



RESPONSE TO EFRAG'S PUBLIC CONSULTATION ON THE DRAFT EUROPEAN SUSTAINABILITY REPORTING STANDARDS

APPENDIX: AMF's response to the consultation

This Appendix contains the AMF's detailed response to EFRAG's [public consultation](#) on the first set of Draft European Sustainability Reporting Standards (ESRS). It complements and should be read in conjunction with the AMF's [position paper](#) on the EFRAG's public Consultation.

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SECTION 1

OVERALL ESRS EXPOSURE DRAFTS' RELEVANCE

1A. OVERALL ESRS EXPOSURE DRAFTS RELEVANCE - ARCHITECTURE

Cross-cutting and topical standards

To facilitate a coherent coverage of the CSRD topics and reporting areas (as per Article 19a paragraph 2 and Article 19b paragraph 2 – see Appendix II) the Exposure Drafts (“EDs”) submitted for public consultation are based upon two categories of standards:

- **Cross-cutting ESRS** which:
 - i) Establish the general principles to be followed when preparing sustainability reporting in line with the CSRD provisions;
 - ii) Mandate disclosure requirements (“DRs”) aimed at providing an understanding of (a) strategy and business model, (b) governance and organisation, and (c) materiality assessment, covering all topics.
- **Topical ESRS** which, from a sector-agnostic perspective:
 - i) Provide topic-specific application guidance in relation to the cross-cutting DRs on strategy and business model, governance, materiality assessment;
 - ii) Mandate DRs about the undertaking’s implementation of its sustainability-related objectives (i.e. on its policies, targets, actions and action plans, and allocation of resources);
 - iii) Mandate performance measurement metrics.

A full list of standards and whether they are cross-cutting standards or topical standards can be found in Appendix I.

Q1: in your opinion, to what extent do the structure and articulation of cross-cutting and topical standards adequately support the coverage of CSRD topics and reporting areas?

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

Please explain your reservations or your suggestions for improvement or any other comment you might have

The AMF considers that the architecture of ESRS with cross-cutting and topical standards which interact and complement each other, as well as sector-specific standards adding to the previous ones, appropriately covers sustainability topics and reporting areas required by CSRD. However, the AMF finds it rather **complex to navigate through the ESRS**.

For example, considering the 3 reporting areas covered by ESRS i.e. “Strategy” (including business model, governance, and materiality assessment), “Implementation” (including PTAR – policies, targets, actions, actions plans and ressources), and “Performance measures” (including indicators and targets):

- ESRS 1 lays down general principles of disclosures as well as “reference principles” for the “Implementation” reporting area ;
- ESRS 2 provides for specific disclosures requirements on “Strategy” reporting area, which are complemented by additional “Strategy” specific DR or application guidance within each topical sector-agnostic standards ;

- Finally these topical sector-agnostic standards include specific DR on the “Implementation” reporting area - which related-“reference principles” are presented in ESRS 1.
- It is noted as well that some standards provide for application guidance, namely on “Strategy” reporting area, without the corresponding DR within the standard itself (for example, ESRS E1- AG 7 to AG 22, ESRS E2 – AG1 to AG8, etc.): this is confusing as it gives the impression that there is no DR at all, which are in reality “hidden” in the application guidance.
- Generally, it is necessary to go back- and-forth between the different standards or between the DR and the AG of a same standard, to get a complete view of the expectations and reporting requirements of ESRS.

The AMF recommends to simplify the structure of the standards and carefully consider the absence of overlap in requirements in order to ease the usability and relevance of the standards.

It is proposed to merge ESRS 2 GOV and some disclosure requirements in ESRS G1 which both deal with governance issues (in practice, sustainability governance practices are not always separated from the general governance of companies).

The AMF suggests also to provide for a single “glossary” for example in ESRS 1 with all the defined terms used throughout the ESRS standard (consolidated appendix) so as to have all the used terms in a single point thereby avoiding to navigate through the different standards to find the definition of a word, used in a standard, but defined in another. This would allow a user-friendly navigation through ESRS and the disclosure requirements.

Alignment and interoperability with international standards and frameworks

CSRD Article 19b paragraph 3a requires that “When adopting delegated acts pursuant to paragraph 1, the Commission shall take account of the work of global standard-setting initiatives for sustainability reporting, and existing standards and frameworks for natural capital accounting, responsible business conduct, corporate social responsibility, and sustainable development.”

ESRS EDs were drafted accordingly, with the objective of fostering as much alignment as possible considering the constraints imposed by other provisions included in articles 19a and 19b as per the CSRD proposal. Details of these provisions and how they are covered by the ESRS EDs can be found in Appendix I.

The structure and organisation of the reporting areas was one aspect of alignment to which particular attention was paid. Thus, the two categories of standards are organised to cover the reporting areas in relation to governance, strategy, assessment/management of impacts, risks and opportunities, and targets/metrics (as considered by the TCFD and source of inspiration for the IFRS Sustainability standards). A detailed mapping of the ESRS EDs disclosure requirements with TCFD recommendations and with IFRS Sustainability Exposure Drafts can be found in Appendices 5 and 6.

Q2: in your opinion, to what extent is the TCFD framework of reporting areas (governance, strategy, risk management and metrics/targets) compatible with the structure of the ESRS?

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

Please explain your reservations or your suggestions for improvement or any other comment you might have

For convergence reasons and enhanced interoperability between international and European frameworks, it would have been ideal to have identical architecture of ESRS and TCFD/ISSB standards. However, despite the differences between the TCFD framework architecture (4 pillars: governance, strategy, risks management and metrics/target) and the ESRS's structure (3 pillars), the AMF believes that these structures are easily reconcilable. In addition, the future digitalization of reporting enabling identification of different blocks of information, would facilitate even further such reconciliation.

Besides, ESRS architecture is clear and is fit for all sustainability matters, taking into account the double-materiality perspective (whereas TCFD architecture was specifically meant for climate with a financial materiality lens).

In the AMF's view, there is some merit in the ESRS's 3 pillars structure that allows for better interconnections between the strategy, policies (including risk management policies), action plans and target. In a study on TCFD climate reporting conducted in 2020, the AMF observed the need for *"improved linking of information between the different [TCFD] pillars"*, in order to *"demonstrate more convincingly how the climate analyses presented feeds into the overall strategy, the company's structural decisions and, ultimately, the way in which it conducts its day-to-day business"*. Indeed, an in-depth analysis of TCFD reporting (based on 10 financial institutions reports) showed that companies had difficulties to relate the risks/opportunities identified (pillar 2 of TCFD) to the management processes in place (pillar 3 of TCFD). Therefore, the AMF believes that ESRS architecture that merges these two pillars into one would help achieve such connectivity.

Q3: in your opinion, to what extent does the approach taken to structure the reporting areas promote interoperability between the ESRS and the IFRS Sustainability Exposure Drafts?

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

Please explain your reservations or your suggestions for improvement or any other comment you might have

We believe that ESRS proposed reporting areas are easily reconcilable with ISSB, which relies on TCFD pillars (cf. previous answer), even if complete alignment with a common structure defined together (or based on existing frameworks) would have been ideal for full convergence and interoperability.

Given the CSRD mandate, which obliges EFRAG to take into account wherever possible international initiatives, the AMF encourages EFRAG to continue and engage with ISSB to discuss co-construction of sustainability reporting to further align disclosure requirements. To ensure the interoperability with the ISSB framework, a precise mapping of the requirements of EFRAG's standards and ISSB's standards would be beneficial to

companies and investors. More specifically, companies and investors should be able to identify where ISSB's and EFRAG's general requirements and climate-related disclosure requirements converge or diverge, including on technical aspects such as terminologies, concepts used, and methodological principles for metrics and targets. This joint exercise to be performed together with ISSB would also benefit both standard-setters, as it would help identify and prioritize areas where convergence could be reached or sought.

The AMF considers critical the use of consistent terminologies, definitions and data points for the disclosure requirements that EFRAG and ISSB have in common to ensure interoperability. For instance, it would be important to seek convergence between EFRAG's notion of financial materiality and the concept of value creation defined by the ISSB.

In addition, we believe that a key challenge in this area will be to ensure interoperability between the ISSB industry-specific standards and the ESRS sector-specific standards, in terms of architecture, industry classification and contents of disclosures requirements/data points.

Consideration given to EU policies and legislation

Article 19b paragraph 3 of the CSRD also requires that *"When adopting delegated acts pursuant to paragraph 1, the Commission shall take account of:*

- (a) the information that financial market participants need to comply with their disclosure obligations laid down in Regulation (EU) 2019/2088 and the delegated acts adopted pursuant to that Regulation; **Sustainable Finance Disclosure Requirements;***
- (b) the criteria set out in the delegated acts adopted pursuant to Regulation (EU) 2020/852; **Taxonomy Regulation;***
- (c) the disclosure requirements applicable to benchmarks 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*8, (EU) 2020/1817 and (EU) 2020/1818; **Benchmark Regulation;***
- (d) the disclosures specified in the implementing acts adopted pursuant to Article 434a of Regulation (EU) No 575/2013; **Prudential requirements for Credit Institutions and Investment Firms;***
- (e) Commission Recommendation 2013/179/EU; **European Commission recommendation on the life cycle environmental performance of products and services;***
- (f) Directive 2003/87/EC of the European Parliament and of the Council; **GHG allowance Directive;***
- (g) Regulation (EC) No 1221/2009 of the European Parliament and of the Council; **EMAS regulation.***

Q4: in your opinion, have these European legislation and initiatives been considered properly?

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

Please explain your reservations or your suggestions for improvement or any other comment you might have

Overall, the AMF believes that the standards are well aligned with EU sustainable finance legislations such as SFDR, Taxonomy and the Benchmark regulation. However, we provide below some observations that could be useful for a better alignment between these frameworks:

(a) On SFDR :

See next question Q5, some information might be missing in ESRS to ensure financial institutions have adequate data to report SFDR PAIs.

(b) on Taxonomy :

Overall, the ESRS are well aligned with the taxonomy regulation and its delegated acts. In addition, references to the taxonomy KPI's in ESRS E1 (for instance, with regards Transition plans) are appreciated as they encourage consistent sustainability reporting while avoiding redundancies. Furthermore, we believe it is key to ensure future alignment and interconnection between the ESRS and the Taxonomy DA, in particular those related to the four remaining environmental objectives. Indeed, some DNSH or technical screening criteria could be used as a reference point for the impact materiality approach (IRO, targets, etc.), especially in the industry-specific standards.

In addition, we observe that EU Taxonomy DA Art.8 requires a specific format and structure for the presentation of the Taxonomy KPIs. Indeed, companies are required to disclose all KPIs related to all environmental objectives in the same template (there are no separate section/tables for each sustainability matter). By comparison, in the ESRS, there are different "taxonomy sections" for each environmental matter. It is not clear how these two different presentation rules should interact.

(c) on Benchmark Regulation :

Many Benchmark disclosures obligations rely on information on the exposure of companies to certain activities/sectors. This is for instance the case for the two following KPIs "*Exposure to the sectors listed in Sections A to H and Section L of Annex I or Regulation (EC) No 1893/2006*" and "*to activities under Divisions 05 to 09, 19 and 20 of Annex I or Regulation (EC) No 1893/2006*". Therefore, similar to what is already required because of SFDR's PAI in **ESRS 2, AG 12 point (b)**, it is also important for meeting the needs of financial market participants that companies disclose whether they are exposed to the specific activities referred to the Benchmark Regulation, either through a dedicated AG in ESRS 2 or via an adequate classification in the future SEC1 standards.

In addition, other Benchmark KPIs are not completely covered by the ESRS. For instance, Benchmark administrators can voluntarily disclose the exposure of their portfolio to "*renewable energy as measured by the CapEx in those activities*". If such requirement could partially rely on granular information disclosed by companies under Taxonomy Art.8, administrators may not find this specific data on all activities related to renewable energy in the sustainability report. The ESRS could integrate this KPI while relying, as much as possible, on the EU Taxonomy framework (for instance, by indicating which economic activities of the EU Taxonomy can be accounted for in the "renewable energy" categories).

Finally, the following elements seem to be missing in the ESRS to ensure a benchmark administrator could respond to its own reporting obligations: Exposure of the benchmark portfolio to renewable energy as measured by capital expenditures (CapEx) in those activities (as a share of total CapEx by energy companies included in the portfolio).

Q5: are there any other European policies and legislation you would suggest should be considered more fully?

Some of the requirements in the standards are already mandated by other EU legislations, particularly in relation to the corporate governance statement (Art. 20 of Directive 2013/34/UE), or the remuneration report (Art. 9ter of Directive 2007/36/UE), for EU listed companies. As a result, to avoid duplicative requirements, information overload and undue reporting burden for undertakings, the AMF recommends not to duplicate or to limit the requirements from the EFRAG standards to what is already required from those companies, and to allow for cross reference to the existing disclosures.

In addition, greater harmonization of EU requirements in terms of scope and definitions suggested appears critical to ensure a consistent application by companies. For instance, EFRAG could consider referring to the notion of “established relationships” under legislative proposal CSDDD (Corporate Sustainability Due Diligence Directive) in the definition of value chain (or to any final definition retained under the directive). The AMF recommends also to include the notion of “director” under SRD 2 in the definition of “governance bodies” of the ESRS. *Please also refer to our comments below on governance section.*

Finally, the AMF also considers critical make clear that ESRS standards do not mandate by themselves any specific action nor behaviour from the undertaking, for example in terms of organization or governance, but aims at ensuring transparency on such organization and/or governance as they stand. Indeed, mandating specific behaviour should stay in the remit of other EU legislation or national laws.

More generally, regarding the consistency of EU legislation framework, the AMF would see merit in adapting the disclosure requirements applicable to financial market participants to properly take into consideration situations where data from issuers might not be available, namely due to non-materiality feature.

Coverage of sustainability topics

Article 19b paragraph 2 of the CSRD proposal defines the sustainability subject matters (referred to as sustainability topics or subtopics in the ESRS) that the sustainability reporting standards shall address when defining the sustainability information required by article 19a paragraphs 1 and 2.

The ESRS architecture was designed to cover all the detailed subject matters listed in article 19b paragraph 2 for environment-, social- and governance-related matters and to ensure that sustainability information is reported in a carefully articulated manner.

In terms of timing of adoption of European sustainability reporting standards, article 19b paragraph 1 of the CSRD requires the Commission to adopt:

- a first set of sustainability standards covering the information required by article 19a and at least specifying information needed by financial market participants subject to the SFDR reporting obligations¹
- a second set of standards covering information that is specific to the sector in which undertakings operate.

Also, article 19c of the CSRD proposal on sustainability reporting standards for SMEs requires the Commission to adopt SME-proportionate standards in a second set.

As a consequence, as per article 19b paragraph 1, are only included in this first set of ESRS Exposure Drafts:

- (i) the two cross-cutting standards on General principles (ESRS 1) and on General, strategy, governance and materiality assessment (ESRS 2)
- (ii) the eleven topical (sector-agnostic) standards covering environment- (ESRS E1 to E5), social- (ESRS S1 to S4) and governance-related (ESRS G1 and G2) sustainability topics.

A detailed list of ESRS EDs can be found in Appendix I. And the detailed provisions of the CSRD and how they are covered by the ESRS EDs can be found in Appendix II.

Q6: in your opinion, to what extent does the proposed coverage of set 1 adequately address CSRD sustainability topics?

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

Please explain your reservations or your suggestions for improvement or any other comment you might have.

The Exposure Drafts incorporate all items covered by the CSRD framework in terms of topic coverage and reporting area coverage (the Commission's proposal published the 21st april 2021). It is however necessary to adjust certain DR to the newly agreed CSRD text.

However, it seems to us that the boundaries are not clear enough between the reporting/disclosures requirements set by the ESRS, and the behaviour requirements that should not be treated by the ESRS but seem however to be covered in some instances (transparency requirement vs conduct requirement). For example, the Appendix C on due-diligence under ESRS raises questions: do these elements constitute requirements to comply with, or are these elements to report on? There is no clear demarcation here as the reporting is driven by the actions, which seem themselves to be set by this Appendix of ESRS 1. Another example of DR further illustrate this tension: ESRS 2-GOV3 requires how governance bodies have addressed or intend to address the information related to stakeholders. Such requirement tend to impinge on the role of governance bodies (extending it, actually) that are set by local laws or code.

The AMF advises EFRAG to carefully review the content, intent and drafting of the disclosures requirements (and related AG and appendix) so as not to be (or interpreted to be) prescriptive on certain actions, behaviour or organizational elements that would need to be implemented, and would interfere with, modify or override company laws. These matters should remain within the prerogative of specific European or national legislations. To illustrate, the proposal on CSDDD imposes on some large companies to have a climate transition plan, whereas CSRD introduces the obligation to disclose such transition plan, if any. Another example includes paragraph 21 of Appendix C of ESRS 1 *"where an undertaking lacks leverage, it is expected to take steps to build it to the extent possible. Where it cannot create or use the leverage necessary to achieve change, it should consider ending the business relationship(s) concerned, taking into account credible assessments of any potential environmental and human rights impacts of doing so. The more severe the impact, the more swiftly leverage will need to show results before the undertaking considers ending the relationship. For as long as the undertaking remains in the relationship, it is advised to continue and be able to demonstrate its efforts to*

mitigate the impact and be prepared to accept any consequences – reputational, financial or legal – of the continuing connection”. This paragraph prescribes companies to act a certain way which goes beyond the transparency objective of CSRD and EFRAG standards.

Such distinction should be made clear throughout the ESRS and some language adjustments (to be made more neutral) could address this point of attention.

Q7: in your opinion, to what extent does the proposed coverage of set 1 (see Appendix I) adequately address SFDR reporting obligations?

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

If you think this coverage and its implementation could be improved in any way, please specify how and to what specific SFDR indicator your comment relates

In general the AMF finds that SFDR PAII and ESRS are well-aligned, as most principal adverse impact indicators can rely on information disclosed under ESRS requirements. However, there are some DR that could be slightly amended to better align with the SFDR framework :

- Environment :
 - PAII n°8 (table 1), “emissions to water”: it is not clear whether ESRS E3 requires a composite KPI accounting for both “emissions to water” and “direct emissions of nitrates, phosphates and pesticides” or two separate indicators (SFDR requires one KPI covering both).
 - PAII n°9 (table 1), “Hazardous waste and radioactive waste” : the definition of “hazardous waste” in Appendix A of ESRS E5 is not fully aligned with the definition given in SFDR RTS (we suggest to mention Article 3(2) of Directive 2008/98/EC)
 - PAI n°6 (table 2), “water usage and recycling”. This information corresponds to ESRS E3-R, DR §30 and more precisely, to the indicator of §32b (water intensity performance). **However, this DR is only optional** (“§30: the undertaking may provide...”) and therefore the indicator under §32b may not be provided. Moreover, it would be useful to specify that the result has to be expressed in “millions” [of the monetary unit], in line with SFDR PAIIs.
 - PAI n°10 (table 2), “land degradation, desertification, soil sealing”. While this KPI is addressed in ESRS E4 (AG23), we believe that it is necessary for the quality and comparability of this information to define more precisely these notions that are not defined in SFDR either (for instance, there is currently no definition of “soil sealing” or “desertification”).
 - PAI n°13 (table 2), “non-recycled waste ratio”. There is no definition of "non-recycled waste" in Appendix A of ESRS E5 (nor in SFDR), and the definition of "recycling" is not aligned with SFDR (for instance, there is no reference to Article 3(17) of Directive 2008/98/EC in the definition of Appendix A).
 - PAI n°14 (table 2), “natural species and protected areas”. Under ESRS E4 AG 30(b), companies have to disclose whether they have a biodiversity protection policy “covering operational sites owned, leased managed in, or adjacent to, a protected area or an area of high biodiversity value outside protected areas”. Yet to clarify whether companies should specify if their policies cover all these aspects or only for

instance, their operational sites.

- Social :
 - PAII n°10 (table 1) "Violations of UN Global Compact principles and Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises": it seems that this indicator is not entirely addressed in ESRS S1 because the current DR S1-25 is limited to "severe human rights issues". The AMF suggests a stand-alone KPI similar to what is required under S2 to S4.
 - PAII n°2 (table 3) "Rate of accidents in investee companies expressed as a weighted average": ESRS S1 goes further and requires the number in addition to the rate of accidents. The AMF wonders whether aligning strictly with what is required under SFDR as a first step could be beneficial to companies to report what is of relevance.
 - PAII n°3 (table 3): "Number of days lost to injuries, accidents, fatalities or illness": The wording under S1-11, paragraph 63(d) is somewhat confusing as it requires "the number of days lost to work-related injuries and fatalities from work-related accidents, work-related ill health and fatalities from ill health". The AMF suggests aligning the wording with SFDR to ensure convergence.
 - PAII n°4 (table 3): "Lack of a supplier code of conduct": ESRS S2 does not require explicitly companies to disclose if they don't have a supplier code of conduct. The mention "The undertaking shall state if it does not have a supplier code of conduct" could be added.
 - PAII n°14 (table 3) "Number of identified cases of severe human rights issues and incidents": ESRS S2, S3 and S4 do not require the number of identified cases of severe human rights issues and incidents. The AMF suggests that when KPIs are developed for these standards such measure should be included.

Sustainability statements and the links with other parts of corporate reporting

For clarity and ease of use, standardised sustainability reporting shall be easily identifiable within the management report (MR). To that effect, ESRS 1 – General principles (paragraphs 145 to 152) prescribes how to organise the information required by ESRS. It offers three options (paragraphs 148 and 149) for undertakings to consider when preparing their sustainability reporting:

- a single separately identifiable section of the MR;
- four separately identifiable parts of the MR:
 - (i) General information;
 - (ii) Environment;
 - (iii) Social;
 - (iv) Governance
- one separately identifiable part per ESRS in the MR.

The first option is the preferred option. When applying the other two options the entity shall report a location table to identify where disclosures are presented in the MR.

In order to foster linkage throughout the undertaking's corporate reporting, ESRS 1 also:

- prescribes that the undertaking adopts presentation practices that promote cohesiveness between its sustainability reporting and: (a) the information provided in the other parts of the management report, (b) its financial statements (FS), and (c) other sustainability-related regulated information (paragraphs 131 to 134)

- promotes the incorporation of information by reference to other parts of the corporate reporting in order to avoid redundancy (paragraphs 135 and 136)
- organises connectivity with the financial statements by prescribing how to include monetary amounts or other quantitative data points directly presented in the financial statements (paragraphs 137 to 143).

Q8: Do you agree with the proposed three options?

1/ Yes **2/ No** 3/ No opinion

Q9: would you recommend any other option(s)?

If so, please describe the proposed alternative option(s)

Subject to the legal analysis after release of the final wording in CSRD, the AMF generally considers that issuers should be left with some flexibility on the manner the sustainability reporting is presented, provided that such presentation is clear and the information is easily identifiable, readable and accessible.

The final text of CSRD requires undertakings to report sustainability information in a clearly identifiable dedicated section of the management report. It also provides that sustainability information shall contain references to, and additional explanations of, other information included in the management report in accordance with Article 19 and amounts reported in the annual financial statements.

Option 1 fully meets CSRD requirement. The AMF believes that Option 2 would also meet such requirement provided that a clearly identifiable dedicated section within the management report consolidates the information including the references to the 4 parts corresponding to general, E, S and G information presented in other parts of management report. These 4 parts are therefore incorporated by reference to this dedicated section. Same applies for option 3.

The 3 options should not preclude other types of presentation.

Q10: in your opinion, to what extent do you believe that connectivity between the sustainability reporting and other parts of the management report has been appropriately addressed?

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

Please explain your reservations or your suggestions for improvement or any other comment you might have

ESRS 1 paragraph 135 authorises a disclosure requirement of an ESRS to be incorporated by reference in the sustainability reporting. The AMF fully supports this and suggests to require that such information incorporated by reference be clearly identified and be subject to the same level of assurance as sustainability statements and indicated as such.

However, the AMF considers that incorporation by reference in sustainability statements from reports other than the management report, currently banned by paragraph 135 whereas not prohibited by CSRD level 1 text, should be allowed. Please refer to our response to Q11 below.

Q11: in your opinion, to what extent does the incorporation of information in the Sustainability section by reference to other parts of the management report support cohesiveness throughout corporate reporting?

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

Please explain your reservations or your suggestions for improvement or any other comment you might have

The AMF considers paramount to avoid duplication of information pertaining to the same topics within the corporate reporting of entities, for reasons of cohesiveness and to prevent information overload. Enabling incorporation of information by reference to other sections of management report partly addresses this issue but is not sufficient. The AMF notes indeed that ESRS 1 prohibits incorporation by reference in the sustainability statements from reports other than the management report (ESRS 1 paragraph 135), whereas CSRD does not ban such practice.

The AMF is of the view that the incorporation by reference in the sustainability statements of information from other reports should be allowed, provided some safeguards are set. More specifically, such incorporation by reference in the sustainability statements – which is not precluded by CSRD - should be permitted in ESRS for other information, such as from the financial statements (whether the information concerned is quantitative or qualitative), the corporate governance statement (when this statement is not provided in the management report due to local rules), the remuneration report (Shareholder's directive), or the URD (which bundles together the Transparency Directive annual financial report and the Prospectus Regulation registration document into a single medium).

Incorporation by reference allows for operational flexibility, cost savings, and diminishes the volume of information provided to users. It would foster cohesiveness and connectivity with other pieces of regulation and between financial and sustainability statements (see also our responses to question 12 below).

The use of incorporation by reference should nevertheless be surrounded by safeguards not to hamper the readability of sustainability statements, and ensure the quality of information. The AMF agrees with the principle already set by ESRS 1 in clearly identifying the element of information presented in other sections and incorporated by reference. In addition, the AMF suggests to require that any information incorporated by reference to meet ESRS requirements be available to users of the sustainability statements at the same time and on the same terms as the sustainability statements, and be subject to the same level of assurance as sustainability statements and indicated as such.

Q12: in your opinion, to what extent do the requirements and provisions on how to include monetary amounts and other financial statement-related quantitative data into sustainability reporting support connectivity with the financial statements?

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

Please explain your reservations or your suggestions for improvement or any other comment you might have.

The AMF supports the provisions of ESRS 1 regarding connectivity with financial statements, requiring consistency of assumptions and financial data used in both statements and reconciliation where needed.

To avoid duplication of information, incorporation by reference in the sustainability statements from financial statements should be allowed. Indeed, there might be quantitative or qualitative data within the financial statements that could respond to requirements of ESRS (regarding sustainability risks for example, and relevant financial effects and exposures).

Such incorporation by reference should be permitted provided safeguards are properly set with regards to the identification and accessibility of the relevant information, as well as quality assurance, and readability of sustainability statements.

1B. OVERALL ESRS EXPOSURE DRAFTS RELEVANCE – IMPLEMENTATION OF CSRD PRINCIPLES

Characteristics of information quality

Article 19a paragraph 2 of the CSRD proposal states that “*the sustainability reporting standards referred to in paragraph 1 shall require that the information to be reported is understandable, relevant, representative, verifiable, comparable, and is represented in a faithful manner.*”

As a consequence, ESRS 1 – General principles defines how such qualities of information shall be met:

- Relevance is defined in paragraphs 26 to 28
- Faithful representation is defined in paragraphs 29 to 32
- Comparability is defined in paragraphs 33 and 34
- Verifiability is defined in paragraphs 35 to 37
- Understandability is defined in paragraphs 38 to 41

Q13: to what extent do you think that the principle of relevance of sustainability information is adequately defined and prescribed?

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

Please explain your reservations or your suggestions for improvement or any other comment you might have

The overall definition of the concept of "relevance" appears understandable, particularly when it is presented as intertwined with the predictive value and confirmatory value of information. On this point, it is worth highlighting the alignment between the ESRS 1 draft and IFRS S1 draft.

Q14: to what extent do you think that the principle of faithful representation of sustainability information is adequately defined and prescribed?

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

Please explain your reservations or your suggestions for improvement or any other comment you might have

In both ESRS 1 and IFRS S1, the concept of "faithful representation" is quite similar and requires that the information is complete, neutral and accurate (or "free from error", which in our view boils down to the same outcome). However, there is a difference regarding the notion of "accuracy of the information". Indeed, on the ESRS 1 side, the notion of accuracy implies an "internal control process" whereas IFRS S1 is mainly focused on principles (while giving examples) and refers to "appropriate process".

Thus, in order to reduce discrepancies and strengthen the alignment of the standards, we believe that convergence should be sought and the definition of accuracy in the ESRS 1 draft should coincide with the definition in the IFRS S1 draft.

Q15: to what extent do you think that the principle of comparability of sustainability information is adequately defined and prescribed?

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

Please explain your reservations or your suggestions for improvement or any other comment you might have

Q16: to what extent do you think that the principle of verifiability of sustainability information is adequately defined and prescribed?

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

Please explain your reservations or your suggestions for improvement or any other comment you might have

Q17: to what extent do you think that the principle of understandability of sustainability information is adequately defined and prescribed?

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

Please explain your reservations or your suggestions for improvement or any other comment you might have

Double materiality

Double materiality is a principle that is central to the CSRD proposal and is represented accordingly in the ESRS materiality assessment approach that sustains the definition of mandatory requirements by the cross-cutting and topical standards. This is also true of the

materiality assessment any undertaking is expected to perform, per ESRS 2 – General, strategy, governance and materiality assessment, to identify its principal sustainability risks, impacts and opportunities. This in turn, defines what sustainability information must be reported by the undertaking.

Double materiality assessment supports the determination of whether information on a sustainability matter has to be included in the undertaking's sustainability report. ESRS 1 paragraph 46 states that "a sustainability matter meets the criteria of double materiality if it is material from an impact perspective or from a financial perspective or from both." Further indications as to how to implement double materiality is given by ESRS 2 Disclosure Requirement 2-IRO 1, paragraph 74b(iii) and AG 68.

While recognising that both perspectives are intertwined the Exposure Drafts contain provisions about how to implement the two perspectives in their own rights.

Q18: in your opinion, to what extent does the definition of double materiality (as per ESRS 1 paragraph 46) foster the identification of sustainability information that would meet the needs of all stakeholders?

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

Please explain your reservations or your suggestions for improvement or any other comment you might have

The AMF fully supports the double materiality approach of the ESRS. In particular, we believe it is important to recognise and clearly explain the added-value of each materiality perspective and emphasise, as expressed in ESRS 2, that both materiality should be applied "*in their own right*" (i.e. independently) when conducting the reporting exercise.

The AMF suggests to further clarify that the aim of the materiality assessment is not only to identify relevant sustainability matters relating to impacts, risks or opportunities (e.g. "climate", "deforestation"), but also to identify relevant information about such sustainability matters (e.g. information on the ecological status of the forest, or information on the related reputational risks, etc.). In some cases, this information can be relevant from both materiality perspectives (e.g. gross GHG emission KPI can be used as a basis for impact or risk performance measurement). In other cases, a same sustainability matter can be material from both perspectives, but the relevant information to be disclosed on this matter might be different depending on the approach (i.e. specific information on risks, specific information on impacts).

As a consequence, we also suggest a slight adjustment to the double materiality definition in ESRS 1 paragraph 46: "*A sustainability matter or a sustainability-related information meets therefore the criteria of double materiality if it is material from either the impact perspective or the financial perspective or both perspectives.*"

In addition, it is difficult to understand in ESRS 1 how the concept of materiality should apply at these two different levels: (1) the materiality of risks, impacts and opportunities related to a sustainability matter; and (2) the relevance of an information about such risks, impacts and opportunities (from ESRS or entity-specific approach). The articulation between paragraphs 43 and 46 and following should be clarified.

We are of the opinion that the notion of "impact materiality" should be further developed. In particular, it is essential to define what "severity", "scale" and "how grave an impact is" mean in the context of impact materiality. Indeed, a company's impact on the environment could

be also assessed as “grave” from a financial perspective.

In addition, in paragraph 49, it is said that the **terms “significant” and “material”** have the same meaning when referring to impacts, risks and opportunities. Consequently, we suggest to only use one terminology in the other standards in those cases (e.g. “material”).

From a general point of view and in line with the comments above, we believe it is critical to **provide further clarifications/guidance on the application of impact materiality and financial materiality**, both through the cross-cutting standards and the topical standards (in the IRO sections).

Other concepts/approaches, should also be clarified, for instance:

- “equal consideration” of impact related to own operations and to the value chain,
- various time horizons with regards effects of risks and opportunities,
- consideration of the needs and impacts of stakeholders (which definition is very broad)
- consideration of “European public good” (notion which is not defined and whose application raises questions etc.).

Q19: to what extent do you think that the proposed implementation of double materiality (as per ESRS 2-IRO 1, paragraph 74b(iii) and AG 61) is practically feasible?

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

Please explain your reservations or your suggestions for improvement or any other comment you might have

See previous comments in Q18 on the need to clarify the concept and application of double materiality.

See specific comments in Q21 (for impact materiality) and Q22 (for financial materiality).

See also comments regarding the specific disclosure requirements in topical standards that relates to ESRS 2-IRO 1, 2 or 3. While these application guidance on how to conduct double materiality assessment for each sustainability matter are useful, we believe that some of them need to be clarified to better distinguish the two materiality approaches. It seems also necessary to further develop some of these guidance to facilitate the double materiality assessment (see comment in Q18). In addition, it is necessary to explain how “dependencies” can be related to material risks, opportunities and impacts.

The AMF observes that some companies use “materiality matrices” as a tool to report on materiality assessment. These matrices generally represent, on one axis, the interest of the company (financial materiality), and, on the other, the interest of stakeholders (depending on the stakeholders: materiality impact).

While it might be useful to mention such educational tools in application guidance (or as illustrative examples), it is important to clarify that materiality matrices serve to present the outcomes of the materiality assessment. However, they are not tailored to inform on the materiality analysis process, which is a key information. In any case, such matrices should be accompanied by appropriate information as required under the different IRO-DR. As such, they should not be seen as the basis of the materiality assessment (for IRO 1, identification of impact, risks and opportunities) but rather as a reporting tool, that could be used to summarise the IRO-2/3 disclosures (outcomes) resulting from the application of the different ESRS.

Impact materiality

- A definition of impact materiality is given by ESRS 1 paragraph 49: “a sustainability matter is material from an impact perspective if the undertaking is connected to actual or potential significant impacts on people or the environment over the short, medium or long term. This includes impacts directly caused or contributed to by the undertaking and impacts which are otherwise directly linked to the undertaking’s upstream and downstream value chain.”
- A description of how to determine impact materiality and implement impact materiality assessment can be found in ESRS 1 paragraph 51 and is complemented by ESRS 2 Disclosure Requirement 2-IRO 1, paragraph 74b(iii), AG 64 and AG 68.

Q20: in your opinion, to what extent is the definition of impact materiality (as per ESRS 1 paragraph 49) aligned with that of international standards?

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

Please explain your reservations or your suggestions for improvement or any other comment you might have

The AMF observes that ESRS definition and guidance on impact materiality are coherent with GRI’s recent guidance.

However, we believe that some adjustments to the definition and application guidance in ESRS 2 would still be useful to ensure that this notion is well understood and can be applied to sustainability reporting. [See Q21 \(Part 1\) and Q20 \(Part 3, ESRS 2\)](#) for more details on definition/guidance for implementation.

Q21: to what extent do you think that the determination and implementation of impact materiality (as proposed by ESRS 1 paragraph 51) is practically feasible?

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

Please explain your reservations or your suggestions for improvement or any other comment you might have

The AMF considers that the definition / application guidance related to impact materiality could be clarified to better reflect the specificities of this approach. We believe such clarifications could help with the concrete application of the notion of double materiality to sustainability reporting.

In particular, we believe that, in ESRS 2, there is a need to clarify the guidance given in paragraph 74 (b)(iii) and AG 64 (c), that explain the basis on which impacts should be deemed material (severity & likelihood). Indeed, the definition of the “severity” of the impact and the criteria of scale (“*how grave the impact is*”) is not clear, as the ESRS do not really explain on what basis/principles such severity can be assessed. *Please refer to Q.20 (Part A3) of this consultation for more details and drafting proposals.*

For instance, “how grave” an impact on climate change could be determined by evaluating the gap between the company’s GHG emission and the level of GHG emission that would be consistent with limiting global warming to 1.5°C (science-based target). Another example of how grave a biodiversity impact is could be determined by assessing whether

and to what extent the company does not respect an ecological threshold (planet boundaries, etc.). This is consistent with the guidance given in ESRS E4.

The AMF observes that the ESRS could clarify the **terminology around “impacts”**, as several terms are used as synonyms across the standards: “adverse impacts”, “negative impacts”, “negative externalities”, etc. A single terminology would be useful. The AMF suggests to choose between “negative” and “adverse” impacts, as the term externalities is more restrictive (externalities is a well-defined economic concept that refers specifically to stakeholders’ “utility functions”). *Please refer to our general comments above on the guidance needed to understand how in practice materiality assessment of information works and how it articulates with materiality assessment of the matter, as well as how and to what extent the different notions in ESRS 1 are taken into account in such assessments.*

Financial materiality

- A definition of financial materiality is given by ESRS 1 paragraph 53: “a matter is material from a financial perspective if it triggers or may trigger significant financial effects on the undertaking, i.e., it generates risks or opportunities that influence or are likely to influence the future cash flows and therefore the enterprise value of the undertaking in the short-, medium- or long- term, but it is not captured or not yet fully captured by financial reporting at the reporting date.”
- A description of how to determine financial materiality and implement financial materiality assessment can be found in ESRS 1 paragraphs 54 to 56 and is complemented by ESRS 2 Disclosure Requirement 2-IRO 1, paragraph 74b(iii), AG 65 and AG 69.

Q22: in your opinion, to what extent is the definition of financial materiality (as per ESRS 1 paragraph 53) aligned with that of international standards?

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

Please explain your reservations or your suggestions for improvement or any other comment you might have

The AMF believes that some guidance in ESRS 2 would be useful to **clarify the notion of financial materiality**, and how it can be applied to sustainability reporting, working closely with ISSB. It is important that terminologies and concepts are aligned and greater convergence can be achieved with the definition and application of “financial materiality” and “enterprise value creation”. In particular, it is necessary to provide guidance on how to take into account the company’s impacts on people and the environment that translate into risks and opportunities (i.e. through a financial materiality lens).

(Materiality) Rebuttable presumption

Central to the ESRS is the critical combination of two key elements:

- the mandatory nature of disclosure requirements prescribed by ESRS, and
- the pivotal importance of the assessment by the undertaking of its material impacts, risks and opportunities.

The combination of the two is designed to make sure that the entity will report only on its

material impacts, risks and opportunities, but on all of them.

The assessment of materiality applies not just to a given sustainability matter covered by a given ESRS (like ESRS E3 on biodiversity for example), but to each one of the specific disclosure requirements included in that ESRS. However, this excludes the cross-cutting standards and related disclosure requirements, which are always material and must be reported in all cases.

When a sustainability matter is deemed material as a result of its materiality assessment, the undertaking must apply the requirements in ESRS related to these material matters (except for the few optional requirements identified as such in ESRS). Conversely, disclosure requirements in ESRS that relate to matters that are not material for the undertaking are not to be reported.

The (materiality) rebuttable presumption mechanism described in ESRS 1 paragraphs 57 to 62 aims at supporting the implementation and documentation of the materiality assessment of the undertaking at a granular level.

ESRS 1 paragraphs 58 to 62 describe how to implement the rebuttable presumption principles. In particular, “The undertaking shall therefore assess for each ESRS and, when relevant, for a group of disclosure requirements related to a specific aspect covered by an ESRS if the presumption is rebutted for:

- (a) all of the mandatory disclosures of an entire ESRS or
- (b) a group of DR related to a specific aspect covered by an ESRS,

Based on reasonable and supportable evidence, in which case it is deemed to be complied with through a statement that:

- (a) the ESRS or
- (b) the group of DR is “not material for the undertaking”.

Q24: to what extent do you think that the (materiality) rebuttable presumption and its proposed implementation will support relevant, accurate and efficient documentation of the results of the 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

Please explain your reservations or your suggestions for improvement or any other comment you might have

The AMF agrees with the principle set by the ESRS to report on sustainability matters on the basis of the (double) materiality principle. Materiality is the cornerstone of corporate reporting, as it ensures that investors and stakeholders are delivered only material/relevant information and it avoids information overload.

However, the AMF has the following concerns:

- **the implementation of materiality assessment is unclear, and seems rather complex.** It implies to take account of multiple factors (which definitions and boundaries are not clearer): severity and likelihood of impact, “equal consideration” of impact related to the own operations and to the value chain, various time horizon with regards effects of risks and opportunities, consideration of stakeholders, and “European public good”, etc. It is therefore necessary to provide further guidance on this area.
- Despite the practical challenges on the implementation above, **the very principle of**

rebuttable materiality presumption strongly opposes the CSRD concepts of relevance, notion that is closely related to materiality: “sustainability information is relevant when it has substantive influence of the assessments and decisions of users of sustainability reports under a double materiality approach”. By assuming from the outset that any sustainability matter, any sustainability sub-topic, and any disclosure requirement within the topical ESRS is material for the company, the principle of materiality presumption leads to a “comply or explain” approach, contravenes the very spirit of CSRD and diverges with international standards approach. If materiality analysis is the keystone of financial and non-financial information, the approach should be based on identifying materiality (i.e. impacts, risks and opportunities and related disclosures), and not conversely, on demonstrating non-materiality. As such, it is disputable that a specific principle of “materiality presumption”, though rebuttable, is needed.

- Moreover, the principle of rebuttable presumption may not be without consequences for companies from a legal point of view. This context may create unintended incentives for companies to report non-material information and eventually adopt a “tick-the-box” approach to fulfil the requirements, which in turn exacerbates the disclosure overload problem.
- **In addition, the disclosures requirements and the level of granularity of information required, in relation to the materiality assessment and the rebuttal of the presumption in ESRS raise questions** (relevance of disclosure of all the thresholds used within a group, details required in AG63 to AG74, how to implement and make such disclosure clear and understandable to users in the context of global groups with different activities, locations, issues to address, and size of entities within the group?). The disclosures seem complex to implement and may inflate the volume of information provided, with uncertain benefits to users.
- Finally, it is important to note that the rebuttable presumption should not be used or viewed as a door open to not disclose information for reporting burden reasons instead of materiality reasons. Materiality assessment and rebuttal is not a way to reach proportionality.
- As a consequence, the AMF recommends EFRAG to delete the rebuttable presumption principle and to provide for further guidance and illustrative examples on materiality assessment.
- The disclosures requirements should be alleviated (less detailed provisions on IRO, and no publication of all the materiality thresholds used with the group for every topic/DR).

Q25: what would you say are the advantages of the (materiality) rebuttable presumption and its proposed implementation?

Please refer to previous response in Q24

Q26: what would you say are the disadvantages of the (materiality) rebuttable presumption and its proposed implementation?

Please refer to previous response in Q24

Q27: how would you suggest it can be improved?

Please refer to previous response in Q24

Reporting boundary and value chain

ESRS 1 paragraphs 63 to 65 define the reporting boundary of the undertaking and how and when it is expanded when relevant for the identification and assessment of principal impacts, risks and opportunities upstream and downstream its value chain – as the financial and/or impact materiality of a sustainability matter is not constrained to matters that are within the control of the undertaking.

Paragraphs 67 and 68 address the situation when collecting the information about the upstream and downstream value chain may be impracticable, i.e. the undertaking cannot collect the necessary information after making every reasonable effort, and allows approximation based on the use of all reasonable and supportable information, including peer group or sector data.

Due to the dynamics and causal connections between levels within the undertaking's reporting boundary, material information is not constrained to one particular level. Paragraphs 72 to 77 prescribe how the undertaking shall consider the appropriate level of disaggregation of information to ensure it represents the undertaking's principal impacts, risks and opportunities in a relevant and faithful manner.

Q28: in your opinion, to what extent would approximation of information on the value chain that cannot (practically) be collected contribute to the reporting of understandable, relevant, verifiable, comparable, and faithfully represented sustainability information?

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

Please explain your reservations or your suggestions for improvement or any other comment you might have

As a general comment, given the importance of reporting boundary for sustainability reporting, the AMF encourages EFRAG to reach a **common ground with the ISSB** on the definition of this notion, **especially how and to what extent the value chain is covered**.

The definition of value chain as provided under ESRS 1 is very broad as it includes upstream and downstream direct and indirect business relationships. Beyond the practicality of collecting related information, the question of the relevance of information related to such an extensive concept is raised. Therefore, we suggest to narrow down the definition of value chain, by referring to the notion of "established business relationships" under the CSDD proposal (corporate sustainable due diligence directive), which takes into account the intensity, duration and significance of the relationship. It reads:

'established business relationship' means a business relationship, whether direct or indirect, which is, or which is expected to be lasting, in view of its intensity or duration and which does not represent a negligible or merely ancillary part of the value chain;

Regarding the approximation of information, we suggest to require safeguards so as to ensure the robustness and quality of the approximation as well as its transparency (assumptions used, calculations methodology, source of the data, date of the approximation, sensitivity information, perimeter/proportion of the KPI or the information that is covered by the approximation, how the issuer ensured the quality of approximation, etc.).

The AMF considers that approximations should only be used where they provide a faithful

representation of the company's situation. Missing data (on the value chain or on other complex matters) may therefore not be systematically approximated.

Q30: in your opinion, to what extent will the choice of disaggregation level by the undertaking as per ESRS 1 paragraphs 72 to 77 contribute to the reporting of understandable, relevant, verifiable, comparable and faithfully represented sustainability information?

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

Please explain your reservations or your suggestions for improvement or any other comment you might have

There is no one size fits-all in terms of disaggregation level, as the relevance of such disaggregation will depend on the facts and circumstances of each issuer, on its own materiality analysis, and on the type of sustainability matter dealt with.

To ensure connectivity of information provided in corporate reporting, the ESRS should indicate as alternative level of disaggregation, one that is consistent with other EU legislation for example considering the IFRS 8 reporting segments subdivision in the financial statements, or the Art 8 Taxonomy disaggregation by activity, depending on the subject.

Paragraph 74 should be presented as examples, and not as binding requirements (use "may" rather than "shall").

The reference to the "other EU regulations" in paragraph 74 driving the current requirement to provide disaggregation by significant site or asset should be clarified, as well as its application in the context of a multinational group –which could be rather limited.

Time horizon

ESRS 1 paragraph 83 defines short-, medium- and long-term for reporting purposes, as

- One year for short term
- Two to five years for medium term
- More than five years for long-term.

Q31: do you think it is relevant to define short-, medium- and long-term horizon for sustainability reporting purposes?

1/ Yes **2/ No** 3/ I do not know

The AMF believes that a "principle-based" approach whereby companies can define their short, medium and long-term horizons, and explain how/why they have chosen such definitions would be more appropriate to take account of each company's specificities.

The AMF advises therefore the following recommendations :

- No definition of these horizons but guidance on how to best define them (what parameter could be assessed, etc.). In this case, example of time horizon could be given as an illustrative guidance.
- Consistent approach throughout all ESRS (including topical standards). Illustrative guidance on how to define time horizon could be adapted to each topics, where

relevant.

- If the proposed time horizons are maintained under ESRS 1, introduce a rebuttable feature where entities would adopt the time horizons by default, but could rebut those on the basis of their specific facts and circumstances, while providing appropriate disclosures.

In this field, further convergence/discussion with ISSB could also be sought for interoperability and comparability purposes.

Q33: if you disagree with the proposed time horizons, what other suggestion would you make? And why?

See comment in Q31

Bases for preparation

Chapter 4 of ESRS 1 provides for principles to be applied when preparing and presenting sustainability information covering general situations and specific circumstances. Aspects covered include:

- general presentation principles (paragraphs 108 and 109);
- presenting comparative information (paragraphs 110 and 111);
- estimating under conditions of uncertainty (paragraphs 112 and 113);
- updating disclosures about events after the end of the reporting period (paragraphs 114 to 116);
- changes in preparing or presenting sustainability information (paragraphs 117 and 118);
- reporting errors in prior periods (paragraphs 119 to 124);
- adverse impacts and financial risks (paragraphs 125 and 126);
- optional disclosures (paragraph 127);
- consolidated reporting and subsidiary exemption (paragraphs 128 and 129);
- stating relationship and compatibility with other sustainability reporting frameworks (paragraph 130).

Q37: is anything important missing in the aspects covered by the bases for preparation?

1/ Yes **2/ No** 3/ I do not know

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).

Q38: 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

The AMF is keen to preserve a level playing field between EU preparers and third-country competitors and to enhance the comparability of information for investors. Therefore, the AMF wishes to draw EFRAG's attention to the need to ensure convergence between its standards and those of the International Sustainability Standards Board.

Despite the fact that the ISSB and EFRAG embraced a different approach to materiality, taking a co-constructive route from the onset would facilitate the tasks of issuers, who probably will face multiple reporting requirements that could then ideally be achieved through the same data points, constructed based on same concepts, terminology, and methodologies. This cooperation between standard-setters will also be much relevant for

the elaboration of industry-specific standards. *Please refer to previous comments above on specific areas where convergence could be sought.*

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.

Q39: Comments on ESRS 2 – General, strategy, governance and materiality assessment

Please refer to Part 3A of this consultation (Q1 to Q22) for detailed comments on each section of this standard. The comments made above in section 1A-B also apply to ESRS 2.

Clarifications and terminologies: in part 3A, we have various comments relating to terminologies and the need to clarify certain DR. In particular, we suggest to clarify key notions such as “key drivers of value creation” (see also comment under section “financial materiality”), “resources” and “governance bodies” (see comments under section G1).

Prioritisation: in part 3A of this consultation, we suggest some adjustments to simplify the DR where we believe that the level of granularity of the information required could be streamlined. These adjustments also address the risks of repetition.

- For the level of granularity, see for instance comments on DR2- GR 2 “sector of activity”, where we suggest to clarify that only information necessary to understand the company's material sustainability impacts, risks or opportunities would be disclosed. Another example would be on the description of the value chain (GR3) or in SBM 2 on the detailed information currently required at the level of each key stakeholder.
- As regards repetition, see for instance comments related to GR 4 “key drivers of value creation” in relation to SBM disclosures.

As a result, we suggest that some disclosure requirements are either transformed into illustrative guidance or optional disclosures, or merged with other sections.

It is proposed to merge ESRS 2 GOV and some disclosure requirements in ESRS G1 which both deal with governance issues (in practice, sustainability governance practices are not always separated from the general governance of companies).

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'.

Q40: Comments on ESRS E1 – Climate change

Interoperability with international standards :

We acknowledge that there are currently differences between IFRS S2 and ESRS E1 disclosure requirements. However, the additional disclosures and differences in methodological principles are justified in view of EU objectives (in particular, double materiality approach, definition of transition plans, KPIs related to SFDR, accounting rules related to carbon credits, avoidance, removals, etc.). We therefore support ESRS's approach.

Materiality:

For clarity and better understanding of how impact materiality applies to climate matters, AG14(a) and/or AG 15(b) should be slightly amended to include a reference to the 1.5°C climate preservation objective of the Paris Agreement. This climate preservation target is already mentioned for the financial-materiality perspective (in AG(c)), and we believe it makes even more sense from an impact perspective. Indeed, by definition, the materiality of company's impacts on climate change **need to be assessed in view of an ecological threshold** which is, in the case of climate, the global 1.5°C objective of the Paris Agreement. For companies, this threshold takes the form of carbon budgets or "reference target value aligned with 1.5°C" (cf. AG30). It is important to explain that data on gross GHG emission only (i.e. with no reference to these thresholds) is not sufficient to assess the materiality of the company's impact. Recommendation :

- To add in AG14(a) "*considering climate scenario in line with limiting global warming to 1.5°C with no or limited overshoot*". This element could also be specified in AG 15.
- We suggest to further explain in AG 16 why a reference to DR E1-1 and E1-3 (transition plan, targets) could help to understand the company's impacts, as it would give an information on the gap (or alignment) between current level of emission of the company and this 1.5°C-related threshold.

Prioritisation :

The AMF suggests some minor adjustments to ESRS E1 related to the level of granularity of certain disclosure requirements, in E1-3 (in particular) and E1-10, E1-12, E1-14 (see Part 3B of this consultation for more details).

Clarifications and proposed technical adjustments :

NB: this section covers specific elements in AG that could not be covered by Part 3 of this consultation.

AG 18(d): we suggest to clarify what "incompatibility [of assets] with the requirements for taxonomy-alignment" means (not eligible? do not meet alignment criteria as of today? Do not meet DNSH?). We are not sure that such information would always be relevant because some activities that are not covered (yet) by the EU taxonomy or activities that do not substantially contribute to climate objectives could however be compatible with the company's efforts for the transition to a climate neutral economy. Without additional guidance/clarifications, we believe that AG 18(d) could be misleading.

On SBM 1 (resilience analysis), AG 7(a) (i),(ii) and (iii) : to clarify as additional guidance that, following ESRS 2 principles, the scope of resilience analysis or analyses should be consistent with the material risks/opportunities identified that relate to the whole undertaking/group, its value chain or part of them (cf. IRO). Indeed, what is assessed here, according to ESRS 2, is the capacity of the undertaking to address/leverage on these RO. In addition, it is possible that specific analyses are needed to assess the resilience of different types of activities, sites, etc. This is also why specifications on the scope are needed. The explanations on the scope and exclusions, if any, should reflect these elements.

AG 7(b)(iii) : the resilience analysis also reflects the capacity of the undertaking to leverage on its opportunities (cf. ESRS 2). Therefore, in this AG, it seems necessary for companies to also be able to refer to their "estimated potential financial effects from material opportunities" (disclosed in ESRS E1-17), along with ESRS E1-15 and 16 on physical and transition risks.

Typo: the title above AG 7 should refer to SMB 4 (§47d) rather than SBM 1 (§47d is not in this DR). Indeed, SBM 1 covers the "overview of strategy and business model" whereas *SBM 4* is about the "*interaction of R&O and the strategy and BM*" and contains AG related to resilience.

AG 7 (c)(i) on the extent to which risks are covered by the planned actions seems redundant with ESRS E1-15/16 where companies are to disclose the share of assets [at material risk] addressed by action plans. A reference to E1-15 and 16 should be sufficient.

Reporting boundary: The reporting boundary to be retained for the DR should be clarified, together with the consistency with ESRS E1 (see comments below on DR E1-5).

ESRS E2 – Pollution

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

Q41: Comments on ESRS E2 - Pollution

Prioritisation:

The AMF is of view that a more progressive approach on certain complex disclosure requirements would be more appropriate to ensure the quality of the data published and to better reflect the current level of maturity of actors on these elements, while recognising the need of such data for users in the near future. In particular, we suggest to consider:

- limiting the scope of performance measurements to the own-operation (in line with ESRS E3), making disclosure covering the whole value chain voluntary for the first 3 years . (See Q43, Part 3B)
- a temporary voluntary disclosure for E2-5(b) and (c): we believe that these financial element could be challenging to obtain from day one, as companies would need adapted information systems.
- a temporary voluntary disclosure (3 years) on “information on potential financial effects of impacts, risks and opportunities”. see E2-7 (section 3B for more details)

To **consider a sector-specific approach** for some DR, e.g. DR E2-4 (§32, AG 15) that seems to set an exhaustive list of pollutants on which information is required, and which relevance for all companies raises question. A sector-specific approach could help companies to identify relevant types of pollutants.

Clarifications:

It may be useful to take into consideration the importance of the **local scale** when assessing pollution-related impacts. This could for instance be the case for air quality issues and emissions KPIs. As a result, the relevance of some aggregated indicators (regardless of geographical locations) could be questioned. It could also have an impact on how the company has to conduct its impact materiality assessment. However, it is critical to acknowledge that a **local-based approach could be challenging for companies** operating in multiple locations.

There is a need to clarify the **use of the term “dependencies”**, which is not defined here (nor in ESRS 1 or 2). Some ESRS (E2, E3, E4) use the term “dependencies” along with the term “impacts”, but it might create confusion as the relation between dependencies, impacts and risks is not explained. “Dependencies” are useful to assess impacts as well as risks, but they should be presented as a risk or impact factor, and not on the same level as “impact, risks and opportunities”. This would also facilitate the consistency/articulation between ESRS 2/1 (that only refer to risks or impacts) and ESRS E2.

Comparability:

Because there are no standardised calculation methods for some KPIs yet (i.e. measurement of micro plastics), methodologies may significantly vary depending on sectors/companies. It may be useful to increase the level of guidance/standardisation at sector-agnostic level or at sector-specific level, if appropriate and where/when such norms is available.

Materiality:

Overall, the guidance on materiality assessment in ESRS E2 is helpful. In particular, we are supportive of the approach taken in AG 5, that provide a **list of all subtopics covered in the standard**, to help screening the potential material impacts, risks and opportunities. This would ensure the quality/completeness of the materiality assessment and it would be **useful to replicate this approach in other topical standards**.

However, it may be clearer for companies **to better differentiate between guidance dedicated to impact materiality and financial materiality assessment**. For instance, in AG 6, the title announces information on “due diligence process”, which, according to ESRS 2, is linked to impact materiality. However, point (d) and (e) of this same AG 6 cover risks and opportunities, which is confusing/not consistent. Another example where the two materiality approach could be better distinguished is in “Pollution-related specific application guidance on ESRS 2 Disclosure Requirement SBM 4, paragraph 47 (d) on the resilience of the strategy and business model”. Indeed, AG 2-3 is dedicated to address Resilience analysis and is therefore oriented “financial materiality”. Therefore, it is very confusing to mention in AG2 and AG3 of this section the strategy of the undertaking to mitigate impacts as well as EU impact-oriented action plans. However the part of AG2 related to impacts and AG3 as a whole are very relevant information from an impact materiality perspective, and should still be required in a dedicated DR related SBM 3 (rather than SBM 4). These changes are essential to clarify the differences between the two materiality approaches and improve

the articulation between ESRS 2 and this ESRS. See also comments on the distinction between the two materiality approaches in Q13 (part 3A) on SBM3 of ESRS 2.

AG 6 (d): suggest a reference to SBM 4 to encourage consistency between the different sections of the sustainability statement.

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'.

Q42: Comments on ESRS E3 – Water and marine resources

Clarifications :

Given the novelty such reporting will represent for many companies, it is necessary to clarify certain concepts and definitions to ensure a uniform adoption of these standards. For instance:

- The term "dependencies" and its relation with impacts, risks and opportunities (in particular in §3, §39): see Q41 (1C).
- the notions of "marine resources" and "water" to better understand the perimeter of this standard (for instance, vs. ESRS E4 or E2)

Comparability issues :

Same as for ESRS E2, because that there may not be standardised calculation methods for KPIs yet, such as, in 35(b) the use of plastics in reference to ESRS E5, methodologies may significantly vary depending on sectors/companies. It would be useful to harmonise them and increase the level of guidance at sector-agnostic level where/when such norms would be developed, while requiring sufficient transparency on methodologies in the meantime.

Materiality :

It is necessary to better distinguish in these AG elements related to impact materiality and those related to financial materiality. This would help companies to apply both materiality approaches “in their own right” (ESRS 2). For instance, all AG relevant for the impact materiality approach could be grouped together. For instance, in AG 5(a) the list of geographical areas (outcome of the analysis) seems to only cover the financial approach (i.e. issues **for** the undertaking; “regulatory risks”). To clarify that this is what is intended. It could also be helpful to explain that AG 5(b) is useful for the impact materiality perspective (notion of “good environmental status”).

It is also necessary to clarify AG 4 (IRO 1): “the disclosure shall cover how the items considered [in the materiality assessment] may impact the resilience [of the company]. We are not sure of the meaning of this guidance. Does this AG require transparency on how the company has conducted its resilience analysis? (Noting that there is no DR dedicated to resilience analysis in this standard), or, more generally, require transparency on how it has assessed the financial materiality of IRO?”

AG 13, point (c) on the description of “strategy to ensure that it is compatible with global and EU objectives of ensuring the good ecological quality of bodies (...)” should be addressed in E3-1 on policies rather than in E3-IRO because it goes beyond the disclosure on materiality assessment. This is in fact an important aspect to consider when adopting an impact materiality approach for the strategy and related policies.

Prioritisation :

In relation to IRO 1/2/3 (application guidance of ESRS E3, especially AG 1 to AG 13), we think that more proportionality could be achieved by way of converting some disclosure requirements into illustrative examples, and better distinguishing the guidance on the process from disclosure requirements. Indeed, we believe that while the guidance on the materiality analysis process is undoubtedly helpful, the level of details of disclosure requirements themselves could be reconsidered. This is in particular the case, for instance:

- For AG 5, where exhaustive lists of significant geographical areas, commodities are required. A wording such as “an overview of” could be more appropriate to avoid information overload.
- For AG 10, where the company has to explain all criteria (materiality thresholds) considered to assess the materiality of the different commodities. We believe that information on “how” the company has set such criteria could be sufficient i.e. information on the process rather than on the criteria themselves.
- For AG 12, that requires specific information on how the company would be affected in case a supplier/key resources would not be available. We believe that this AG should be converted into illustrative examples and not result in disclosure requirements (examples on what element should be considered when conducting the financial materiality assessment). Moreover, it seems to overlap with AG 5 (outcome of the materiality assessment, based on the analysis processes described in AG1 and 2).

Greater proportionality and progressivity in some of these disclosures could be considered, in view of the lack of maturity and therefore challenges that companies may face, while recognizing the need for users to access these information in the near future. In particular we believe that disclosures on potential financial effects of impacts, risks and opportunities could remain optional

for a certain period of time, i.e. for the first 3 years of application (E3-7).

In addition, certain complex KPIs (see Q49, Part 3B on E3-3) are very similar to what could be required under EU Taxonomy (future DA on water-related sustainability objective). To avoid pre-empting these future requirements and limit redundancies on such complex KPIs, we suggest to consider optional disclosure.

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.

Q43: Comments on ESRS E4 – Biodiversity and ecosystems

Clarifications :

In line with other comments for other ESRS E standards, we believe that it is essential to clarify the relation between "dependencies" and risks in the context of this standards.

Comparability:

Regarding comparability issues, this standard is mostly principle-based and there are no pre-defined biodiversity KPIs with precise methodologies. While the comparability between disclosures may not be achieved, we believe that there is merit in this principle-based approach that reflects the lack of

maturity in this area at this stage (both from the standard-setter and the company's perspective). It would be useful to re-assess these elements during the revue clause.

Materiality :

Overall, to facilitate the materiality assessment, we believe that it is necessary to better distinguish in these AG the elements related to impact materiality and those related to financial materiality (or, where relevant, to both). This would help companies to apply both materiality approaches "in their own right" (ESRS 2).

Alignment with EU frameworks:

Please refer to Q7 of part I of this consultation where we identify SFDR PAIs indicators related to biodiversity that should be better reflected in ESRS.

Prioritisation:

The AMF is of the view that greater proportionality and progressivity in some of these disclosures could be considered, in view of the lack of maturity and therefore challenges that companies may face, while recognizing the need for users to access these information in the near future. In particular :

- The AMF believes that disclosures on potential financial effects of impacts, risks and opportunities could for a certain period of time, i.e. for instance for the first 3 years of application (E4-10).
- Regarding performance measurement, we would suggest a phasing-in approach regarding AG 58, whereby it would not be required that "all metrics" cover upstream and downstream value chain. Companies may be allowed to only disclose KPIs covering their own operation for the first 3 years of application. This seems also proportionate due to data availability issues.

More proportionality could be achieved by way of converting some disclosure requirements into illustrative examples. Indeed, we believe that while the guidance on the materiality analysis process in ESRS E4 (Biodiversity) is undoubtedly helpful, the number and level of details of disclosure requirements themselves, in particular in ESRS E4, could be reconsidered.

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'.

Q44: Comments on ESRS E5 – Resource use and circular economy

Clarifications :

Greater precision and clarification of certain concepts and definitions appear necessary :

- In particular, the use of the notion "decouple" in this standard (as well as in the "objective" section of this standard) raises issues. This term is not defined nor used in other standards, this creates inconsistency and complexifies the ESRS framework. Most importantly, there is no scientific consensus on the ability to decouple resource use from growth (creates uncertainty). In particular, the last IPCC report (WGIII) as well as EEA showed that absolute decoupling was very unlikely. Because it is essential to build ESRS on robust and, as much as possible, science-based concepts, we would suggest a more cautious approach with this notion. In addition, we fear that such concept would be difficult to "operationalise" (how to demonstrate decoupling?). We therefore suggest the following changes : 1) replace "decoupling"/"decouple" by more operational principles such as : reduce intensity of resource use or reduce dependencies on resources, in particular in AG ; 2) as a minimum, to favour a more neutral wording such as : "**help** decoupling" (i.e. soften the objective). This is used in IPCC report summary WGIII. In this case, it would be useful to specify in AG the difference between relative and absolute decoupling.
- to streamline through the standard the notion of "nature's regeneration", "regenerate ecosystems", "regeneration of renewable resources and ecosystems" etc. and further define this concept (and what is expected) in AG and Appendix A. We believe that a reference to ESRS E4 could be useful.
- to consider using the term "impact" instead of "externalities". Therefore, and for instance, we suggest not to use the concept "impacts, including potential negative ~~externalities~~" in the "Objective section" (d).
- please refer to previous comments on ESRS E2, E3, E4 on the **use of the term "dependencies"**.

Materiality :

Information on resource use **intensity, optimisation** (eco-efficiency) or resource **flows** (vs. stocks) are not appropriate tools to assess impact materiality. Indeed, to assess the severity of an impact, it is essential to use "gross/absolute" measurements so that it can be compared to ecological thresholds (such as critical stock of resources). The same logic applies for all standards, for instance, we need absolute GHG emission to measure alignment with 1.5°C reference targets which is an ecological threshold. Therefore, we suggest :

- to enhance transparency **on stock depletion/stock management** in ESRS E5 "Objective". In this regard, it seems necessary to change the title of DR E5-4 and E5-5 "resource inflows", "resources outflows" to "resource input", "resource output". This is also more consistent with the content of such DR as they both require absolute and relative indicators on resource use (flows and stocks).

In order to assess the impacts and risks related to resources use, it seems necessary to refer to the concept/ the established list of "**critical resources**" / "**critical raw materials**", for instance, in AG related to IRO. This would greatly help with the identification of material risks/impacts. (see EU Study "*European Commission, Study on the EU's list of Critical Raw Materials – Final Report (2020)*")

Prioritisation :

The AMF is of the view that greater proportionality and progressivity in some of these disclosures could be considered, in view of the lack of maturity and therefore challenges that companies may face, while recognizing the need for users to access these information in the near future. In particular:

- Disclosures on (potential) financial effects of impacts, risks and opportunities could remain

optional for a certain period of time, i.e. for instance for the first 3 years of application (E5-9).

- While necessary, the disclosure requirement on resources outflows seems significantly more challenging than those on inflows. We suggest a phasing-in approach and delay mandatory reporting on these quantitative and detailed information (E5-5).
- Regarding performance measurements on waste, reporting information on the value chain may be difficult for the first years. We suggest a phasing-in approach for AG 32 (E5-6) and only require to cover the own operations perimeter for the first 3 years.

Moreover, closer alignment on the EU taxonomy could be sought with regards certain KPIs that seem closely related to what would already be required under the EU Taxonomy. We believe that they could remain optional (see comments on E5-3 in Part 3 of this consultation).

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.

Q45: Comments on ESRS S1 – Own workforce

1) General comments

Firstly, the social standard ESRS S1 on own workforce is relatively extensive and complex to decipher with 65 pages, 26 disclosures and 173 application guidance for companies to consider.

The first six disclosure requirements (S1-1 to S1-6) are highly narrative and descriptive in nature. Information provided might result in duplicative information which would not serve well users of sustainability reporting.

The AMF is of the view that in order to avoid information overload, greater emphasis should be put on developing a strong baseline and prioritise KPIs that investors and relevant stakeholders use and expect rather than long and complex descriptions.

Companies may also encounter difficulties in collecting, and therefore providing the same level of information for "employees" and "non-employees", both covered by the standard. As a result, the AMF considers that KPIs for which data is easily accessible - e.g. related to "employees" -

should be prioritized in the first years of implementation. EFRAG will be able to further expand the KPIs required as it reviews the standards every three years.

The AMF also highlights that some disclosure requirements appear to go further than the standards developed by the GRI (please carefully consider GRI's responses). Ensuring alignment and convergence with the GRI framework that already exists could be viewed as a first step to build a robust baseline.

2) Materiality

Companies are required to conduct a materiality analysis to determine whether the topic relating to their "own workforce" is material to identify the information that will need to be published. It is critical to develop a sufficiently clear guidance on materiality to ensure a rigorous and consistent application of this concept on all ESG matters, including social and own workforce. This issue is particularly acute for social standards where it seems virtually impossible to consider that "own workforce" or "work life balance" or "non-discrimination" issues are not material. EFRAG could consider the "UNGP reporting on salient human rights issues" to help with the materiality analysis on social aspects.

3) Clarifications and consistency of disclosure requirements

Given the novelty such reporting will represent for many companies, greater precision and clarification of certain concepts and definitions appear necessary to ensure a uniform adoption of these standards. For instance, the notion of "own workforce" could be further clarified and more specifically what is to be included as "non-employees" and whether interns and apprentices should be excluded from calculations of the different KPI contained in the whole standard. Only AG 140 specifies that interns and apprentices must be excluded from the lowest wage calculation.

In addition, paragraph 6 of ESRS S1 provides that the standard does not cover "workers whose work and/or workplace is controlled by the undertaking but are neither employees nor individual contractors". However the standard does not define the notion of "control" in the context of work and workplace. Further guidance could be useful in this respect to ensure consistent application.

In preparing their reporting, companies would also benefit from greater clarity over the scope covered by ESRS S1. The notions of "employees", "stakeholders", "employees and non-employees" appear to be used interchangeably creating more confusion over the scope each disclosure requirement and application guidance is supposed to cover. In addition, there are some inconsistencies between disclosure requirements and application guidance in relation to the scope covered.

Finally, to ensure greater comparability of the data produced and a consistent implementation of the standards, it is important to specify the methodological principles to be used for the construction of performance indicators wherever possible and without prejudice to national legislations. In the event that further harmonizing methodologies is not possible due to the lack of maturity of certain subjects or divergent national practices, particularly in terms of social standards, it will be critical to ensure that companies provide precise information on the methodologies used to calculate the KPI.

4) Mandating thresholds

The mandatory thresholds set by the standard raise questions in relation to i) the level of details that may be required for the concerned disclosure requirements, ii) the appropriateness of the threshold for all types of companies.

The AMF is of the view that standards should refrain from defining specific thresholds and it should be left to companies' discretion to determine what is of significance in relation to their activities. In the event that the notion of minimum threshold is retained, a threshold expressed in percentages (for instance 10%) should be preferred but with clear direction how this threshold is to be calculated.

Please refer to section 3 for more detailed responses.

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.

Q46: Comments on ESRS S2 – Workers in the value chain

ESRS S2 to S4 are highly descriptive and detailed given the entirety of the six disclosure requirements relating to a company's strategy, governance and materiality assessment about its value chain (S2), its affected communities (S3) and its consumer and end-users (S4) is narrative.

The AMF is concerned that these standards might result in voluminous "bafflegab" with potentially duplicative information (for example information required under S1-5 and S1-4 might already be encompassed in S1-2 and S1-3). This might not serve well the users of sustainability reporting which needs meaningful information to make informed decisions.

In addition, the stakeholders covered under ESRS S2, S3 and S4 (respectively workers in the value chain, affected communities and end-users/consumers) are disclosures that could be considered as less mature for companies, as demonstrated by the fact that EFRAG could not provide at this stage specific and relevant KPI relating to each of these topics.

Consequently, mandating a reporting on all this information from the first years of implementation could be rather challenging. To phase-in the information required, a first step could be to merge ESRS S2, S3 and S4 and to introduce further optionality in what could be disclosed. For instance companies could provide general information about policies and action plans implemented for each stakeholder without requiring all the detailed information currently mandated in these standards. Some DR and AG could be transformed as illustrative examples as to what could be disclosed. The information on these three subjects could then become mandatory after a period of 3 years. In addition, as referred to in question 45 in relation to the standard ESRS S1, greater alignment and convergence with GRI and international standards that already exist could be considered as a first step to build a robust baseline.

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.

Q47: Comments on ESRS S3 – Affected communities

Please refer to our response in Q46 which also applies to S2, S3, and S4.

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.

Q48: Comments on ESRS S4 – Consumers and end-users

Please refer to our response in Q46 which also applies to S2, S3, and S4.

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) the undertaking's internal control and risk management systems, including in relation to the undertaking's reporting process.

Q49: Comments on ESRS G1 – Governance, risk management and internal control

In relation to governance standards, the AMF aims to share comments on the basis of the disclosure requirements that would be applicable to listed companies.

1) Governance bodies:

We suggest to include the notion of "director" defined under SRD2 (Directive 2007/36/EC amended by Directive EU 2017/828) to the definition of "governance bodies". SRD2 defines "director" as follows:

- "(i) any member of the administrative, management or supervisory bodies of a company;*
- (ii) where they are not members of the administrative, management or supervisory bodies of a company, the chief executive officer and, if such function exists in a company, the deputy chief executive officer;*
- (iii) where so determined by a Member State, other persons who perform functions similar to those performed under point (i) or (ii);"*

This proposal will allow to capture situations like in France, where the function of chairman of the Board is dissociated from the function of CEO (and deputy CEO if applicable) who is not a Board member. We note that the inclusion of the notion of "director" under SRD2 could lead to the inapplicability of some disclosure requirements to the roles of CEO and deputy CEO. These elements are highlighted in sections 3A and 3D.

We suggest deleting the multiple confusing references to "senior management", "other key personnel", "management level", "senior executives", "executive and operational levels" which add to "administrative, supervisory and management bodies" in ESRS 2-GOV and ESRS G., so as to focus on the most important element: "governance bodies" (in its definition including CEO/deputy CEO when they are not members of the Board).

To avoid any confusion, we recommend to use consistently the same wording throughout the standard and retain "administrative, management and supervisory bodies" (instead of governance bodies)

2) Interactions of ESRS G1 with other existing EU requirements on governance issues:

Some requirements under G1 (for example in GR 1-2, G1-6, G1-7) are already mandated by other EU requirements namely the corporate governance statement (art 20 of directive 2013/34 UE), or the remuneration report (art 9ter of directive 2007/36 UE), for EU listed entities.

In order to avoid duplication of requirements and reporting burden for companies, we suggest to allow the incorporation by reference of this information in the sustainability report (whether the information is presented inside or outside management report) for EU listed entities.

3) Prioritisation:

We suggest to EFRAG to carefully consider whether to go beyond what is already required by other EU legislations in areas such as the “remuneration report” under SRD2, or corporate governance statement. On the remuneration policy (G1-6) EFRAG could consider limiting the disclosure requirements to what is already required under the Shareholder Rights Directive (SRD2). Please refer to more detailed comments in section 3 and areas of improvement.

As standards will have to be reviewed every three years, starting with a strong baseline, while adding to it progressively as market trends evolve will help ensure greater readability of the information provided.

Other suggestions are detailed below to streamline and clarify some DR.

4) Distinction between reporting and behaviour obligations:

We recommend to be explicit in the ESRS standards, that they do not mandate any specific action or behaviour from the undertaking in terms of organization and/or governance, but rather aim at reporting/disclosing on such organization and/or governance as they stand/exist. A key example relates to the implications of stakeholders on the different aspect of governance which appears to take a prominent place in G1 (for instance representation in governance bodies G1-1, nomination policy in G1-3, remuneration policy G1-6) as well as in ESRS 2-GOV section (ESRS 2-GOV2, ESRS 2-GOV5).

An addition of “if any” in the DR could erase possible misunderstanding in these regards.

5) (In)applicability of some disclosures requirements due to national laws:

We recommend to make clear that information is required only “*where applicable*”. For example, some information such as on independence of members are relevant for supervisory bodies, but not for management bodies.

Some DR could raise legal issues as they appear to be in contradiction with national laws. For instance on diversity policy, collecting statistics on ethnic origin is prohibited in France. We recommend to clarify as a general principle under the ESRS the disclosure requirements are without prejudice to the application of local laws.

5) Interaction of ESRS G1 with other ESRS:

We recommend to merge some of the requirements of G1 with the governance section of ESRS 2-GOV (for example G1-1, G1-3, G1-7) as this will enhance the ability to understand the information provided and avoid possible duplication of information. Moreover, governance practices on sustainability matters might not always be separated or distinct from general governance issues.

Please refer to detailed responses and proposals provided in section 3

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.

Q50: Comments on ESRS G2 – Business conduct

Firstly, please note that all our comments in G1 above equally apply to G2, and especially in relation to:

- Governance bodies,
- Distinction between reporting and behaviour obligations
- Consideration of the inapplicability of some disclosures requirements due to national laws.

1) Definition and clarity of some notions

In the standard G2, more precise definitions will allow for a more uniform interpretation and implementation of the reporting obligations. For instance, there is no definition of “unethical or unlawful behaviour” under G2-2, or “advocacy activities” in G2-9. In the absence of such definition, the reporting may be subjective and will depend on the interpretation of each individual company.

Some terms are also defined without any reference to national legislations which could cause legal uncertainty for companies having to adopt two separate interpretations, one for national purposes and one for their sustainability reporting. This is the case for instance for the concept of “corruption”.

2) Granularity / sensitivity of information

Some disclosure requirements are also very granular. More proportionate and progressive approach could be adopted in order to reach concise and information of quality. For example, some information on training under G2-5 could be de-prioritized for the first years of implementation. Similarly, granularity and relevance in the context of a consolidated information of the requirement on payment practices - especially the contractual payment terms for both purchase and sales raise questions.

Please refer to detailed responses and proposals provided in section 3.

SECTION 2 – EUROPEAN SUSTAINABILITY REPORTING STANDARDS (ESRS) IMPLEMENTATION PRIORITISATION / PHASING-IN

2. ESRS IMPLEMENTATION PRIORITISATION / PHASING-IN

Application provisions

In order to facilitate the first-time application of set 1, ESRS 1 includes two provisions:

Application Provision AP1 which exempts undertaking to reports comparatives for the first reporting period, and

Application Provision AP2 which proposes transitional measures for entity-specific disclosures which consists in allowing the undertaking to continue to use, for 2 years, disclosures it has consistently used in the past, providing certain conditions are met, as described in paragraph 154.

Q51: to what extent do you support the implementation of Application Provision AP1?

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

Q52: to what extent do you support the implementation of Application Provision AP2?

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

ESRS implementation prioritisation / phasing-in options

Set 1 proposes a comprehensive set of standards aimed at achieving the objectives of the CSRD proposal, with the exception of the standards to be included in Set 2.

Acknowledging the fact that the proposed vision of a comprehensive sustainability reporting might be challenging to implement in year one for the new preparers and potentially to some of the large preparers as well, EFRAG will consider using some prioritisation / phasing-in levers to smoothen out the implementation of the first set of standards.

The following questions aim at informing EFRAG's and ultimately the European Commission's decision as to what disclosure requirements should be considered for phasing-in, based on implementation feasibility / challenges and potentially other criteria, and over what period of time their implementation should be phased-in.

Q54: for which one of the current ESRS disclosure requirements (see Appendix I) do you think implementation feasibility will prove challenging? and why?

Given the critical importance of implementation prioritisation / phasing-in, please justify and illustrate your response

The AMF suggests to re-consider the implementation feasibility for the following topics while keeping in mind that all SFDR PAII must remain:

1) Environment

As companies and standard-setters appear more advanced on their analysis of climate change, the AMF suggests to phase-in some targeted requirements of the other four environmental standards (E2, E3, E4 and E5) to allow for **greater maturity in these areas and a better access to relevant data**.

In particular, the AMF acknowledges that the **assessment and quantification of the financial consequences of sustainability issues** is currently challenging because of the absence of robust methodologies and appropriate data. Indeed, the disclosure requirements in ESRS E2, E3, E4 and E5 related to the "financial effects of impacts, risks and opportunities" are not accompanied by specific application guidance yet. In this context, the AMF proposes voluntary

reporting of the following elements for a temporary period of 3 years:

- E2: DR E2-7 (Q46, Part 3B)
- E3: DR E3-7 (Q53, Part 3B)
- E4: DR E4-10 (Q63, Part 3B)
- E5: DR E5-9 (Q72, Part 3B)

There are also inherent challenges with the disclosure requirements **covering the upstream and downstream value chain**. We therefore believe that, for the first years, where “mandatory” information on the value chain cannot be obtained, undertakings should be allowed to explain why they did not provide the information and explain the efforts made. In addition, the AMF suggests a **transitional period of 3 years** during which the mandatory performance measurements proposed would not cover the value chain (voluntary reporting and thus no justification required). ESRS E3 already integrates this approach. This proposal concerns in particular:

- ESRS E2-4, §35 (Q43, Part 3B)
- ESRS E4-5, AG 58 (Q58, Part 3B)
- ESRS E5-6, AG 32 (Q69, Part 3B)

In addition, the AMF has identified metrics **that were very similar to EU Taxonomy KPIs** in ESRS E3 and E5. For instance, information on turnover or CapEx related to certain activities contributing to circular economy, water preservation etc. To avoid duplication and not preempt future work on the EU Taxonomy disclosure, we would advise to provide for voluntary reporting on such disclosure and rather wait for these issues to mature with the development of the other leg of the legislation. The following DR are concerned:

- E3-3, AG 23 (Q49, Part 3B)
- E5-7, §46 (Q70, Part 3B)

The AMF has also identified **other DR from ESRS E2 to ESRS E5** where a more proportionate approach could be appropriate (proposal of voluntary disclosure, less granular disclosure, consideration of sector-specific KPI, etc.). **Please refer to Part 3B of this consultation for more details** regarding the following elements:

ESRS E2:

- E2-2, §26(d) and §26(e), Q41
- E2-4, §38(a), Q43
- E2-5, §41 and AG 23, Q44

ESRS E3 : E3-4, AG 26, Q50

ESRS E4 :

- E4-1, Q54
- E4-3, §35, Q56
- E4-4, §41, Q57

ESRS E5 :

- E5-5, §37 and AG 25, Q68
- E5-8, Q71

2) Social

With regards to ESRS S1 on own workforce, the standards is relatively extensive and complex to decipher. Please consider our response under Q45 and the need to focus on KPIs that are relevant for stakeholders and for which data is easily accessible for the first years of implementation (on “employees” as a first place).

In relation to ESRS S2, S3, and S4 please refer to our response in Q46, which further explain the process to merge and phase-in the disclosures required under these standards and to provide for greater optionality given companies’ lack of maturity on these topics.

3) Governance

Please consider our response in Q49 and the following elements in Part 3D in relation to the interaction of ESRS G1 & G2 with other existing EU requirements on governance issues and the ability to use cross-reference to incorporate the information:

- G1-2: 17(a) and (b), and G1-2.18 (Q118)
- G1-4.21 (a) i, ii, iv, 24(b), 24 (c), and 25 (Q120)
- G1-6. 33 (a) et (d) (Q122)
- G1-7 (Q123)
- G2-6 (Q132)

The AMF has identified **other DR** where a more proportionate approach seem appropriate (proposal of voluntary disclosures, less granular disclosures, or phase-in approach). **Please refer to Part 3D of this consultation for more details** regarding the following elements:

- G1-4 24(a) (iii) (Q120)
- G1-6 33 (b)(c) and (e) and AG 14 (b) and (d) (Q122)
- G2-3.24 (c) et (d) (Q129)
- G2-5.31 and 32 (Q131)
- G2-9.48(b) (Q135)
- G2-10.53 (b) (Q136)

4) General information

In part 3A of this consultation, we suggest some adjustments to simplify the DR where we believe that the level of granularity of the information required may be streamlined. These adjustments also address the risks of repetition. As a result, we suggest that some DR are either transformed into illustrative examples or optional disclosures or merged with other sections.

See for instance comments in section 3A:

- DR2- GR 2 (Q2)
- DR2-GR 3 (Q3)
- DR2-GR4 (Q4)
- DR2-GR 9 (Q9)
- DR 2-SBM 1 (Q11)
- DR2-SBM 2 (Q12)
- DR2-GOV 1 (Q15)
- DR2- GOV2 (Q16)
- DR2-GOV 3 (Q17)
- DR2-IRO2 (Q21)

Q55: over what period of time would you think the implementation of such “challenging” disclosure requirements should be phased-in? and why?

Given the critical importance of implementation prioritisation / phasing-in, please justify and illustrate your response

The purpose of introducing greater progressivity/optionality in the implementation of the elements highlighted in question 54 is to ensure guidance can be developed for the industry but also companies have enough time to prepare, collect and evaluate the necessary data and gradually become acquainted with the relevant subject and the adequate level of information to address it. The AMF is of the view that a transitional approach should be preferred with implementation that can be envisaged progressively.

A temporary period of e.g. 3 years could be retained (corresponding to periodic review clause), for some DR following which temporary voluntary disclosures would become mandatory.

Further analysis could be performed at the review clause on the maturity of the market as well as evolving practices and needs ; so as to ensure that all other initially optional information that are considered key following the analysis performed would become mandatory, and conversely, DR that would not be considered critical could remain optional.

Q56: beyond feasibility of implementation, what other criteria for implementation prioritisation / phasing-in would recommend being considered? And why?

Given the critical importance of implementation prioritisation / phasing-in, please justify and illustrate your response

The AMF considers that prioritization should take place on the following basis:

- 1) Information required under SFDR must be present in the standards ;
- 2) The phasing process should be closely correlated to the maturity of the topics discussed and guidance developed by the industry ;
- 3) EFRAG should consider the extent to which companies are able to access relevant and verifiable data on the different topics developed. For instance, it is currently challenging for companies to access data on their value chain (this comment should not be interpreted as a need to differ Scope 3 KPI which is critical and should remain). So information related to own operations should be prioritised ;
- 4) Finally, EFRAG could consider moving some disclosure requirements to the future industry-specific standards, where appropriate. Please refer for instance to the AMF's proposal for ESRS E2 on the list of pollutants (Part 1C, Q41).

SECTION 3

ADEQUACY OF DISCLOSURE REQUIREMENTS

3A. ADEQUACY OF DISCLOSURE REQUIREMENTS – CROSS-CUTTING STANDARDS

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

- when sharing comments on a given Disclosure Requirement, and as much as possible, reference to the specific paragraphs being commented on should be included in the written comments,
- in the question 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.

A complete index of Disclosure Requirements and their corresponding Application Guidance can be found in Appendix I – Navigating the ESRS.

ESRS 2 – General, strategy, governance and materiality assessment

DR 2-GR 1 – General characteristics of the sustainability reporting of the undertaking

The undertaking shall give general information about (i) its sustainability report, and (ii) the structure of its sustainability statement.

The principle to be followed under this disclosure requirement is to give the necessary context of the sustainability reporting of the undertaking.

Q1: Comments on DR 2-GR 1 – General characteristics of the sustainability reporting of the undertaking

DR2-GR1 paragraph 6: there seems to be an overlap between this DR and paragraph 148-149 and AG27-AG38 of ESRS 1. We understand that ESRS provide for some principles and not for specific disclosure requirements, however for the usability and readability of the standards, we recommend EFRAG to carefully consider duplicative requirements/principles/guidance within the ESRS, and consider merging those within a single standard.

DR 2-GR 2 – Sector(s) of activity

The undertaking shall provide a description of its significant activities, headcount and revenue.

The principle to be followed under this disclosure requirement is to allow an understanding of the distribution of the undertaking's activities by reference to a common sector definition.

Q2: Comments on DR 2-GR 2 – Sector(s) of activity

Prioritisation:

- The information required in this DR and the related AG are rather granular. We suggest to specify that the information is required only to the extent that it is needed to convey a fair, relevant and complete depiction of how the entity is exposed to the risk of creating sustainability impacts and/or risks and opportunities. This precision has been made in AG8 (a) but surprisingly nowhere else.
- **AG 11(a).** We suggest to specify that this paragraph is rather an illustrative example instead of a mandatory disclosure. As a general remark, to be consistent with the general approach adopted in ESRS standards, we question the relevance of defining a specific materiality threshold that would apply to any entity, considering that materiality analysis is specific to each entity. The interaction between this paragraph and paragraph 43 of ESRS 1 on “information materiality” should be clarified.
- With regards to the breakdown of information, for connectivity reasons, it is key that companies are allowed to breakdown the quantitative disclosures based on the reporting segments in the financial statements, or the EU taxonomy classification (as a basis, since taxonomy classification do not cover all sectors such as "brown" sectors).
- Where applicable, a reference to financial statements or Taxonomy disclosures would be sufficient, or at least presented as an alternative.

DR 2-GR 3 – Key features of the value chain

The undertaking shall describe its value chain.

The principle to be followed under this disclosure requirement is to provide an understanding of the value chain in which the undertaking operates, from the initial inputs into a product or service, in the upstream supply chain, to its downstream delivery to end-users, including ultimate disposal, recycling or reuse for physical products.

Q3: Comments on DR 2-GR 3 – Key features of the value chain

The definition of value chain as provided under ESRS 1 is very broad as it includes upstream and downstream direct and indirect business relationships. Beyond the practicality of collecting related information, the question of the relevance of information required related to such an extensive concept is raised. Therefore, we suggest to narrow down the definition of value chain, by referring, to the notion of “established business relationships” under the CSDD (corporate sustainable due diligence directive), which takes into account the intensity, duration and significance of the relationship. It reads :

‘established business relationship’ means a business relationship, whether direct or indirect, which is, or which is expected to be lasting, in view of its intensity or duration and which does not represent a negligible or merely ancillary part of the value chain

AG 13 is highly detailed and could result in information overload, especially with regards the "related underlying contractual terms including relevant rights and obligations".

We suggest to adjust the requirement or make it an illustrative example.

DR 2-GR 4 – Key drivers of the value creation

The undertaking shall describe how it creates value.

The principle to be followed under this disclosure requirement is to provide an understanding of the key drivers of value creation the undertaking is leveraging to contribute to the overall performance of the value chain it operates in taking account of the respective interests of all stakeholders.

Q4: Comments on DR 2-GR 4 – Key drivers of the value creation

As a general comment, we struggle to understand what exactly is to be reported under GR4 (key drivers of value creation), in particular compared to what is already required, for instance, under SBM 4.

On **overlaps with other DR**: for instance, in SBM 4, companies are required to explain the links between their business model and the risks/opportunities, describing how those RO stem from their activities. This seems to be very similar to GR4 and related AG.

We believe the **notion of “value creation” should be further explained (see Section 1B/Q22 on the definition of financial materiality)**, in particular to clarify its articulation with ISSB's enterprise value creation concept. For instance, AG17 seems to extend the notion of "value creation" to "non-financial benefits" for other stakeholders and therefore goes beyond the financial materiality approach. We believe that it is important to focus this concept on the financial performance, and refer to such notion in ESRS 1 along with the definition of financial materiality.

The **notion of "drivers" is also not clear**. It would be useful to clarify if only "positive" (i.e. creation) drivers and not "negative" (i.e. erosion) drivers have to be identified, and to provide nature/examples of drivers, together with clarifications to differentiate it from "key ressources" in paragraph 16.

In addition, it is not completely clear to us how the information required under this DR and related AG (such as AG17/AG19) are closely related to or inform on sustainability matters. The link with sustainability issues should be effective and made clearer and information should be required only to the extent that it informs users on sustainability matters/ROI.

We believe that GR 4 should be merged in ESRS 2 at least via SBM 4 and IRO 1 disclosures requirements that already cover the interaction between the company's business model and strategy in relation to sustainability matters and its financial performance (related to its capacity to create value/value erosion). This change would avoid risk of redundancy, ensure greater consistency between standards. It is important to give more guidance as to what should be reported in reference to this concept.

DR 2-GR 5 – Using approximations on the disclosure in relation to boundary and value chain

Following the principle on boundaries and value chain of ESRS 1 when the undertaking has used peer group information or sector data to approximate missing data due to impracticability, it shall disclose:

- (a) Its basis for preparation for the relevant disclosure and indicators, including the scope for which an approximation has been used; and
- (b) The planned actions to reduce missing data in the future.

Q5: Comments on DR 2-GR 5 – Using approximations on the disclosure in relation to boundary and value chain

We suggest to require the disclosure of the source and date of the data.

As a general comment, regarding the approximation of information on the disclosure in relation to boundary and value chain, we suggest to require safeguards so as to ensure the robustness and quality of the approximation as well as its transparency (assumptions used, calculations methodology, source of the data, date of the approximation, sensitivity information, perimeter/proportion of the KPI or the information that is covered by the approximation, how the issuer ensured the quality of approximation, etc.). It would be useful to specify that approximations should only be used where they provide a faithful representation of the company's situation. Missing data (on the value chain or on other complex matters) may therefore not be systematically approximated.

Paragraph 23: consider clarifying the terminology: approximations (proxy) vs. the notion of estimations (estimates) which is not used. Are they synonymous in this context?

DR 2-GR 7 – Changes in preparation and presentation

Following the principle on changes in preparation or presentation of ESRS 1, the undertaking shall explain changes in preparation and presentation by disclosing:

- (a) the description of the methodology used for the restatement,
- (b) the difference between the amount reported in the previous period and the revised comparative amount in case of quantitative metrics,
- (c) the reasons for the change in reporting policy, and
- (d) if it is impracticable to adjust comparative information for one or more prior periods, the undertaking shall disclose this fact and the reason why.

Q7: Comments on DR 2-GR 7 – Changes in preparation and presentation

GR7 overlaps with paragraphs 117-118 of ESRS 1. We understand that ESRS provide for some principles and not for specific disclosure requirements, however for the usability and readability of the standards, we recommend EFRAG to carefully consider duplicative requirements/principles/guidance within the ESRS, and consider streamlining the standards by merging those within a single standard.

DR 2-GR 8 – Prior period errors

Following the principles on errors in ESRS 1, if applicable, the undertaking shall disclose the following for prior period errors:

- (a) the nature of prior period errors,
- (b) for each prior period disclosed, to the extent practicable, the amount of the corrections, and
- (c) if retrospective restatement is impracticable for a particular period, the circumstances that led to the impracticability and a description of how and when the error was corrected.

Q8: Comments on DR 2-GR 8 – Prior period errors

Overlap with ESRS 1. Same comment as above in Q7.

DR 2-GR 9 – On other sustainability reporting pronouncements

The undertaking shall disclose if it also reports in full or in part in accordance with generally accepted sustainability reporting pronouncements of other standard setting bodies and non-mandatory guidance including sector-specific, in addition to its report prepared according to ESRS. It shall disclose if such reporting is included in its sustainability statements.

Q9: Comments on DR 2-GR 9 – On other sustainability reporting pronouncements

GR9: we question the purpose of this requirement. It would be helpful to clarify what is expected and why. In particular, we believe that transparency on the use of other standards (from other bodies) is less relevant with CSRD than with NFRD considering that EU standards on all ESG aspects are available. Moreover, assessing the compliance/alignment on other standards, based on the company's declaration may be very challenging for reviewer/auditors. For instance, companies often use existing frameworks as a basis to create their own KPIs (i.e. KPIs "inspired" from GRI, SASB, etc.). In addition, because it covers voluntary reporting, we suggest to keep this DR optional.

Moreover, it is confusing to say "it shall disclose if such reporting [of other standard bodies] is included in its sustainability statement": why would we have transparency requirements on information published by the company that would not be "included in its sustainability statement" (therefore outside of the scope of CSRD?).

DR 2-GR 10 – General statement of compliance

The undertaking shall provide a statement of compliance with ESRS.

The principle to be followed under this disclosure requirement is to inform the users about the compliance with ESRS requirements, following mandated disclosure requirements complemented by entity-specific disclosures.

Q10: Comments on DR2-GR 10 – General statement of compliance

Paragraph 30(b): Entity-specific disclosures should be subject to the same obligations as all other disclosures in sustainability reporting (in terms of information quality, restatement, prior period error, transparency on approximation etc.), so the rationale of specific focus on those entity specific disclosures in the statement of compliance need to be explained. We consider that requirements in ESRS 1 paragraphs 19-23 are sufficient and no specific declaration should be made for entity-specific information to which all other requirements of ESRS apply.

(ii) This description would be most useful if "targeted" i.e. provided along the specific additional entity-specific information disclosed by the entity (ex: explaining an entity-specific KPI in a specific section of the sustainability statement is necessary). The "steps taken to define the disclosure" can be very different depending on the disclosure and a general statement may not always be relevant. Therefore, undertaking may need flexibility as to how they provide this statement of compliance.

Also, it could be useful to clarify the type information is required: whether it is transparency on the process leading to identify the need for entity-specific disclosure, the justification on the usefulness of the entity-specific disclosure, or an overview of what are the entity-specific disclosure.

DR 2-SBM 1 – Overview of strategy and business model

The undertaking shall provide a concise description of its strategy and business model as a context for its sustainability reporting.

The principle to be followed under this disclosure requirement is to provide relevant contextual information necessary to understanding the sustainability reporting of the undertaking. It is therefore a reference point for other disclosure requirements.

Q11: Comments on DR 2-SBM 1 – Overview of strategy and business model

Clarifications:

- to consider adding a reference to GR 3 (key features of the value chain) in SBM 1 to provide a complete overview of the business model, while avoiding possible redundancies.
- AG 25(e): consider defining "inputs" and make clear the relationship with sustainability matters
- in AG28, the discussion on boundaries not being the same as the financial statements boundaries is confusing, considering that definition under ESRS already states that undertaking's reporting boundary for its sustainability reporting is the one retained for its F/S expanded to its upstream and downstream value chain (including associates and JV).

Prioritisation:

- in relation to the "mission of the undertaking" (paragraph 35 and AG 25(a)) : considering that only some undertakings have defined their mission, and to alleviate the standards, we suggest to keep this item optional ("the undertaking may also provide a description of its mission (vision and core values of the undertaking) where such mission has been defined"). This could also prevent boilerplate disclosures.

DR 2-SBM 2 – Views, interests and expectations of stakeholders

An undertaking shall describe how the views, interests and expectations of its stakeholders inform the undertaking' strategy and business model.

The principle to be followed under this disclosure requirement is to provide an understanding of how stakeholders' views, interests and expectations are considered for the undertaking's decision and evolution of its strategy and business model.

Q12: Comments on DR 2-SBM 2 – Views, interests and expectations of stakeholders

Clarifications:

- The notion of "stakeholders" used in ESRS 2 and in other ESRS is defined in ESRS 1. The AMF would like to highlight the differences observed in the definitions of "stakeholders" under ESRS 1. Paragraph 44 of ESRS 1 states that "stakeholders are those who can affect or be affected by the undertaking's decisions and actions" while appendix A considers "stakeholders are those who have an interest in the undertaking", and then refers to "affected stakeholders" and "users of sustainability reporting". It seems therefore that the definition in paragraph 44 of ESRS 1 is larger than the one retained in the appendix. The AMF is of the view that one harmonized version of stakeholders should be used throughout the ESRS to ensure consistency of interpretation and application, deleting the notion of "stakeholders who can affect the undertaking" in paragraph 44.

In addition, the AMF suggests further delineating the definition of "affected stakeholders", for example by taking into consideration the one developed by GRI in the standards glossary of 2020, which includes the notion of materiality. As such, a stakeholder is defined as "an entity or individual that can reasonably be expected to be significantly affected by the reporting organization's activities, products and services".

- AG30 combines two different categories of information (1) information relative to the materiality assessment disclosures i.e. a description of the stakeholders' interests [ex: AG 30(a),(b)] ; and (2) information on the strategy [AG30c]. It would be clearer to separate those into two different AG.

Prioritisation:

- While it is key to disclose how stakeholders' interests and views are taken into account, in line with CSRD Art.19a, the extensive level of detail of information required in AG 30 at the level of each key stakeholder could be questioned. Moreover, it could be difficult to systematically assess the interaction between the action taken (as part of the company's strategy, action plans, policies etc.) and the relationship with stakeholders. We would suggest some simplifications of the disclosure requirement not requiring detail for "each category of stakeholder".

DR 2-SBM 3 – Interaction of impacts and the undertaking' strategy and business model

The undertaking shall describe the interaction between its material impacts and its strategy and business model.

The principle to be followed under this disclosure requirement is to provide an understanding of material impacts on people and the environment and the adaptation of its strategy and business model to such material sustainability impacts.

Q13: Comments on DR 2-SBM 3 – interaction of impacts and the undertaking' strategy and business model

Clarifications:

- In AG 32, we suggest to also refer to IRO 1, because the disclosures on the materiality assessment itself (not only on its outcomes) can inform on the link the undertaking makes between its business model/operations and the impacts. This would help avoiding redundancies

- It would be clearer for preparers to better distinguish the two materiality approaches in the application guidance of SBM 3 and SBM 4. Consequently, in AG 32, we would advise not to refer to the resilience of the undertaking (point b) that corresponds to the financial materiality perspective and ensure that SBM 3 only covers material impacts from an impact materiality perspective. This would also be more consistent with the principles of SBM 3 (§40) and with AG 32, point (c).

The analysis of the resilience, based on the assessment of impacts, risks and opportunities should be addressed all together in SBM 4. Indeed, certain impacts translate into risks for the company and as such, they should already be covered in SBM 4. Moreover, it is possible that certain impacts of the company on people/the environment are deemed not material from an impact material perspective but material from a financial perspective. We believe that these clarification would also limit the risk of redundancies. Moreover, we observed in topical standards (E1 and E4), that the sections on resilience analysis only referred to SBM 4, paragraph 47(d), reflecting the need to address all "resilience related DR" in one place.
Recommendation: delete point (b).

We do not believe it is necessary to mention specifically "impacts & resilience" in SBM 4, because, in line with IRO, the impacts that translate into risks relevant for the resilience analysis are already covered by the notion of "risks". IRO guidance is sufficient.

DR 2-SBM 4 – Interaction of risks and opportunities and the undertaking’ strategy and business model

The undertaking shall describe the interaction between its material risks and opportunities and its strategy and business model.

The principle to be followed under this disclosure requirement is to provide an understanding of material risks and opportunities related to sustainability matters that originate from or are connected to the undertaking’ strategy and business model and the adaptation of its strategy and business model to such material risks and opportunities.

Q14: Comments on DR 2-SBM 4 – interaction of risks and opportunities and the undertaking’ strategy and business model

Clarifications:

- In AG 34, we suggest to also refer to IRO 1, because the disclosures on the materiality assessment itself (not only on its outcomes) can inform on the link the undertaking makes between its business model/operations and its risks/opportunity. This would help avoiding redundancies.

DR 2-GOV 1 – Roles and responsibilities of the administrative, management and supervisory bodies

The undertaking shall provide a description of the roles and responsibilities of its governance bodies and management levels with regard to sustainability matters.

The principle to be followed under this disclosure requirement is to provide an understanding of the distribution of sustainability-related roles and responsibilities throughout the undertaking’s organisation, from its administrative, management and supervisory bodies to its executive and operational levels, the expertise of its governance bodies and management levels on sustainability matters, and the sustainability-related criteria applied for nominating and selecting their members.

Q15: Comments on DR 2-GOV 1 – Roles and responsibilities of the administrative, management and supervisory bodies

Please refer to the comments in Q49-section 1C above on governance which also apply to the governance section of ESRS 2.

The level of details of some requirements under the standard could prevent stakeholders from identifying relevant information about companies. In order to emphasize on the quality of the information produced (instead of its quantity) we suggest to require “brief but concise” and only material information.

- For example, we suggest that the mandatory information under AG 37 (a) and (c) be rather presented as an illustrative examples (“may” instead of “shall”) of what could be disclosed given the highly detailed nature of what is proposed ranging from all aspects of sustainability (strategy, identification of IRO, policies reporting, etc.) over which governance bodies exercise oversight, covering each of the environmental, social and governance sustainability-related issues the undertaking may be facing, to the form such oversight takes. A more high-level approach could be favoured to limit the amount of narrative elements, which could reduce the readability of the information provided.

- Under paragraph 52(a) to 52 (e) to ensure concise disclosures, it should be considered adding “a brief description of”/“a summary of”. If the information is already provided in other part of the management report a cross-reference should suffice.

- An exhaustive list of “individual” responsibilities, expertise, etc. ... could made optional if

information on the expertise of supervisory bodies as a whole is already provided.

- 52(c) refers to “sustainability-related expertise” of administrative management and supervisory bodies, whereas 52 (d) refers to their “sustainability-related experience”. We suggest to retain consistent wording in the standard and align it to the wording of CSRD, which refers to “expertise and skills”. We suggest to also adjust AG40 and AG41 accordingly, presenting those as illustrative examples and not mandatory disclosures.

- Under paragraph 52(d), the information to disclose “related criteria applied for nominating and selecting members of “administrative management and supervisory bodies and other key personnel” should be limited to governance bodies (which larger definition is proposed above in Q49 section 1C) excluding “other key personnel” which is not defined (see also previous similar comment).

- We suggest also to make clear that the standard requires reporting of the practices but does not mandate such practices, therefore we suggest to adjust the wording so as not to imply the opposite. A possibility could be to replace with “*whether the company has used sustainability-criteria for nominating (...)*”, leaving more flexibility to the undertaking to determine the appropriate level of granularity. This would also be a more “neutral” disclosure requirement covering situation where companies do not have such criteria in place.

- Some clarification is also needed to understand whether the selection criteria should be published on an ex-ante (possibly in the form of a policy that will guide the selection of future directors) or ex-post basis (i.e. criteria the entity has actually used for nominating the current members of the administrative, management and administrative bodies, e.g. their actual competences). We recommend clarifying that the expectations are on ii) so as the information depicts the effective nominations.

- Under paragraph 52 (e) we suggest to leave some flexibility as to how companies describe the “undertaking-wide structure”, and not to specifically mention “(i) management level senior executives” and “(ii) other employees at operational level”, making these optional in form of illustrative examples. These 2 notions are not defined and if they were maintained, they should be defined (what is management levels and what is the difference with executive and operational levels: one person could be both at management and operational levels, and could be executive and non-executive manager). Depending on the organization of entities, their size, nature of activities and geographical locations, explaining the role of “management level senior executives and other employees at the operational level” could be going into too much details with a risk of obscuring relevant and critical information.

- We recommend specifying 52(c)(iii) : “how it relates to material ROI”, as it is not clear to what “it” refers to (e.g. the education initiatives or the expertise, others).

- When AG provides “illustrations/illustrative examples” of some requirement (such as AG43), appropriate wording should be used (“may” instead of “shall”), as by definition an illustration is an example which application will vary and will be adapted to the specific facts and circumstances of entities.

DR 2-GOV 2 – Information of administrative, management and supervisory bodies about sustainability matters

The undertaking shall describe how its governance bodies are informed about sustainability matters.

The principle to be followed under this disclosure requirement is to provide an understanding of how governance bodies and management level senior executives are informed about sustainability-related facts, decisions and/or concerns that are within their responsibility so that they can effectively perform their duties in that respect.

Q16: Comments on DR 2- GOV 2 – Information of administrative, management and

supervisory bodies about sustainability matters

There is an inconsistency in the disclosure requirement set by paragraph 54, and the one in paragraph 55, which add "management level senior executives" to governance bodies, referred to in paragraph 54. Information should focus only on the notion of administrative, management and supervisory bodies so we recommend to delete "management level senior executives" in paragraph 55, and adjust the definition of governance bodies as suggested in Q14.

We propose moving paragraph 57 ("whom the governance bodies receive information from and at what frequency") to the application guidance section and make it optional by using "may" instead of "shall" to present it more as an illustrative example as to what could be meant by "processes" in reference to paragraph 56.

DR 2-GOV 3 – Sustainability matters addressed by the undertaking's administrative, management and supervisory bodies

The undertaking shall provide a description of the sustainability matters that were addressed by its administrative, management and supervisory bodies during the reporting period.

The principle to be followed under this disclosure requirement is to provide information on whether the administrative, management and supervisory bodies were adequately informed of the material sustainability-related impacts, risks and opportunities arising or developing during the reporting period. Equally what information and matters it actually spent time addressing, and whether it was able to fulfil its roles and responsibilities, as defined in its mandate and described under DR 2-GOV 1.

Q17: Comments on DR 2- GOV 3 – Sustainability matters addressed by the undertaking's administrative, management and supervisory bodies

Paragraph 59 appears to duplicate elements already addressed under ESRS 2 - GOV 2 in relation to information of administrative, management and supervisory bodies.

In addition some of the information required under paragraph 59 and paragraph 60 and related AG (transparency on time spent by governance bodies to address different sustainability matters, list of such matters, how they were dealt with) seem very detailed and could lead to information overload, hampering the readability of sustainability reporting.

We therefore suggest to provide for a more principle-based and progressive approach: for example not requiring an exhaustive list, but a description of most significant addressed issues, or making some of the elements mandated by paragraph 60 and related AG optional as illustrative examples of what could be disclosed.

As already indicated in other responses, the wording of the standard should be carefully considered so as not to "indirectly" modify or derogate from national legislations. For example, AG46 and AG47 address how the administrative, management and supervisory bodies "*fulfilled its roles and responsibilities*" and provides some expectations on such roles and responsibilities (which are set by national laws/frameworks). This raise questions of compatibility and applicability with national legislations regulating companies, with a risk of extending the role of the board of directors or supervisory board given for example the following statement: "*regarding information related to stakeholders, in particular in relation to adverse impacts, the undertaking shall provide information on how governance bodies have addressed or intend to address the related issues*".

As a result, it is important to clarify that these disclosures are transparency standards, applicable without prejudice to Member States' national legislations and should be made only "where applicable". When a disclosure cannot be made because it is inapplicable or incompatible with national laws, that fact should be disclosed.

DR 2-GOV 4 – Integration of sustainability strategies and performance in incentive schemes

The undertaking shall provide a description of the integration of sustainability strategies and performance in incentive schemes.

The principle to be followed under this disclosure requirement is to provide an understanding of how members of the administrative, management and supervisory bodies are incentivised to properly manage the undertaking' sustainability impacts, risks and opportunities and, along with other employees, to take steps towards implementing the sustainability strategy of the undertaking.

Q18: Comments on DR 2- GOV 4 – Integration of sustainability strategies and performance in incentive schemes

There is an inconsistency in the disclosure requirement set by paragraph 63, and the one in paragraph 64, which adds "senior executives" to governance bodies, referred to in paragraph 54 (same observations on AG50 which refers to "senior executives, heads of department). Information should focus only on the notion of administrative, management and supervisory bodies so we recommend to delete "senior executives" in paragraph 64, and other references in AG 50, and adjust the definition of "governance bodies" as suggested in Q14.

As indicated in previous responses, it is important to clarify that these disclosures are transparency standards, applicable without prejudice to Member States' national legislations and should be made only "where applicable". Indeed there might be national specificities restricting remuneration / performance-schemes of management bodies.

Paragraph 64 (b) requires performance-related incentive schemes provided to other employees: it should be specified that the information required is not an "individual" information for every employee, nor very detailed (as this would be hard to achieve, and hamper readability of sustainability reporting). The disaggregation of this information should be left to the undertaking depending on relevant factors.

DR 2-GOV 5 – Statement on due diligence

The undertaking shall disclose its general assessment regarding how it embeds the core elements of due diligence.

Q19: Comments on DR 2- GOV 4 – Integration of sustainability strategies and performance in incentive schemes

This DR refers to ESRS 1 paragraphs 85 to 91 on due diligence as well as to cross cutting and topical standards. The articulation between these different pieces of elements is however very difficult to understand. We recommend to clarify the expectations: we understand that the mandatory disclosure is a location table referring to different sections of sustainability reporting (namely in relation to information provided under ESRS 2), however it is unclear whether entities are prevented from providing a specific and separate disclosure on due diligence.

Moreover, ESRS 1 requirements on due diligence reporting go beyond the requirement set by ESRS 2 in some of the themes: for instance, ESRS 1.87 states that disclosures on due diligence shall be provided under ESRS 2.GOV, but disclosure requirements in ESRS 1 and ESRS 2 are not consistent, ESRS 1 is more granular (ESRS 1 adds disclosures on "budget allocations and oversight procedures for responding to impacts", or "different stages and purposes of stakeholder engagement", "senior decision-making levels" etc.). Consistency with ESRS 2 should be ensured.

These requirements in ESRS 1 are very detailed and we wonder whether this level of

granularity is justified, useful and proportionate. Consistency with ESRS 2 should be ensured. In addition ESRS 1 itself refers to an appendix C on "sustainability due diligence": we question the status of this document and its binding nature. It could confuse undertakings on the very role of these standards which is to require disclosures and not to require specific actions or behaviours. We suggest to delete this appendix. Moreover interaction with the CSDD proposal of the Commission should be clarified. The AMF is of the view that a good articulation between CSDD and CSRD is important. As companies covered by CSDDD will need to communicate publicly on their due diligence, CSRD and related sustainability reporting standards should enable them to disclose relevant information on their due diligence policies, processes and activities.

DR 2-IRO 1 – Description of the processes to identify material sustainability impacts, risks and opportunities

The undertaking shall provide a description of its processes to identify its sustainability impacts, risks and opportunities and assess which ones are material.

The principle to be followed under this disclosure requirement is to provide information on (i) how the undertaking is organising its identification and assessment and (ii) what is in the scope of its identification and assessment of sustainability matters.

Q20: Comments on DR 2-IRO 1 – Description of the processes to identify material sustainability impacts, risks and opportunities

See detailed comments in Q19 to Q23 of Part 1 of this consultation (definition of double materiality, impact materiality, and financial materiality). In addition to these key elements:

We believe that the DR and related AG are helpful to 1) guide companies through the impact materiality analysis and 2) provide enough transparency on such process. In particular, we are supportive of ESRS's approach to encourage companies to engage not only with stakeholders but also with experts (paragraph 74, AG 59).

Clarifications on the notion of impact materiality :

We believe that, in ESRS 2, there is a need to clarify the guidance given in paragraph 74 (b)(iii) and AG 64 (c), that explains the basis on which impacts should be deemed material (severity & likelihood). Indeed, the definition of the "severity" of the impact and the criteria of scale ("*how grave the impact is*") is not clear, as the ESRS do not really explain on what basis/principles such severity can be assessed. We suggest for instance in AG 64 and Appendix A to explain that: the scale of the impact on people and the environment shall be assessed in view of an external baseline such as ecological thresholds or established social norms that are not related to the company's financial considerations. These baselines, adapted to each sustainability matters, can indicate the conditions for preservation of people or the environment.

DR 2-IRO 2 – Outcome of the undertaking's assessment of material sustainability impacts risks and opportunities as identified by reference to and in compliance with sector-agnostic and sector-specific level ESRS

The undertaking shall provide a description of the outcome of its assessment processes by reference to mandatory disclosures under ESRS.

The principle to be followed under this disclosure requirement is to give a clear statement of sustainability matters, as addressed by all ESRS, that are material for the undertaking, and to give relevant explanations on (i) how the undertaking related to the material impacts, risks and opportunities identified by its assessment, (ii) when the undertaking has or will put in place

initiative to modify its strategy and business model, in order to reduce or eliminate the risk or to benefit from the opportunity and/or in order to prevent and mitigate negative material impacts and enhance positive material impacts (see DR 2-SBM3 and 4), why this was the case and (iii) if and why certain mandatory disclosures are not material under the undertaking' specific facts and circumstances and therefore disclosed as such.

Q21: Comments on DR 2-IRO 2 – Outcome of the undertaking's assessment of material sustainability impacts risks and opportunities as identified by reference to and in compliance with sector-agnostic and sector-specific level ESRS

Please refer to detailed comments in Q19 to Q23 of Part 1 of this consultation (definition of double materiality, impact materiality, and financial materiality). Please also refer to Q24 of Part I of this consultation for further details on the concept of rebuttable presumption of materiality.

In this same paragraphs 76, point (ii) and 77(b), we believe that it should be made clearer that ESRS only cover transparency obligations and as such, no specific behaviour (such as the adoption of initiatives to modify the strategy and business model to address sustainability IRO) can be required from companies. Therefore, we suggest to change the wording "*when the undertaking has or will put in place initiatives (...)*" that seems too prescriptive. A suggestion could be to substitute "where" to "when".

There seems to be some redundancies between IRO 1 and IRO 2. For instance, paragraph 77(b) requires companies to disclose a "summarised explanation of how the undertaking has identified [material] sustainability impacts, risks or opportunities". Such explanation is precisely covered in IRO 1 and there is no need to provide another summary of processes in place to assess the materiality of IRO.

We are a bit interrogative on the level of granularity required in paragraph 77 where companies are asked to provide "a [full] list of sustainability impacts, risks and opportunities" addressed by the company's initiatives. Moreover, this information would have little added-value since other DR dedicated to the description of initiatives/action plans already allow to identify the IRO addressed.

DR 2-IRO 3 – Outcome of the undertaking's assessment of material sustainability impacts risks and opportunities that are not covered by and ESRS (entity-specific level)

The undertaking shall provide a description of the outcome of its assessment process in relation to material impacts, risks and opportunities that are not addressed under mandatory disclosure and require entity-specific disclosure.

The principle to be followed under this disclosure requirement is to provide information (i) about all material impacts, risks and opportunities of the undertaking resulting from the undertaking's specific facts and circumstances for which relevant disclosure requirements do not exist, and (ii) when the undertaking has or will put in place initiatives to modify its strategy and business model, in order to reduce or eliminate the risk or to benefit from the opportunity and/or in order to prevent and mitigate negative material impacts and enhance positive material impacts (see DR 2-SBM 3 and 4), about such impacts, risks and opportunities. For each sustainability matter in the scope of sustainability reporting, the undertaking shall assess which material impacts, risks and opportunities are not covered by ESRS and shall give rise to entity-specific disclosure.

Q22: Comments on DR 2-IRO 2 – Outcome of the undertaking's assessment of material sustainability impacts risks and opportunities as identified by reference to and in compliance with sector-agnostic and sector-specific level ESRS

See detailed comments in Q19 to Q23 of Part 1 of this consultation (definition of double materiality, impact materiality and financial materiality).

In paragraphs 79 and 80(b), we believe that it should be made clearer that ESRS only cover transparency obligations and as such, no specific behaviour (such as the adoption of initiatives to modify the strategy and business model to address sustainability IRO) can be required from companies. Therefore, we suggest to change the wording “when the undertaking has or will put in place initiatives (...)” that seems too prescriptive. A suggestion could be to substitute “where” to “when”.

3B. ADEQUACY OF DISCLOSURE REQUIREMENTS – ENVIRONMENTAL STANDARDS

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

- when sharing comments on a given Disclosure Requirement, and as much as possible, reference to the specific paragraphs being commented on should be included in the written comments,
- in the question 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.

A complete index of Disclosure Requirements and their corresponding Application Guidance can be found in Appendix I – Navigating the ESRS.

ESRS E1 – Climate

DR E1-1 – Transition plan for climate change mitigation

The undertaking shall disclose its plans to ensure that its business model and strategy are compatible with the transition to a climate-neutral economy and with limiting global warming to 1.5 °C in line with the Paris Agreement.

The principle to be followed under this Disclosure Requirement is to provide an understanding of the transition plan of the undertaking and its compatibility with limiting global warming to 1.5°C.

Q23: Comments on DR E1-1 – Transition plan for climate change mitigation

Clarifications :

- In § 15(e), The AMF suggests to clarify what is meant by “*and the plans for future Taxonomy alignment*” (is it directly related to the aligned CapEx plan required under Taxonomy art. 8 DA?). This DR should not go beyond what is required under this delegated act (for instance, require projection of the Taxonomy KPIs).
- In AG 2, to clarify what “ambition” means
- In AG 3(d) on locked-in emissions: it could be useful to provide an illustration on how this information could be assessed (use of scenario? sensitivity analysis?).

DR E1-3 – Measurable targets for climate change mitigation and adaptation

The undertaking shall disclose the climate-related targets it has adopted.

The principle to be followed under this Disclosure Requirement is to provide an understanding of the targets the undertaking has adopted to support its climate change mitigation and adaptation policies and address its material climate-related impacts, risks and opportunities.

Q25: Comments on DR E1-3 – Measurable targets for climate change mitigation and adaptation

Prioritisation :

- AG 31(a): this application guidance requires that companies disclose, for each action taken, the estimated quantity of scope 1, scope 2 or scope 3 expected. While this analysis is necessary for the company to be able to define its decarbonisation trajectory, we consider that given that the total GHG emission reduction estimated per decarbonisation lever is already required, this detailed information on each quantity of GHG broken down by scope 1, 2 and 3 could be left voluntary.
- In **AG 28(b)** the AMF suggests to add: “at the level of the subsidiary or group of subsidiaries concerned” to be more consistent with the other part of the sentence.

Clarifications

- AG 30(b): to determine targets aligned with 1.5°C global target, companies often use or refer to “carbon budgets”. For pedagogical purpose, this AG should explain, at least in Appendix A, that “1.5°C aligned reference target value against which its own targets can be compared” is precisely what is commonly called 1.5°C “carbon budgets”.

DR E1-4 – Climate change mitigation and adaptation action plans and resources

The undertaking shall disclose its climate change mitigation and adaptation action plans and the resources allocated for their implementation.

The principle to be followed under this Disclosure Requirement is to provide transparency on the key actions taken and planned to achieve climate-related targets and to manage GHG emissions, transition and physical risks and opportunities, supporting the understanding of achieved performance improvements and the credibility of the undertaking’s policies, strategy and business model with regards to climate change.

Q26: Comments on DR E1-4 – Climate change mitigation and adaptation action plans and resources

Clarifications :

- Terminology: the AMF suggests clarifying the (potential?) differences between “key action”, “action plan” and streamlining the use of those terms throughout ESRS. This could have significant impact on the level of granularity required by some DR.
- AG 33(a): the interaction between point (a) compared to what is already in ESRS 1 Disclosure Principle 3 should be clarified, as AG 33 (a) focuses only on risks and opportunities whereas ESRS 1 also refers to impacts :
 - ESRS 1 : “(a) a list of key actions taken in the reporting year and planned for the future and how their implementation addresses material impacts, risks and opportunities”;
 - ESRS E1 : “[in addition to the provisions of ESRS 1] a) explain how key actions are linked to its material climate-related risks and opportunities (ESRS 2 Disclosure Requirement SBM 4)”;
- AG 34. We are not sure that the wording of this AG would allow companies to understand when such information should be deemed relevant, because it seems that “the ability to implement the action plan” will always, in some way, “*depend on the resource availability and allocation*”. A first step could be to add “where the ability (.) **significantly** depends on”.

Prioritisation :

- AG 33(b) related to DR 30 on the achieved/expected GHG emission reduction is redundant with paragraphs 24(e) and 24(h) and the related AG 31(a) on action plans and estimated scope 1-3 emission reduction planned. It could also be redundant with other DR on the progress made such as performance measurement of GHG emission (for “achieved reductions”) or transition plan (paragraph 15(d)). The AMF suggests to avoid redundancies by considering adding references to other DR in AG 33(b).

DR E1-5 – Energy consumption & mix

The undertaking shall provide information on its energy consumption.

The principle to be followed is to provide an understanding of the undertaking's absolute energy consumption, improvement in energy efficiency and share of renewable energy in its overall energy mix.

Q27: Comments on DR E1-5 – Energy consumption & mix

Clarifications :

- AG 36(d) and (e): adding links to Annex II of IPCC report and Annex IV of Directive 2012/27 in the footnote would be useful, as they constitute important guidance for companies.

DR E1-10 – Total GHG emissions

The undertaking shall disclose its total GHG emissions in metric tons of CO₂ equivalent.

The principle to be followed under this Disclosure Requirement is to provide an overall understanding of the undertaking's GHG emissions and whether they occur from its own operations or the value chain. The disclosure is a prerequisite for measuring progress towards reducing GHG emissions in accordance with the undertaking's climate-related targets and EU policy goals as well as for the assessment of the undertaking's transition risks.

Q32: Comments on DR E1-10 – Total GHG emissions

Prioritisation :

- AG 52: consider adding “by major countries or geographical areas” to avoid information overload and leave more flexibility for companies to adapt the DR to their specific situation.

Clarification :

- AG 52 “*scope 3 GHG emissions may be excluded if data is not readily available*”. This provision should be clarified in light of ESRS 1 principles. Indeed, there are certain well-defined condition under which a company can be exempted from disclosing an information according to ESRS 1 (it has to be “unpractical”, for instance). Please refer to Q28 (Part 1B) on the use of approximations.

Moreover: this issue of data availability should be addressed in ESRS E1-DR 9 (Scope 3 GHG emission performance measurement) rather than in this DR. To avoid confusion on what is required, we suggest to delete this provision here.

Q34: Comments on DR E1-12 – GHG removals in own operations and the value chain

Prioritisation (simplifications) :

- In paragraph 55(b), to encourage concise reporting, we suggest require a “brief description of each removal activity”, similar to what is already required under point (iii) (rather than extensive details of any removal activity, including detailed information on i) to iv)).

Clarification :

- In paragraph 58 (iii), we are not sure to understand why point (iv) has a “where applicable” regime. Does this mean, by contrast with the other points that a company would not have to disclose “0%” if it has no related carbon credits?

(Optional) DR E1-14 – Avoided GHG emissions from products and services

The undertaking may disclose its estimated total avoided GHG emissions from its products and services in metric tons of CO₂ equivalent.

The principle to be followed under this optional Disclosure Requirement is to provide transparency on the methodologies used and assumptions made by the undertaking when estimating and communicating about the impacts of their products and services on climate change in comparison to other products and services, or in comparison to a situation where their products and services would not exist, considering that there is currently no generally accepted framework for accounting and reporting on such avoided emissions.

Q36: Comments on DR E1-14 – Avoided GHG emissions from products and services

Prioritisation (simplifications) :

The AMF suggests streamlining the first sentence of paragraph 61 with other DR by changing the wording “provide details on” for “include a description of”. The idea is to encourage concise disclosure rather than extensive detailed disclosure.

DR E1-15 – Potential financial effects from material physical risks

The undertaking shall disclose the estimated potential financial effects from its material physical risks.

The principle to be followed under this Disclosure Requirement is to provide an understanding of how material climate-related physical risks may affect the undertaking’s performance and position over the short, medium and long term, considering that those potential future financial effects may not meet at the reporting date the recognition and measurement criteria set for assets and liabilities.

Q37: Comments on DR E1-15 – Potential financial effects from material physical risks

Clarifications :

- In AG 72(b) related to paragraph 67(a), the term “assessed” should be replaced by “addressed”,

as this is more consistent with the related DR and following AG for transition risks. “[share of assets at material physical risk] that is addressed by [action plans]”

- In addition, AG 72(b) could be adjusted to further explain the type of action plans to be considered to ensure that all relevant aspects are covered and foster comparability. For instance, AG 25 related to implemented adaptation policies specifies that such policies could be stand-alone adaptation policies or “*relevant policies that indirectly support climate change adaptation, such as training, emergency or health and safety policies, among others*”). Similar explanations (or a reference to this AG) could be given for adaptation action plans.
- Clarify why AG 85 (“*the undertaking shall disclose quantitative information unless it is impracticable to do so. In such case, it shall provide qualitative information.*”) only applies for E1-16 on transition risks and not to E1-17 or E1-15.
- Typo : In paragraph 66, the term “financial” should be added to “*the undertaking’s performance and financial position over the short, medium and long term*”

DR E1-16 – Potential financial effects from material transition risks

The undertaking shall disclose the estimated potential financial effects from material transition risks.

The principle to be followed under this Disclosure Requirement is to provide an understanding of how material climate-related transition risks may affect the undertaking’s performance and position over the short, medium and long-term, considering that those potential future financial effects may not meet at the reporting date the recognition and measurement criteria set for assets and liabilities.

Q38: Comments on DR E1-16 – Potential financial effects from material transition risks

Clarifications :

- In line with comment in Q37, AG 81(b) could be adjusted to further explain the type of action plans to be considered to ensure that all relevant aspects are covered and foster comparability. For instance, AG 24 related to implemented mitigation policies specifies that such policies could be “*stand-alone climate change mitigation policies as well as relevant policies on other matters that indirectly support climate change mitigation, such as training policies, procurement or supply chain policies, investment policies or product development policies, among others.*”). Similar explanations (or a reference to this AG) could be given for mitigation action plans.
- Clarify why AG 85 (“*the undertaking shall disclose quantitative information unless it is impracticable to do so. In such case, it shall provide qualitative information.*”) only applies for E1-16 on transition risks and not to E1-17 or E1-15.
- Typo: in AG 81(b), the term “physical risk” should be replaced by “transition risk”.
- Typo: in paragraph 70, the term “financial” should be added to “*the undertaking’s performance and **financial** position over the short, medium and long term*”.

DR E1-17 – Potential financial effects from climate-related opportunities

The undertaking shall disclose its potential financial effects from climate-related opportunities.

The principle to be followed under this optional Disclosure Requirement is to allow users to understand how the undertaking may financially benefit from material climate-related opportunities. The disclosure is complementary to information requested under the Taxonomy

Regulation.

Q39: Comments on DR E1-17 – Potential financial effects from climate-related opportunities

Clarifications:

Clarify why AG 85 (*“the undertaking shall disclose quantitative information unless it is impracticable to do so. In such case, it shall provide qualitative information.”*) only applies for E1-16 on transition risks and not to E1-17 or E1-15.

ESRS E2 - Pollution

E2-1 – Policies implemented to prevent and control pollution

The undertaking shall disclose its policies related to pollution prevention and control.

The principle to be followed under this Disclosure Requirement is to provide an understanding of how the undertaking monitors and manages its pollution-related impacts, risks and opportunities.

Q40: Comments on E2-1 – Policies implemented to prevent and control pollution

Clarifications :

- Paragraph 20 (d): the AMF suggests to clarify the implicit reference to the EU Taxonomy (to clarify that it relates to the Pollution objective?), and the reason why this DR would be limited to “enabling activities”.

DR E2-2 – Measurable targets for pollution

The undertaking shall describe the pollution-related targets it has adopted.

The principle to be followed under this Disclosure Requirement is to provide an understanding of the targets the undertaking has adopted to support its pollution-related policies and address its material related impacts, risks and opportunities.

Q41: Comments on DR E2-2 – Measurable targets for pollution

Prioritisation :

- Paragraph 26: the AMF suggests clarifying that disclosure of targets are required where the entity has defined some targets (i.e. ESRS does not mandate to have some). Therefore, it is suggested précising that the list in paragraph 26 (a) to 26 (e) are examples of relevant targets, instead of mandatory disclosures. In addition, the AMF invites EFRAG to consider whether some of these targets could be more appropriate in sector –specific standards rather than applicable to any sector.

Clarification :

- We suggest to align the requirements in terms of quantitative financial indicator throughout the standard for consistency purpose. We note on one hand the disclosure of “absolute turnover”, share of total turnover”, “in paragraph 26 (d) and on the other hand

the disclosure of “net turnover”, share of total ne turnover”, in paragraph 41 (c). Same comments apply to the related AG

DR E2-3 – Pollution action plans and resources

The undertaking shall disclose its pollution-related action plans and the resources allocated to their implementation.

The principle to be followed under this Disclosure Requirement is to provide transparency on the key actions taken and planned in order to achieve its pollution-related policy objectives and targets.

Q42: Comments on DR E2-3 – Pollution action plans and resources

Clarification / prioritisation :

Paragraph 31: we observe the same DR, that are replicated in different topical standards (E2, E3, E5...), are often presented differently and with various level of granularity (different order, in DR or AG, etc.). We suggest to **use the same structure/level of granularity for consistency and improved usability of the standards**. We suggest to align paragraph 31 with wording of ESRS E5 (paragraphs 29-30) that is more concise, with some adjustments to avoid information overload and redundancies.

DR E2-4 – Pollution of air, water and soil

The undertaking shall disclose information on a list of pollutants that are generated or used during production processes or that are procured, and that leave its facilities as emissions, as products, or as part of products or services.

The principle to be followed under this Disclosure Requirement is to provide transparency on the emissions that the undertaking generates.

Q43: Comments on DR E2-4 – Pollution of air, water and soil

Clarification :

- Paragraph 32: the AMF suggests clarifying the meaning / the scope of *“that are generated or used during production processes or that are procured, and that leave its facilities as emissions, as products, or as part of products or services.”* and in particular, how the materiality principle should apply here.
- AG 15: In the DR §34 there is a reference to “thresholds” related to other EU regulation, but there are no related guidance in AG. There is a need to clarify how to use this notion in this context.
- Paragraph 34: we suggest clarifying how to apply *“at the level of the undertaking”* as it is not clear whether the granularity also relates to the disclosures or only to the assessment. This might be problematic in case of consolidated reporting for instance of a large group it may be difficult to provide very granular information on each undertakings.
- Paragraph 36 : we suggest clarifying that the defined period of time refers to the reporting period.

Prioritisation :

- Paragraph 32: such DR could cover a very large number of pollutants. The AMF suggests avoiding information overload by limiting this DR to the disclosure of the “**main** pollutants” (with enough transparency on how the company conducted this materiality analysis, by reference to §34 (on the possible thresholds) and by reference to the process described under ESRS 2-IRO 1). The AMF also suggests, for such granular DR, considering a sector-specific approach instead of a sector-agnostic approach. This would facilitate the identification of relevant pollutants and comparability while reducing the risk of information overload.
- **Paragraph 35 :** it might be challenging for companies to collect data on emissions to air, as effluent or other entries to water and pollutants to soil “resulting from activities all along the value chain and product-life cycle”. Indeed, the data may not be available from day one, and there might be challenges due to pollution-related local regulations/standards that depends on the localisation of the activities. We therefore suggest a phasing-in approach whereby the performance measurements could only cover, for a transitional period, information on the operational perimeter. This approach is also consistent with ESRS E3 on water resources KPIs.
- **Paragraph 38(a):** we suggest to streamline the level of granularity required, as companies are asked to list all installations under IED/BAT Conclusion, including parent companies reporting at consolidated level for large groups. In general, we suggest avoiding/limiting the DR starting with “a list of (...)” because it does not foster concise disclosures and exhaustive list may not be consistent with the materiality principle. This comment also applies to **paragraph 38(b) and (e)**.

DR E2-5

– Substances of concern and most harmful substances

The undertaking shall disclose specific information on the substances of concern and most harmful substances that are generated or used during production processes or that are procured, and that leave its facilities as emissions, as products, or as part of products or services.

The principle to be followed under this Disclosure Requirement is to provide an understanding of the impact of the undertaking on health and the environment related to the undertaking’s production, use, distribution and commercialisation of substances of concern and most harmful substances, as well as an understanding of the undertaking’s exposure towards those substances of concern including risks arising from changes in regulations.

Q44: Comments on DR E2-5 – Substances of concern and most harmful substances

Clarification:

- **Paragraph 39:** same as in paragraph 32: we suggest clarifying the meaning / the scope of “*that are generated or used during production processes or that are procured, and that leave its facilities as emissions, as products, or as part of products or services.*” and in particular, how the materiality principle should apply here. Indeed such DR could cover a very large number of pollutants.
- We suggest to align the requirements in terms of quantitative financial indicator throughout the standard for consistency purpose. We note on one hand the disclosure of “absolute turnover”, share of total turnover”, “in paragraph 26 (d) and on the other hand the disclosure of “net turnover”, share of total ne turnover”, in paragraph 41 (c).

Same comments apply to the related AG

Prioritisation :

- **Paragraph 41** (and related AG 23): in line with comments on E2-2 paragraph 26, we suggest to consider whether some of these KPIs could be more appropriate in sector –specific standards rather than applicable to any sector.

DR E2-6 – Pollution-related incidents and deposit impacts and risks, and financial exposure to the undertaking

The undertaking shall disclose the impact of and its financial exposure to pollution-related incidents and deposits.

The principle to be followed under this Disclosure Requirement is to provide an understanding of how principal pollution-related incidents and deposits may affect the environment and society and/or the undertaking's development, performance and position over the short-, medium- and long-term.

Q45: Comments on DR E2-6 – Pollution-related incidents and deposit impacts and risks, and financial exposure to the undertaking

Prioritisation:

- AG 24 (a): to avoid information overload, the AMF suggests limiting the description of "all the cases of occurred incidents" to "the main cases".

DR E2-7 – Financial effects from pollution-related impacts, risks and opportunities

The undertaking shall disclose the financial effects of the risks and opportunities arising from pollution-related impacts and dependencies.

The principle to be followed under this Disclosure Requirement is to an understanding of the effects of risks and opportunities, arising from the undertaking's pollution-related impacts and dependencies, on the undertaking's development, performance and position over the short, medium and long term and therefore on its ability to create enterprise value.

Q46: Comments on DR E2-7 – Financial effects from pollution-related impacts, risks and opportunities

Prioritisation:

- Please refer to comments on section 2 on the proposed phasing-in approach for DR related to the assessment of financial effects from impacts, risks and opportunities on the 4 environmental objectives other than climate. Because of the lack of guidance on how to conduct such analysis and the limited level of maturity of companies on this issue today, we believe that companies should be given more time to comply with this DR by making this DR voluntary for a defined period (i.e. three years), after which it would become mandatory.

ERS E3 – Water and marine resources

DR E3-1 – Policies implemented to manage water and marine resources

Q47: Comments on DR E3-1 – Policies implemented to manage water and marine resources

Clarifications :

- AG 15 on third party standards. To clarify how to read the term “to consider” and in particular whether information on criteria described in (a) to (e) should or may be disclosed.

DR E3-2 – Measurable targets for water and marine resources

The undertaking shall disclose the water and marine resources-related targets it has adopted.

The principle to be followed under this disclosure requirement is to provide an understanding of the targets the undertaking has adopted to support its water and marine resources policies and address its material related impacts, risks and opportunities.

Q48: Comments on DR E3-2 – Measurable targets for water and marine resources

Clarifications :

- AG 17 related to paragraph 20 (c) seems to require information on different types of water discharges (“shall include discharges to groundwater (...”), whereas AG 16 only requires information on certain categories “if material”. This question is raised as to whether or not the other DR or AG are subject to materiality assessment (are they mandatory in all cases, and not only “if material”?). It should be clarified that, in all cases, companies only need to provide information, and breakdown of information on the relevant categories, following their materiality assessment.
- As a consequence, it is necessary to have more consistency between E3-2 on targets related to material impacts, risks and opportunities and the AG 1 to 13 on materiality analysis (IRO 1/2/3). Such AG could contain guidance on the categories of discharges and withdrawals to be considered (for water discharge: reinjection to aquifers, water returning to a groundwater source...). We suggest to include in the definition of “water discharge” and “water withdrawal” in Appendix A a reference to these elements.
- AG 18 refers to the materiality assessment conducted to identify “priority substances”. We believe that an explicit reference to ESRS E2 Pollution and its AG on materiality assessment would be useful (in particular AG5 of ESRS E2 that exactly covers this subject). In addition we believe that it is confusing to have, in addition to what is already required in ESRS E2 or E3’s AG on materiality assessment, other disclosure requirements on how the assessment was conducted. We therefore suggest to remove the end of AG18 (“and explain (...) used”), include a reference to IRO-related AG and adjust these IRO AG if needed while avoiding redundancies.
- Terminology: as for paragraphs 20(d) and AG 18, we observe that the qualifier “**material priority substances of concern**” or “**priority** substance” is not used in ESRS E2 – Pollution. To consider aligning on ESRS E2 wording and only refer to “*substances of concerns*” and, if appropriate “*most harmful substances*” (ex: ESRS E2-5). The same comment applies for paragraph 28(d).

DR E3-3 – Water and marine resources action plans and resources

The undertaking shall disclose its water and marine resources action plans and the resources allocated for their implementation.

The principle to be followed under this disclosure requirement is to provide transparency on the key actions take and planned to achieve water and marine resources-related targets and to manage related risks, impacts and opportunities.

Q49: Comments on DR E3-3 – Water and marine resources action plans and resources

Clarifications:

- AG 20: the AMF suggests clarifying the term “changes in underlying values and behaviours”, and providing guidance on how these elements be assessed.
- AG 22: cf. comment in Q42 of ESRS E2. We suggest to keep the same structure, language and level of details for all DR of ESRS E2, E3, E5, etc. that relate to this same issue (i.e. type of action: individual of collective, and if collective, what contribution etc.). We would therefore suggest to move this requirement to DR rather than AG and retain, as much as possible, the structure and content of requirements proposed in Q42.

Prioritisation :

- AG 23: the disclosure of CapEx related to storm water drain rehabilitation, pollution control devices, pipelines, machinery used to manufacture low water-use products seems to pre-empt taxonomy Art.8 disclosure requirements related to the “water” objective. Acknowledging the challenges that companies may face to adapt their information systems to these specific taxonomy requirements, we suggest to avoid redundancies and propose voluntary reporting for this AG. However, a reference to the taxonomy disclosures would be most useful (ref. to paragraph 36-38).

DR E3-4 – Water management performance

The undertaking shall provide information on its water management performance.

The principle to be followed under this disclosure requirement is to provide an understanding of the undertaking’s water cycle at entity level and how the undertaking is managing to meet the targets it has set.

Q50: Comments on DR E3-4 – Water management performance

Prioritisation/clarifications:

- Subject to our comments above in Q48 on AG 17, we suggest to clarify and align AG 26 with AG 16 to require information “**if material**”. We believe the same reasoning could apply to AG 28 on water discharges.

DR E3-6 – Marine resources-related performance

The undertaking shall provide information on marine resources-related performance indicators.

The principle to be followed under this disclosure requirement is to provide an understanding of how the undertaking is impacting marine resources and marine waters and how it is managing to meet whichever marine resources-related targets it has set.

Q52: Comments on DR E3-6 – Marine resources-related performance

Clarifications/prioritisation:

- Paragraph 35(a): to consider clarifying in this DR or in AG that only information on **significant** commodities used by the undertaking shall be disclosed (significant in terms of impacts, risks or opportunities).

A reference to AG 10 on materiality assessment (IRO 1/2/3) would be useful as companies already explain in AG 10 how they have implemented the double materiality perspective and how they determined the criteria used to select certain commodities.

DR E3-7 – Financial effects from water and marine resources related impacts, risks and opportunities

The undertaking shall disclose its financial effects of material risks and opportunities arising from water and marine resources-related impacts and dependencies.

The principle to be followed under this Disclosure Requirement is to provide an understanding of the effects of material risks and opportunities, related to the undertaking's water and marine resources-related impacts and dependencies, on the undertaking's development, performance and position over the short, medium and long term and therefore on its ability to create enterprise value, considering that those potential future financial effects may not meet at the reporting date the recognition criteria set for financial statements.

Q53: Comments on DR E3-7 – Financial effects from water and marine resources related impacts, risks and opportunities

Prioritisation:

- Please refer to comments on section 2 on the proposed phasing-in approach for DR related to the assessment of financial effects from impacts, risks and opportunities on the 4 environmental objectives other than climate. Because of the lack of guidance on how to conduct such analysis and the limited level of maturity of companies on these topics at this stage, we believe that companies should be given more time to comply with this DR by making it voluntary for a defined period (i.e. three years), after which it would become mandatory.

ESRS E4

– *Biodiversity and ecosystems*

DR E4-1 – Transition plan in line with the targets of no net loss by 2030, net gain from 2030 and full recovery by 2050

The undertaking shall disclose its plans to ensure that its business model and strategy are compatible with the transition to achieve no net loss by 2030, net gain from 2030 and full recovery by 2050.

The principle to be followed under this Disclosure Requirement is to provide an understanding of the transition plan of the undertaking and its compatibility with the preservation and restoration of biodiversity and ecosystems in line with the Post-2020 Global Biodiversity Framework and the EU Biodiversity Strategy for 2030.

Q54: Comments on DR E4-1 – Transition plan in line with the targets of no net loss by 2030, net gain from 2030 and full recovery by 2050

Prioritisation :

Because there is currently a lack of maturity on biodiversity-related transition plan, we would suggest to streamline, at this first stage, the provisions of paragraph 16 on transparency requirement where a company has not adopted such plan. It should be made clear that ESRS does not mandate such transition plan, but only its disclosure if it exists (no comply or explain)

DR E4-2 – Policies implemented to manage biodiversity and ecosystems

The undertaking shall disclose its policies related to biodiversity and ecosystems.

The principle to be followed under this Disclosure Requirement is to provide an understanding of the extent to which the undertaking has policies that address prevention, mitigation or remediation of actual or potential adverse impacts and protection and restoration of biodiversity and ecosystems and of how the undertaking monitors and manages its material biodiversity and ecosystems-related impacts and risks and opportunities arising from impacts and dependencies and addresses the strategies of no net loss by 2030, net gain from 2030, and full recovery of biodiversity and ecosystems by 2050.

Q55: Comments on DR E4-2 – Policies implemented to manage biodiversity and ecosystems

Clarifications:

We suggest to clarify the basis for the classification of biodiversity-related matters in paragraph 21. For instance, it seems that some of these topics overlap and that companies may need to refer to these different topics for one policy (e.g. point (a) and (f), or point (a) and point (b)).

To ensure comparable reports, we suggest to clarify the term “biodiversity friendly” production/consumption/sourcing. Indeed, this notion can be interpreted as production that is aligned with biodiversity preservation targets, or production practices that reduce impacts on biodiversity (less ambitious), or practices that have positive impacts on (regeneration of ecosystems), etc.

In line with previous comments regarding the term “dependencies” (see Q41 on ESRS E2), there is a need to clarify the interconnection between “dependencies”, “impacts”, and “risks”. For instance, the fact that these elements are differentiated in paragraph 21(d) might create confusion. Indeed, dependencies to, for instance, natural resources, can be considered as a risk factor: these concepts are closely intertwined. It would be useful to explicit this relation.

We suggest to consider clarifying the definition of “genetic resources” with illustrative examples. For instance the term “genetic material” is further defined in the CBD (“any material of plant, animal, microbial or other origin containing functional units of heredity”). In addition, the EU (DG ENVI) provided a glossary with more details, based on this official definition “Essentially, the term [genetic resource] encompasses all living organisms (plants, animals and microbes) that carry genetic material potentially useful to humans. Genetic resources can be taken from the wild, domesticated or cultivated. They are sourced from: natural environments (in situ) or human-made collections (ex situ) (e.g. botanical gardens, gene banks, seed banks and microbial culture collections).

We suggest to clarify paragraph 27 which states “if the undertaking cannot disclose the above required information”: does it apply to all individual DR of this section? Or more generally to the fact that the company has not adopted biodiversity-related policies?). On this specific provision based on ESRS 1, please also refer to our comment in Q24.

DR E4-3 – Measurable targets for biodiversity and ecosystems

The undertaking shall disclose the biodiversity and ecosystem-related targets it has adopted.

The principle to be followed under this Disclosure Requirement is to provide an understanding of the targets the undertaking has adopted to support its biodiversity and ecosystems policies and address its material related impacts, dependencies, risks and opportunities.

Q56: Comments on DR E4-3 – Measurable targets for biodiversity and ecosystems

We fully support the approach of 34(c) and (d): this information is essential to understand the strategy of the undertaking from an impact materiality perspective.

Clarifications :

- Please refer to Q55 on the need for clarifications on the term “dependencies”. Further guidance on how dependencies-related targets and biodiversity risks/impacts targets are related seems necessary.
- The distinction between “shall include targets on” and “may include targets on” in paragraphs 31 and 33 is confusing because, in any case, the companies only have to disclose information on targets they have adopted. Any biodiversity-related target adopted should be disclosed. We consider that a company has to be transparent on its impact-related targets as well as on its risks-related targets, if any.

Prioritisation :

- The AMF is in favour of a more principle-based approach for the definition of time horizons to better account for each company's specificities. Therefore, we suggest in paragraph 34(b) to require transparency on how the company has defined its horizons and on what basis. Please refer to 31-33 (Part 1B).
- The appropriateness of paragraph 34(b) for all biodiversity-related targets could be further explained (2030 milestones for all kind of targets?), we suggest to specify in AG in which context it is relevant to set 2030 milestones (i.e. to specify the “where applicable”).
- In relation to paragraph 35, due to lack of maturity on the subject, it might be difficult to assess the gap/alignment between the company's targets (micro-level) and the EU or national policies legislation related to biodiversity and ecosystems (macro level). We would suggest a more proportionate approach and to **make this DR voluntary** for the first reporting exercises.

DR E4-4 – Biodiversity and ecosystems action plans

The undertaking shall disclose its biodiversity and ecosystems-related actions and action plans and allocation of resources to meet its policy objectives and targets.

The principle to be followed under this Disclosure Requirement is to provide transparency on the key actions taken and planned to achieve biodiversity and ecosystems-related targets and to manage related risks, impacts and opportunities.

Q57: Comments on DR E4-4 – Biodiversity and ecosystems action plans

Prioritisation :

We believe that the provisions of paragraph 42 should be aligned on ESRS 1 and require information on “key” policies/actions rather than “for each action plan or stand-alone action”.

Clarifications (articulation with ESRS 1) :

There are a lot of redundancies between E4-4 and ESRS 1 (for instance, paragraph 42(a), (c), (i)). To reduce the number of requirement in this section, we suggest to limit the requirements in E4-4 to the additional elements specific to biodiversity and ecosystems, compared to ESRS 1 (already captured through paragraph 39 of ESRS E4).

In relation to “nature-based solution” : the glossary of IPBES’s Global Assessment Report (Annex I) defines this notion, it could be used /referred to in the Appendix (see p.1046 of the report)
In relation to “traditional knowledge”: we understand that the term “traditional knowledge” is not defined by international frameworks/protocols (SDG, CBD, Nagoya Protocol) and that there are even ongoing negotiations on this term. However ESRS E4-4 could mention IPBES, (as already done in other DR), and more precisely, the glossary of the Global Assessment Report, given that it may give some examples of traditional knowledge (e.g. “traditional farming”). It could be helpful to refer also to the EU glossary* related to the EU Regulation for access and benefit-sharing that clearly explains this situation and also gives examples or other document such as this CBD’s factsheet.”

DR E4-5 – Pressure metrics

The undertaking shall report pressure metrics.

The principle to be followed under this Disclosure Requirement is to provide information on material impact drivers that unequivocally influence biodiversity, ecosystem services and underlying ecosystems.

Q58: Comments on DR E4-5 – Pressure metrics

We support the principle-based approach of E4-5 considering the lack of maturity on biodiversity-related metrics.

Clarifications :

Some elements of AG of E4-5 (performance measurement) seem more related to policies (ex: AG 61, how the companies manages the risk of land use) or materiality assessment (ex: AG 60, characteristics of an impact driver) than to performance measurement. We suggest streamlining and including, where necessary, references to the appropriate sections of the standard.

Prioritisation :

Regarding AG 58: there are inherent challenges with performance measures covering the whole value-chain, especially because of the lack of maturity on this matter and hence, data unavailability. As a result, we suggest a phasing-in approach whereby companies would only be required to disclose KPIs covering the operational levels for the first reporting exercises (voluntary reporting on the value chain). It is worth noting that ESRS E3 already integrates a similar proportionate approach.

DR E4-6 – Impact metrics

The undertaking shall report metrics for material biodiversity and ecosystem-related impacts, either by material geographical locations, and/or by material raw materials.

The principle to be followed under this Disclosure Requirement is to provide an understanding of the progress of the undertaking’s towards no net loss and net gain, including how biodiversity

offsets may be integrated in this measurement approach.

Q59: Comments on DR E4-6 – Impact metrics

We support the principle-based approach of E4-6 considering the lack of maturity on biodiversity-related metrics.

DR E4-7 – Response metrics

The undertaking shall disclose response metrics.

The principle to be followed under this Disclosure Requirement is to provide an understanding of how the undertaking minimises, rehabilitates or restores material impacts on biodiversity and ecosystems in material geographical locations of sites and/or raw materials identified

Q60: Comments on DR E4-7 – Response metrics

We support the principle-based approach of E4-7 considering the lack of maturity on biodiversity-related metrics.

(Optional) DR E4-8 – Biodiversity-friendly consumption and production metrics

The undertaking may disclose metrics on its biodiversity-friendly consumption and production.

The principle to be followed under this optional Disclosure Requirement is, if the undertaking so decides, to provide an understanding of its consumption and production that qualifies as being biodiversity-friendly.

Q61: Comments on DR E4-8 – Biodiversity-friendly consumption and production metrics

Clarifications :

In line with our previous comments (see Q55), we suggest clarifying the term: “biodiversity-friendly”, to avoid boiler-plate disclosures.

DR E4-10 – Financial effects from biodiversity-related impacts, risks and opportunities

The undertaking shall disclose its financial effects of risks and opportunities arising from biodiversity-related impacts and dependencies.

The principle to be followed under this Disclosure Requirement is to provide an understanding of the effects of risks and opportunities, arising from the undertaking's biodiversity-related impacts and dependencies, on the undertaking's development, performance and position over the short, medium and long term and therefore on its ability to create enterprise value, considering that those potential future financial effects may not meet at the reporting date the recognition criteria set for financial statements.

Q63: Comments on DR E4-10 – Financial effects from biodiversity-related impacts, risks and opportunities

Prioritisation :

Please refer to comments on section 2 on the proposed phasing-in approach for DR related to the assessment of financial effects from impacts, risks and opportunities on the 4 environmental objectives other than climate. Because of the lack of guidance on how to conduct such analysis and the limited level of maturity of companies on these topics at this stage, we believe that companies should be given more time to comply with this DR by making it voluntary for a defined period (i.e. three years), after which it would become mandatory.

ESRS E5 – Resource use and circular economy

DR E5-1 – Policies implemented to manage resource use and circular economy

The undertaking shall disclose separately its policies (i) to decouple economic activity from extraction of non-renewable resources and (ii) for regeneration of renewable resources and ecosystems.

The principle to be followed under this Disclosure Requirement is to provide an understanding of the undertaking's ability to transition away from extraction of virgin non-renewable resources and to implement practices that secure and contribute to the regeneration of the stock of renewable resources and the ecosystems they are part of.

Q64: Comments on DR E5-1 – Policies implemented to manage resource use and circular economy

Clarifications:

- In line with our comment in Q44 (Part 1C), we suggest not to use of the notion of “decouple”/ decoupling in paragraph 17.
- In line with our comment in Q44, we suggest clarifying the notion of “**regeneration of renewable resources**”.

DR E5-2 – Measurable targets for resource use and circular economy

The undertaking shall disclose the resource use and circular economy-related targets it has adopted.

The principle to be followed under this Disclosure Requirement is to provide an understanding of the capacity of the undertaking to meet the policy's objectives of resource use and circular economy.

Q65: Comments on DR E5-2 – Measurable targets for resource use and circular economy

Clarifications: See comments on the notion “**regeneration of renewable resources**” in Q44 (part 1C)

DR E5-3 – Resource use and circular economy action plans

The undertaking shall describe its resource use and circular economy-related action plans and the resources allocated to their implementation.

The principle to be followed under this Disclosure Requirement is to provide an understanding of the measures taken to increase the share of circularity in the flows and to optimise the use of resources supporting the credibility of the undertaking's strategy to develop circular business models fostering the transition to a more circular economy.

Q66: Comments on DR E5-3 – Resource use and circular economy action plans

Materiality :

- Paragraph 27: the principles of E5-3 that are developed in this paragraph seems too limited to capture both materiality perspective. Indeed, it is focused on action to “increase the share of circularity in the flows and to optimise the use of resources”. These notions (flows, eco-efficiency) are not appropriate for an impact materiality approach (see explanation in Q44). We would suggest a broader terminology, such as: “*increase the share of circularity in the flows and to reduce ~~optimise~~ the use of resources.*”

Clarifications :

- AG 12: we suggest to add “shall disclose action plans **it has adopted**”, to stress that ESRS only cover disclosure requirements (vs. obligation to have action plans).
- AG 13 seems to list certain types of actions/processes that a company has to implement to address waste and circular economy issues (remuneration incentives, R&D, training etc.). This seems too prescriptive in terms of behaviour and we **believe it goes beyond CSRD's “pure disclosure”** approach. However, this list of actions/processes could be used as an illustrative guidance. Our suggestion would be to replace “shall include information on” by “**may provide information on its relevant internal processes, such as on: (...)**”
- Paragraph 29 to 30: in line with comment in Q42, Part 3B (ESRS E2), to consider aligning all similar DR across the different ESRS E2, E3, E4, etc. In particular, for point (c) this drafting proposal suggests not to require the disclosure of an exhaustive list of stakeholders involved/impacted but only “key stakeholders”, to avoid the risk of information overload.
- See also comments on the **notion “regeneration of renewable resources”** in Q44 (Part 1C)

DR E5-4 – Resources inflows

The undertaking shall provide information on its resources' inflows.

The principle to be followed under this Disclosure Requirement is to provide an understanding of the resource use in the course of the undertaking's own operations, considering separately renewable and non-renewable resources and including transparency on virgin versus non virgin materials and on sustainable versus regenerative source.

Q67: Comments on DR E5-4 – Resources inflows

Materiality :

- In line with comment Q44 (Part 1C): we suggest replacing “resource inflows” by “resource **inputs**” (in particular in the title). The notion of inflows could still be used in paragraph 32 or 33, but the presentation of this DR (in paragraph “principle”) should not be limited to the analysis of flows. Indeed, information on the quantity of resource used (absolute value) is necessary to measure risks or impacts.
- In particular, for this information to be relevant, it is important for companies to be able to contextualise the result of the indicators of paragraph 33, in particular in view of the “criticality” of some resources/raw material. Please also refer to Q44 (Part 1C) where we suggest some guidance on the identification of such critical resources.

DR E5-5 – Resources outflows

The undertaking shall provide information on its resources’ outflows.

The principle to be followed under this Disclosure Requirement is to provide an understanding of how the undertaking is contributing to circular economy by increasing the durability, reparability, upgradability, reusability or recyclability of the products and materials.

Q68: Comments on DR E5-5 – Resources outflows

Materiality :

In line with comment Q44 (part 1C) and previous Q67: we suggest replacing “resource outflow” by “resource **outputs**” in the title of this DR. This is more consistent with §37 approach covering absolute value indicators.

Clarifications :

We suggest deleting paragraph 36 that seems to only give another definition of “resource outflows”, which is not aligned to the existing definition of Appendix A. We believe Appendix A’s definition is clearer.

Prioritisation :

- Reporting on resource outputs - while necessary - is more challenging than on inputs/inflows. We also understand that the reporting and knowledge in this area is less mature. In particular, stakeholders have difficulties to understand the concepts laid down in §37 (and related AG), such as “reparability, “disassembly” ‘reusability”. We understand that there is no commonly agreed definition of these concepts or robust tools available. We therefore **suggest a phasing-in approach for paragraph 37** (and related AG 25) to delay mandatory reporting on these quantitative and detailed information.
- In addition, AG 25(b) overlaps with existing DR E2-5 of ESRS E2. To avoid redundancies we suggest replacing it with a reference to ESRS E2 only.

DR E5-6 – Waste

The undertaking shall provide information on its wastes.

The principle to be followed under this Disclosure Requirement is to provide an understanding

of the undertaking waste management strategy and of the extent to which the undertaking knows how its waste is managed in its own activities.

Q69: Comments on DR E5-6 – Waste

Prioritisation :

Because of challenges to collect data from the value chain, the AMF suggests to introduce a phasing-in approach for waste-related performance measurements, whereby reporting on the value chain would be optional for the first years of reporting. We suggest to amend AG 32 accordingly. It is worth noting that the same proportionality approach already applies in ESRS E3 regarding data on water resources.

Alignment on SFDR :

See Q7 (part 1A) for more details. We believe that paragraphs 41 and 42 could be further aligned to SFDR framework (PAII n°9 “Hazardous waste and radioactive waste”, and PAII n°13 “non-recycled waste ratio”).

DR E5-7 – Resource use optimisation

The undertaking shall provide information on its strategy to optimise resource use in creating circular business models.

The principle to be followed under this Disclosure Requirement is to provide an understanding of the intensity of materials and products used by the undertaking and its capability to keep a resource at its highest value.

Q70: Comments on DR E5-7 – Resource use optimisation

Prioritisation:

The disclosure of net turnover associated to products that leverage the transition to a circular economy might be challenging for companies that may not have adapted information systems from day 1. Moreover, this DR seems to overlap with future EU Taxonomy disclosure requirements, as companies will be required to disclose the share of turnover associated with economic activities contributing to the transition to a circular economy. For these reasons, we suggest to have an optional DR in paragraph 46, as well as a reference to the section of this ESRS dedicated to Taxonomy disclosures.

DR E5-8 – Circularity support

The undertaking shall provide information on its ability to create partnerships to accelerate the transition from linear to circular economy.

The principle to be followed under this Disclosure Requirement is to provide an understanding of the services and products that contribute to create circular systems initiatives outside its own activities in the value chain.

Q71: Comments on DR E5-8 – Circularity support

Clarifications / simplifications :

This DR E5-8 seems to be redundant with the provisions of paragraphs 29/30 related to the involvement of stakeholders (including partnerships, initiatives involving suppliers, etc.) and planned action. We suggest

merging the required elements with E5-3 (for instance, refer to “circularity support”). We believe that the level of information already required in E5-3 could be sufficient.

DR E5-9 Financial effects from resource use and circular economy-related impacts, risks and opportunities

The undertaking shall disclose its financial effects of material risks and opportunities arising from resource use and circular economy-related impacts and dependencies.

The principle to be followed under this Disclosure Requirement is to provide an understanding of the effects of material risks and opportunities, related to the undertaking’s resource use and circular economy-related impacts and dependencies, on the undertaking’s development, performance and position over the short-, medium- and long-term and therefore on its ability to create enterprise value, considering that those potential future financial effects may not meet at the reporting date the recognition criteria set for financial statements.

Q72: Comments on DR E5-9 – Financial effects from resource use and circular economy-related impacts, risks and opportunities

Prioritisation :

Please refer to comments on section 2 on the proposed phasing-in approach for DR related to the assessment of financial effect from impacts, risks and opportunities on the 4 environmental objectives other than climate. Because of the lack of guidance on how to conduct such analysis and the limited level of maturity of companies on this issue today, we believe that companies should be given more time to comply with this DR by making it voluntary for a defined period (i.e. three years) , after which it would become mandatory.

3C. ADEQUACY OF DISCLOSURE REQUIREMENTS – SOCIAL STANDARDS

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

- when sharing comments on a given Disclosure Requirement, and as much as possible, reference to the specific paragraphs being commented on should be included in the written comments,
- in the question 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.

A complete index of Disclosure Requirements and their corresponding Application Guidance can be found in Appendix I – Navigating the ESRS.

ESRS S1 – Own workforce

DR S1-1 – Policies relate to own workforce

The undertaking shall state its policies that address the management of its material impacts on own workforce, as well as associated material risks and opportunities; and provide a summary of the content of the policies and how they are communicated.

The principle to be followed under this Disclosure Requirement is to provide an understanding of the extent to which the undertaking has policies that address the identification, assessment, management and/or remediation of material impacts on the undertaking's own workforce specifically, as well as policies that cover impacts, risks and opportunities in one policy. It also aims to provide an understanding of how both the internal organisation, and the workers whose interests they address, are made aware of their existence and content.

Q73: Comments on S1-1 – Policies relate to own workforce

In order to ensure consistency, the AMF recommends that the scope of the standard be limited to a company's own workforce. As a result, the AMF suggests moving paragraph 18 (a) and (c) relating to stakeholders to the cross-cutting standard ESRS 2 and replacing this term by own workforce in ESRS S1.

Please refer to our general comments above in Q46.

DR S1-2 – Processes for engaging with own workers and workers' representatives about impacts

The undertaking shall explain its general processes for engaging with its own workers and workers' representatives about actual and potential material impacts on its own workforce.

The principle to be followed under this Disclosure Requirement is to provide an understanding of how the undertaking engages, as part of its ongoing due diligence process, with its own

workers and workers' representatives about material, actual and potential, positive and/or negative impacts that do, or may, affect its own workforce.

Q74: Comments on S1-2 – Processes for engaging with own workers and workers' representatives about impacts

Please also refer to our general comments above in Q46.

In addition, to ensure consistency, the scope of the standard should be limited to a company's own workforce. As a result, the AMF suggests replacing the term "stakeholders" by "own workforce" in application guidance 42 (e).

DR S1-3 – Channels for own workers and workers' representatives to raise concerns

The undertaking shall describe:

- (a) the channels it has in place for own workers and workers' representatives to raise their concerns or needs directly with the undertaking, and / or
- (b) the processes through which the undertaking supports the availability of such channels through the workplace of own workers, and
- (c) how it monitors issues raised and addressed.

The principle to be followed under this Disclosure Requirement is to provide an understanding of the formal means by which the undertaking's own workers and workers' representatives can make their concerns and needs known directly to the undertaking and/or through which the undertaking supports the availability of grievance mechanisms in the workplace of their own workers and workers' representatives, how follow up is done with these own workers and workers' representatives regarding the issues raised, and the effectiveness of these channels.

Q75: Comments on S1-3 – Channels for own workers and workers' representatives to raise concerns

Please also refer to our general comments above in Q46.

In addition, to ensure consistency, the scope of the standard should be limited to a company's own workforce. As a result, the AMF suggests replacing the term "stakeholder(s)" by "own workforce" in application guidance 49 (a), (b) and (d) and 50(g).

DR S1-4 - Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

The undertaking shall explain any outcome-oriented targets it may have related to:

- (a) Reducing negative impacts on its own workforce, and/or
- (b) Advancing positive impacts on its own workforce, and/or
- (c) Managing material risks and opportunities related to its own workforce.

The principle to be followed under this Disclosure Requirement is to provide an understanding of the extent to which the undertaking is using outcome-oriented targets to drive and measure its progress in addressing its negative impacts and/or advancing positive impacts on its own workforce, and/or in managing material risks and opportunities related to its own workforce.

Q76: Comments on S1-4 - Targets related to managing material negative impacts,

advancing positive impacts, and managing material risks and opportunities

Please refer to our general comments above in Q46.

DR S1-5 – Taking action on material impacts on own workforce and effectiveness of those actions

The undertaking shall explain:

- (a) What action is planned or underway to prevent, mitigate or remedy material negative impacts on its own workforce that are connected to its operations, products or services,
- (b) Any additional initiatives or processes it has in place with the primary purpose of delivering positive impacts for its own workforce, and
- (c) How it assesses the effectiveness of these actions, programmes and processes in delivering outcomes or its own workforce.

The principle to be followed under this Disclosure Requirement is to provide an understanding of the types of processes, initiatives or engagements through which the undertaking:

- (a) Works to prevent, mitigate and remedy material impacts on its own workforce, or
- (b) Seeks to achieve positive impacts for its own workforce, recognizing that in both instances, the ultimate aim is to deliver improved outcomes in workers' lives.

Q77: Comments on S1-5 – Taking action on material impacts on own workforce and effectiveness of those actions

Please refer to our general comments above in Q46.

DR S1-6 - Approaches to mitigating material risks and pursuing material opportunities related to own workforce

The undertaking shall explain:

- (a) What action is planned or underway to mitigate material risks for the undertaking arising from its impacts and dependencies on its own workers, and
- (b) What action is planned or underway to pursue material opportunities for the undertaking in relation to own workers.

The principle to be followed under this Disclosure Requirement is to provide an understanding of the ways in which the undertaking is addressing material risks and pursuing material opportunities related to its own workforce.

Q78: Comments on S1-6 - Approaches to mitigating material risks and pursuing material opportunities related to own workforce

Please refer to our general comments above in Q46.

DR S1-7 – Characteristics of the undertaking's employees

The undertaking shall describe key characteristics of employees in its own workforce

The principle to be followed under this Disclosure Requirement is, in conjunction with Disclosure Requirement ESRS S1-8, to provide insight into the undertaking's approach to employment, including the scope and nature of impacts arising from its employment practices,

to provide contextual information that aids an understanding of the information reported in other disclosures, and to serve as the basis for calculation for quantitative metrics to be disclosed under other Disclosure Requirements in this Standard, in particular on Working Conditions, Equal Opportunities and Other Work-Related Rights.

Q79: Comments S1-7 – Characteristics of the undertaking's employees

Some elements of this disclosure requirement appear to repeat information already requested under ESRS 2. For instance, the “total number of headcount” and its “breakdown by significant country” is already required under ESRS 2, disclosure requirement GR 2, 12.c. A cross reference to this information could therefore be considered as sufficient.

In addition, the AMF is concerned by the level of details required. For instance, companies have to disclose “the total number of employees, and a breakdown by country for countries in which the undertaking has 50 or more employees”; this could lead to pages of disclosure for companies that have operations in a large number of countries with a risk of obscuring material information.

The AMF is of the view that standards should refrain from defining specific thresholds and it should be left to companies' discretion to determine what is of significance in relation to their activities. In the event that the notion of minimum threshold is retained, a threshold expressed in percentages (for instance 10%) should be preferred but with clear direction how this threshold should be calculated.

DR S1-8 – Characteristics of non-employee workers in the undertaking's own workforce

The undertaking shall describe key characteristics of non-employee workers in its own workforce.

The principle to be followed under this Disclosure Requirement is, in conjunction with Disclosure Requirement S1-7, to provide insight into the undertaking's approach to employment, including the scope and nature of impacts arising from its employment practices, to provide contextual information that aids an understanding of the information reported in other disclosures, and to serve as the basis for calculation for quantitative metrics to be disclosed under other Disclosure Requirements in this Standard, in particular on Working Conditions, Equal Opportunities and Other Work-Related Rights.

Q80: Comments on S1-8 – Characteristics of non-employee workers in the undertaking's own workforce

The AMF is of the view that greater clarification is needed in relation to the definition of “non-employee” and the type of workers it encompasses (self-employed, contractors, interns, apprentices...). Such clarification could take the form of a precise definition assorted with a list of categories of non-employees to include.

DR S1-9 – Training and skills development indicators

The undertaking shall disclose the extent to which training and development is provided to its own workforce.

The principle to be followed under this Disclosure Requirement is to provide an understanding of the training and skills development-related activities that have been offered to own workers, within the context of continuous professional growth, to upgrade own workers' skills and

facilitate continued employability.

Q81: Comments on S1-9 – Training and skills development indicators

The concept of “training” could be further defined. The definition currently provided covers *“initiatives put in place by the undertaking aimed at the maintenance and/or improvement of skills and knowledge of its own workers. It can include different methodologies, such as on-site training, and online training”*. Such high level approach could result in divergent interpretations about what should be included as training. For instance, should a 30 minutes e-learning session on a random topic be considered as training?

In addition, while the paragraph 57 (a) and (b) refers to “own workers”/“own workforce”, application guidance 108 and 109 use the terms “workers” and “employees”. The AMF is of the view that the terms should be used consistently throughout the standard and a clear distinction should be made whether the disclosure requirement looks to address “own workers” including employees and non-employees or only one of these categories.

DR S1-10 – coverage of the health and safety management system

The undertaking shall disclose information on the extent to which its own employees are covered by its health and safety management system.

The principle to be followed under this Disclosure Requirement is to provide an understanding of the coverage of the undertaking’s management system to prevent harm and promote health amongst the undertaking’s employees.

Q82: Comments on S1-10 – coverage of the health and safety management system

Similarly to question 81, the scope of this disclosure requirement could be clarified as the main text refers to “own employees” while the application guidance to “own workers”, which raises the question whether to include non-employees.

DR S1-14 – Fair remuneration

The undertaking shall disclose information on the remuneration of its lowest-paid own workers.

The principle to be followed under this Disclosure Requirement is to provide an understanding of whether all of an undertaking’s own workers are earning a fair wage, and, if this is not the case, an understanding of what percentage of own workers are earning less than a fair wage.

Q86: Comments on S1-14 – Fair remuneration

The standard appears to use “wage” and “remuneration” (and sometimes “salary”, “pay”) interchangeably. A consistent use of the terminology defined could be preferred to ensure uniform adoption by companies and as CSRD refers to “wages”, such notion should therefore be preferred.

In addition, the notion of fair remuneration seems relatively subjective and will be based on different methodological principles. As a result, this information could be difficult to standardize and therefore unlikely to be easily comparable.

Lastly, the application guidance 140 requires companies to consider the lowest wage separately for each country in which the undertaking has operations; given the high level of granularity required to provide such information, it could be suggested that companies should disclose this information only for countries in which they have significant operations.

The AMF is of the view that standards should refrain from providing a threshold as to what is considered significant operations as it should be left to the company's discretion to determine what is of significance. In the event that the notion of minimum threshold is retained, a threshold expressed in percentages (for instance 10%) should be preferred but with clear direction how this threshold is to be calculated.

DR S1-18 – Discrimination incidents related to equal opportunities

The undertaking shall disclose the number of work-related discrimination incidents, any corrective actions taken during the reporting period and any related material fines or sanctions.

The principle to be followed under this Disclosure Requirement is to provide an understanding of the incidence of work-related discrimination, including sexual and non-sexual harassment, the corrective actions that the undertaking has taken for its own workforce, and any related material fines and sanctions.

Q90: Comments on S1-18 – Discrimination incidents related to equal opportunities

In order to ensure consistency, the scope of the standard should be limited to a company's own workforce. As a result, the AMF suggests replacing the term "internal and/or external stakeholders" by "own workforce" in paragraph 87.

AG150 related to S1-18 seems to mandate specific action or behaviour towards the treatment of incident of discrimination, whereas the aim of this standard is to report / disclose on the action, not to require action. We suggest to address this confusing requirement by adjusting the wording or deleting this AG.

DR S1-19 – Employment of persons with disabilities

The undertaking shall disclose the percentage of persons with disabilities amongst its own workforce.

The principle to be followed under this Disclosure Requirement is to provide an understanding of the extent to which persons with disabilities are included in an undertaking's workforce, and its composition by gender.

Q91: Comments on S1-19 – Employment of persons with disabilities

It is important to note the absence of a global definition of disability as well as the diversity of approaches in relation to the employment of persons with disabilities. For instance, in France, employees are encouraged to declare themselves, while in other countries, collecting such data may be forbidden. This may lead to divergence among companies and how they choose to compile such data.

DR S1-20 – Differences in the provision of benefit to employees with different employment contract types

The undertaking shall disclose information on benefits which are standard for full-time permanent employees but are not provided to employees with temporary, part-time and non-guaranteed hour contracts.

The principle to be followed under this Disclosure Requirement is to provide an understanding of the extent to which certain employees (those with temporary, part-time and/or non-guaranteed hour contracts) do not receive the same benefits as full-time, permanent employees.

Q92: Comments on S1-20 – Differences in the provision of benefits to employees with different employment contract types

The application guidance 153 requires companies to report the “information broken down by country for those countries in which the undertaking has significant employment (which is defined as at least 50 employees)”; given the high level of granularity required to provide such information, it could be suggested that companies should disclose this information only for countries in which they have significant operations.

The AMF is of the view that standards should refrain from providing a threshold as to what is considered significant operations as it should be left to the company's discretion to determine what is of significance. In the event that the notion of minimum threshold is retained, a threshold expressed in percentages (for instance 10%) should be preferred but with clear direction how this threshold is to be calculated.

DR S1-21 – Grievances and complaints related to other work-related rights

The undertaking shall state the number of grievances and complaints received and resolved relating to workers' other work-related rights.

The principle to be followed under this Disclosure Requirement is to provide an understanding of the undertaking's grievance mechanism or channel. This is the mechanism or channel through which those workers whose other work-related rights are impacted by the undertaking are able to lodge a concern or complaint, and that can provide access to remedy by resolving those complaints. Furthermore, it is to provide an understanding of the number of complaints raised and resolved at National Contact Points for OECD Multinationals.

Q93: Comments on S1-21 – Grievances and complaints related to other work-related rights

The paragraph 100(a) that requires a company to disclose if it “lacks a grievance/complaints handling mechanism related to employee matters” seems to repeat what is already requested under S1-3.

In addition, it could be deemed pertinent to specify what “other work-related rights” are concerned earlier in the disclosure, under paragraph 98.

DR S1-23 – Work stoppages

The undertaking shall disclose the extent of major work stoppages (including both strikes and lockouts) because of disputes between the undertaking and its own workforce.

The principle to be followed under this Disclosure Requirement is to provide an understanding of the extent of worker disputes and their impact on the undertaking's operations.

Q95: Comments on S1-23 – Work stoppages

The application guidance 160 defines a major work stoppage as “involving 100 or more employees and/ or non-employee workers in own workforce”. This threshold could be

considered relatively low for large global companies but quite high for smaller ones. The AMF is of the view that standards should refrain from providing a threshold as to what is considered a major work stoppage as it should be left to the company's discretion to determine what is of significance in relation to the impact on its operations. In the event that the notion of minimum threshold is retained, a threshold expressed in percentages of own workforce (for instance 10%) should be preferred but with clear direction how this threshold is to be calculated.

DR S1-24 – Social dialogue

The undertaking shall disclose the extent and functioning of social dialogue with workers' representatives of its own workforce.

The principle to be followed under this Disclosure Requirement is to provide an understanding of the extent to which the institutional prerequisites for social dialogue in the undertaking exist and the extent to which rights to social dialogue are respected in the undertaking's operations, particularly for those which are located in the European Economic Area (EEA).

Q96: Comments on S1-24 – Social dialogue

Under this disclosure, companies have to report on the procedures in place in relation to social dialogue. The information provided will be rather qualitative and dependent on the legal framework each EEA country has in place. The AMF is of the view that it should be carefully considered whether this requirement constitutes legal information on compliance with social procedures rather than transparency on sustainability matters.

DR S1-25 – Identified cases of severe human rights issues and incidents

The undertaking shall disclose the number of severe human rights issues and incidents connected to own workforce which occurred in the reporting year.

The principle to be followed under this Disclosure Requirement is to provide an understanding of the extent to which severe human rights issues (e.g. forced labour, human trafficking or child labour) and incidents affecting the undertaking's own workforce through its activities or business relationships occurred in the reporting year.

Q97: Comments on S1-25 – Identified cases of severe human rights issues and incidents

This disclosure requirement appears to duplicate the disclosure requirement 2-IRO 2 in ESRS 2, which already requires a description of actual negative impacts on people which are the outcome of an assessment based on severity.

3D. ADEQUACY OF DISCLOSURE REQUIREMENTS – GOVERNANCE STANDARDS

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

- when sharing comments on a given Disclosure Requirement, and as much as possible, reference to the specific paragraphs being commented on should be included in the written comments,
- in the question 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.

A complete index of Disclosure Requirements and their corresponding Application Guidance can be found in Appendix I – Navigating the ESRS.

ESRS G1 – Governance, risk management and internal control

DR G1-1 – Governance structure and composition

The undertaking shall provide information on its governance structure and composition.

The principle to be followed under this Disclosure Requirement is to provide an understanding of the structure and composition of the governance and the distribution of roles and responsibilities throughout the undertaking's organisation, from its administrative, management and supervisory bodies to its executive and operational levels.

Q117: Comments on G1-1 – Governance structure and composition

In some instances, the standard refers to 'administrative, management and supervisory bodies', and in other cases it refers to "governance body" (without any information on the specific functions exercised by such body that is covered by the disclosure). To avoid any confusion, we recommend to use consistently the same wording throughout the standard.

We recommend to make clear in the standard and each of the specific DR that information is required only "where applicable" or "if any", and that the standards and DR do not mandate any specific action or behaviour from the undertaking in terms of organization and/or governance, but rather aim at reporting/disclosing on such organization and/or governance as they stand/exist.

For example, the concept of "administrative, management and supervisory bodies", includes the management body; however, some of the disclosures required under G1-1 do not appear to be always relevant when applied to the management body, such as the idea of independence of members (G1-1.14.d) or the representation of stakeholders groups within the body (G1-1.14.g). Similarly, administrative, management and supervisory bodies might not have any of the competencies listed under G1-1.14.h, but have other relevant competencies (for instance, related to specific risk exposure of the undertaking). We note also that granularity of information required on competencies in 14 (h) and in 21(iv) is not aligned.

Disclosure under AG6 on composition of administrative, management and supervisory bodies by additional indicators of diversity is related to "performance measurement". We recommend to move it under the application guidance of G1-9 on diversity. Notwithstanding this formal

location point, this disclosure, could raise legal issues (in relations to national constitution or specific law on personal data) depending on the jurisdictions. For instance, collecting statistics on ethnic origin is prohibited in France (see also our responses on G1-9 below). We recommend to clarify as a general principle under the ESRS the disclosure requirements are without prejudice to the application of local laws.

AG5 (c) requires to disclose “position or commitment (...) that requires time and attention able to compromise the member’s ability to perform its duties in the organization”. In practice, such a judgmental requirement could boil down to disclosing virtually no information on any position or commitment. We suggest to refer more generally to “membership or position, internal and/or external to the group”.

Finally, we suggest to mention in the standard that where local laws or governance code impose broader / additional disclosure requirements than the ESRS, the ESRS do not exempt nor prevent entities from providing such additional information.

As a general comment, please note that some comments made in Q49 on ESRS-G1 are applicable to this DR (especially on interactions between ESRS-G1 and ESRS 2).

DR G1-2 – Corporate governance code or policy

The undertaking shall disclose the corporate governance code, policy or practices that determine the function of its administrative, management or supervisory bodies.

The principle to be followed under this Disclosure Requirement is to provide information about any legal or regulatory requirements that mandate and influence the design of the governance structure of the undertaking, together with information on aspects implemented that are over and above any relevant legal or regulatory requirements.

Q118: Comments on G1-2 – Corporate governance code or policy

It is important to note that European and national frameworks may not oblige all undertakings to apply a corporate governance code.

In addition, article 20 of the 2013/34 directive already mandates the disclosure of corporate governance code for entities listed on EU regulated markets (e.g. same requirements as G1.17(a) and (b), and G1.18). In order to avoid duplication of requirements within EU legislations, information overload and reporting burden for preparers, we suggest to allow EU listed companies subject to article 20 of 2013/34 directive to incorporate this information by cross-reference in the sustainability report (whether this information is located inside or outside the management report).

DR G1-3 – Nomination process

The undertaking shall provide information about the nomination and selection processes for its administrative, management and supervisory bodies.

The principle to be followed under this Disclosure Requirement is to provide information about the criteria used for selecting and nominating the members of the undertaking’s administrative, management and supervisory bodies.

Q119: Comments on G1-3 – Nomination process

Please see previous comments on the distinction between disclosure vs conduct obligation.

We suggest deleting the redundant information in 21 (b) (ii), which includes information on how

diversity is considered in the selection process. Yet, the disclosure requirement G1-4 already covers all information relating to the diversity policy applied to the administrative, management and supervisory bodies.

It could be useful to understand whether the criteria used to nominate members need to be published on i) an ex-ante basis (i.e. criteria the entity has defined for nominating *future* members of the administrative, management and administrative bodies) or ii) on ex-post basis (i.e. criteria the entity has used for nominating the current members of the administrative, management and administrative bodies, e.g. their actual competences). We recommend clarifying that the expectations are on ii) so as the information depicts the effective nominations.

In terms of interactions with other ESRS, we recommend to merge this requirement with the governance section of ESRS 2-GOV. (please see our general comment on this issue on Q49 Section 1 above related to ESRS G1).

DR G1-4 – Diversity policy

The undertaking shall provide information on the diversity policy applied in relation to its administrative, management and supervisory bodies.

The principle to be followed under this Disclosure Requirement is to provide information about the undertaking's diversity policy to promote a diversified composition of its administrative, management and supervisory bodies. This shall also include the diversity criteria adopted with the associated rationale on their prioritisation, and the mechanism adopted to foster diversity representation.

Q120: Comments on G1-4 – Diversity policy

In order to avoid duplication of requirements within EU legislations, for companies already subject to 20 of 2013/34 directive, we suggest to allow the use of cross-reference to incorporate the information from corporate governance statement that enables complying to the information required under G1-4.21 (a) i, ii, iv, 24(b), 24 (c), and 25 (even if this information is located outside the management report).

G1-4.iii requires the disclosure of diversity policy in relation to “minority and vulnerable group”. We note that the definition of vulnerable group is very broad, and the application of this definition to the administrative, management and supervisory bodies raises question in practice: how to consider “households” and “children” for instance in those bodies? How to consider “social, economic, or environmental impacts of the undertaking’s operations” in the diversity policy for the composition (and thus nomination) of these bodies?

It is also important to note some national specificities that could limit the possibility for companies to gather data on diversity factors. For instance, the French Constitution states that all citizens are equal and does not allow for the differentiation based on origin or ethnicity. As a result, we suggest removing the reporting obligation 24(a) (iii), or transforming it into illustrative examples of what *may* be covered by 24.(a).v. “other aspects where relevant”.

For the same reason, we suggest to adjust the wording of the requirement on “the associated rationale on the prioritization [of diversity criteria]”, adding “if any” and “without prejudice to national laws”.

Finally, as already indicated above for other DR, we recommend to clarify as a general principle under the ESRS that the disclosure requirements are without prejudice to the application of local laws.

DR G1-6 – Remuneration policy

The undertaking shall describe the policy used for the remuneration of its administrative, management and supervisory bodies.

The principle to be followed under this Disclosure Requirement is to provide information about the undertaking's policy for the remuneration of the administrative, management and supervisory bodies.

Q122: Comments on G1-6 – Remuneration policy

The scope of this disclosure needs to be clarified. While the disclosure requirement on the remuneration policy in paragraph 30 to 33 appears to be limited to governance bodies only, the application guidance seems to extend the reporting obligation to "senior executives" (for example in AG14 (b), (c)). We recommend to exclude the notion of "senior executives" which is not defined in the standard, and could encompass high numbers of persons with a group. If information on remuneration of "senior executives" were to be maintained, it has to be clearly defined and delineated.

Instead we suggest to adjust the definition of governance bodies to include CEO and deputy CEO when they are not members of the administrative, management or supervisory bodies of a company, aligning the definition to the "director" definition in SRD2. Please refer to detailed comment above in G1 section 1C/Q49.

In order to avoid duplication of requirements within EU legislations, and to avoid information overload and reporting burden for listed companies already subject to article 9ter of Directive (UE) 2007/36 ("Shareholder Directive") we suggest to allow the use of cross-reference to incorporate the information required in the "remuneration report".

We suggest to EFRAG to carefully consider mandating additional requirements in the draft ESRS beyond what is currently required in the "remuneration report" under SRD2. Whilst we recognize the importance of these disclosures, SRD2 was only transposed recently and we suggest allowing for more time before adding new requirements. In addition, we question the quality of data that will emerge from the granularity of the requirements under AG 14 (b) (v) (A) and AG 14 (d), in particular the comparison of notice periods, termination payments, retirement benefit schemes and contribution rates applied to employees versus members of governance bodies, given the heterogeneity of such provisions among employees themselves (which vary depending on their categories, functions, geographical locations, and national requirements). There is no one size fits all and the data could be complex to produce and compare. As suggested in the comments of G1, the AMF is of the view to align, at least as a first step, the disclosure G1-6 with what is already required under SRD 2.

DR G1-7 – Risk management processes

The undertaking shall provide information on its risk management processes, with regards to risk arising for the undertaking and for the stakeholders.

The principle to be followed under this Disclosure Requirement is to inform about the undertaking's risk management processes. This includes an understanding of the supervision and monitoring of risk management by the undertaking's administrative, management and supervisory bodies.

Q123: Comments on G1-7 – Risk management processes

We suggest to clarify whether the information on the risk management process required by G1-7 relates to: i) the risks arising for the undertaking AND for the stakeholders as per G1-7.34, or ii) the risks arising for the undertaking only (G1-7.36 “the risks to which it is exposed due to its strategy and business model”, and AG16 (a) and (b)). Given that other ESRS standards specifically address sustainability impacts (e.g. risks arising for stakeholders), our understanding is that it rather relates to i).

The basis for conclusion BC38 explaining the DR G1-7 states “This disclosure requirement is the same as required by article 20(1)(c) of Accounting Directive (2013/34 UE)”. However, the wording of both requirements are different, the latter being restricted to “the undertaking's internal control and risk management systems *in relation to the financial reporting process*”, and G1-7 seems to cover wider elements. The interactions between the 2 legislations should be further clarified.

If the information in BC38 corresponds to the intent, i.e. Article 20 of the 2013/34 directive, listed companies are already mandated to disclose the information covered by GR1-7 (as indicated by the BC). As a result, we suggest to allow listed companies subject to Article 20 of the 2013/34 directive to be able to incorporate this information by cross-reference to avoid duplication of requirements within EU legislation and information overload.

In consistency with all the disclosure requirements in ESRS G1 that focuses on “administrative, management and supervisory bodies” when it comes to the description of role, policies and actions, we suggest to clarify that the information required under G1-7 refers to the assessment and management of risks *by the administrative, management and supervisory bodies*, not extending to “senior management” (as indicated in AG 16 (c) and AG16 (f)) to ensure consistency of the information provided. Please also refer to our response in G1-6 in reference to “senior executives”.

The notion of “business unit” under AG16 (d) (“breakdown of responsibilities by type of risk and the business unit involved” should be defined). For enhanced connectivity, we suggest to rather make the link with disaggregation by operational segments in the financial statements, or to provide a disaggregation consistent with the one presented in ESRS 2-GR2.

DR G1-8 – Internal control processes

The undertaking shall provide information on its internal control processes, including in relation to the sustainability reporting process.

The principle to be followed under this Disclosure Requirement is to inform about the aspects related to the governance factors that affect the undertaking's internal control processes, including in relation to sustainability reporting. This also includes an understanding of the supervision and monitoring of those processes by the undertaking's administrative, management and supervisory bodies.

Q124: Comments on G1-8 – Internal control processes

The notion of “business unit” under AG21 (a) (“breakdown of responsibilities by type of control and the business unit involved”) should be defined. For enhanced connectivity, we suggest to rather make the link with disaggregation by operational segments in the financial statements, or to provide a disaggregation consistent with the one presented in ESRS 2-GR2.

The principle to be followed under GR1-8 is to provide information on internal control process of the undertaking, and not on “how governance factors affect the internal control process”. The latter, as indicated in paragraph 39, is hardly understandable.

DR G1-9 – Composition of the administrative, management and supervisory bodies

The undertaking shall provide information about the composition of its administrative, supervisory and management bodies.

The principle to be followed under this Disclosure Requirement is to provide information about the diversity of the members of its administrative, management and supervisory bodies and committees.

Q125: Comments on G1-9 – Composition of the administrative, management and supervisory

This disclosure requirement and related ratios is inapplicable to CEOs and deputy CEOs (as provided by the extended definition of governance bodies including the notion of directors from SRD2) when they are not members of the board. The AMF therefore suggests that in such situation, the undertaking should not be required to provide the data in relation to these roles.

43(a) - The requirement to disclose the “percentage of independent shareholder-elected members” is not clear as it is not defined. Besides it might be inapplicable in cases of management bodies which are nominated by the supervisory bodies. It will be important to clarify that these standards are for information purposes only and are without prejudice of national legislations. Where a disclosure cannot be complied with due to national restrictions, a mention of this inapplicability should be considered as sufficient.

43(a) (ii) and AG 25(e) - It is worth noting national specificities that could prevent companies from gathering data on diversity including information on origin and religion. Under the French Constitution, it is illegal to gather data on ethnicities and religion. Please refer also to comments above on G1-4. Paragraphs 24 and 43 on diversity do not require the same level of disaggregation with regards diversity policy on one hand, and performance measure on the other hand. We recommend to align the requirement: it is key to have information on actual situation that could be compared to the policy and target, if any.

44: requires that “the Board’s gender diversity should be calculated as an average ratio of female to male board members expressed as a percentage of all board members”. It is unclear whether and how individuals who do not identify themselves as either male or female would be considered in the calculation of the average ratio in terms of diversity.

AG25 should be deleted as it merely duplicates the data point in GR 1-9.45

DR G1-10 – Meetings and attendance rate

The undertaking shall provide information about the number of meetings and the attendance rate for its administrative, management and supervisory bodies and committees.

The principle to be followed under this Disclosure Requirement is to provide information about the rate of participation in meetings of the members of the administrative, management and supervisory bodies and committees.

Q126: Comments on G1-10 – Composition of the administrative, management and supervisory

In an effort to further alleviate some of the reporting proposed and to ensure undertakings focus on the production of relevant and critical information, we suggest to simplify the disclosure requirement G1-10 paragraph 48 b) and to require the attendance rate of each member during all the meetings in the reporting period (instead of the attendance rate of all members for each meeting in the reporting period).

In addition, this disclosure requirement and related ratios is inapplicable to CEOs and deputy CEOs (as provided by the extended definition of governance bodies including the notion of directors from SRD2). The AMF therefore suggests that the undertaking should not be required to provide the data in relation to these roles.

ESRS G2 – Business conduct

DR G2-1– Business conduct culture

The undertaking shall disclose its initiatives to establish, develop and promote a business conduct culture

The principle to be followed under this Disclosure Requirement is to provide an understanding of how the administrative, management and supervisory bodies are involved in forming, monitoring, promoting and assessing the business conduct culture.

Q127: Comments on G2-1 – Business conduct culture

The notion of "business conduct" is to be precisely defined and clarified.

Interactions or clear differences with the CSDD directive need to be highlighted or justified. It seems that this notion of business conduct is limited in ESRS compared to CSDD, which also covers attempts to human rights and environment attempts, whereas ESRS G2 seems to mainly focus on business ethics (anti competition behaviour, corruption/bribery, political engagements). Careful consideration of other EU legislation is recommended for consistency purpose.

Similarly to our previous comments on ESRS 2 GOV and G1, we suggest to focus the information required to "governance bodies", and exclude "relevant management" levels as currently required in AG3 (b). The definition on governance bodies should be adjusted and complemented as suggested in Q14. In AG3, "expertise" should be replaced by "competencies" for consistency purpose with G1. We recommend to add "if any".

Paragraph 17, we suggest to replace "incentives" by "actions or mechanisms", because "incentivizing employees to comply with laws" is rather awkward.

DR G2-2 – Policies and targets on business conduct

The undertaking shall provide information about its policies with respect to business conduct matters.

The principle to be followed under this disclosure requirement is to provide an understanding of the undertaking's ability (i) to mitigate any negative impacts and maximise positive impacts related to business conduct throughout its value chain, and (ii) to monitor and manage the related risks.

Q128: Comments on G2-2 – Policies and targets on business conduct

20(a) - There is no definition of what is unethical or unlawful behaviour. In the absence of such definition, the reporting may be subjective and will depend on the interpretation of each individual company. A clear definition of these two concepts is necessary for companies to understand what should be included as unlawful or, on the other hand, unethical practices.

20 (e) requires undertaking to disclose whether it is "committed to" investigate business conduct incidents promptly etc. The notion of "commitment" in this context is subjective and will probably always lead to positive declarations. The value added of this disclosure is therefore questionable and should be deleted acknowledging that G2-3 to G2-5 already requires information about the system to investigate business conduct incidents.

20(g): The training strategy aspect described under 20(g) seems to duplicate requirements already covered under ESRS G2-1 "business conduct culture" and ESRS G2-5 on "anti-corruption and bribery training". In order to streamline the information to be disclosed by companies, it could be interesting to merge these reporting obligations into one.

DR G2-3 – Prevention and detection of corruption and bribery

The undertaking shall provide information about its system to prevent and detect, investigate, and respond to allegations or incidents relating to corruption and bribery.

The principle to be followed under this disclosure requirement is to provide transparency on the key procedures of the undertaking to prevent and detect, investigate and respond to corruption or bribery-related incidents or allegations.

Q129: Comments on G2-3 – Prevention and detection of corruption and bribery

The concept of "corruption" is defined independently without any reference to national law, which could be a source of legal uncertainty for reporting companies.

Similarly to our previous comments on ESRS 2 GOV and G1, we suggest to clarify that the information required under G2-3. 24 (e) refers to the system to report outcomes to "*the administrative, management and supervisory bodies*," not extending to "senior management" to ensure consistency of the information provided. Please also refer to our suggestion to adjust and complement the definition of governance bodies as suggested in Q14 above.

Paragraph 25 is redundant with paragraph 21 and should be deleted.

The high granularity of the information required might require progressive implementation (phased-in approach) to enable entities to gather the quantitative information, namely in relation to paragraph 24 (c) and (d)

DR G2-5 – Anti-corruption and anti-bribery training

The undertaking shall provide information about any anti-corruption and anti-bribery training programmes offered.

The principle to be followed under this disclosure requirement is to provide an understanding of the undertaking's training and educational initiatives to develop and maintain awareness related to anti-corruption or anti-bribery and business conduct within the undertaking as well as in the value chain.

Q131: Comments on G2-5 – Anti-corruption and anti-bribery training

We propose to remove the disclosure requirement G2-5 to streamline the information required and avoid any repetition as the training aspect is already present under G2-2(g) and should cover anti-corruption and anti-bribery training.

If this DR was to be maintained, we suggest to adopt a more proportionate and progressive approach. In particular:

Paragraph 31 requires "information on the undertaking's training and initiatives (...) within the

undertaking as well as in the value chain". Given the broad concept of value chain, this information should not be prioritized in the first years.

The details required under paragraph 32 (nature, scope, depth of training, location, staff concerned etc.) could be presented as "illustrative examples" of the type of information that could be provided under the DR, and not as mandatory disclosures, at least in the first years of application.

Paragraph 32 (a) requires the "*identification or definitions of the persons within the undertaking who are most at risk in respect of corruption / bribery*", we suggest to rather refer to the "functions" or "categories of persons most at risk" , instead of "persons most at risk". In addition, the notion of "at risk employee" would need to be clarified, so as to have comparable information.

DR G2-6 – Corruption or bribery events

The undertaking shall provide information on legal proceedings related to corruption or bribery during the reporting period.

The principle to be followed under this disclosure requirement is to provide transparency on legal proceedings relating to corruption or bribery incidents during the reporting period and the related outcomes.

Q132: Comments on G2-6 – Corruption or bribery events

As information on liabilities and contingent liabilities are already required in the financial statements (IAS 37, IAS 1) and in risk factors of annual report. We suggest to make explicit the possibility to make a cross reference to the information provided in these documents to avoid duplication of information and reporting burden.

Paragraph 38 (b) requires "details of ongoing legal proceeding against the undertaking (...)". For proportionate and concise information, we suggest to replace "details" by "brief description". Information provided should indeed be carefully considered so as to not undermine the principle of presumption of innocence.

DR G2-7 – Anti-competitive behaviour events

The undertaking shall provide information on any publicly announced investigation into or litigation concerning possible anti-competitive behaviour it is facing during the reporting period.

The principle to be followed under this disclosure requirement is to provide transparency on publicly announced investigations into or litigation concerning possible anti-competitive behaviour of the undertaking that are ongoing during the reporting period.

Q133: Comments on think G2-7 – Anti-competitive behaviour events

Paragraph 40 – we suggest to clarify that information on litigation relates to "publicly announced litigations" (similarly to investigations) in anti-competitive behaviour. In addition, the notion of "publicly announced" should be clarified, referring to the announcement by competent authority (and not an announcement by any stakeholder that would be very difficult to capture).

DR G2-9 – Political engagement and lobbying activities

The undertaking shall provide information on its political contributions and lobbying or advocacy activities.

The principle to be followed under this disclosure requirement is to provide transparency on the types, purpose and cost of political contributions and lobbying activities of the undertaking during the reporting period.

Q135: Comments on G2-9 – Political engagement and lobbying activities

“Lobbying activities” is defined in appendix but not “advocacy activities” referred to in paragraph 46: we suggest to explain the differences if any, and otherwise retain only “lobbying” notion.

The concept of “lobbying” is defined independently without any reference to national law, and is very broad. This could result in additional complexity for reporting companies as they may have to disclose actions under CSRD they don’t have to report at national level.

We suggest to add “where applicable” in paragraph 48 (a): “*where applicable*, the representative responsible in the administrative, management and supervisory bodies for the oversight of these [lobbying] activities. Indeed, such addition would cover cases where national laws or frameworks do not foresee the possibility of having one specific responsible member (e.g. collective responsibility of members of the board), or where there is simply no such specific responsibility in the organization of the board.

Paragraph 50, in consistency with previous comments made, we suggest to delete “senior executives” to ensure consistency of the information provided. We suggest to retain the proposed adjusted definition of “administrative, management and supervisory bodies” which includes the notion of “directors” as defined under SRD2.

In addition, we suggest to clarify what is meant by “comparable position” and how far back does the “previously held position” refer to (immediately before joining the undertaking?).

Paragraph 48 (b) requires disclosure aggregated by country (and/or type of recipient). In order to avoid information overload, we suggest to refer to “significant country” (or group of countries)

DR G2-10 – Payment practices

The undertaking shall provide information on the payment practices to support transparency about these practices given the importance of timely cash flows to business partners.

The principle to be followed under this disclosure requirement is to provide insights on the contractual payment terms and the average actual payments.

Q136: Comments on G2-10 – Payment practices

The relationship between the objective set by paragraph 51 “*transparency of payment practices given the importance of timely cash-flows to business partners*”, and the requirement on paragraph 53 (b) on “details of payment terms for both purchases *and sales*” is not evident and could be questioned. We recommend to delete the reference to “sales”, because payments by clients to the undertaking will not provide any insight on the “timely cash flows to business partners”.

The information required under paragraph 53 (b) is highly detailed: contractual payment terms will vary greatly depending on the suppliers, countries and local rules, markets, channels used. A consolidated/aggregated information will not be informative, and a disaggregated information (if ever possible to collect at the first place) will be hardly readable and verifiable, at the scale

of a group. We recommend to delete the requirement under 53 (b).

As a possible alternative to reflect a view on “responsible payment practice”, an approach could be to provide, based on balance sheet amounts (Account Payables) the percentage of suppliers' account payable that were paid on time or before the deadline compared to those that were paid later – during the reporting period, with harmonized calculation methodology.