two undertakings operating in the same sector would only be comparable as long as they have the same provider of sustainability information.</p> <p><b>Evidence</b></p>
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ECB expressed this concern in its Report on good practices for climate stress testing (December 2022). This report contains the following chart, which shows the high dispersion of emissions for the same counterparty provided by 13 banks to the ECB in this exercise:

**Chart 2**

Heterogeneity of estimated emissions for the same counterparty



Source: Bank submissions.

***Proposed solution***

Provide a harmonised methodology and standardisation guidance on underlying data sources to use in the absence actual data from the counterparty.

ESRS 1	Par 129-136	<b>VALUE CHAIN - ADDITIONAL PHASE-IN PROVISIONS</b> <b><i>Issue</i></b>
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		<p>The latest draft European Sustainability Reporting Standards (ESRS) published by the European Commission (EC), reduces and/or delays various reporting requirements for European firms compared to the EFRAG proposal.</p> <p><b><i>Fact patterns (operational effects of applying the requirements)</i></b></p> <p>The proposed phase-in provisions differentiate between companies previously subject or not to Non-Financial Reporting Directive, companies with more or less than 750 employees, and Listed SMEs.</p> <p>Although we welcome this approach towards pragmatism and proportionality, it is our concern that now financial institutions would have been impaired to aggregate data from its value chain, leading to incomplete reporting or highly reliant on sector-average data and other proxies. Irrespective of their size, financial institutions need sustainability information from their clients as preparers, to report their indirect impact, risks and opportunities on material sustainability topics of their lending portfolio, and as users, to have better information of their lending activities and understand the financial effects from climate and other environment-related impacts, risks and opportunities, among others.</p> <p>From a <u>preparer</u> perspective, financial institutions reporting might be impaired due to the fact that CSRD and ESRS request financial institutions to report in the same timing or even before with the amendments introduced by the European Commission compared to other corporates. Consequently, timing can be very tight for financial institutions to report on their indirect impacts, risks and opportunities, as the information they need to report from its counterparties is often published by corporates at the same time or after.</p> <p>From a <u>user</u> perspective, companies not disclosing certain sustainability information needed by the investors, credit institutions or public administrations might face the risk of being excluded from investments, other financing services, subsidised loans or grants. Investors, credit institutions and public administrations are introducing sustainability conditions for investments, financial services, grants and subsidised loans. As a consequence, any company eligible to receive</p>
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one of these products will be requested to generate sustainability information. Failure to report on sustainability datapoints might compromise market access, creating a cliff between companies able to report and the rest.

**Evidence**

The following table shows that CSRD and ESRS request financial institutions to report in the same timing or even before compared to other corporates:

**Phase-in provisions of CSRD and ESRS: overview**

	FY 24 (report 25)	FY 25 (report 26)	FY 26 (report 27)	FY 27 (report 28)	FY 28 (report 29)
NFRD > 750 emp	Light phase-in	Light phase-in	Light phase-in	Full reporting	Full reporting
NFRD < 750 emp	Strongest phase-in	Moderate phase-in	Light phase-in	Full reporting	Full reporting
Non-NFRD > 750 emp	No reporting	Light phase-in	Light phase-in	Light phase-in	Full reporting
Non-NFRD < 750 emp	No reporting	Strongest phase-in	Moderate phase-in	Light phase-in	Full reporting
Listed SME	No reporting	No reporting	May opt out*	May opt out*	Full reporting*

**Proposed solution**

An additional phase-in period for financial institutions, would ensure that the necessary information on their counterparties is gathered accordingly. In the same way as for the Taxonomy Regulation, that do differentiate an application period between financial and non-financial undertakings, so that financial undertakings are able to report their eligibility based on previously reported information of their counterparties.



		In this sense, we propose to delay the “Full reporting” for financial entities, being performed for the first time in FY 29 (report 30), when all companies subjected to CSRD have reported their non-financial information, including their expected financial effects to climate and other environment-related impacts, risks and opportunities.
ESRS S1-1 Policies related to own workforce	24 (b)	<p>(b) whether the following grounds for discrimination are specifically covered in the policy: <b>racial and ethnic origin, colour, sex, sexual orientation</b>, gender identity, disability, age, <b>religion, political opinion, national extraction or social origin</b>, and any other forms of discrimination covered by EU regulation and national law;  =&gt; <i>Racial and ethnic origin, colour, sex, sexual orientation, religion, political opinion, national extraction or social origin are data prohibited from reporting in some member states.</i></p> <p>Proposal: Introduce the wording ““if authorized by national law of the reporting company” in order to account for member states specificities in this respect.</p>
ESRS S1 - 17 Incidents, complaints and severe human rights impacts	102	<p>The disclosure required by paragraph 100 shall include, subject to the relevant privacy regulations, work-related incidents of discrimination on the grounds of gender, <b>racial or ethnic origin, nationality, religion or belief, disability, age, sexual orientation</b>, or other relevant forms of discrimination involving internal and/or external stakeholders across operations in the reporting period. This includes incidents of harassment as a specific form of discrimination.</p> <p><i>Racial and ethnic origin, religion or belief, sexual orientation are data prohibited from reporting in some member states.</i></p> <p>Proposal: Introduce the wording ““if authorized by national law of the reporting company ” in order to account for member states specificities in this respect.</p>
Disclosure Requirement	AR 55	<p>The undertaking shall disclose the requested disclosures in the following tabular formats:</p> <p>Table 1: Template for presenting information on employee head count <b>by gender</b> :</p> <p>Table 3: Template for presenting information on employees by contact type, broken down by gender (head count or FTE)</p>



S1-6 - Characteristics of the Undertaking's Employees		<p>⇒ To report gender on 4 categories : Male / female / other / not reported / is not possible in some member states.</p> <p>Proposal: Introduce the wording ““if authorized by national law of the reporting company ” in order to account for member states specificities in this respect.</p>
ESRS G 1-4		<p><u>G 1-4 incidents of corruption or bribery during the reporting period</u>: disclosure requirements regarding details should be deleted as these are confidential information</p> <p>G 1-4 Nr.25 punkt d “(d) details of public legal cases regarding corruption or bribery brought against the undertaking and its own workers during the reporting period and the outcomes of such cases; “</p>
ESRS G1-5		<p>G 1-5 lobbying+political influence: The required data, esp. on in-kind contributions and indirect contributions regarding political and lobbying or advocacy activities would be very difficult to determine and generate rather little information value. Almost all undertakings are members of associations that represent their interests in a general sense. Usually, this is done on a broad range of issues. Effects of corresponding membership fees, sponsoring etc. on a specific regulation are hardly traceable. The requirements should be skipped or significantly streamlined</p>

#### 4. Specific comments on Annex II

Defined term	Comment



Supply chain	According to the definition, supply chain includes upstream entities with which the undertaking has a direct relationship (often referred to as a first-tier supplier) and entities with which the undertaking has an indirect business relationship. We propose to limit the supply chain to the first-tier supplier, as this scope already may contain (depending on the business model and the size of the entity) a significant number of companies to be considered. Otherwise, entities in the further supply chain (including SMEs) will also be involved and most likely overburdened
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## **About ESBG (European Savings and Retail Banking Group)**

ESBG is an association that represents the locally focused European banking sector, helping savings and retail banks in 17 European countries strengthen their unique approach that focuses on providing service to local communities and boosting SMEs. An advocate for a proportionate approach to banking rules, ESBG unites at EU level some 871 banks, which together employ 610,000 people driven to innovate at 41,000 outlets. ESBG members have total assets of €6.38 trillion, provide €3.6 trillion loans to non-banks, and serve 163 million Europeans seeking retail banking services.

Our transparency ID is 8765978796-80.



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Published by ESBG. JULY 2023