Jean-Paul GAUZES
Board President, EFRAG

Copy to:
Mairead McGuinness Commissioner for Financial Services, Financial Stability and Capital Markets Union European Commission
Saskia Slomp, CEO, EFRAG
Georg Lanfermann, EFRAG, Vice-President
Patrick de Cambourg, Chairman of the Sustainability Reporting Board, EFRAG

The 8th of August 2022,

Subject: ecoDa's Comment Letter to the EFRAG Exposure Drafts on Draft ESRS

Dear Mr. Gauzès,

The European Confederation of Directors' Associations (ecoDa), as a representative of boards of directors, wishes to express its opinion on the draft EFRAG ESRSs through this letter. In view of directors' responsibility in framing the company's policy, in overseeing its operations and in communicating with its shareholders and stakeholders, with the corresponding increase of their workload and liability, ecoDa highlights the following high level comments.

First of all, ecoDa wishes to acknowledge the important work carried out by EFRAG. The Advisory Group has done a tremendous job at building a framework which will truly achieve the intended purpose of requesting companies operating in the EU to provide detailed and homogeneous ESG information. This will enable a better understanding of the actual impact of companies (and timed action plans), how this information is prepared, allow better comparison, form a robust basis for more relevant discussions at general and sector levels regarding ESG for all stakeholders (including ESG rating agencies but also the financial sector including private equity and data providers), and better inform EU regulators on the impact of certain regulations (and inform decision-making). More than just a stepping-stone, the proposed EFRAG framework has the capacity **to effectively achieve a whole new maturity level for sustainability reporting (in the sense of being more reliable, robust and comparable)**, which will provide a huge incentive for companies to prepare and report in a reliable and thorough manner.

As the development of sustainability reporting will require extensive resources and expertise within companies, **a key question is whether financial institutions will develop a similar level of capacity and expertise** to be in a position to make sense of all the information. The

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similar question can be raised for **ESG rating agencies and data providers**. Particular attention must therefore be given to the response that the Commission will give following its consultation on the functioning of the ESG ratings market in the European Union and on the consideration of ESG factors in credit ratings (to which ecoDa responded). Hopefully they will be required to disclose more on their methodologies for rating as well as on the level of actual interactions with companies. It is only with gradual convergence from all participants, including rating agencies, that robust information will be provided, fit for purpose, and actually used.

ecoDa welcomes the ambitious approach of EFRAG standards compared to those of ISSB which, for now, limit their coverage to climate issues and which do not include such a wide scope of qualitative and quantitative reporting. However, ecoDa encourages **international cooperation** to reach a common understanding and implementation of sustainability standards (and in addition to the ISSB, SEC regulations should also be taken into account to achieve convergence). The final version should aim at maintaining the competitiveness of European companies and at eliminating the reporting standard differences (ESRS/ISSB/GRI) on the shared scope for the benefit of greater comparability but also lower reporting burdens and bureaucracy. It should also reduce the extent of interpretation, provide for higher consistency and quality in sustainability reporting.

Overall, ecoDa **supports the architecture and structure of the ESRS** given that they mostly cover all the aspects required by stakeholders (sector agnostic, sector specific, and entity specific).

ecoDa supports EFRAG's approach which aims to encompass the entire value chain. If this concept can be perceived at first endlessly, it makes sense to the extent that it allows companies, investors and stakeholders to understand the negative externalities of the business model in its entirety. However, it could be troublesome to include social factors in the customer part of the downstream value chain. As a result, ecoDa would recommend EFRAG to further define the concept to understand how the requirements should be applied considering the substantial practical challenges related to data availability.

A significant educational effort will have to be made with companies so that they understand that the integration of their value chain will be subject to the materiality analysis (and not all encompassing) and that what is expected from them is to develop mitigation plans. Also, reporting does not mean immediate change of business model, as this may take several more years. The comply or explain approach will help focus on qualitative statements regarding alignment with principles.

ecoDa is aware that the disclosure requirements will all require a huge effort internally to conduct due diligence (including views of relevant stakeholders), define materiality and identify the scope of data points (qualitative and quantitative/metrics) to report on. They will also require the implementation of a whole new data infrastructure to collect and centralize the information (including data points regarding upstream and downstream, which will certainly prove challenging). Some of these requirements will be met with the development of models and IT tools using various inputs and assumptions. As with all models, the quality of the methodology, inputs and assumptions is key. These models will

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refine over time as more information will become accessible. Some sensitivity analysis should be included for key assumptions as well as a basic description of the key features of the models. There will be a few years necessary to achieve convergence of the interpretations and harmonization in the format of the disclosures, in particular at sector-level. To facilitate this process over the years, companies would appreciate having **guidance** (and implementation schemes) from the onset as well as **feedback illustrating best practices**, both from a qualitative standpoint (description) but also quantitative (presentation of tables), at EU (preferably) and national level. Tentative disclosure models (templates) could also be provided as illustrative examples when not already provided in the standards. Also, as certain companies or audit firms might interpret certain requirements differently, **further guidance** is also required for auditors to reach conclusions in case of inaccurate information. In addition, if GOV5 refers to a general assessment that the undertaking will have to make regarding the due diligence process, it is unclear what form this general assessment will take, and in particular whether a specific statement should be used (format), and whether specific criteria should be achieved for the general assessment to be considered of substance. Currently, ecoDa believes that undertakings and boards will implement a general assessment (later verified by an independent third party) through their internal audit (or equivalent) function, to be in a situation to demonstrate that an assessment has taken place. Guidance should be provided regarding expectations as to how these assessments should be carried out in addition to the expected form of statement (if any).

ecoDa supports double materiality used on ESRS. Investors also want to know about the impacts, risks and opportunities of a company, not only from the financial perspective. This approach is all the more relevant as a sustainability impact may become financially material when it translates into financial effects in the short-, medium-, or long-term. However, **EFRAG and ISSB's definitions of the financial materiality have to be aligned** to focus on double materiality and on enterprise value rather than on general 'value creation' and 'capitals'. The concept of materiality regarding the analysis of the value chain should be better articulated regarding how local materiality versus group materiality should be assessed.
ecoDa emphasizes the importance of a rigorous materiality process in order to know what is significant (impacts, risks and opportunities) for the relevant stakeholders, and supports the disclosure of the materiality assessment process, the results, the functions responsible for the results and conclusions of the assessment[1].

Whenever possible and desirable, alignment of definitions is to be considered for all major concepts, to achieve maximum consistency with other popular frameworks (GRI, ISSB, among others) and to reduce potential inconsistencies in the reports.

Regarding the implementation, ecoDa understands that the proposed phase-in (2024, 2025, 2026) is depending on the size and complexity of the company and seems appropriate (based on the draft CSRD proposed timeline). This timeline is ambitious, however necessary considering the urgency of the matters as well as the unavoidable time which will be necessary to stabilize/proof/fine-tune the framework and achieve reliable and comparable reporting. Companies should be able to request specific derogation from their national corporate reporting authority to accommodate for certain very specific

[1] Reference to : the Application Guide (Appendix B) of ESRS 2 (page 34).

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circumstances (on a limited basis, and disclosed). **The level of assurance should gradually build-up**[2].

ecoDa is calling for **some clarifications regarding the terminology** used. In fact, certain terminologies are not clear and are used differently in different standards, for example, regarding the reporting boundaries (versus consolidated scope and versus consolidated scope plus equity investees and JVs). It is currently not clear which ESRS considers a reporting up to scope 3, and which does not. It should be clarified that whenever stakeholders are mentioned in the ESRSs, the disclosure should always be for stakeholders « deemed relevant ». The board should have discretion and use judgment as to who it perceives as 'relevant' stakeholders - this should be supported by disclosures as to how relevant stakeholders were determined and subsequently engaged with on the basis of material issues impacting both the organization and the stakeholders.

Moreover, ecoDa would like to highlight the confusion between the role of shareholders and other stakeholders in various parts of G1. The involvement of stakeholders directly in decision making is not a common practice in European corporate governance. ecoDa would recommend referring to the board or the executive management (or the "governing body") when relevant instead of the "administrative body".
Under the ESRS 2, reference is made to possible remuneration incentives to provide proper oversight, ecoDa would like to point out that this approach cannot be applied to non-executives for different reasons : 1- non-executives usually received fixed remuneration (except in start-ups / or when the management board is expanded to leading members on specific topics who are not formally nominated directors), 2- it is unclear who could review the ESG KPIs for the board, 3- embedding sustainability in the corporate strategy is part of the normal duty of care for board members. However, it is up to the companies to increase the annual fixed pay for board members to compensate for additional time.

ecoDa would also like to emphasize **potential overlaps** with other disclosure requirements (i.e.: from CSDD to Taxonomy, but also Accounting or Shareholder Directive). ecoDa is calling for a clear indication where requirements from other EU regulations exist, and if they have been incorporated and/or changed to avoid duplication/overlap of reporting obligations, potential conflicts in the reporting requirements, and cross-referencing between reports i.e. between the management report and sustainability statement (which could impact readability/accessibility of information, as well as with the corporate governance statement, link with the taxonomy, etc.).

Furthermore, the scope of eligible entities (contained in the draft CSRD) must ensure that the level playing field is achieved for non-EU companies. In particular, the criteria used (currently level of revenue in the EU **and** existence of a subsidiary or branch) should be proofed to the level where they cannot be circumvented by closing the EU subsidiary or branch and managing operations in the EU from a non-EU country (e.g. the UK). Particular attention should also be paid to the digital sector (where operations in one territory can be

[2] 2025: first level of assurance regarding the process around the materiality assessment and due diligence process (Impact, Risk, Opportunities assessment); 2026: limited assurance on a subset of data and qualitative information (those deemed as a priority); 2027: full assurance on the above sub-set and limited assurance on the rest of the data; 2028: full assurance on all the disclosure requirements.

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managed easily from outside that territory). ecoDa would also welcome considerations over application of these requirements (or a subset) to the public sector.

Finally, ecoDa would like to recommend EFRAG to start thinking about developing a uniform carbon accounting system. Companies along the value chain, by including the carbon emissions related to a product or a service on the invoices to their customers, would provide a higher degree of precision in the carbon footprint measured at all stages of the value chain, along with simplifying the data collection process for all actors.

We remain at your disposal to develop on certain aspects of this letter or our responses contained in the consultation response form.

Yours faithfully,

Leena Linnainmaa
ecoDa Chair

Anne-Hélène Monsellato
Member of ecoDa Task Force
on non-financial reporting

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Appendix: ecoDa's detailed answer to the consultation

1A. Overall ESRS Exposure Drafts' relevance

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

Comments:
The structure and articulation of cross-cutting and topical standards fully cover the CSRD topics and reporting areas. The standards should not extend the scope and requirements set out in the CSRD text.
In terms of Governance aspects EFRAG should avoid a duplication of information considering ESRS 2 GOV 1 on the one side and ESRS G1 on the other side.

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

Comments:
The approaches taken by EFRAG and ISSB differ greatly since the EFRAG standards are much more ambitious both in the scope covered and in the reporting elements which include qualitative and quantitative reporting. However, ecoDa encourages international cooperation to reach a common understanding and implementation of sustainability standards (in addition to the ISSB, SEC regulations should also be taken into account to achieve convergence). The final version should aim at minimizing the reporting standard differences (ESRS/ISSB/GRI) for the benefit of lower reporting burdens, reduced confusion and higher consistency in sustainability reporting.

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

Explanations:
Same comment as for Q2.

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

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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

Comments:
ecoDa would like to emphasize potential overlaps with other disclosure requirements (i.e.: from CSDD to Taxonomy, but also Accounting or Shareholder Directive). ecoDa is calling for a clear indication where requirements from other EU regulations exist, and if they have been incorporated and/or changed to avoid duplication/overlap of reporting obligations, potential conflicts in the reporting requirements, and cross-referencing between reports i.e.: between the management report and sustainability statement (which could impact readability/accessibility of information, as well as with the corporate governance statement, link with the taxonomy, …).

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

Comments:
Alignment with the Sustainable Corporate Due Diligence Directive is required especially regarding the terminology used and the alignment of the scope regarding upstream and downstream.

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

Explanations:
The proposed set 1 of ESRS addresses all the CSRD sustainability topics. However, EFRAG should think about prioritizing on the most severe social and environmental impacts.

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

Q8/Q9: Do you agree with the proposed three options? **Would you recommend any other option(s)?**

Explanations:
In general, ecoDa agrees with the proposed three options with a preference for option 1 as recommended in ESRS 1 AG 149. Cross-references should be possible provided that the information is available to users of the management report.

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

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Explanations:
The Standards correctly allows the possibility to signpost between sections of the annual report, including the ability to signpost more detailed disclosures to areas of a company's website. Also, incorporation by reference is a legal concept that should not be construed as a cross-reference. As it is in the same document (annual report, management report), the term “cross reference” is adapted.
However, there are numerous redundancies/duplications between the management and audit reports content and the Sustainability Report, which can be partly reduced through cross-references according to ESRS1 AG 135. But cross-references outside the management and audit reports are not allowed (see ESRS1 AG 135).

Q11: 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?

Explanations:
There are a few areas e.g. in the cross-cutting standards DR 2 GR2 bis 4 ESRS 2 or items of the risk reporting which have to be described in the management report and in the sustainability report according to ESRS. In order to avoid duplication, the ESRS offer the option of referencing in the sustainability report to the other sections of the management report (ESRS a 135). An extensive use of cross-references or duplications will however not be user-friendly.

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

Explanations:
The valuation of sustainable risks and opportunities in accordance with the ESRS standards is linked to information in the general financial statements.

1B. Overall ESRS Exposure Drafts relevance – Implementation of CSRD principles

Explanations:
Material sustainability related financial information could influence the entity’s enterprise value. This relates to activities, relationships, resources etc. along the value chain. But materiality is also an entity specific aspect based on position and nature of the company. The standard do not define any threshold for materiality and do not determine what would be material in certain situations. Some clarification is needed to avoid expectation gaps with users, stakeholders and regulators.

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

Explanations:
ecoDa supports double materiality used on ESRS. Investors want also to know about the impacts, risks and opportunities of a company, not only from the financial perspective., The "double materiality approach" in the draft ESRS has to be supported as a sustainability impact may become financially material when it translates into financial effects in the short-, medium-, or long-term. However, EFRAG and ISSB's definitions of the financial materiality have to be aligned to focus on materiality and on enterprise value rather than on general 'value creation' and 'capitals'. In addition, companies will have to reconcile materiality at the group and at the local level (left to creativity and interpretation / move on experiences). Further guidance is therefore required for auditors to reach conclusions in case of inaccurate information (big divergence might happen in practice - it will vary according to the level of expertise embedded in the process).

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

Explanations:
ecoDa emphasizes the importance of a rigorous materiality process in order to know what it is significant (Impacts, Risks and Opportunities) for the relevant stakeholders, and supports the disclosure of the materiality assessment process, the results, the person who finally decides and is responsible for the results and conclusions of the assessment (reference to: the Application Guide (Appendix B) of ESRS 2 (page 34)).
Overall, ecoDa would like to stress that careful consideration should be made as to 'relevant' stakeholders and further definition is needed on value chain since going further in upstream and downstream levels present practical substantial challenges (how to measure indirect impacts?).

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?

Explanations:
ecoDa agrees that impact materiality is an important underlying principle of the ESRS. From an impact aspect, a sustainable information is material when it represents the company's significant impacts on people and environment both in the short-term and in the long run. This includes negative impacts caused or contributed by the company. Even if an undertaking does not cause or contribute to negative impacts, its operations, products, services may be directly linked to the entity's business relationships (e.g. child labor in the supply chain).

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Q21: To what extent do your 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

Explanations:
Severity is the right selection but the user should have an idea of the determination of scale and scope – this should be clarified in ESRS. Furthermore, practical examples should be added.

Q22: 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

Explanations:
According to AG 52 ESRS1 ED defines own financial materiality for sustainable reporting versus the IFRS financial statements. As both financial definitions influence the future enterprise value, ED should aim at a common understanding of financial materiality in line with IFRS (ED IFRS 1).

Q23: To what extent do you think that the determination and implementation of financial materiality (as proposed by ESRS 1 paragraphs 54 to 56) 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

Explanations:
According to the different understanding of financial materiality for sustainability information on the one side and of financial materiality for financial information on the other side, implementation is practically feasible but to a limited extent.

Q24 to Q27: No answers

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

Explanations:
The standards must give companies the opportunity to justify the reasons why they are unable to report information correctly and to present all the actions that have been taken in this direction but which have not been successful (case of state barriers to access to information, for example).

ecoDa is of the opinion that a guidance on how to make those approximations of information would be welcomed for consistency purposes.

Q29: what other alternative to approximation would you recommend in cases where collecting information is impracticable?

Explanations:
The undertaking should be required to explain which information is unavailable or incomplete, why, and describe the steps taken (e.g. through a risk approach) and the expected time frame to obtain the information.

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?

Explanations:
A disaggregation of information in the sector-agnostic disclosure requirements seems to make sense in principle. More clarity is needed on when exactly a country breakdown needs to be provided

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

Explanations:
Yes

Q32: If yes, do you agree with the proposed time horizons?

Explanations:
In general ecoDa agrees with the proposed time horizons. However, deviating from time horizons should be accepted for sustainability reporting purposes with explanations.

Q34: In your opinion, to what extent will DP 1-1 contribute to the reporting of understandable, relevant, verifiable, comparable and faithfully represented information on sustainability related policies?
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

Explanations:
Support on detailed level of information on policies; reference to AG 104 ESRS1.

Q35: In your opinion, to what extent will DP 1-2 contribute to the reporting of understandable, relevant, verifiable, comparable, and faithfully represented information on sustainability-related targets and their monitoring?

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

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Explanations:
DP 1-2 should focus on the material sustainability related targets and should add reference for the key actions taken.

Q36: In your opinion, to what extent will DP 1-3 contribute to the reporting of understandable, relevant, verifiable, comparable, and faithfully represented information on sustainability-related action plans and allocated resources?

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

Explanations:
The approach can be fully supported - the granularity level, especially regarding budget information and detailed action plans, can be questioned – also in context with market critical information. D1-3 should also include some prevention measures to mitigate potential adverse impacts

1C. Overall ESRS Exposure Drafts relevance- Exposure Drafts content

Q37: Is anything important missing in the aspects covered by the bases for preparation?
Comments: No

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)?**

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

Explanations:
Regarding IFRS, ESRS follows different approaches regarding the purpose of sustainability reporting: double materiality versus financial materiality – difficult to align.
With respect to the financial terminologies, there should be a common understanding across IFRS Sustainable Disclosure Standards and ESRS regarding financial materiality.

Q39: Please, rate to what extent do you think ESRS 2 – General, strategy, governance and materiality assessment
1/ Not at all 2/ To a limited extent with strong reservations, 3/ To a large extent with some reservations 4/ Fully 5/ No opinion

Q40 to Q50
No answers

2- ESRS implementation prioritisation / phasing-in

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

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Comments:
Regarding implementation, the proposed phase-in (2024, 2025, 2026) is depending on the size and complexity of the company and seems appropriate (based on the draft CSRD proposed timeline). This timeline is ambitious however necessary considering the urgency of the matters as well as the unavoidable time which will be necessary to stabilize/proof/fine-tune the framework and achieve reliable and comparable reporting. Companies should be able to request specific derogation from their national corporate reporting authority to accommodate for certain very specific circumstances (on a limited basis, and disclosed). The level of assurance should gradually build-up, as from when the assurance framework has been defined (moderate and full), which we understand would not be before 2026. We suggest below some indicative years (considering a company disclosing as of Dec 31, 2024 and moderate assurance framework available 2026, and full assurance framework available 2028) :

- 2025 — first level of assurance regarding the process around the materiality assessment and due diligence process (Impact, Risk, Opportunities assessment). This initial level could build up on certain similar instances where auditors in the US had to report on management assessment on internal control over financial reporting initially under Sarbanes-Oxley, or develop from criteria used for management general assessment regarding the due diligence process (see our comment letter);
- 2026 — limited assurance on a sub-set of data and qualitative information (those deemed as a priority);
- 2027— limited assurance on all data;
- 2028 — full assurance on the 2026 sub-set and limited assurance on the rest of the data;
- 2029 — full assurance on all the disclosure requirements.

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

Comments:
Particular attention should be paid to companies that were not reporting under the NFRD but will have now to report under CSRD. Also regarding non EU groups, attention should be paid to the scope of reporting (all their activities, or only those for which the criteria are met in the EU).

3A. Adequacy of Disclosure Requirements – Cross cutting standards

Q1 to Q14:
No answers

Q15: Please, rate to what extent do you think DR 2-GOV 1 – Roles and responsibilities of the administrative, management and supervisory bodies

Explanations:
ecoDa would recommend to refer to the board or the executive management when relevant and not to administrative bodies.

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Directors: first line below CEO or IAS 24 (Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity (IAS 24.9).

Q16: To what extent do you think that the principle of verifiability of sustainability information is adequately defined and prescribed?
Q17: To what extent do you think that the principle of understandability of sustainability information is adequately defined and prescribed?
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?
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?

Explanations:
For all these matters, definition is appropriate and will need to pass the live test (ie. No need to differ until it is perfect), which will give rise to interpretation and convergence over time.
A mechanism should be set so that in the years leading to first implementation consultation and related interpretations can be easily done and available

3B. Adequacy of Disclosure Requirements – Environmental standards

No answers

3C. Adequacy of Disclosure Requirements – Social standards
No answers

3D. Adequacy of Disclosure Requirements – Governance standards

Q117 – *Comments:*
Information required by G1 is pretty standard information that listed companies disclose in their Corporate Governance statement as part of the management report and the remuneration policy and report presented at the AGM. Nevertheless, higher level of assurance may be required as CSRD calls for reasonable assurance.
There are overlaps throughout the Standard:

- The information required under each Disclosure Requirement is already reported under another legislation as e.g. ACCt DIR (G1-1 overlaps with ESRS 2 GOV1, G1-3 partly duplication with requirements 2 GOV 1) ;
- It should be clear how a reporting entity should make reference between the governance section of the Sustainability Statement, and the Corporate Governance Statement (required by the accounting directive).

Q118 – *Corporate Governance Code or Policy*
Comments:

Currently listed companies when disclosing compliance with the CG use the “comply or explain” approach which does not necessarily allow for disclosing the information on compliance. Over the comply or explain approach should focus on qualitative statements regarding alignment with principles instead of being limited to yes/no response (on the example of the apply and explain approach).

Q122 – *Remuneration policies*
Comments:
The required information is disclosed as it is an SRD II obligation. The level of disclosure information is detailed enough so as the shareholders who are entitled to vote on the remuneration policy and remuneration reports can make informed decisions.
G1-6 32 Seeking stakeholders’ views on the remuneration policy creates confusion. It is for shareholders, not stakeholders, to have a say on pay of directors’ remuneration. It seems inappropriate to make an equivalence between shareholders who are the owners of a company to which certain rights, like voting in general assemblies, are (by law) assigned to and other stakeholders who have no role in statutory bodies of companies.
Under the ESRS 2, reference is made to possible remuneration incentives to provide proper oversight, ecoDa would like to point out that this approach cannot be applied to non-executives for different reasons : 1- non-executives usually received fixed remuneration (except in start-ups / or when the management board is expanded to leading members on specific topics who are not formally nominated directors), 2- it is unclear who could review the ESG KPIs for the board, 3- embedding sustainability in the corporate strategy is part of the normal duty of care for board members. However, it is up to the companies to increase the annual fixed pay for board members to compensate for additional time.

Q124: Please, rate to what extent do you think G1-8 – Internal control processes
Comments:
G1-8 is ok and was already applied in certain countries (France), with a specific report from the auditors covering existence of the procedures. The Commission might want to consider whether they would rather require a management assessment over internal control (for which framework are well-established) rather than lengthy description, as §39 seems to apply to internal control beyond sustainability matters (with respect to, most notably and concomitantly with the corporate reporting consultation, internal control over financial reporting).
In addition, listed companies are already required to provide such information (G1-8) in their Corporate Governance Statements. This other example of duplication of information should be avoided.

Q125: Please, rate to what extent do you think G1-9 – Composition of the administrative, management and supervisory

	1	2	3	4	5	6
A. Requires relevant information about the sustainability matter covered				X		
B. Requires information that is relevant for all sectors (sector-agnostic only information)				X		
C. Can be verified / assured				X		

D. Meets the other objectives of the CSRD in term of quality of information				X		
E. Reaches a reasonable cost / benefit balance				X		
F. Is sufficiently consistent with relevant EU policies and other EU legislation				X		
G. Is as aligned as possible to international sustainability standards given the CSRD requirements				X		
H. Represent information that must be prioritised in first year of implementation					X	
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities				X		

Comments:
This information is already required, to a large extent, from PIEs

Q126: Rate to what extent do you think G1-10 – Composition of the administrative, management and supervisory

	1	2	3	4	5	6
A. Requires relevant information about the sustainability matter covered				X		
B. Requires information that is relevant for all sectors (sector-agnostic only information)				X		
C. Can be verified / assured				X		
D. Meets the other objectives of the CSRD in term of quality of information				X		
E. Reaches a reasonable cost / benefit balance				X		
F. Is sufficiently consistent with relevant EU policies and other EU legislation				X		
G. Is as aligned as possible to international sustainability standards given the CSRD requirements				X		
H. Represent information that must be prioritised in first year of implementation					X	
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities				X		

Comments:
This information is already required, to a large extent, from PIEs

Q127: Rate to what extent do you think G2-1 – Business conduct culture

	1	2	3	4	5	6

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Transparency register: 37854527418-8

A. Requires relevant information about the sustainability matter covered				X		
B. Requires information that is relevant for all sectors (sector-agnostic only information)				X		
C. Can be verified / assured				X		
D. Meets the other objectives of the CSRD in term of quality of information				X		
E. Reaches a reasonable cost / benefit balance				X		
F. Is sufficiently consistent with relevant EU policies and other EU legislation				X		
G. Is as aligned as possible to international sustainability standards given the CSRD requirements				X		
H. Represent information that must be prioritised in first year of implementation				X		
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities				X		

Q128: Please, rate to what extent do you think G2-2 – Policies and targets on business conduct

	1	2	3	4	5	6
A. Requires relevant information about the sustainability matter covered				X		
B. Requires information that is relevant for all sectors (sector-agnostic only information)				X		
C. Can be verified / assured				X		
D. Meets the other objectives of the CSRD in term of quality of information				X		
E. Reaches a reasonable cost / benefit balance				x		
F. Is sufficiently consistent with relevant EU policies and other EU legislation				X		
G. Is as aligned as possible to international sustainability standards given the CSRD requirements				X		
H. Represent information that must be prioritised in first year of implementation				X		
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities				X		

Q129: Please, rate to what extent do you think G2-3 – Prevention and detection of corruption and bribery

	1	2	3	4	5	6
A. Requires relevant information about the sustainability matter covered				X		
B. Requires information that is relevant for all sectors (sector-agnostic only information)				X		
C. Can be verified / assured				X		
D. Meets the other objectives of the CSRD in term of quality of information				X		
E. Reaches a reasonable cost / benefit balance				X		
F. Is sufficiently consistent with relevant EU policies and other EU legislation				X		
G. Is as aligned as possible to international sustainability standards given the CSRD requirements				X		
H. Represent information that must be prioritised in first year of implementation				X		
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities				X		

Q130: Please, rate to what extent do you think G2-4 – Anti-competitive behaviour prevention and detection

	1	2	3	4	5	6
A. Requires relevant information about the sustainability matter covered				X		
B. Requires information that is relevant for all sectors (sector-agnostic only information)				X		
C. Can be verified / assured				X		
D. Meets the other objectives of the CSRD in term of quality of information				X		
E. Reaches a reasonable cost / benefit balance				X		
F. Is sufficiently consistent with relevant EU policies and other EU legislation				X		
G. Is as aligned as possible to international sustainability standards given the CSRD requirements				X		
H. Represent information that must be prioritised in first year of implementation				X		

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Transparency register: 37854527418-8

I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities				X		

Q131: Please, rate to what extent do you think G2-5 – Anti-corruption and anti-bribery training

	1	2	3	4	5	6
A. Requires relevant information about the sustainability matter covered				X		
B. Requires information that is relevant for all sectors (sector-agnostic only information)				X		
C. Can be verified / assured				X		
D. Meets the other objectives of the CSRD in term of quality of information				X		
E. Reaches a reasonable cost / benefit balance				X		
F. Is sufficiently consistent with relevant EU policies and other EU legislation				X		
G. Is as aligned as possible to international sustainability standards given the CSRD requirements				X		
H. Represent information that must be prioritised in first year of implementation			X			
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities				X		

Comments

G2-5 provides an in-depth view of the anti-corruption training program and implicit criteria for a robust program.

Q132: Please, rate to what extent do you think G2-6 – Corruption or bribery events

	1	2	3	4	5	6
A. Requires relevant information about the sustainability matter covered				X		
B. Requires information that is relevant for all sectors (sector-agnostic only information)				X		
C. Can be verified / assured				X		
D. Meets the other objectives of the CSRD in term of quality of information				X		
E. Reaches a reasonable cost / benefit balance				X		

F. Is sufficiently consistent with relevant EU policies and other EU legislation				X		
G. Is as aligned as possible to international sustainability standards given the CSRD requirements				X		
H. Represent information that must be prioritised in first year of implementation				X		
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities				X		

Comments

This information is usually public however disseminated and not easily accessible on a consolidated basis.

Q133: Please, rate to what extent do you think G2-7 – Anti-competitive behaviour events

	1	2	3	4	5	6
A. Requires relevant information about the sustainability matter covered				X		
B. Requires information that is relevant for all sectors (sector-agnostic only information)				X		
C. Can be verified / assured				X		
D. Meets the other objectives of the CSRD in term of quality of information				X		
E. Reaches a reasonable cost / benefit balance				X		
F. Is sufficiently consistent with relevant EU policies and other EU legislation				X		
G. Is as aligned as possible to international sustainability standards given the CSRD requirements				x		
H. Represent information that must be prioritised in first year of implementation				X		
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities				X		

Comments

This information is usually required under IFRS for disclosure in the financial statements for investigations with an impact deemed material.

Q134: Please, rate to what extent do you think G2-8 – Beneficial ownership

	1	2	3	4	5	6
A. Requires relevant information about the sustainability matter covered				X		
B. Requires information that is relevant for all sectors (sector-agnostic only information)				X		
C. Can be verified / assured				X		
D. Meets the other objectives of the CSRD in term of quality of information				X		
E. Reaches a reasonable cost / benefit balance				X		
F. Is sufficiently consistent with relevant EU policies and other EU legislation				X		
G. Is as aligned as possible to international sustainability standards given the CSRD requirements				X		
H. Represent information that must be prioritised in first year of implementation				X		
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities				X		

Comments:
This information is a key information to be provided by all non EU undertakings operating in the EU. Providing this information is consistent with other EU actions against tax heavens countries.

Q135: Please, rate to what extent do you think G2-9 – Political engagement and lobbying activities

	1	2	3	4	5	6
A. Requires relevant information about the sustainability matter covered				X		
B. Requires information that is relevant for all sectors (sector-agnostic only information)				X		
C. Can be verified / assured				X		
D. Meets the other objectives of the CSRD in term of quality of information				X		
E. Reaches a reasonable cost / benefit balance				X		
F. Is sufficiently consistent with relevant EU policies and other EU legislation				X		
G. Is as aligned as possible to international sustainability standards given the CSRD requirements				X		
H. Represent information that must be prioritised in first year of implementation				X		

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Transparency register: 37854527418-8

I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities				X		

Q136: Please, rate to what extent do you think G2-10 – Payment practices

	1	2	3	4	5	6
A. Requires relevant information about the sustainability matter covered				X		
B. Requires information that is relevant for all sectors (sector-agnostic only information)				X		
C. Can be verified / assured				X		
D. Meets the other objectives of the CSRD in term of quality of information				X		
E. Reaches a reasonable cost / benefit balance				X		
F. Is sufficiently consistent with relevant EU policies and other EU legislation				X		
G. Is as aligned as possible to international sustainability standards given the CSRD requirements				X		
H. Represent information that must be prioritised in first year of implementation			X			
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstandings or practical complexities				X		

Comments:
This information is already required in certain countries (France).

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