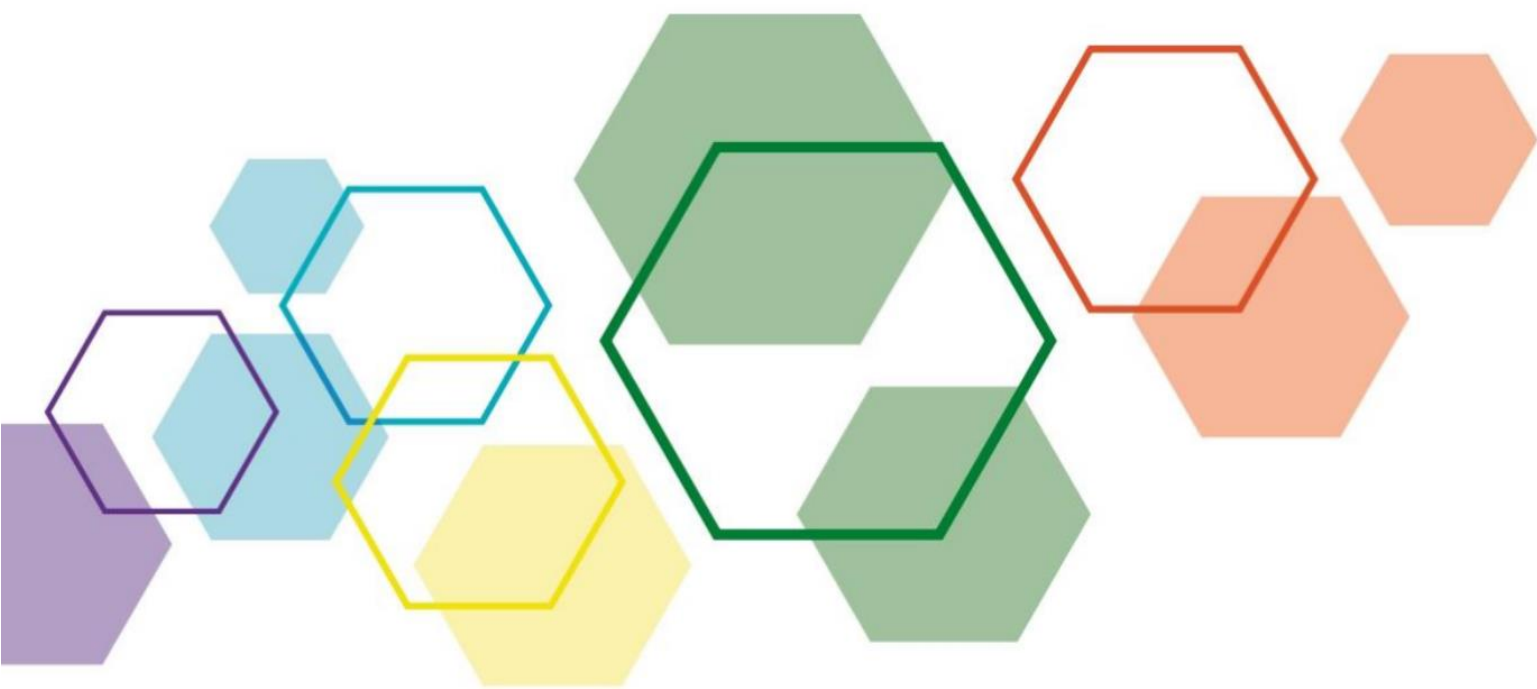


# DRAFT EUROPEAN SUSTAINABILITY REPORTING STANDARDS

---

**Appendix II** - CSRD requirements for the development of sustainability reporting standards and their coverage by the draft ESRS



November 2022

1. The first part of this appendix highlights the CSRD provisions that frame the standard-setting work of the European Commission and therefore, of its technical adviser, EFRAG.
2. The second part of the appendix maps how these CSRD provisions are addressed by the draft ESRS (Set 1).

## **1. CSRD requirements for ESRS standard setting**

3. Article 1 of the CSRD prescribes amendments to some of the Accounting Directive provisions relating to sustainability reporting as well as additions to the existing Accounting Directive provisions. Doing so, article 1 lays out the expectations in terms of standard-setting process, in the following manner:
  - amendment of Article 19a on sustainability reporting, defines what sustainability information shall contain – especially article 19a paragraph 2.
  - added article 29b on sustainability reporting standards defines
    - o how and when the Commission shall adopt the sustainability reporting standards (article 29b paragraph 1);
    - o what sustainability subject matter sustainability reporting standards shall cover (article 29b paragraph 2); and
    - o the existing European texts and international initiatives that shall be taken account of when drafting and then adopting the standards (article 29b paragraph 3).
  - added article 29c on sustainability reporting standards for SMEs defines the requirements for SME-specific standards and when the Commission shall adopt them
  - added article 29d on single electronic reporting format prescribes reporting entities to submit their sustainability report in a specific digital format, requiring the sustainability reporting standards to consider this constraint in the definition of the disclosure requirements.

### *Article 1*

#### ***Amendments to Directive 2013/34/EU***

*Directive 2013/34/EU is amended as follows:*

(4) Article 19a is replaced by the following

#### Article 19a

#### **Sustainability Reporting**

*1. Large undertakings, and small and medium-sized undertakings, except micro undertakings, which are public-interest entities as defined in point (a) of point (1) of Article 2 shall include in the management report information necessary to understand the undertaking's impacts on sustainability matters, and information necessary to understand how sustainability matters affect the undertaking's development, performance and position.*

*The information referred to in the first subparagraph shall be clearly identifiable within the management report, through a dedicated section of the management report.*

*2. The information referred to in paragraph 1 shall contain:*

*(a) a brief description of the undertaking's business model and strategy, including:*

- (i) *the resilience of the undertaking's business model and strategy in relation to risks related to sustainability matters;*
  - (ii) *the opportunities for the undertaking related to sustainability matters;*
  - (iii) *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 under the United Nations Framework Convention on Climate Change adopted on 12 December 2015 (the 'Paris Agreement') and the objective of achieving climate neutrality by 2050 as established in Regulation (EU) 2021/1119 of the European Parliament and of the Council\*, and, where relevant, the exposure of the undertaking to coal-, oil- and gas-related activities;*
  - (iv) *how the undertaking's business model and strategy take account of the interests of the undertaking's stakeholders and of the impacts of the undertaking on sustainability matters;*
  - (v) *how the undertaking's strategy has been implemented with regard to sustainability matters;*
  
- (b) *a description of the time-bound targets related to sustainability matters set by the undertaking, including, where appropriate, absolute greenhouse gas emission reduction targets at least for 2030 and 2050, a description of the progress the undertaking has made towards achieving those targets, and a statement of whether the undertaking's targets related to environmental factors are based on conclusive scientific evidence;*
- (c) a description of the role of the administrative, management and supervisory bodies with regard to sustainability matters, and of their expertise and skills in relation to fulfilling that role or the access such bodies have to such expertise and skills;
- (d) a description of the undertaking's policies in relation to sustainability matters;
- (e) information about the existence of incentive schemes linked to sustainability matters which are offered to members of the administrative, management and supervisory bodies;
- (f) *a description of:*
  - (i) *the due diligence process implemented by the undertaking with regard to sustainability matters, and, where applicable, in line with Union requirements on undertakings to conduct a due diligence process;*
  - (ii) *the principal actual or potential adverse impacts connected with the undertaking's own operations and with its value chain, including its products and services, its business relationships and its supply chain, actions taken to identify and monitor those impacts, and other adverse impacts which the undertaking is required to identify pursuant to other Union requirements on undertakings to conduct a due diligence process;*
  - (iii) *any actions taken by the undertaking to prevent, mitigate, remediate or bring an end to actual or potential adverse impacts, and the result of such actions;*
- (g) *a description of the principal risks to the undertaking related to sustainability matters, including a description of the undertaking's principal dependencies on those matters, and how the undertaking manages those risks;*

(h) indicators relevant to the disclosures referred to in points (a) to (g).

*Undertakings shall report the process carried out to identify the information that they have included in the management report in accordance with paragraph 1 of this Article. The information listed in the first subparagraph of this paragraph shall include information related to short-, medium- and long-term time horizons, as applicable.*

*3. Where applicable, the information referred to in paragraphs 1 and 2 shall contain information about the undertaking's own operations and about its value chain, including its products and services, its business relationships and its supply chain.*

*For the first three years of the application of the measures to be adopted by the Member States in accordance with Article 5(2) of Directive (EU) .../...+ of the European Parliament and the Council\*\*, and in the event that not all the necessary information regarding its value chain is available, the undertaking shall explain the efforts made to obtain the necessary information about its value chain, the reasons why not all of the necessary information could be obtained, and its plans to obtain the necessary information in the future.*

*Where applicable, the information referred to in paragraphs 1 and 2 shall also contain references to, and additional explanations of, the other information included in the management report in accordance with Article 19, and the amounts reported in the annual financial statements.*

*Member States may allow information relating to impending developments or matters in the course of negotiation to be omitted in exceptional cases where, in the duly justified opinion of the members of the administrative, management and supervisory bodies, acting within the competences assigned to them by national law and having collective responsibility for that opinion, the disclosure of such information would be seriously prejudicial to the commercial position of the undertaking, provided that such omission does not prevent a fair and balanced understanding of the undertaking's development, performance and position, and the impact of its activity.*

*4. Undertakings shall report the information referred to in paragraphs 1 to 3 of this Article in accordance with the sustainability reporting standards adopted pursuant to Article 29b.*

*5. The management of the undertaking shall inform the workers' representatives at the appropriate level and discuss with them the relevant information and the means of obtaining and verifying sustainability information. The workers' representatives' opinion shall be communicated, where applicable, to the relevant administrative, management or supervisory bodies.*

(7) Article 29a is replaced by the following:

*Article 29a*

**Consolidated sustainability Reporting**

...

*4. Where the reporting undertaking identifies significant differences between the risks for, or impacts of, the group and the risks for, or impacts of, one or more of its subsidiary undertakings, the undertaking shall provide an adequate understanding of, as*

*appropriate, the risks for, and impacts of, the subsidiary undertaking or subsidiary undertakings concerned.*

...

(8) The following chapter is inserted:

**CHAPTER 6a**

**SUSTAINABILITY REPORTING STANDARDS**

*Article 29b*

**Sustainability reporting standards**

*1. The Commission shall adopt delegated acts in accordance with Article 49 supplementing this Directive to provide for sustainability reporting standards. Those sustainability reporting standards shall specify the information that undertakings are to report in accordance with Articles 19a and 29a and, where relevant, shall specify the structure to be used to present that information.*

*In the delegated acts referred to in the first subparagraph of this paragraph the Commission shall, by 30 June 2023, specify the information that undertakings are to report in accordance with Article 19a(1) and (2), and Article 29a(1) and (2) where appropriate, which shall at least include the information that financial market participants subject to the disclosure obligations of Regulation (EU) 2019/2088 need in order to comply with those obligations.*

*In the delegated acts referred to in the first subparagraph the Commission shall, by 30 June 2024, specify:*

- (i) complementary information that undertakings are to report with regard to the sustainability matters and reporting areas listed in Article 19a(2), where necessary;*
- (ii) information that undertakings are to report that is specific to the sector in which they operate.*

*The reporting requirements laid down in the delegated acts referred to in the first subparagraph shall not enter into force earlier than four months after their adoption by the Commission.*

*When adopting delegated acts to specify the information required under point (ii) of the third subparagraph, the Commission shall pay particular attention to the scale of the risks and impacts related to sustainability matters for each sector, taking account of the fact that risks and impacts are higher for some sectors than for others.*

*The Commission shall, at least every three years after their date of application, review the delegated acts adopted pursuant to this Article, taking into consideration the technical advice of the European Financial Reporting Advisory Group (EFRAG), and, where necessary, it shall amend such delegated acts to take into account relevant developments, including developments with regard to international standards.*

*The Commission shall, at least once a year, consult the European Parliament, and consult jointly the Member State Expert Group on Sustainable Finance, referred to in Article 24 of Regulation (EU) 2020/852, and the Accounting Regulatory Committee, referred to in Article 6 of Regulation (EC) No 1606/2002, on EFRAG's work programme as regards the development of sustainability reporting standards.*

*2. The sustainability reporting standards shall ensure the quality of reported information, by requiring that it is understandable, relevant, verifiable, comparable and represented in a*

*faithful manner. The sustainability reporting standards shall avoid imposing a disproportionate administrative burden on undertakings, including by taking account, to the greatest extent possible, of the work of global standard-setting initiatives for sustainability reporting as required by point (a) of paragraph 5.*

*The sustainability reporting standards shall, taking into account the subject matter of a particular sustainability reporting standard:*

*(a) specify the information that undertakings are to disclose about the following environmental factors:*

- (i) climate change mitigation, including as regards scope 1, scope 2 and, where relevant, scope 3 greenhouse gas emissions;*
- (ii) climate change adaptation;*
- (iii) water and marine resources;*
- (iv) resource use and the circular economy;*
- (v) pollution;*
- (vi) biodiversity and ecosystems;*

*(b) specify the information that undertakings are to disclose about the following social and human rights factors:*

- (i) equal treatment and opportunities for all, including gender equality and equal pay for work of equal value, training and skills development, the employment and inclusion of people with disabilities, measures against violence and harassment in the workplace, and diversity;*
- (ii) working conditions, including secure employment, working time, adequate wages, social dialogue, freedom of association, existence of works councils, collective bargaining, including the proportion of workers covered by collective agreements, the information, consultation and participation rights of workers, work-life balance, and health and safety;*
- (iii) respect for the human rights, fundamental freedoms, democratic principles and standards established in the International Bill of Human Rights and other core UN human rights conventions, including the UN Convention on the Rights of Persons with Disabilities, the UN Declaration on the Rights of Indigenous Peoples, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the fundamental conventions of the International Labour Organization, the European Convention for the protection of Human Rights and Fundamental Freedoms, the European Social Charter, and the Charter of Fundamental Rights of the European Union;*

*(c) specify the information that undertakings are to disclose about the following governance factors:*

- (i) the role of the undertaking's administrative, management and supervisory bodies with regard to sustainability matters, and their composition, as well as their expertise and skills in relation to fulfilling that role or the access such bodies have to such expertise and skills;*

- (ii) the main features of the undertaking's internal control and risk management systems, in relation to the sustainability reporting and decision-making process;*
- (iii) business ethics and corporate culture, including anti-corruption and anti-bribery, the protection of whistleblowers and animal welfare;*
- (iv) activities and commitments of the undertaking related to exerting its political influence, including its lobbying activities;*
- (v) the management and quality of relationships with customers, suppliers and communities affected by the activities of the undertaking, including payment practices, especially with regard to late payment to small and medium-sized undertakings.*

*3. The sustainability reporting standards shall specify the forward-looking, retrospective, qualitative and quantitative information, as appropriate, to be reported by undertakings.*

*4. Sustainability reporting standards shall take account of the difficulties that undertakings may encounter in gathering information from actors throughout their value chain, especially from those which are not subject to the sustainability reporting requirements laid down in Article 19a or 29a and from suppliers in emerging markets and economies. Sustainability reporting standards shall specify disclosures on value chains that are proportionate and relevant to the capacities and the characteristics of undertakings in value chains, and to the scale and complexity of their activities, especially those of undertakings that are not subject to the sustainability reporting requirements in Article 19a or 29a. Sustainability reporting standards shall not specify disclosures that would require undertakings to obtain information from small and medium-sized undertakings in their value chain that exceeds the information to be disclosed pursuant to the sustainability reporting standards for small and medium-sized undertakings referred to in Article 29c.*

*The first subparagraph is without prejudice to Union requirements on undertakings to conduct a due diligence process.*

*5. When adopting delegated acts pursuant to paragraph 1, the Commission shall, to the greatest extent possible, take account of:*

*(a) the work of global standard-setting initiatives for sustainability reporting, and existing standards and frameworks for natural capital accounting and for greenhouse gas accounting, responsible business conduct, corporate social responsibility, and sustainable development;*

*(b) the information that financial market participants need in order to comply with their disclosure obligations laid down in Regulation (EU) 2019/2088 and the delegated acts adopted pursuant to that Regulation;*

*(c) the criteria, indicators and methodologies set out in the delegated acts adopted pursuant to Regulation (EU) 2020/852, including the technical screening criteria established pursuant to Article 10(3), Article 11(3), Article 12(2), Article 13(2), Article 14(2) and Article 15(2) of that Regulation and the reporting requirements set out in the delegated act adopted pursuant to Article 8 of that Regulation;*

*(d) the disclosure requirements applicable to benchmark administrators in the benchmark statement and in the benchmark methodology and the minimum standards for the construction of EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks in*

## Appendix II

*accordance with Commission Delegated Regulations (EU) 2020/1816\*, (EU) 2020/1817\*\* and (EU) 2020/1818\*\*\*;*

*(e) the disclosures specified in the implementing acts adopted pursuant to Article 434a of Regulation (EU) No 575/2013;*

*(f) Commission Recommendation 2013/179/EU\*\*\*\*;*

*(g) Directive 2003/87/EC of the European Parliament and of the Council\*\*\*\*\*;*

*(h) Regulation (EU) 2021/1119;*

*(i) Regulation (EC) No 1221/2009 of the European Parliament and of the Council\*\*\*\*\*;*

*(j) Directive (EU) 2019/1937 of the European Parliament and of the Council\*\*\*\*\*.*



## 2. Coverage of CSRD requirements by ESRS Exposure Drafts

<i>CSRD</i>	<i>Standard Reference</i>	<i>Related chapter / DRs</i>
<b>Article 19a - Sustainability Reporting</b>		
<p>1- Large undertakings, and small and medium-sized undertakings, except micro undertakings, which are public-interest entities as defined in point (a) of point (1) of Article 2 shall include in the management report information necessary to understand the undertaking's impacts on sustainability matters, and information necessary to understand how sustainability matters affect the undertaking's development, performance and position. The information referred to in the first subparagraph shall be clearly identifiable within the management report, through a dedicated section of the management report.</p>	ESRS 1 <i>General requirements</i>	Section 1.1 Complying with [draft] ESRS
2- The information referred to in paragraph 1 shall contain:		
(a) a brief description of the undertaking's business model and strategy, including:	ESRS 2 <i>General disclosures</i>	DR 2-SBM 1 – Market position, Strategy, business model(s) and value chain
(i) the resilience of the undertaking's business model and strategy in relation to risks related to sustainability matters;		DR 2-SBM 3 – Material impacts, risks and opportunities and their interaction with strategy and business model(s)
(ii) the opportunities for the undertaking related to sustainability matters;		
(iii) 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 under the United Nations Framework Convention on Climate Change adopted on 12 December 2015 (the 'Paris Agreement') and the objective of achieving climate neutrality by 2050 as established in Regulation (EU) 2021/1119 of the European Parliament and of the Council*, and, where relevant, the exposure of the undertaking to coal-, oil- and gas-related activities;	ESRS E1 <i>Climate change</i>	DR E1-1 – Transition plan for climate change mitigation

Appendix II

<i>CSRD</i>	<i>Standard Reference</i>	<i>Related chapter / DRs</i>
<b>Article 19a - Sustainability Reporting</b>		
(iv) how the undertaking's business model and strategy take account of the interests of the undertaking's stakeholders and of the impacts of the undertaking on sustainability matters;	<i>ESRS 2 General disclosures</i>	DR 2-SBM 2 – Interests and views of stakeholders
(v) how the undertaking's strategy has been implemented with regard to sustainability matters;		DR 2-SBM 3 – Material impacts, risks and opportunities and their interaction with strategy and business model(s)
(b) a description of the time-bound targets related to sustainability matters set by the undertaking, including, where appropriate, absolute greenhouse gas emission reduction targets at least for 2030 and 2050, a description of the progress the undertaking has made towards achieving those targets, and a statement of whether the undertaking's targets related to environmental factors are based on conclusive scientific evidence;		DC-T – Tracking effectiveness of policies and actions through targets and related DRs in topical standards
(c) a description of the role of the administrative, management and supervisory bodies with regard to sustainability matters, and of their expertise and skills in relation to fulfilling that role or the access such bodies have to such expertise and skills;		DR 2-GOV 1 – The role of the administrative, management and supervisory bodies
(d) a description of the undertaking's policies in relation to sustainability matters;	<i>ESRS 2 General disclosures</i>	DC-P – Policies adopted to manage material sustainability matters and related DRs in topical standards
(e) information about the existence of incentive schemes linked to sustainability matters which are offered to members of the administrative, management and supervisory bodies;	<i>ESRS 2 General disclosures</i>	DR 2 GOV-3 – Integration of sustainability-related performance in incentive schemes

Appendix II

CSRD	Standard Reference	Related chapter / DRs
<b>Article 19a - Sustainability Reporting</b>		
(f) a description of:		
(i) the due diligence process implemented by the undertaking with regard to sustainability matters, and, where applicable, in line with Union requirements on undertakings to conduct a due diligence process;	ESRS 2 <i>General disclosures</i>	DR 2 GOV-4 – Statement on sustainability due diligence disclosures and DR IRO-1 – Description of the processes to identify and assess material impacts, risk and opportunities
(ii) the principal actual or potential adverse impacts connected with the undertaking’s own operations and with its value chain, including its products and services, its business relationships and its supply chain, actions taken to identify and monitor those impacts, and other adverse impacts which the undertaking is required to identify pursuant to other Union requirements on undertakings to conduct a due diligence process;		DR 2 SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model(s)
(iii) any actions taken by the undertaking to prevent, mitigate, remediate or bring an end to actual or potential adverse impacts, and the result of such actions;	ESRS 2 <i>General disclosures</i>	DC-A – Actions and resources in relation to material sustainability matters and related DRs in topical standards
(g) a description of the principal risks to the undertaking related to sustainability matters, including the undertaking’s principal dependencies on such matters, and how the undertaking manages those risks;	ESRS 2 <i>General disclosures</i>	DR 2 SBM-3– Material impacts, risks and opportunities and their interaction with strategy and business model(s) and

Appendix II

<i>CSRD</i>	<i>Standard Reference</i>	<i>Related chapter / DRs</i>
<b>Article 19a - Sustainability Reporting</b>		
		DR IRO-2 – Disclosure Requirements in ESRS covered by the undertaking’s sustainability statements
(h) indicators relevant to the disclosures referred to in points (a) to (g).	See above reference for points (a) to (g), ESRS 2 DC-M – Metrics in relation to material sustainability matters and related DRs in topical standards	
Undertakings shall report the process carried out to identify the information that they have included in the management report in accordance with paragraph 1 of this Article. The information listed in the first subparagraph of this paragraph shall include information related to short-, medium- and long-term time horizons, as applicable.	ESRS 2 <i>General disclosures</i>	DR IRO-1 – Description of the processes to identify and assess material impacts, risk and opportunities together with  ESRS 1 section 6.4 Definition of short-, medium- and long-term for reporting purposes and ESRS 2 DR BP-2 – Disclosures in relation to specific circumstances § 9 Time horizons
3- Where applicable, the information referred to in paragraphs 1 and 2 shall contain information about the undertaking’s own operations and about its value chain, including its products and services, its business relationships and its supply chain.  For the first three years of the application of the measures to be adopted by the Member States in accordance with Article 5(2) of Directive (EU) .../...+ of the European Parliament and the Council**, and in the event that not all the necessary information regarding its value chain is available, the undertaking shall explain the efforts made to obtain the necessary information about its value chain, the reasons	ESRS 1 <i>General requirements</i> ESRS 2 <i>General disclosures</i>	ESRS 1 Chapter 5 Value chain  ESRS 1 Section 10.2 Transitional provision

Appendix II

CSR D	Standard Reference	Related chapter / DRs
<b>Article 19a - Sustainability Reporting</b>		
<p>why not all of the necessary information could be obtained, and its plans to obtain the necessary information in the future.</p> <p>Where applicable, the information referred to in paragraphs 1 and 2 shall also contain references to, and additional explanations of, the other information included in the management report in accordance with Article 19, and the amounts reported in the annual financial statements.</p> <p>Member States may allow information relating to impending developments or matters in the course of negotiation to be omitted in exceptional cases where, in the duly justified opinion of the members of the administrative, management and supervisory bodies, acting within the competences assigned to them by national law and having collective responsibility for that opinion, the disclosure of such information would be seriously prejudicial to the commercial position of the undertaking, provided that such omission does not prevent a fair and balanced understanding of the undertaking's development, performance and position, and the impact of its activity.</p>		<p>related to chapter 5 Value chain and</p> <p>ESRS 2 DR BP-1 – General basis for preparation of the sustainability statements § 5 (b) and DR BP-2 – Disclosures in relation to specific circumstances § 10 Value chain estimation</p> <p>ESRS 1 Section 9.2 Connected information and connectivity with financial statements</p> <p>ESRS 1 Section 7.7 Information on intellectual property, know-how or results of innovation and ESRS 2 DR BP-1 – General basis for preparation of the sustainability statements § 5 (c)</p>
<p>4- Undertakings shall report the information referred to in paragraphs 1 to 3 in accordance with the sustainability reporting standards adopted pursuant to Article 29b.</p>	<p>ESRS 1 <i>General requirements</i></p>	<p>Section 1.1 Complying with ESRS</p>
<p>5- The management of the undertaking shall inform the workers' representatives at the appropriate level and discuss with them the relevant information and the means of obtaining and verifying sustainability</p>	<p>ESRS 2 <i>General disclosures</i> and ESRS S1 <i>Own workforce</i></p>	<p>ESRS 2 DR SBM-2 – Interests and views of stakeholders, ESRS S1</p>

Appendix II

<i>CSRD</i>	<i>Standard Reference</i>	<i>Related chapter / DRs</i>
<b>Article 19a - Sustainability Reporting</b>		
information. The workers' representatives' opinion shall be communicated, where applicable, to the relevant administrative, management or supervisory bodies.		DR S1-2 – Processes for engaging with own workers and workers' representatives about impacts

<i>CSRD</i>	<i>Standard Reference</i>	<i>Related chapter / DRs</i>
<b>Article 29a - Consolidated Sustainability Reporting</b>		
Article 29a (1) – (3) is on consolidated sustainability reporting for parent undertakings mirroring the requirements of Article 19a (1) – (3) for large undertakings and medium-sized undertakings, except micro undertakings, which are public-interest entities.		ESRS with some exceptions apply to sustainability reporting of single undertakings and to groups of undertakings therefore for the comparison of CSRD requirements under Article 29a (1) - (3) we refer to the above comparison with Article 19a (1) – (3).
4- Where the reporting undertaking identifies significant differences between the risks for, or impacts of, the group and the risks for, or impacts of, one or more of its subsidiary undertakings, the undertaking shall provide an adequate understanding of, as appropriate, the risks for, and impacts of, the subsidiary undertaking or subsidiary undertakings concerned.  ...	ESRS 1 <i>General requirements</i>	Section 7.6 Consolidated reporting and subsidiary exemption

Appendix II

CSR D	Comments
<b>Article 29b – Sustainability reporting standards</b>	
<p>1- The Commission shall adopt delegated acts in accordance with Article 49 supplementing this Directive to provide for sustainability reporting standards. Those sustainability reporting standards shall specify the information that undertakings are to report in accordance with Articles 19a and 29a and, where relevant, shall specify the structure to be used to present that information.</p> <p>In the delegated acts referred to in the first subparagraph of this paragraph the Commission shall, by 30 June 2023, specify the information that undertakings are to report in accordance with Article 19a(1) and (2), and Article 29a(1) and (2) where appropriate, which shall at least include the information that financial market participants subject to the disclosure obligations of Regulation (EU) 2019/2088 need in order to comply with those obligations.</p> <p>In the delegated acts referred to in the first subparagraph the Commission shall, by 30 June 2024, specify:</p> <p>(i) complementary information that undertakings are to report with regard to the sustainability matters and reporting areas listed in Article 19a(2), where necessary;</p> <p>(ii) information that undertakings are to report that is specific to the sector in which they operate.</p> <p>The reporting requirements laid down in the delegated acts referred to in the first subparagraph shall not enter into force earlier than four months after their adoption by the Commission.</p> <p>When adopting delegated acts to specify the information required under point (ii) of the third subparagraph, the Commission shall pay particular attention to the scale of the risks and impacts related to sustainability matters for each sector, taking account of the fact that risks and impacts are higher for some sectors than for others.</p> <p>The Commission shall, at least every three years after their date of application, review the delegated acts adopted pursuant to this Article, taking into consideration the technical advice of the European Financial Reporting Advisory Group (EFRAG), and, where necessary, it shall amend such delegated acts to take into account relevant developments, including developments with regard to international standards.</p> <p>The Commission shall, at least once a year, consult the European Parliament, and consult jointly the Member State Expert Group on Sustainable Finance, referred to in Article 24 of Regulation (EU) 2020/852, and the Accounting Regulatory Committee, referred to in Article 6 of Regulation (EC) No 1606/2002, on EFRAG's work programme as regards the development of sustainability reporting standards.</p>	<p style="text-align: center;">Framing the approach to the adoption of standards by the European Commission and setting the scope of ESRS Set 1 and 2 standards</p>

Appendix II

<i>CSRD</i>	<i>Standard Reference</i>	<i>Related chapter / DRs</i>
<b>Article 29b – Sustainability reporting standards</b>		
<p>2- The sustainability reporting standards shall ensure the quality of reported information, by requiring that it is understandable, relevant, verifiable, comparable and represented in a faithful manner. The sustainability reporting standards shall avoid imposing a disproportionate administrative burden on undertakings, including by taking account, to the greatest extent possible, of the work of global standard-setting initiatives for sustainability reporting as required by point (a) of paragraph 5.</p> <p>The sustainability reporting standards shall, taking into account the subject matter of a particular sustainability reporting standard:</p>	ESRS 1 <i>General requirements</i>	Chapter 2 Qualitative characteristics of information and Appendix C: Qualitative characteristics of information
<p>(a) specify the information that undertakings are to disclose about the following environmental factors:</p> <p>(i) climate change mitigation, including as regards scope 1, scope 2 and, where relevant, scope 3 greenhouse gas emissions;</p> <p>(ii) climate change adaptation;</p>	ESRS E1 <i>Climate change</i>	ALL
<p>(iii) water and marine resources;</p>	ESRS E3 <i>Water and marine resources</i>	ALL
<p>(iv) resource use and circular economy;</p>	ESRS E5 <i>Resource use and circular economy</i>	ALL
<p>(v) pollution;</p>	ESRS E2 <i>Pollution</i>	ALL
<p>(vi) biodiversity and ecosystems;</p>	ESRS E4 <i>Biodiversity and ecosystems</i>	ALL
<p>(b) specify the information that undertakings are to disclose about the following social and human rights factors:</p>		



Appendix II

<i>CSRD</i>	<i>Standard Reference</i>	<i>Related chapter / DRs</i>
<b>Article 29b – Sustainability reporting standards</b>		
(i) equal treatment and opportunities for all, including gender equality and equal pay for work of equal value, training and skills development, the employment and inclusion of people with disabilities, measures against violence and harassment in the workplace, and diversity;	ESRS S1 <i>Own workforce</i>	ALL
(ii) working conditions, including secure employment, working time, adequate wages, social dialogue, freedom of association, existence of works councils, collective bargaining, including the proportion of workers covered by collective agreements, the information, consultation and participation rights of workers, work-life balance, and health and safety;		
(iii) respect for the human rights, fundamental freedoms, democratic principles and standards established in the International Bill of Human Rights and other core UN human rights conventions, including the UN Convention on the Rights of Persons with Disabilities, the UN Declaration on the Rights of Indigenous Peoples, the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work and the fundamental conventions of the International Labour Organization, the European Convention for the protection of Human Rights and Fundamental Freedoms, the European Social Charter, and the Charter of Fundamental Rights of the European Union;	ESRS S1 <i>Own workforce</i> ESRS S2 <i>Workers in the value chain</i> ESRS S3 <i>Affected communities</i> ESRS S4 <i>Consumers and end-users</i>	ALL
(c) specify the information that undertakings are to disclose about governance factors, including information about:		
(i) the role of the undertaking’s administrative, management and supervisory bodies with regard to sustainability matters, and their composition, as well as their expertise and skills in relation to fulfilling that role or the access such bodies have to such expertise and skills;	ESRS 2 <i>General disclosures</i>	ESRS 2 GOV-1 The role of the administrative, management and supervisory bodies
(ii) the main features of the undertaking’s internal control and risk management systems, in relation to the sustainability reporting and decision-making process;	ESRS 2 <i>General disclosures</i>	ESRS 2 GOV-5 Risk management and internal controls over sustainability reporting

Appendix II

<i>CSRD</i>	<i>Standard Reference</i>	<i>Related chapter / DRs</i>
<b>Article 29b – Sustainability reporting standards</b>		
<p>(iii) business ethics and corporate culture, including anti-corruption and anti-bribery, the protection of whistleblowers and animal welfare;</p>	<p>ESRS G1 <i>Business conduct</i></p>	<p>DR G1-1 – Corporate culture and business conduct policies</p> <p>DR G1-3 – Prevention and detection of corruption or bribery</p> <p>DR G1-4 – Confirmed incidents of corruption or bribery</p>
<p>(iv) activities and commitments of the undertaking related to exerting its political influence, including its lobbying activities;</p>		<p>DR G1-5 – Political influence and lobbying activities</p>
<p>(v) the management and quality of relationships with customers, suppliers and communities affected by the activities of the undertaking, including payment practices, especially with regard to late payment to small and medium-sized undertakings.</p>		<p>DR G1-2 Management of relationships with suppliers; DR G1-6 – Payment practices and ESRS S3 <i>Affected communities</i></p>
<p>3- The sustainability reporting standards shall specify the forward-looking, retrospective, qualitative and quantitative information, as appropriate, to be reported by undertakings.</p>	<p>ESRS 1 <i>General requirements</i></p>	<p>Section 6.2 – Linking past, present and future, embedded in relevant DRs throughout the topical standards</p>

Appendix II

CSR D	Standard Reference	Related chapter / DRs
<b>Article 29b – Sustainability reporting standards</b>		
<p>4- Sustainability reporting standards shall take account of the difficulties that undertakings may encounter in gathering information from actors throughout their value chain, especially from those which are not subject to the sustainability reporting requirements laid down in Article 19a or 29a and from suppliers in emerging markets and economies. Sustainability reporting standards shall specify disclosures on value chains that are proportionate and relevant to the capacities and the characteristics of undertakings in value chains, and to the scale and complexity of their activities, especially those of undertakings that are not subject to the sustainability reporting requirements in Article 19a or 29a. Sustainability reporting standards shall not specify disclosures that would require undertakings to obtain information from small and medium-sized undertakings in their value chain that exceeds the information to be disclosed pursuant to the sustainability reporting standards for small and medium-sized undertakings referred to in Article 29c.</p> <p>The first subparagraph is without prejudice to Union requirements on undertakings to conduct a due diligence process.</p>	<p>ESRS 1 <i>General requirements</i></p>	<p>Section 5.2 Estimation using sector averages and proxies and ESRS 2 DR BP-2 Disclosures related to specific circumstances § 10 Value chain and</p> <p>Section 10.2 Transitional provision related to chapter 5 Value chain</p>
<p>5- When adopting delegated acts pursuant to paragraph 1, the Commission shall, to the greatest extent possible, take account of:</p> <ul style="list-style-type: none"> <li>(a) the work of global standard-setting initiatives for sustainability reporting, and existing standards and frameworks for natural capital accounting and for greenhouse gas accounting, responsible business conduct, corporate social responsibility, and sustainable development;</li> <li>(b) the information that financial market participants need in order to comply with their disclosure obligations laid down in Regulation (EU) 2019/2088 and the delegated acts adopted pursuant to that Regulation;</li> <li>(c) the criteria, indicators and methodologies set out in the delegated acts adopted pursuant to Regulation (EU) 2020/852, including the technical screening criteria established pursuant to Article 10(3), Article 11(3), Article 12(2), Article 13(2), Article 14(2) and Article 15(2) of that Regulation and the reporting requirements set out in the delegated act adopted pursuant to Article 8 of that Regulation;</li> <li>(d) the disclosure requirements applicable to benchmark administrators in the benchmark statement and in the benchmark methodology and the minimum standards for the construction of EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks in accordance with Commission Delegated Regulations (EU) 2020/1816*, (EU) 2020/1817** and (EU) 2020/1818***the disclosures specified in the implementing acts adopted pursuant to Article 434a of Regulation (EU) No 575/2013.</li> <li>(e) the disclosures specified in the implementing acts adopted pursuant to Article 434a of Regulation (EU) No 575/2013;</li> <li>(f) Commission Recommendation 2013/179/EU****</li> <li>(g) Directive 2003/87/EC of the European Parliament and of the Council*****;</li> </ul>	<p>see Explanatory note of how [draft] ESRS take account of the initiatives and legislation listed in Article 29b</p>	

Appendix II

<i>CSRD</i>	<i>Standard Reference</i>	<i>Related chapter / DRs</i>
<b>Article 29b – Sustainability reporting standards</b>		
(h) Regulation (EU) 2021/1119; (i) Regulation (EC) No 1221/2009 of the European Parliament and of the Council*****; (j) Directive (EU) 2019/1937 of the European Parliament and of the Council*****		