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Your guide to CSRD and ESRS

May 2024

Abbreviations

Abbreviation	Explanation
CSRD	Corporate Sustainability Reporting Directive (EU Directive to replace the NFRD regarding corporate sustainability reporting)
EFRAG	The European Financial Reporting Advisory Group (private organisation advising the European Commission on the adoption of financial reporting standards to be used in the EU)
EC	The European Commission
ESG	Environment, Social and Governance
ESRS	European Sustainability Reporting Standards
GOV	Governance
GRI	Global Reporting initiative (GRI is a UN initiative and a recognised international framework for sustainability reporting. GRI contains principles and indicators that undertakings can use to measure and account for their financial, environmental and social performance)
IRO	Impacts, Risks and Opportunities
ISSB	The International Sustainability Standards Board (the ISSB is a private organisation that develops global standards for sustainability reporting (ISRS). The ISSB is a sister organisation of the IASB that prepares International Financial Reporting Standards (IFRS))
MT	Metrics and Targets
NFRD	The Non-Financial Reporting Directive (EU Directive (2014) on certain sustainability reporting requirements)
SBM	Strategy and Business Model
SFDR	The Sustainable Finance Disclosure Regulation (EU Directive (2014) on certain sustainability reporting requirements)
TCFD	The Task Force on Climate-Related Financial Disclosures (The TCFD is a private organisation initiated by, among others, the G20 countries with the goal of developing recommendations for disclosures on climate-related financial risks and opportunities in companies' annual and consolidated financial statements to support information needs of investors, lenders and insurers)
TEG	The Technical Expert Group (The TEG is a group of experts set up by the European Commission to assist the Commission in developing e.g., taxonomies for sustainable activities, a standard for green bonds, methods for compiling and disclosing climate-related benchmarks, and guidance on improving reporting on climate-related issues)

Contents

Introduction

Your guide to CSRD and ESRS is for anyone interested in the upcoming sustainability reporting requirements in the EU.

Your guide to CSRD and ESRS summarises all ESRSs, including their objective and related disclosure requirements. We describe the process of setting the ESRSs adopted by the European Commission through delegated acts, the mission of EFRAG, and the underlying EU legislation, primarily in relation to the Corporate Sustainability Reporting Directive (CSRD).

The content of this publication is based on the final ESRSs adopted by the European Commission on 1 July 2023 and is aimed at the undertakings falling within the provisions of the Danish Financial Statements Act. We have used the English versions of the ESRSs as a basis because the Danish versions have proven to be flawed in several areas.

If you need more information

The Deloitte Accounting Research Tool (DART) is a comprehensive online library with information on requirements for corporate reporting. DART contains Deloitte iGAAP which, in addition to Deloitte's interpretations of IFRS, now also includes guidance on disclosure requirements and recommendations that companies should consider with respect to Environmental, Social and Governance topics.

IAS Plus is one of the most comprehensive sources of global financial reporting news on the Internet. It is also a central repository for information on developments in corporate sustainability reporting worldwide.

Deloitte's website Sustainability & Climate presents how we at Deloitte advise our clients towards a more sustainable future. It also contains links to our newsletters and other sources of information of relevance to Danish enterprises.

Furthermore, we refer to the websites of EFRAG and the Danish Business Authority for guidance and frequently asked questions.

Background

The development in sustainability reporting in the EU and Denmark

On 21 April 2021, the European Commission adopted the proposal for a new Corporate Sustainability Reporting Directive (CSRD), which replaces the Non-Financial Reporting Directive (NFRD), which has been implemented in the Danish Financial Statements Act. The CSRD covers all relevant parts of ESG - Environmental, Social and Governance - and aims to increase access to, and the quality and comparability of information about ESG in order to better channel investments to sustainable activities. Following negotiations between the European Parliament, the European Council and the Commission, a final proposal for a directive was drawn up and published in June 2022 and finally adopted in November 2022. The Directive sets extensive requirements as to what information is to be presented in corporate sustainability reporting.

According to the CSRD, reporting is to take place using a set of mandatory European standards (ESRS) prepared by EFRAG. In November 2022, EFRAG published an initial draft of ESRSs to be adopted by the European Commission through delegated acts. The European Commission's proposal for the first delegated act was published at the beginning of June 2023 for public consultation, and the European Commission adopted this delegated act at the end of July 2023. The Parliament and the Council then had two months to object. The Parliament or the Council could only reject the delegated act, but not amend it. However, no objections occured, and thus the delegated act with the ESRSs came into force on January 1, 2024.

In parallel with the EU's development of ESRSs, the International Sustainability Standards Board (ISSB), which is the sister organisation of the International Accounting Standards Board (IASB), has developed and in June 2023 published the first two standards in a series of sustainability reporting standards. Their goal is to set a global minimum level for sustainability reporting and in this way accommodate the information needs of investors in this area.

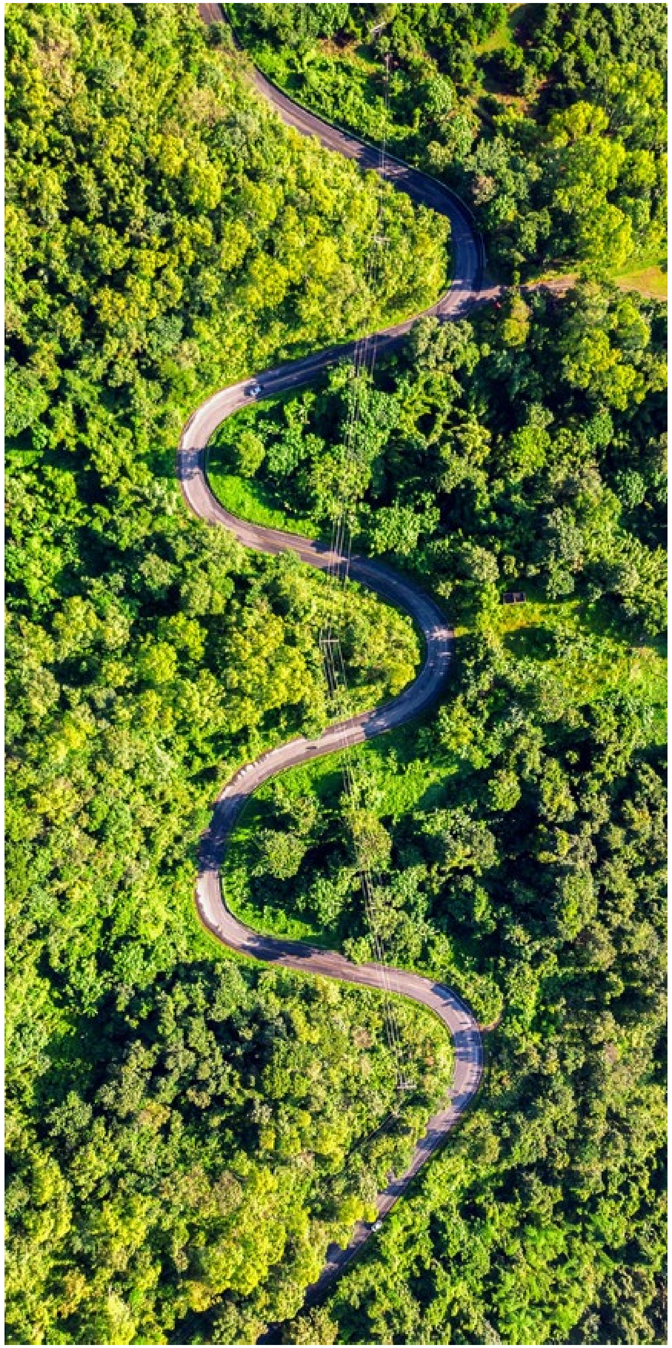
In developing the ESRSs, the Commission has been obliged to harmonise their content to the extent possible with other global standards, including those issued by the ISSB. During the process, there has been an active dialogue between EFRAG, the European Commission and the ISSB to harmonise concepts, content and structure of the standards.

The content of the CSRD is to be incorporated into Danish law to gain legal force. In October 2023, the Danish Business Authority issued a consultation document to amend a number of laws, including the Danish Financial Statements Act, the Danish Public Accountants Act and the Danish Companies Act in order to implement the requirements of the CSRD. The changes to the Danish Financial Statements Act was adopted on May 2, 2024.

Current status at the time of issuance of this publication

This publication is based on the CSRD text as implemented into Danish legislation and on the standards published by the European Commission in July 2023. Compared to the original draft standards sent by EFRAG to the European Commission in November 2022, the Commission has made several changes to harmonise the ESRSs more with the ISSB standards and reduce the reporting burden, especially for small undertakings and for new undertakings that will be subject to the sustainability reporting requirements.

Furthermore, the scale of mandatory information has been reduced considerably by the European Commission, since the disclosure requirements of all standards, with the exception of general disclosures under ESRS 2 and the disclosure requirements related to the description of the materiality analysis, are subject to a materiality assessment.



CSRD – Corporate Sustainability Reporting Directive

The CSRD replaces the EU Non-Financial Information Directive, NFRD. The CSRD requirements have, in some respects, been harmonised with the requirements already in force for the statutory report on corporate social responsibility under the Danish Financial Statements Act – but the CSRD (and the ESRS) extend the disclosure requirements considerably.

Which undertakings fall within the CSRD?

The CSRD will initially apply to the largest listed undertakings with 500+ employees but will already extend to reporting class C Large undertakings the following year. The CSRD requirements cover the following undertakings:

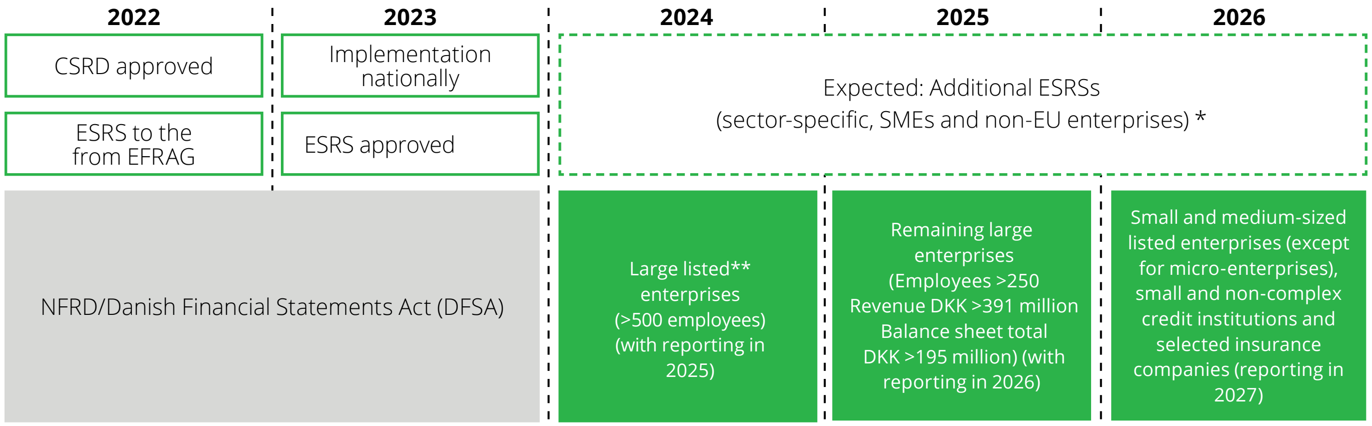
- Undertakings which have issued equity or debt instruments for listing on regulated markets in the EU (including financial as well as non-financial undertakings) and which have more than 500 employees
- All other large undertakings exceeding at least two of the following three thresholds (corresponding to reporting class C Large):
  - Revenue of DKK 391 million (EUR 50 million)
  - A balance sheet total of DKK 195 million (EUR 25 million)
  - An average number of full-time employees during the financial year of 250
- Small and medium-sized enterprises (SMEs) which have issued equity or debt instruments for listing on regulated markets in the EU (except for micro-undertakings).

International non-EU undertakings with revenue of EUR 150 million in the EU via at least one major subsidiary or branch in the EU are also obliged to report on sustainability matters as defined in the CSRD. If necessary, this will be through a separate report.

Subsidiaries of global non-EU undertakings are exempt from reporting obligations pursuant to the CSRD only when their non-financial information is included in a consolidated sustainability report and the report has been prepared in accordance with the EU sustainability reporting standards.

The Directive also applies to **small and medium-sized listed enterprises**, which will be subject to simplified reporting standards.

When will the CSRD enter into force?



** It is still uncertain when these additional standards will be drawn up and come into force*
*** Having issued equity or debt instruments on a regulated market*

In summary, the proposed timeline involves the following, effective for financial years beginning on the dates indicated:

- 1 January 2024 (reporting in 2025) for large listed undertakings and state-owned public limited companies already covered by the NFRD (public-interest undertakings with more than 500 employees)
- 1 January 2025 (reporting in 2026) for large undertakings (reporting class C Large) and groups
- 1 January 2026 (reporting in 2027) for listed SMEs, small and non-complex credit institutions and selected insurance companies.

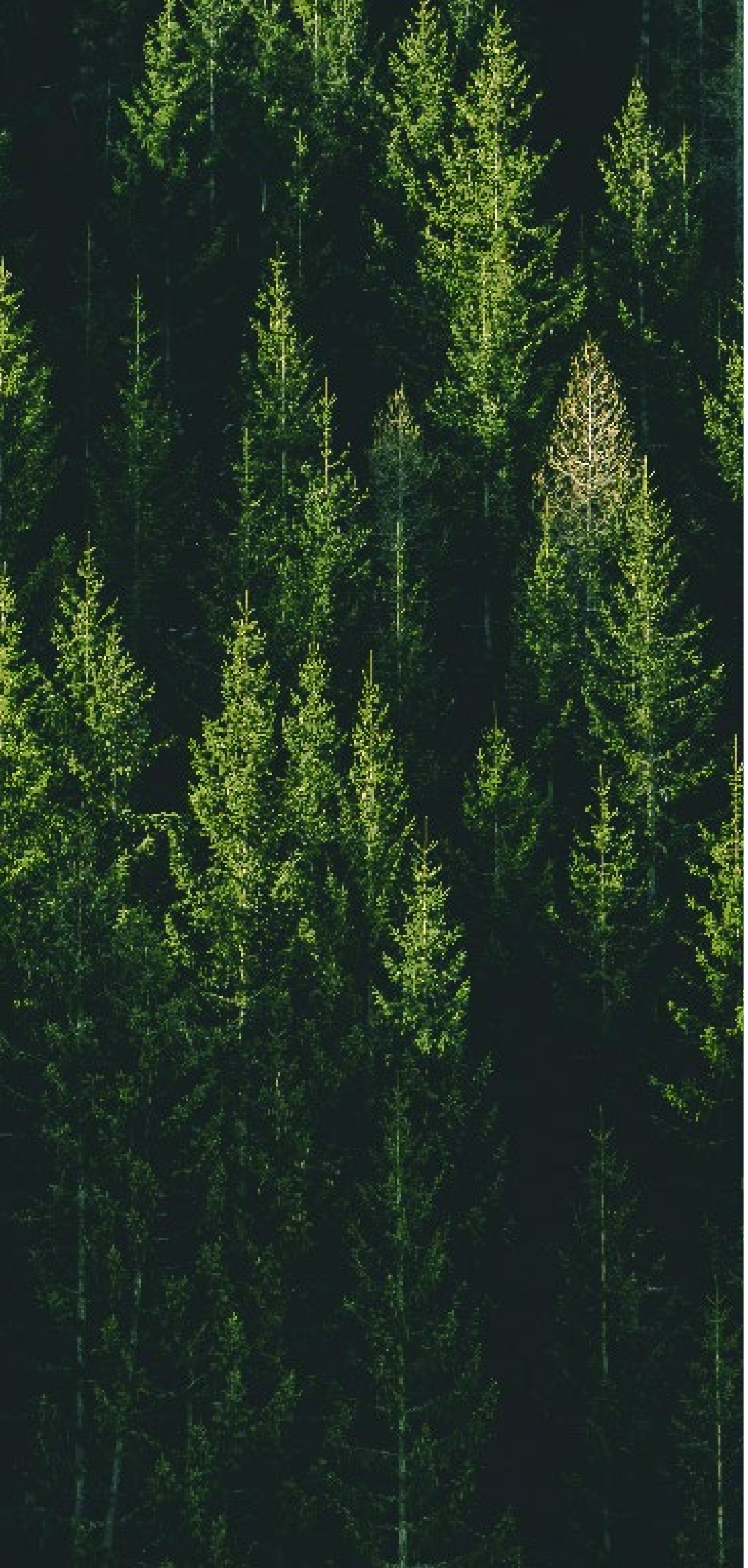
As for the more specific disclosure requirements of the CSRD for sustainability matters, these are addressed by the ESRSs through a separate EU Regulation that has direct legal force in Denmark.

The CSRD also has separate disclosure requirements for, e.g.:

(1) Key intangible resources

(2) Consistency between information in the management report of the parent and the group

(3) Special disclosure requirements for subsidiaries and branches of undertakings in third countries.



Implementation into national legislation in Denmark

As with the introduction of the NFRD, the CSRD is to be implemented into national legislation in each EU country. Requirements of national legislation shall not be lower than the level of ambition laid down in the Directive.

The provisions of the CSRD entered into force on 5 January 2023. Denmark, like other EU countries, shall implement the CSRD into its legislation before the final implementation date of July 2024, so that requirements can have effect for financial years beginning on 1 January 2024.

In Denmark, the changes to the Danish Financial Statement Act was approved on May 2, 2024, and thus, the CSRD has been implemented in the Financial Statements Act.

The following special conditions are worth noting:

(1) State-owned public liability companies, commercial foundations and certain limited liability undertakings, including co-operatives, have also covered by the requirements of the CSRD

(2) The size thresholds in the CSRD and the EU Accounting Directive have been followed, including the transitional provisions

(3) The sustainability reporting is to be incorporated as a separate section of the management report and cannot be made publicly available on the undertaking's website with a reference to the management report

(4) Initially, only approved auditors may provide assurance about the sustainability reporting, but it need not be the auditor appointed by the general meeting. Later, other assurance providers may be authorised to do so.

On the following page, we have included an overview of who will be subject to CSRD and when, as well as whether information from the EU Taxonomy Regulation should be included.

What information shall be included in the sustainability reporting?

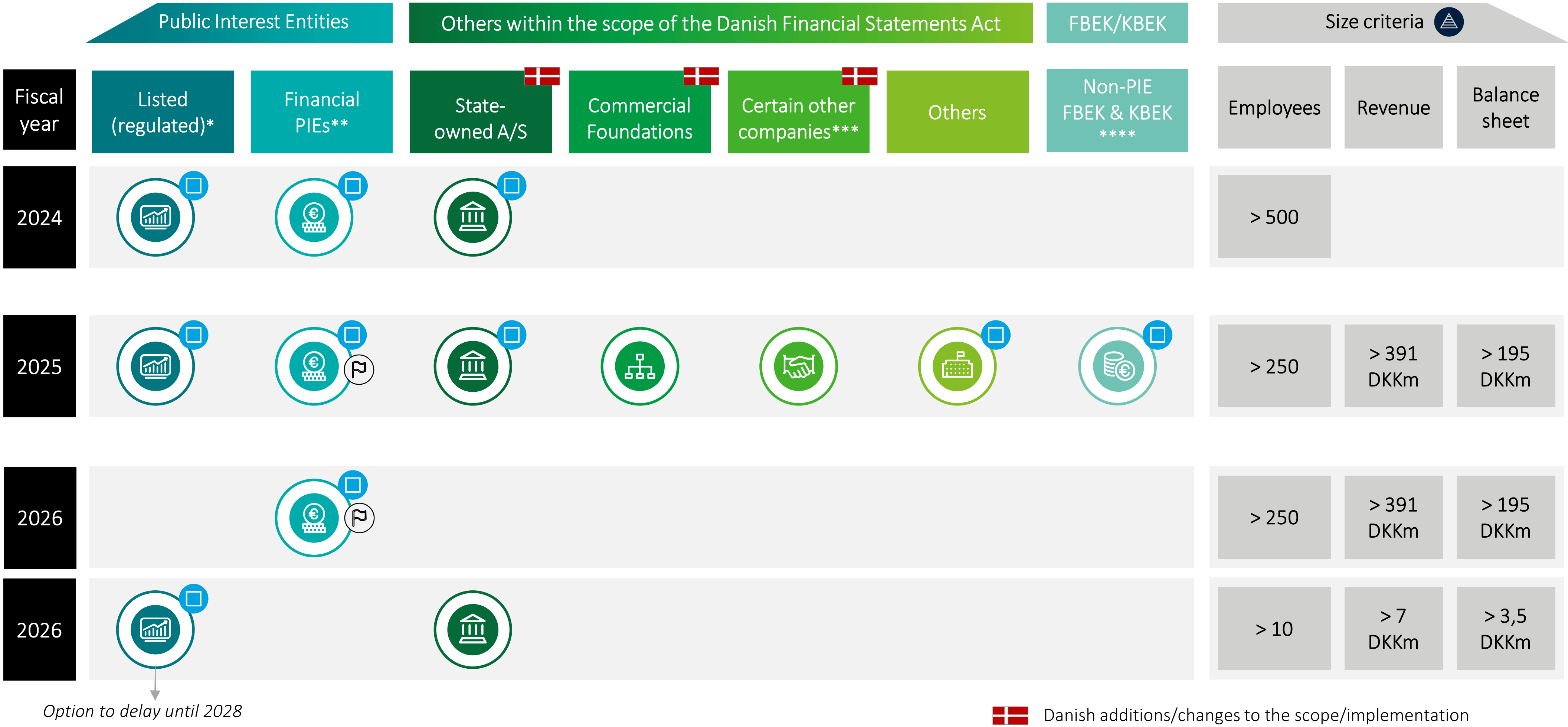
The sustainability reporting shall be presented as **a separate, coherent section of the management report.** The information in the sustainability reporting shall be tagged according to a digital categorisation system (XBRL taxonomy). The reporting shall cover the three ESG areas: Environmental, Social and Governance. The following shall be disclosed in the management report:

- A description of the undertaking's business model and strategy, including how well-equipped the undertaking is to manage risks and opportunities related to ESG topics, and what plans are in place to help limit global warming under the Paris Agreement.
- Sustainability measures, targets and follow-up
- The roles of the administrative, management and supervisory bodies in relation to key ESG topics and access to expertise
- Sustainability policies of the undertaking
- Sustainability-related incentive schemes for the undertaking's administrative, management and supervisory bodies
- Indicators relevant to the above information
- The undertaking's main impacts, risks and opportunities in relation to sustainability aspects following the double materiality principle.

The information disclosed shall cover both the undertaking's own activities and its upstream and downstream value chain.

Auditor's report

Undertakings required to prepare sustainability reporting shall have such reporting provided with an independent assurance provider's assurance report. In Denmark, the implementation of the CSRD specially only approved auditors who may issue such an assurance report. The assurance report shall at least be a limited assurance report (review) and will eventually have to be issued referring to a special assurance standard currently being prepared. In the long term, expectations are that a reasonable assurance report will be required.



Danish additions/changes to the scope/implementation

Also required to include article 8 taxonomy reporting

Small and non-complex institutions & captive- and captive reinsurance (as defined in separate legislation) which are large undertakings are not in scope in 2025, but 2026.

Shall exceed two of the three criteria for two consecutive years, except for employees for 2024, which is based on the average for the year

** Also includes listed financial PIEs and non-EU/EEA undertakings which are listed on regulated markets within the EU/EEA*
*** Credit institutions and insurance undertakings which are not listed on regulated markets*
**** Certain Danish-specific limited liability undertakings, including cooperatives, F.M.B.A etc.*
***** The executive orders are not yet approved. FBEK: Insurance, KBEK: Credit institutions, Asset Management etc.*

<u>Exempted from sustainability reporting</u>: Alternative investment funds (AIF) and UCITS regardless of type of undertaking

EFRAG develops European Sustainability Reporting Standards

EFRAG is the technical adviser of the European Commission in the work of establishing standards for sustainability reporting.

What is EFRAG?

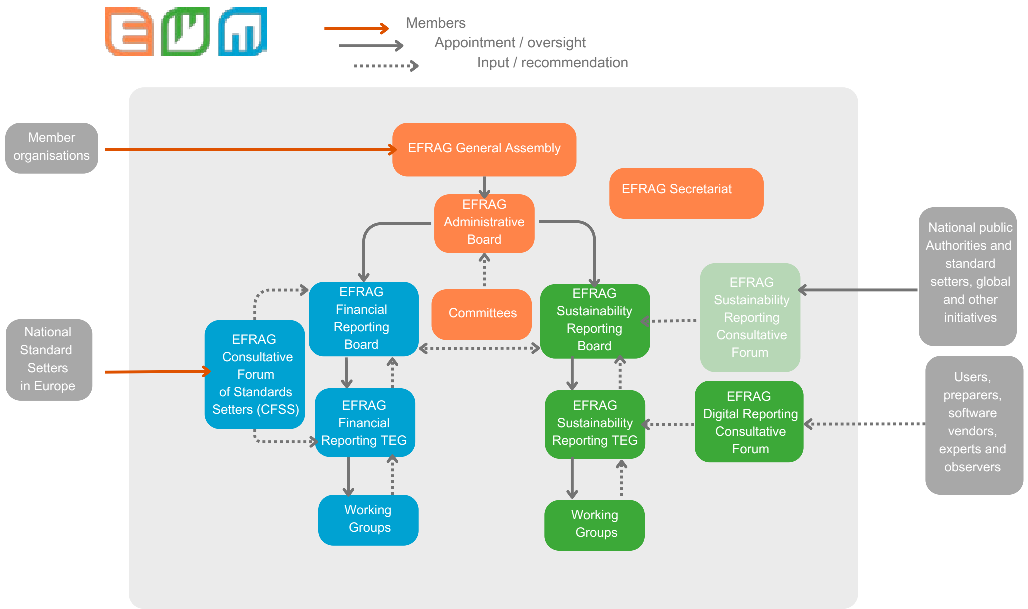
EFRAG is a private non-profit association established in 2001. EFRAG is intended to serve as an adviser to the European Commission on issues relating to the implementation of IFRS for financial reporting and related amendments in the EU. EFRAG is largely funded by, and is committed to working for the benefit of, the EU, primarily through cooperation and interaction with various stakeholders through its member organisations.

From financial reporting to sustainability reporting

EFRAG's role as a technical adviser on the EU's sustainability reporting standards was assigned by the European Commission in 2020, when work on developing new standards started with an initial reorganisation of EFRAG. First, the work was mainly carried out as a project organisation consisting of several volunteers. It was not until January 2022 that EFRAG's current organisation was established and defined, as illustrated in the organisation chart. The previous financial reporting standards organisation was supplemented with a similar one for sustainability reporting and a senior management board was appointed to be responsible for management, financing, etc.

The standards have been developed together with interest organisations, national bodies and experts

EFRAG's mission in sustainability reporting is somewhat different from financial reporting, and therefore there are also several parties involved in this area. With respect to financial reporting, the EFRAG Administrative Board and the EFRAG Financial Reporting Board have been represented by member organisations, either European interest organisations (e.g.,



Kilde: *[(EFRAG Annual Review 2022)]*

Accountancy Europe, Business Europe or Insurance Europe) or national standard setters (Denmark and Sweden are represented among the Nordic countries), and representatives of analysts and investors. In sustainability reporting, the EFRAG Sustainability Reporting Board is also represented by non-governmental organisations such as WWF, Better Finance and the European Trade Union Confederation.

EFRAG shall be a European voice in the debate on corporate reporting

The member organisations appoint their representatives to the EFRAG Sustainability Reporting Board (EFRAG SRB), which is responsible for drafting the European Sustainability Reporting Standards to the European Commission. The EFRAG SRB is supported by and receives technical advice from the EFRAG SR TEG expert group, which is made up of the leading European experts in their fields. The EFRAG SR TEG members are selected on the basis of personal results and do not represent their employers or other organisations. The composition of both the EFRAG SRB and the EFRAG SR TEG aims to achieve a balanced representation of professional background, nationalities and gender. The European Commission elects the chairman of all three EFRAG boards.

ESRS – European Sustainability Reporting Standards

ESRS specifies requirements for how undertakings are to report on sustainability and what information their sustainability reporting shall contain.

What is ESRS?

ESRS consists of the following parts:

- Standards for all undertakings – sector-agnostic standards (included in the first delegated act)
- Sector-specific standards (in preparation)
- Standards for SMEs (in preparation)
- Standards for non-EU undertakings (in preparation)

Based on the requirements of these standards, a set of reportable information is prepared which includes:

How are the reporting requirements defined?

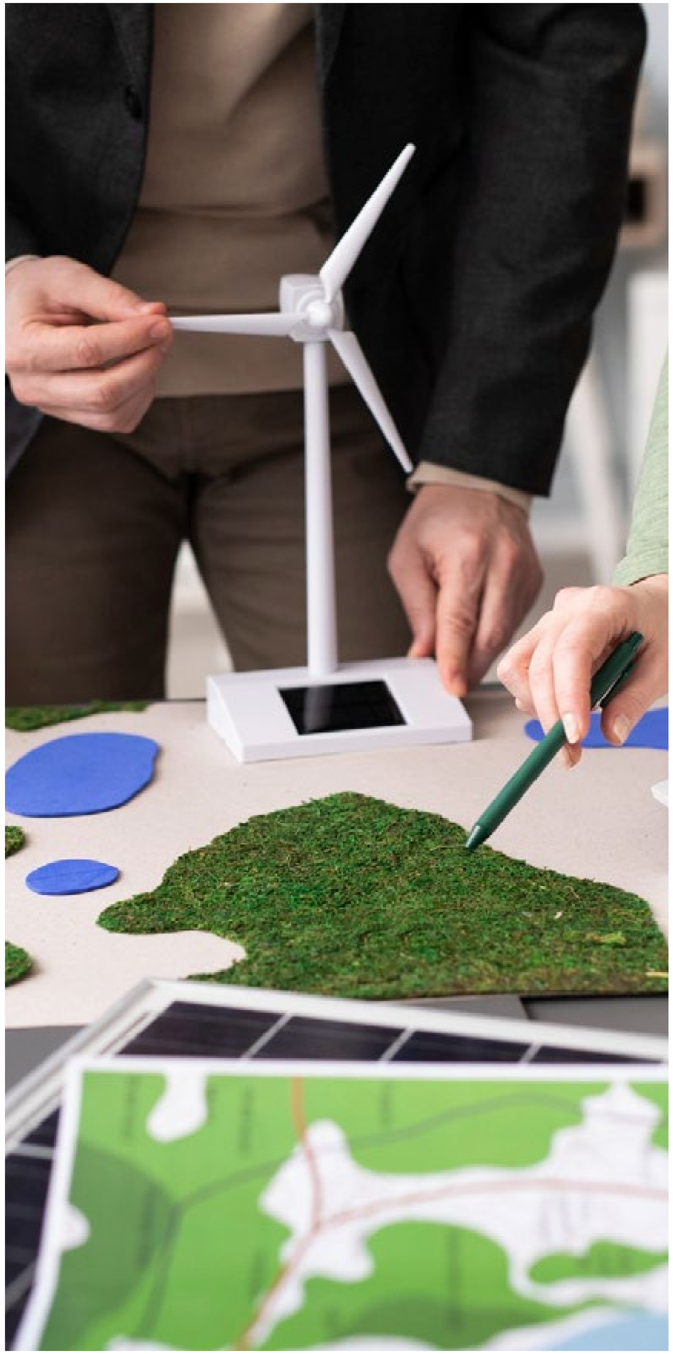
The reporting requirements are regulated by the CSRD and cover all areas of ESG. These requirements are based on existing standards and frameworks for sustainability reporting (e.g., GRI and TCFD) and take into account other EU legislation (e.g., SFDR, taxonomy regulations, Pillar III, etc.). The ambition is to harmonise ESRSs as much as possible with the requirements of the ISSB standards, where these regulate the same topics.

Standards of the first delegated act (sector-agnostic standards)

The EU adopted the first delegated act in July 2023. The total package consists of 12 standards covering disclosure requirements for qualitative and quantitative data for a total of approximately 1,200 data points.

Sector-agnostic standards

Cross-cutting	ESRS 1	General requirements
Cross-cutting	ESRS 2	General disclosures
Environmental	ESRS E1	Climate change
Environmental	ESRS E2	Pollution
Environmental	ESRS E3	Water and marine resources
Environmental	ESRS E4	Biodiversity and ecosystems
Environmental	ESRS E5	Resource use and circular economy
Social	ESRS S1	Own workforce
Social	ESRS S2	Employees in the value chain
Social	ESRS S3	Affected communities
Social	ESRS S4	Consumers and end-users
Governance	ESRS G1	Business conduct



Requirements will be phased in

In addition to the phase-in of the CSRD, starting with reporting for the financial year 2024, the Directive also takes into account that although reporting requirements would seem to cover both the undertaking's own operations and its value chain, it may be difficult to achieve the same level of information for the entire value chain from the outset.

Reporting on the value chain can therefore be phased in over a three-year period. For information about the value chain that is not available, the undertaking shall state if it is trying to obtain it and base reporting on, for example, available internal information. The undertaking shall also state the reasons why certain information is not available for a specific reporting period and indicate which measures will be taken to obtain it for future reporting. This mainly affects ESRS S2 – ESRS S4 as they deal with external factors.

Some other disclosure requirements in the standards also have a 1-3-year transition period to facilitate undertakings' transition to the new reporting requirements.

ESRS is complemented by frameworks

The ESRSs in themselves contain disclosure requirements that the reporting undertaking shall meet. Specific criteria and indicators for "what" to report on each topic are thus defined in the standards.

However, the ESRSs do not specify in all situations "how" the disclosures are to be prepared. Here, frameworks can be used, for example, the Greenhouse Gas Protocol that ESRS E1 refers to for guidance on how to calculate greenhouse gas emissions. Below, we have listed other relevant frameworks:

- Task Force for Climate-Related Financial Disclosures ("TCFD")
- Taskforce on Nature-related Financial Disclosures ("TNFD")
- Science Based Targets initiative and Network ("SBTi" and "SBTN").

Undertakings with a maximum of 750 employees may omit information on:

For the first year	For the first two years
• Scope 3 emissions and total greenhouse gas emissions (ESRS E1) • Own workforce (ESRS S1)	• Biodiversity and ecosystems (ESRS E4) • Employees in the value chain (ESRS S2) • Affected communities (ESRS S3) • Consumers and end-users (ESRS S4)

All undertakings may omit information on:

For the first year	In the first three years
• Allocation of total revenue by key ESRS sectors (ESRS 2, reported from the date of application set out in sector-specific standards) • Anticipated financial effects of the undertaking's significant risks and opportunities (ESRS 2) • Anticipated financial effects of climate change, pollution, water and marine resources, biodiversity and ecosystems, resource use and circular economy (ESRS E1-E5) • The main characteristics of the undertaking's own non-employee workforce (e.g., consultants hired on a contract basis, etc.), (ESRS S1) • Extension of collective bargaining agreements and social dialogue for own workforce in non-EEA countries (ESRS S1) • Social protection (ESRS S1) • Persons with disabilities (ESRS S1) • Training and skills development (ESRS S1) • Cases of work-related ill health and number of work days lost due to injuries, accidents, fatalities and work-related ill health (ESRS S1) • Non-employees and their health and safety at the workplace (ESRS S1) • Work-life balance (ESRS S1)	• Entity-specific disclosures that have been reported in previous periods (ESRS 1) In addition: • It will suffice to report only qualitative disclosures on anticipated financial effects (ESRS 2) • It will suffice to report only qualitative disclosures on anticipated financial effects of climate change, pollution (with one exception), water and marine resources, biodiversity and ecosystems, resource use and circular economy (ESRS E1-E5).

If an undertaking with a maximum of 750 employees omits information required by ESRS E4 or ESRS S1-S4 and this includes information on key ESG topics, further information is required.

See the description of the disclosure requirements in the different standards for detailed information on the specific exemptions listed.

How to read the ESRSs?

ESRS lays down the disclosures that an undertaking shall report on its material impacts, risks and opportunities related to Environmental, Social and Governance topics. This chapter clarifies important aspects of the structure of standards and how the disclosure requirements of these standards interact.

Overall cross-cutting standards

ESRS 1 and 2 constitute overall standards that apply to all aspects of sustainability and cover the following:

- **ESRS 1 – General requirements** does not contain any direct disclosure requirements but describes the structure of ESRS and defines general principles for reporting such as materiality assessment, value chains and time horizons. ESRS 1 also describes the structure of the sustainability reporting.
- **ESRS 2 – General disclosures** defines how an undertaking shall report and describe policies, actions and targets. The disclosure requirements of ESRS 2 apply to all ESG topics and, together with the other topical standards (see below), define the data points to be reported on business model, strategy, impacts, risk and opportunity management, and metrics and targets.

Topical standards

Topical standards define the disclosure requirements for a specific ESG topic. 10 topical standards have been adopted and published as part of the first delegated act.

Sector-specific standards are expected to be published in 2024-2027.

Interaction of cross-cutting and topical standards

The topical standards further elaborate the general disclosure requirements of ESRS, 2 and they are set out in Appendix C to ESRS 2 to the extent that they are directly linked to the disclosure requirements of ESRS 2. The disclosure requirements according to topical standards shall be followed when the undertaking has determined that an area is material - with the exception of certain cross-cutting disclosure requirements (ESRS 2), which are always considered material.

Sector-specific standards

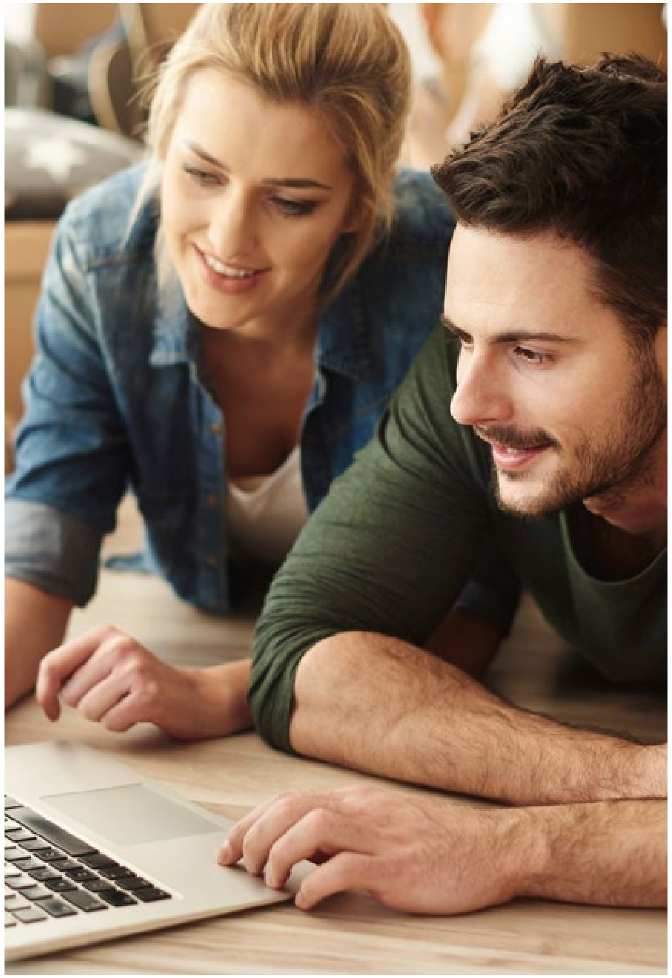
Sector-specific standards will affect all undertakings in a sector. They will deal with impacts, risks and opportunities which are likely to be significant to all undertakings in a particular sector and which are not (adequately) covered by the sector-agnostic standards.

Entity-specific disclosures

In addition to the disclosure requirements included in the standards, it may be necessary for an undertaking to provide additional, relevant entity-specific disclosures that are not adequately covered by the standards. The reporting of such disclosures shall also follow the general reporting principles defined in ESRS 1.

Disclosure requirements

In ESRS, everything to be reported is presented under the heading Disclosure Requirements, which covers both numerical and qualitative data, i.e., a single data point can also be a description of the topic in question.



Application requirements

Most ESRSs also include Application Requirements. These requirements support compliance with the disclosure requirements and have the same validity as other parts of an ESRS.

ESG topics

The ESG topics covered by ESRSs are described in ESRS 1. Each topical standard covers an ESG topic, which can have multiple subtopics. When carrying out its materiality assessment, the undertaking shall consider these ESG topics and subtopics.

Impacts, Risks and Opportunities (IRO)

According to ESRS, an undertaking shall provide information about the impacts, risks and opportunities associated with ESG, including how the undertaking impacts its environment and how ESG topics affect the undertaking's development, performance and financial position:

- **Impacts** are positive or negative sustainability-related impacts associated with the activities of the undertaking, based on an assessment of materiality in relation to the undertaking's impacts on sustainability (impact materiality)
- **Risks** and **opportunities** are the sustainability-related financial risks and opportunities deriving from dependencies on natural, human and social resources, as identified through a financial materiality assessment.

Reporting areas

The disclosure requirements of ESRS 2 and of the topical standards cover the following areas:

(a) **Governance** (also referred to as corporate governance (GOV))

(b) **Strategy** (Strategy and Business Model (SBM))

(c) **Impact, Risk and Opportunity Management** (IRO)

(d) **Metrics and Targets** (MT)

Interpretation of terms in ESRS

The ESRSs use the following terms to describe how mandatory a disclosure requirement is:

- *shall disclose* – indicates that the provision is prescribed by a disclosure requirement or data point
- *may disclose* – indicates voluntary disclosure to encourage good practice.

In addition, the term shall consider is used when referring to issues, resources or methodologies that the undertaking is expected to take into account or to use in the preparation of a given disclosure, if applicable

List of standards covered by this publication

Click each default to go to the page

Cross-cutting standards

- **ESRS 1** General requirements
- **ESRS 2** General disclosures

Subject-specific standards

Environmental

- **ESRS E1** Climate change
- **ESRS E2** Pollution
- **ESRS E3** Water and marine resources
- **ESRS E4** Biodiversity and ecosystems
- **ESRS E5** Resource use and circular economy

Social

- **ESRS S1** Own workforce
- **ESRS S2** Employees in the value chain
- **ESRS S3** Affected communities
- **ESRS S4** Consumers and end-users

Governance

- **ESRS G1** Business conduct

Cross-cutting standards

ESRS 1 – General requirements

For each ESRS standard, the undertaking shall disclose all material information about ESG-related impacts, risks, and opportunities to inform users of sustainable reporting about the undertaking's impacts on people and the environment, and the material impacts of ESG topics on its development, performance and financial position.

The reporting is aimed at those who affect and are affected by the undertaking, i.e., its key stakeholders. ESRS 1 does not comprise any disclosure requirements but defines general principles for sustainability reporting. It is an overall standard covering all aspects of sustainability. According to the standard, sustainability disclosures shall be reported based on the double materiality principle.

Objective of the standard

The objective of ESRS 1 is to describe the structure of ESRS, the principles used in the preparation of these requirements, and the fundamental concepts used, and the general requirements for preparing and presenting sustainability reporting under the CSRD.

Reporting principles

ESRS 1 defines the main reporting principles that build on the following aspects:

Double materiality

Double materiality has two dimensions: Materiality of the enterprise's impacts on sustainability matters (impact materiality) and the impact of sustainability matters on the enterprise (financial materiality). An ESG topic (e.g., climate) is material if it meets the criteria for one or both dimensions.

Due diligence

Due diligence is the process of identifying, controlling, preventing, mitigating, and reporting how the enterprise addresses the actual and potential negative impacts on the environment and people connected with its business.

Reporting enterprise

The sustainability reporting shall cover the same reporting enterprise as the annual report. The information on the reporting enterprise in the sustainability reporting shall include information on the material impacts, risks and opportunities connected with the enterprise through its direct and indirect business relationships in the upstream and/or downstream value chain.

Reporting period and time horizons

The reporting period for the enterprise's sustainable reporting shall be consistent with the accounting period. In addition, the enterprise shall adopt the following time intervals as of the end of the sustainability reporting period:

- **Short term:** The same period as the reporting period in the enterprise's annual report (usually one year)
- **Medium term:** From the end of the short term above up to and including five years (typically one to five years)
- **Long term:** More than five years

However, an enterprise may use a different definition of the medium term and/or long term depending on its own processes, plans and targets.

Qualitative characteristics of information in the sustainability reporting

The information contained in sustainable reporting shall meet the qualitative characteristics defined in ESRS 1:

- **Fundamental qualitative characteristics**: Relevance and faithful representation
- **Enhancing qualitative characteristics**: Comparability, verifiability and understandability.

Stakeholders

Stakeholders are those who can affect or can be affected by the undertaking. ESRS 1 defines two main categories of stakeholders:

- **Affected stakeholders**: Individuals or groups whose interests are affected or could be affected — positively or negatively — by the undertaking's activities and its direct and indirect business relationships across its value chain
- **Users of sustainability reporting**: Primary users of general-purpose financial reporting (existing and potential investors, lenders and other creditors, including asset managers, credit institutions, insurance companies) and other users of the sustainability reporting, including the undertaking's business partners, trade unions and social partners, civil society and non-governmental organisations, governments, analysts and academics.

General principles for sustainability reporting

Comparable information

The undertaking shall provide comparable information for the previous period for all quantitative metrics and monetary amounts disclosed in the current period. Comparable information may be omitted in the first sustainability reporting.

Sources of estimation and outcome uncertainty

When quantitative metrics and monetary amounts, including upstream and downstream value chain information, cannot be measured directly and can only be estimated, measurement uncertainty may arise. The use of reasonable assumptions and estimates, including scenario or sensitivity analyses, is an integral part of the reporting of the specific information and does not undermine the usefulness of such data, provided that the assumptions and estimates made are accurately described and explained.

Subsequent events

The undertaking may receive information on events or circumstances that have occurred after the end of the reporting period, but before the management report is approved for issuance. If such information provides evidence or insights about circumstances existing at the end of the reporting period, the undertaking shall, where appropriate, update estimates and sustainability disclosures, in the light of the new information.

When such information provides evidence or insights about material transactions, other events and circumstances arising after the end of the reporting period, the undertaking shall, where appropriate, describe these.

Changes in how the sustainability reporting is prepared or presented

The reporting shall be made consistently from year to year. If a parameter or target is redefined, or new information is identified regarding the estimated figures previously disclosed, and the new information reflects circumstances existing in previous periods, the undertaking shall, if practicable, correct the comparative figures.

Reporting errors in prior periods

When the undertaking identifies significant errors in information provided in prior periods, the comparative amounts for the prior period(s) shall be corrected with retroactive effect, unless it is not practicable to do so.

Consolidated reporting

When reporting at a consolidated level, the undertaking shall perform its assessment of material impacts, risks and opportunities for the entire consolidated group.

Classified and sensitive information and information on intellectual property, know-how or results of innovation

The undertaking is not required to disclose classified or sensitive information, even if such information is considered material.

Reporting on opportunities

When reporting on opportunities, the disclosures shall consist of descriptions that allow the reader to understand the opportunities for the undertaking or the entire sector. When reporting on opportunities, the undertaking shall consider the materiality of these disclosures.

Connectivity with financial reporting information

The undertaking shall describe the relationship between different types of information. This may mean, for example, describing the relationship between the undertaking's governance, strategy and risk management regarding sustainability and the metrics and targets used by the undertaking.

Data, assumptions and qualitative disclosures included in the sustainability reporting shall (considering materiality) be consistent with the corresponding financial data, assumptions and qualitative disclosures used in the undertaking's financial reporting

ESRS 1 – Reportable information

ESRS requires the disclosure of material ESG information under the double materiality principle. Double materiality has two dimensions: impact materiality and financial materiality. An ESG topic is considered material if it meets the criteria for one or both dimensions. A materiality assessment shall be performed to identify them.

Mandatory reporting requirements

According to ESRS 1, it is always mandatory to include all disclosure requirements under ESRS 2 and the disclosure requirements of the topical standards associated with Disclosure Requirement IRO-1 - *Description of the processes to identify and assess material impacts, risks and opportunities*, regardless of the outcome of the materiality assessment. Other information depends on the outcome of the materiality assessment.

If an undertaking, after having performed a materiality assessment, considers an ESG topic not to be material and therefore decides not to report based on all ESRS requirements, the undertaking may briefly explain the conclusions of its materiality assessment.

If the undertaking concludes that climate change is not material and therefore omits all the disclosure requirements of ESRS E1, it shall explain in detail the conclusions of its materiality assessment, including a forward-looking analysis of the conditions that could lead the undertaking to conclude that climate change is material in the future.

If an undertaking considers a disclosure requirement for metrics not relevant, no information is required. If the undertaking omits information prescribed by a datapoint that derives from other EU legislation (see Appendix B to ESRS 2) it shall explicitly state that the information in question is not material.

Additional information to be presented

If the information disclosed under ESRS does not satisfactorily cover a specific impact, risk or opportunity that is considered material to the undertaking, then additional entity-specific disclosures shall be provided. These disclosures shall also be provided in accordance with the general reporting principles defined in ESRS 1.

Exemptions from the requirements – transitional provisions

Entity-specific disclosures

During the first three reporting periods, an undertaking may benefit from certain exemptions as to which disclosures shall be provided. During these reporting periods, the undertaking shall provide:

- entity-specific disclosures that it reported in prior periods if they meet or are adapted to meet the qualitative characteristics referred to in ESRS 1
- additional disclosures to cover sustainability matters that are material for the undertaking, using available best practice and/or available reporting frameworks or standards.

Value chain

During the first three reporting periods, an undertaking need not disclose policies, actions, metrics and targets associated with its value chain unless all necessary information is available. This exemption is intended to limit the reporting burden on SMEs in the value chain.

If all necessary information about the value chain is not available, the undertaking shall explain:

- efforts made to obtain information
- reasons why the information could not be obtained
- the undertaking's plans to obtain the information in the future.

It is expected that the undertaking will use the value chain information that is available in-house.

Comparative information

ESRS 1 provides a list of disclosure requirements that will be phased in (Appendix C). The list contains phase-in provisions for the disclosure requirements or data points for disclosure requirements of ESRS which may be omitted, or which are not applicable in the first year(s) of preparation of the sustainability reporting under ESRS, and comparative information is not required until after the first year of mandatory application on this information.

All comparative information can be omitted in the first sustainability reporting.

ESRS 1 – Materiality

ESRS requires the disclosure of material ESG information under the double materiality principle. The materiality assessment required by ESRS 1 shall be carried out to identify material reportable information that takes into account both impact materiality and financial materiality. This is the starting point for sustainable reporting under ESRS.

Definition of materiality

In ESRS 1, impact materiality and financial materiality are defined as set out below. An ESG topic is "material" when it meets the criteria defined for impact materiality or financial materiality or both. Assessments of impact materiality and financial materiality are connected, and the dependency shall be taken into account in the assessment.

Undertakings shall describe how they apply the materiality criteria for both dimensions using appropriate thresholds. These are necessary to assess the impacts, risks and opportunities identified, and how they have been addressed.

Impact materiality

A sustainability matter is material from an impact perspective when it pertains to the undertaking's material actual or potential, positive or negative impacts on people or the environment over the short, medium or long term.

In this context, material ESG topics include those related to the undertaking's own operations and value chain, including through its products and services, and through its business relationships. Business relationships are not limited to direct contractual relationships, but include those in the undertaking's upstream and downstream value chain.

Assessing materiality shall take into account the following three steps:

1. Understand the context in relation to the impacts by the enterprise (its activities, business relationships and stakeholders).
2. Identify actual and potential impacts (both negative and positive), including through engaging with stakeholders and experts.
3. Assess the materiality of the enterprise's actual and potential impacts and determine the material matters.

Financial materiality

An ESG topic is material from a financial perspective if it triggers or could reasonably be expected to trigger material financial effects on the undertaking. This is the case when a sustainability matter generates risks or opportunities that have or could reasonably be expected to have a material influence on the undertaking's development, financial position, financial performance, cash flows, access to finance or cost of capital over the short, medium or long term.

The assessment of financial materiality includes identifying information that is considered material for primary users of general-purpose financial reports in making decisions to make resources available to the undertaking. In particular, information is considered material for primary users of general-purpose financial reports if omitting, misstating or obscuring that information could reasonably be expected to influence the decisions that they make on the basis of the undertaking's sustainability reporting.

Financial materiality assessment

Identifying risks and opportunities that influence or could reasonably be expected to influence the undertaking's financial position, financial performance, cash flows, access to finance or cost of capital over the short, medium or long term is the starting point for the financial materiality assessment.

In this context, the undertaking shall consider the existence of dependencies on natural and social resources as sources of financial effects and classify them as sources of risks or opportunities. Once the undertaking has identified its risks and opportunities, it shall determine which of them are material for reporting.

Materiality assessment

Assessing materiality is the starting point for sustainability reporting under ESRS. To support the analysis, a list of the sustainability matters covered by the topical standards of ESRS 1 (ESRS 1: AR 16) is provided.

The starting point for the materiality assessment is generally those areas where it is considered likely that impacts, risks and opportunities will arise, based on the nature of the undertaking's activities, its business relationships, geographies and other risk factors

Outcome of the materiality assessment

When the undertaking considers an ESG topic material, the information shall be reported according to the disclosure requirements of the relevant topical ESRS. When a material ESG topic is not covered by an ESRS or is covered with insufficient granularity, the undertaking shall provide additional entity-specific disclosures about the topic.

When the undertaking discloses information on policies, actions and targets related to an ESG topic that is considered material, the information shall meet all disclosure requirements and data points of the topical ESRS related to that matter, and information on policies, actions and targets required under ESRS 2. If this is not possible because the undertaking has not adopted such policies, actions or targets, it shall disclose this to be the case, and it may set a time frame in which it aims to have them in place.

If the undertaking concludes that a topic is not material and therefore omits all disclosure requirements in a topical standard, it shall briefly explain the conclusions of its materiality assessment for that topic. If the undertaking omits only parts of information prescribed by a standard, such information is implicitly considered to be reported as "Not material for the undertaking".

If the undertaking concludes that climate change is not material and therefore omits all disclosure requirements in ESRS E1, it shall explain in detail the conclusions of its materiality assessment, including a forward-looking analysis of the conditions that could lead the undertaking to conclude that climate change is material in the future.

If the undertaking omits information prescribed by a data point that derives from other EU legislation, such as SFDR (see Appendix B of ESRS 2), the undertaking shall explicitly state that the information is "Not material".

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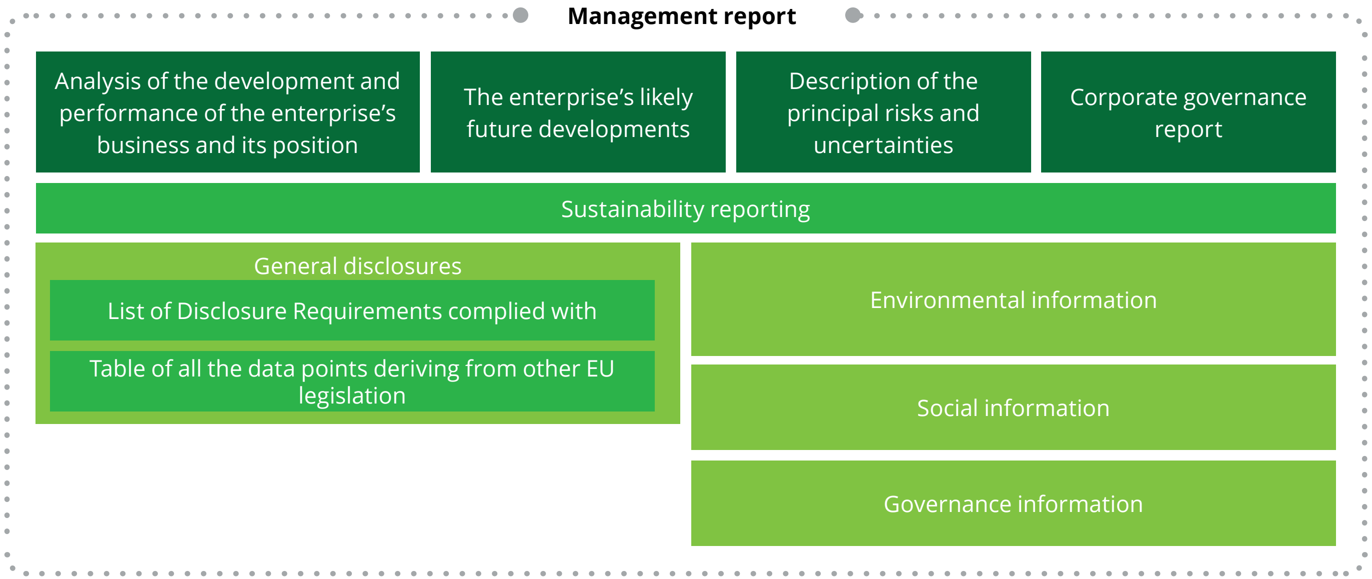
ESRS 1 – Structure of sustainability reporting

The sustainability reporting shall be presented as a separate section of the management report in the annual report. This section also covers EU taxonomy reporting, i.e., reporting on the sustainability of an undertaking's operations.

The sustainability reporting shall be presented in a way that allows a distinction between disclosures required by ESRS and other information included in the management report, and under a structure that facilitates access to and understanding the sustainability reporting, in a format that is both human-readable and machine-readable. Appendix F to ESRS 1 contains the following example of the structure of a sustainability report:



Presentation of additional disclosures

An undertaking may include in its sustainability reporting additional disclosures based on generally accepted sustainability reporting standards (such as ISSB or GRI) or information deriving from local legislation.

Reference to other publications

Information meeting the disclosure requirements of ESRS may be incorporated in the sustainability reporting by referring to the following, without repeating the same information:

- Another section of the management report
- The financial statements
- The statutory report on corporate governance
- The remuneration report
- The universal registration document (annually updated prospectus according to the EU Prospectus Regulation)
- Pillar III disclosures (regarding prudential requirements for credit institutions and investment firms).

It is only allowed to incorporate information by reference to these documents if the following criteria are met:

- The document constitutes a separate element of information and clearly identifies the information concerned as addressing the relevant disclosure requirement or the relevant specific data point required by ESRS
- The document is published before or at the same time as the management report
- The document is in the same language as the sustainability reporting
- The document is subject to at least the same level of assurance as the sustainability reporting
- The document meets the same technical digitalisation requirements as the sustainability reporting.

ESRS 2 – General disclosures

The disclosure requirements of ESRS 2 apply to all undertakings, regardless of industry, and to all ESG topics. ESRS 2 defines how an undertaking shall disclose and report on its policies, metrics and targets.

Objective of the standard

The objective of the disclosure requirements in the standard is that the undertaking provides clear information in its sustainability reporting on:

- the general basis for preparation of sustainability reporting, including the scope of consolidation, upstream and downstream value chain information and, where relevant, any use of options to omit information on intellectual property rights, know-how or the results of innovation
- what effect specific circumstances may have had on the preparation of sustainability reporting
- the roles of the undertaking's administrative, management and supervisory bodies, information provided to and ESG matters addressed by them, integration of sustainability-related performance in incentive schemes, the due diligence process and risk management and internal control over sustainability reporting
- the parts of the strategy that relate to or affect the undertaking's ESG topics, business model and value chain
- how stakeholders' interests and views are taken into account by the undertaking's strategy and business model
- the outcome of the assessment of the undertaking's material impacts, risks and opportunities and how they interact with its strategy and business model
- the process to identify and assess material impacts, risks and opportunities as a basis for determining the disclosures in the sustainability reporting
- the disclosure requirements in ESRS that the undertaking complies with in its sustainable reporting (can be displayed as a table of contents)
- The data points deriving from other EU legislation (e.g., a table according to SFDR) and other information necessary to explain the conclusions of the undertaking's materiality assessment.

ESG topics

The topical standards address ESG topics, which in CSRD terminology are environmental, social, human rights and governance factors and incorporate the definition of ESG topics. ESRS 2 defines the requirements for the content of disclosures, which concern four different areas, and shall be used in conjunction with the disclosure requirements of the topical standards:

Policies

A set or framework of general objectives and management principles that the undertakings uses for decision-making.

Metrics

Qualitative and quantitative indicators that the enterprise uses to measure and report on the effectiveness of the delivery of its sustainability-related policies and against its targets over time.

Actions

Actions and action plans that are undertaken to ensure that the enterprise delivers against the targets set and through which the enterprise seeks to address material impacts, risks and opportunities, and decisions to support these with financial, human or technological resources.

Targets

Measurable time-bound outcome-oriented targets set by the enterprise to achieve regarding material impacts, risks or opportunities.

In all cases, the undertaking shall apply the ESRS 2 requirements to the requirements of the topical standards for Disclosure Requirement IRO-1 *Description of the processes to identify and assess material impacts, risks and opportunities* and for all other requirements only if the ESG topic is material to the undertaking.

Disclosure requirements

Below, all disclosure requirements under ESRS 2 are summarised.

Basis for preparation

- **BP-1:** General basis for preparation of sustainability reporting
- **BP-2:** Disclosures in relation specific circumstances:
  - The undertaking has deviated from the medium- or long-term time horizons defined by ESRS 1
  - Metrics include upstream and downstream value chain data estimated using indirect sources, such as sector-average data or other proxies
  - When material estimation and outcome uncertainty exists
  - There are changes in how sustainability information is prepared and presented compared to the preceding reporting period
  - The undertaking identifies material errors in data for prior periods
  - The sustainability reporting includes disclosures deriving from other legislation that requires the undertaking to provide sustainability information, or that stem from generally accepted sustainability reporting standards and frameworks
  - The undertaking has incorporated information by reference to other reports
  - An undertaking with a maximum of 750 employees has omitted information required under ESRS E4 or ESRS S1-S4 (if considered to be material sustainability matters).

Governance

- **GOV-1:** Composition of the administrative, management and supervisory bodies, their roles and responsibilities and access to expertise and skills with regard to ESG matters
- **GOV-2:** How the administrative, management and supervisory bodies are informed about ESG matters, and how these matters were addressed during the reporting period
- **GOV-3:** Information about the integration of the undertaking's sustainability-related performance in incentive schemes
- **GOV-4:** A mapping of the information provided in the undertaking's sustainability reporting about the due diligence process
- **GOV-5:** The main features of the undertaking's risk management and internal control system in relation to the sustainability reporting process.

Strategy

- **SBM-1:** Information on the elements of the undertaking's strategy that relate to or impact ESG topics, its business model and value chain
- **SBM-2:** How the interests and views of the undertaking's stakeholders are taken into account by its strategy and business model
- **SBM-3:** Material impacts, risks and opportunities, and how they interact with the undertaking's strategy and business model.

Metrics and targets

- No specific requirements

Management of impacts, risks and opportunities

- **IRO-1:** Description of the undertaking's process to identify impacts, risks and opportunities and to assess which impacts, risks and opportunities are material
- **IRO-2:** Listing of the Disclosure Requirements complied with in preparing the sustainability reporting, following the outcome of the materiality assessment (may be presented as a table of contents), including:
  - A table of all the data points that derive from other EU legislation, indicating where they can be found in the sustainability reporting, and indicating data points that have been assessed as "Not material"
  - If the undertaking concludes that climate change is not material and therefore omits all disclosure requirements in ESRS E1 *Climate Change*, it shall disclose a detailed explanation of the conclusions of its materiality assessment with regard to climate change, including a forward-looking analysis of the conditions that could lead the undertaking to conclude that climate change is material in the future.

Exemptions from the requirements

- **SBM-1** – The undertaking is not required to disclose the breakdown of total revenue by significant ESRS sectors until from the date of application specified for sector-specific standards
- **SBM-3** – The undertaking may omit disclosure of anticipated financial effects for the first year of preparation of its sustainability reporting. The undertaking can comply with this Disclosure Requirement by only reporting qualitative disclosures for the first three years of preparation of its sustainability reporting, if preparing quantitative disclosures is not practicable.

Minimum disclosure requirements – Policies

- **MDR-P (policy):** Minimum disclosure requirements on policies that the undertaking has in place with regard to each ESG topic identified as material. The information shall include:
  - the key contents of the policy, its general objective and which material impacts, risks or opportunities the policy relates to, and the process for monitoring,
  - a description of the scope of the policy or of its exclusions in terms of activities, upstream and downstream value chain, geographies and, if relevant, affected stakeholder groups,
  - the most senior level in the undertaking's organisation that is accountable for the implementation of the policy,
  - a reference, if relevant, to the third-party standards or initiatives which the undertaking commits to respect,
  - if relevant, a description of the consideration given to the interests of key stakeholders in setting the policy, and
  - if relevant, whether and how the undertaking makes the policy available to potentially affected stakeholders and stakeholders who need to help implement it.

The appendices to ESRS 2 are an integral part of the standard:

- Appendix B lists the data points of ESRS 2 and topical ESRSs deriving from other EU legislation (e.g., SFDR)
- Appendix C describes the requirements of topical ESRSs to be taken into account when reporting under the disclosure requirements of ESRS 2. This Appendix has the same validity as the other parts of ESRS 2.

Minimum disclosure requirements – Actions

- **MDR-A (actions):** Minimum requirements when providing information on the actions through which the undertaking manages each material ESG matter, including action plans and resources allocated and/or planned. The information shall include:

- the list of key actions taken in the reporting year and planned for the future, their expected outcomes and, where relevant, how their implementation contributes to the achievement of policy objectives and targets,
- the scope of the key actions,
- the time horizon for the expected completion of each key action,
- if applicable, information on key actions taken (along with their results) to implement, cooperate in or support the provision of remedy for those harmed by the undertaking's actual material impacts, and
- if applicable, quantitative and qualitative disclosures on the progress of actions or action plans disclosed in prior periods.

Where the implementation of an action plan requires significant operational expenditures (OpEx) and/or capital expenditures (CapEx), the undertaking shall provide some additional information about these.

Minimum disclosure requirements – Metrics

- **MDR-M (metrics):** Minimum requirements when providing information on the metrics used by the undertaking for each material ESG topic. The information shall include:
  - methodologies and significant assumptions behind the metric, including the limitations of the methodologies used,
  - whether the measurement of a metric is validated by an external body other than the assurance provider and, if so, which body,
  - a definition of the metrics using meaningful, clear and precise names and descriptions.

The undertaking shall use the same currency when calculating the metrics as is used as the presentation currency in the annual report.

Minimum disclosure requirements – Targets

- **MDR-T (targets):** Minimum requirements when providing information for targets set by the undertaking for each material ESG topic. The information shall include:
  - a description of the relationship of the specific target to the undertaking's policy objective for that area,
  - the defined target level to be achieved, including whether the target is absolute or relative and in what unit the target is measured,
  - the scope of the target, including the undertaking's activities and/or its upstream and/or downstream value chain and geographical boundaries,
  - from which year and by what amount the target is compared, with the aim of being able to see progress and to assess when a target has been achieved,
  - the time at which the target is to be achieved and any milestones or interim targets, if applicable,
  - the methodologies and significant assumptions used to define the target,
  - whether the undertaking's environmental targets are based on conclusive scientific evidence,
  - whether and how stakeholders have been involved in target setting for each material ESG topic,
  - any changes in targets and corresponding metrics and the rationale for those changes and their effect on comparability, and
  - the performance against the disclosed targets.

If the undertaking has not set any measurable outcome-oriented targets, it shall provide some relevant information in this respect.

Topical standards

ESRS E1 – Climate change

ESRS E1 defines the disclosures that the undertaking shall report on climate-related hazards and threats that can lead to physical climate risks, and the actions taken to reduce those risks. The disclosure requirements also include transition risks arising from the necessary adaptation to climate-related threats.

Objective of the standard

The objective of the disclosure requirements in the standard is that the undertaking provides clear information in its sustainability reporting on:

- how the undertaking affects climate change
- the undertaking's mitigation efforts in line with the Paris Agreement to limit global warming to 1.5 °C
- the undertaking's plans and capacity to adapt its strategy and business model
- other actions taken by the undertaking and the result of such actions to prevent, mitigate or remediate impacts and to address risks and opportunities
- material risks and opportunities arising from the undertaking's impacts and dependencies on climate change, and how the undertaking manages them
- financial effects on the undertaking over the short, medium and long term.

Sustainability matters

The standard covers the sustainability matters of **climate change mitigation** and **climate change adaptation**, and also covers **energy-related matters** to the extent that they are relevant to climate change.

Climate change mitigation

Climate change mitigation relates to the enterprise's endeavours to reduce greenhouse gas emissions and to limit the increase in the global average temperature to 1.5°C above pre-industrial levels in line with the Paris Agreement. This standard also requires information on how the enterprise addresses its greenhouse gas emissions and related associated risks.

Climate change adaptation

Climate change adaptation relates to the enterprise's process of adjustment to actual and expected climate change.

Energy

Energy-related disclosure requirements cover all types of energy production and consumption.

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Disclosure requirements

The undertaking shall provide the following information to meet the objective of the standard:

Governance

- **ESRS 2 GOV-3:** Whether and how climate-related considerations are factored into the remuneration of members of the administrative, management and supervisory bodies, including if their performance has been assessed against greenhouse gas emission reduction targets
- **E1-1:** A transition plan to mitigate climate change. If the undertaking does not have a transition plan in place, it shall indicate whether and, if so, when it will adopt a transition plan.

Strategy

- **ESRS 2 SBM-3:** Description of the resilience of the undertaking's strategy and business models to climate change, including climate-related physical risks or transition risks.

Management of impacts, risks and opportunities

- **ESRS 2 IRO-1:** Description of the process to identify and assess climate-related impacts, risks and opportunities
- **E1-2:** The undertaking's policies adopted to manage its material impacts, risks and opportunities related to climate change mitigation and adaptation
- **E1-3:** Climate change mitigation and adaptation actions and the resources allocated for their implementation.

Metrics and targets

- **E1-4:** Climate-related targets set by the undertaking
- **E1-5:** Information on the undertaking's energy consumption and mix of energy sources
- **E1-6:** The undertaking's gross Scope 1, 2, 3 and total greenhouse gas emissions
- **E1-7:** Information on greenhouse gas removals and storage resulting from projects the undertaking has developed in its own operations or contributed to in its upstream and downstream value chain and the amount of greenhouse gas emission reductions or removals from climate change mitigation projects outside its value chain that it has financed or intends to finance through any purchase of carbon credits
- **E1-8:** Whether the undertaking applies internal carbon pricing schemes and, if so, how they support its decision-making and incentivise the implementation of climate-related policies and targets
- **E1-9:** Anticipated financial effects from material physical risks and transition risks and potential to benefit from material climate-related opportunities.

Exemptions from the requirements

- **E1-6** – Undertakings or groups which, at their balance sheet date, do not exceed an average number of employees of 750 during the financial year may omit data points on Scope 3 and total greenhouse gas emissions for the first year of preparation of their sustainability reporting
- **E1-9** – The undertaking may omit the information prescribed by E1-9 for the first year of preparation of its sustainable reporting. In addition, the undertaking may comply with E1-9 by reporting only qualitative disclosures for the first three years of preparation of its sustainability reporting if it is impracticable to prepare quantitative disclosures.

Other standards related to this standard

- ESRS 1
- ESRS 2
- ESRS E2
- ESRS E4
- ESRS S1
- ESRS S2
- ESRS S3
- ESRS S4

ESRS E2 – Pollution

ESRS E2 defines the disclosures that the undertaking shall report on pollution, including pollution of air, water and soil and substances of concern.

Objective of the standard

The objective of the disclosure requirements in the standard is that the undertaking provides information in its sustainability reporting on:

- how the undertaking affects air, water and soil
- actions taken by the undertaking to prevent or mitigate actual or potential negative impacts and to address risks and opportunities associated with pollution
- the undertaking's plans and capacity to adapt its strategy and business model
- material risks and opportunities associated with the undertaking's pollution, and the prevention, control, elimination or reduction of pollution and the undertaking's management thereof
- the financial effects on the undertaking over the short, medium and long term arising from pollution.

Sustainability matters

The standard covers the sustainability matters of **pollution of air, water and soil** and s**ubstances of concern**, including **substances of high concern.**

Pollution of air

The enterprise's emissions into air (both indoor and outdoor), and the prevention, control and reduction of such emissions.

Pollution of soil

The enterprise's emissions into soil and the prevention, control and reduction of such emissions.

Pollution of water

The enterprise's emissions to water and the prevention, control and reduction of such emissions.

Substances of concern

The enterprise's production, use and/or distribution and commercialisation of substances of concern, including substances of very high concern. The disclosure requirements on substances of concern aim at providing users with an understanding of actual or potential effects of such substances, also taking into account possible restrictions on their use and/or distribution and commercialisation.

Substances of concern and substances of very high concern are defined in separate EU Regulations.

Disclosure requirements

The undertaking shall provide the following information to meet the objective of the standard:

Governance

- No specific requirements

Strategy

- No specific requirements

Management of impacts, risks and opportunities

- **ESRS 2 IRO-1:** The undertaking shall describe the process to identify material impacts, risks and opportunities and provide information on:
  - whether it has screened its site locations and business activities in order to identify its actual and potential pollution-related impacts, risks and opportunities in its own operations and in its upstream and downstream value chain, and, if so, the methodologies, assumptions and tools used in the screening
  - whether and how it has conducted consultations, in particular with affected communities.
- **E2-1:** The undertaking shall describe its policies adopted to manage its material impacts, risks and opportunities related to pollution prevention and control
- **E2-2:** The undertaking shall disclose its pollution-related actions and the resources allocated to their implementation.

Metrics and targets

- **E2-3:** The undertaking shall disclose the pollution-related targets it has set
- **E2-4:** The undertaking shall disclose the pollutants that it emits through its own operations, and the microplastics it generates or uses
- **E2-5:** The undertaking shall disclose information on the production, use, distribution, commercialisation and import/export of substances of concern and substances of very high concern, on their own, in mixtures or in articles
- **E2-6:** The undertaking shall disclose the anticipated financial effects of material pollution-related risks and opportunities.

Exemptions from the requirements

- **E2-6** – The undertaking may omit the information prescribed by E2-6 for the first year of preparation of its sustainability reporting. Apart from information relating to operating and capital expenditures incurred during the reporting period in conjunction with major incidents and deposits, the undertaking may comply with ESRS E2-6 by reporting only qualitative disclosures for the first three years of preparation of its sustainability reporting.

Other standards related to this standard

- ESRS 1
- ESRS 2
- ESRS E1
- ESRS E3
- ESRS E4
- ESRS E5
- ESRS S3

ESRS E3 – Water and marine resources

ESRS E3 defines the information that the undertaking shall report on water and marine resources. The undertaking shall account for its water and marine resource matters at its own site locations and in the upstream and downstream value chain, including impacts, risks, opportunities and dependencies, and how it can effectively manage these matters.

Objective of the standard

The objective of the disclosure requirements in the standard is that the undertaking provides clear information in its sustainability reporting on:

- how the undertaking affects water and marine resources, in terms of material positive and negative actual or potential impacts
- any actions taken by the undertaking, and the result of such actions, to prevent or mitigate material actual or potential negative impacts, to protect water and marine resources, also with reference to reduction of water consumption, and to address risks and opportunities
- whether, how and to what extent the undertaking contributes to the ambitions of the European strategy (also known as the European Green Deal) for fresh air, clean water, healthy soil and biodiversity, as well as to the sustainability of industries and sectors related to marine and coastal areas (the blue economy) and fisheries sectors
- the undertaking's plans and capacity to adapt its strategy and business model
- the undertaking's material risks and opportunities arising from its impacts and dependencies on water and marine resources, and how the undertaking manages them
- the financial effects on the undertaking over the short, medium and long term.

Sustainability matters

The standard covers the following:

Water resources

With regard to "water", this standard covers surface water and groundwater. It includes disclosure requirements on water consumption in the undertaking's activities, products and services, and related information on water withdrawals and wastewater discharges.

Marine resources

With regard to "marine resources", this standard covers the extraction and use of such resources, and associated economic activities.

Disclosure requirements

The undertaking shall provide the following information to meet the objective of the standard:

Governance

- No specific requirements

Strategy

- No specific requirements

Management of impacts, risks and opportunities

- **ESRS 2 IRO-1:** The undertaking shall describe the process to identify material impacts, risks and opportunities and provide information on:
  - whether and how it has screened its assets and activities in order to identify its actual and potential water and marine resource-related impacts, risks and opportunities in its own operations and in its upstream and downstream value chain, and, if so, the methodologies, assumptions and tools used in the screening
  - whether and how it has conducted consultations, in particular with affected communities
- **E3-1:** The undertaking shall describe its policies adopted to manage its material impacts, risks and opportunities related to water and marine resources
- **E3-2:** The undertaking shall disclose its water and marine resources-related actions and the resources allocated to their implementation.

Metrics and targets

- **E3-3:** The undertaking shall disclose the water and marine resources-related targets it has set
- **E3-4:** The undertaking shall disclose information on its water consumption performance related to its material impacts, risks and opportunities
- **E3-5:** The undertaking shall disclose the anticipated financial effects of material water and marine resources-related impacts, risks and opportunities.

Exemptions from the requirements

- **E3-5** – The undertaking may omit the information prescribed by E3-5 for the first year of preparation of its sustainability reporting. The undertaking may comply with ESRS E3-5 by only reporting qualitative disclosures for the first three years of preparation of its sustainability reporting.

Other standards related to this standard

- ESRS 1
- ESRS 2
- ESRS E1
- ESRS E2
- ESRS E4
- ESRS E5
- ESRS S3

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ESRS E4 – Biodiversity and ecosystems

ESRS E4 defines disclosure requirements for the undertaking's impacts on 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 indigenous peoples and other affected communities.

Objective of the standard

The objective of the disclosure requirements in the standard is that the undertaking provides clear information in its sustainability reporting on:

- how the undertaking affects biodiversity and ecosystems
- any actions taken by the undertaking to prevent or mitigate material negative, actual or potential impacts and to protect and restore biodiversity and ecosystems, and to address risks and opportunities
- the undertaking's plans and capacity to adapt its strategy and business model
- material risks, dependencies and opportunities related to biodiversity and ecosystems, and how the undertaking manages them
- financial effects on the undertaking over the short, medium and long term.

Sustainability matters

The standard covers the following:

Biodiversity

Biodiversity refers to the variability among living organisms from all sources, including terrestrial, freshwater, marine and other aquatic ecosystems, and the ecological complexes of which they are part.

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Disclosure requirements

The undertaking shall provide the following information to meet the objective of the standard:

Governance

- No specific requirements

Strategy

- **E4-1:** The undertaking shall disclose where its impacts, dependencies, risks and opportunities originate from, and how they can trigger adaptation of its strategy and business model
- **SBM-3:** The undertaking shall disclose a list of material sites, including those under its operational control in relation to the disclosures in ESRS 2 IRO-1.

Management of impacts, risks and opportunities

- **ESRS 2 IRO-1:** Description of the undertaking's process to identify material impacts, risks, dependencies and opportunities
- **E4-2:** Policies for managing the undertaking's material impacts, risks, dependencies and opportunities related to biodiversity and ecosystems
- **E4-3:** Actions and resources allocated to their implementation.

Metrics and targets

- **E4-4:** Targets set to support the undertaking's biodiversity and ecosystem policies and address its material related impacts, dependencies, risks and opportunities
- **E4-5:** Metrics related to the undertaking's material impacts on biodiversity and ecosystems
- **E4-6:** Anticipated financial effects of material biodiversity- and ecosystem-related risks and opportunities.

Exemptions from the requirements

- Undertakings or groups which, at their balance sheet dates, do not exceed an average number of employees of 750 during the financial year (on a consolidated basis, where applicable), may omit all information in the standard for the first two years of preparation of their sustainability reporting
- **E4-6** – Undertakings that cannot make use of the above exemption may omit the information prescribed by E4-6 for the first year of preparation of their sustainability reporting. Undertakings may comply with E4-6 by reporting only qualitative disclosures for the first three years of preparation of their sustainability reporting.

Other standards related to this standard

- ESRS 1
- ESRS 2
- ESRS E1
- ESRS E2
- ESRS E3
- ESRS E5
- ESRS S3

ESRS E5 – Resource use and circular economy

ESRS E5 defines the information that the undertaking shall report on resource use and circular economy. The disclosure requirements relate particularly to:

a) Resource inflows, including the circularity of material resource inflows, considering renewable and non-renewable resources

b) Resource outflows, including information on products and materials

c) Waste.

Objective of the standard

The objective of the disclosure requirements in the standard is that the undertaking provides clear information in its sustainability reporting on:

- how the undertaking affects resource use, including resource efficiency, avoiding the depletion of resources
- and the sustainable sourcing and use of renewable resources
- any actions taken, and the result of such actions, to prevent or mitigate actual or potential negative impacts arising from resource use
- the undertaking's plans and capacity to adapt its strategy and business model
- material risks and opportunities related to the undertaking's impacts and dependencies
- financial effects of material risks and opportunities on the undertaking over the short, medium and long term.

Sustainability matters

The standard covers the following:

Circular economy

Circular economy means an economic system in which the value of products, materials and other resources in the economy is maintained for as long as possible, enhancing their efficient use in production and consumption, thereby reducing the environmental impact of their use, and minimising waste and the release of hazardous substances at all stages of their life cycle, including through the application of the waste hierarchy. The goal is to maximise and maintain the value of the technical and biological resources, products and materials by creating a system that allows for durability, optimal use or reuse, refurbishment, remanufacturing, recycling and nutrient cycling.

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Disclosure requirements

The undertaking shall provide the following information to meet the objective of the standard:

Governance

- No specific requirements

Strategy

- No specific requirements

Management of impacts, risks and opportunities

- **ESRS 2 IRO-1:** The undertaking shall describe the process to identify material impacts, risks and opportunities related to resource use and circular economy, in particular regarding resource inflows, resource outflows and waste, and provide information on:
  - whether the undertaking has screened its assets and activities in order to identify its actual and potential impacts, risks and opportunities in its own operations and in its upstream and downstream value chain, and, if so, the methodologies, assumptions and tools used in the screening
  - whether and how the undertaking has conducted consultations, in particular with affected communities.
- **E5-1:** Policies for managing the undertaking's material impacts, risks and opportunities related to resource use and circular economy
- **E5-2:** Actions regarding resource use and circular economy and resources allocated to their implementation.

Metrics and targets

- **E5-3:** Information on the undertaking's resource use and targets for the circular economy
- **E5-4:** Information on the undertaking's resource inflows related to its material impacts, risks and opportunities
- **E5-5:** Information on the undertaking's resource outflows, including waste, related to its material impacts, risks and opportunities
- **E5-6:** Anticipated financial effects from material risks and opportunities arising from resource use and circular economy-related impacts.

Exemptions from the requirements

- **E5-6** – The undertaking may omit the information prescribed by E5-6 for the first year of preparation of its sustainability reporting. In addition, the undertaking may comply with ESRS E5-6 by reporting only qualitative disclosures for the first three years of preparation of its sustainability reporting.

Other standards related to this standard

- ESRS 1
- ESRS 2
- ESRS E1
- ESRS E2
- ESRS E3
- ESRS E4
- ESRS S3

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ESRS S1 – Own workforce

ESRS S1 defines the information that the undertaking shall report on its own workforce. The undertaking shall disclose its strategy used to identify and manage any material impacts on its own workforce in relation to the social factors or matters mentioned in the standard, and the risks and opportunities associated with its impact. The objective of the standard is also to enable users to understand the extent to which the undertaking aligns or complies with international and European human rights conventions.

Objective of the standard

The objective of the disclosure requirements in the standard is that the undertaking provides clear information in its sustainability reporting on:

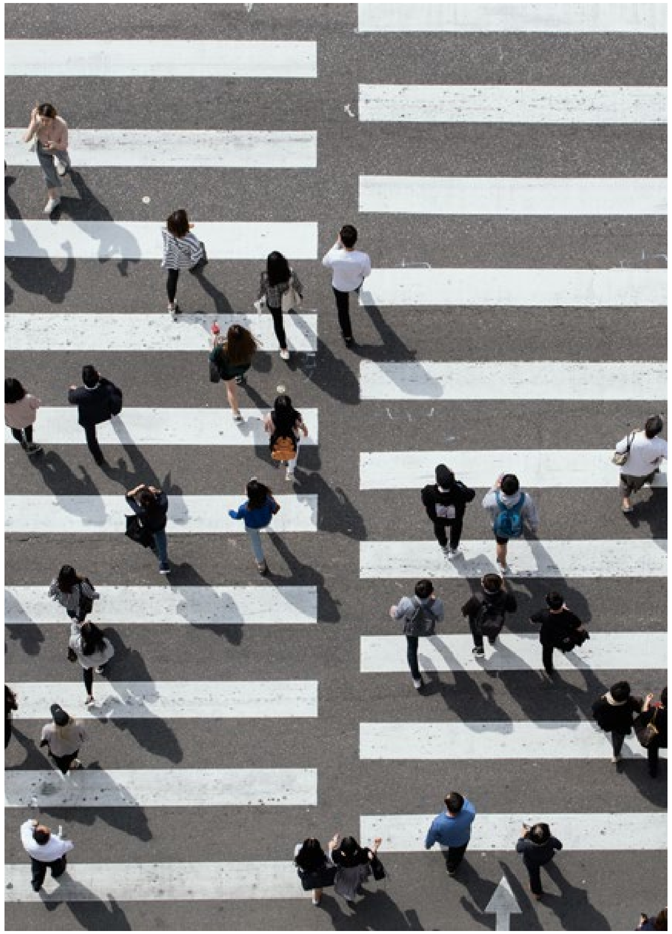
- how the undertaking affects its own workforce
- any actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential negative impacts, and to address risks and opportunities
- material risks and opportunities related to the undertaking's impacts and dependencies on its own workforce, and how the undertaking manages them
- financial effects on the undertaking over the short, medium and long term.

Sustainability matters

The standard covers the following:

Own workforce

Own workforce comprises both people in an employment relationship with the undertaking ("employees") and non-employees who are either people with contracts with the undertaking to supply labour ("self-employed people") or people provided by undertakings primarily engaged in "employment activities" (e.g., temporary employment agencies).



Disclosure requirements

The undertaking shall provide the following information to meet the objective of the standard:

Governance

- No specific requirements

Strategy

- **ESRS 2 SBM-2:** How the interests, views and rights of people in the undertaking's own workforce, including respect for their human rights, inform its strategy and business model
- **ESRS 2 SBM-3:** The information about the undertaking's most material impacts, risks and opportunities, and how they affect its strategy and business models:
  - whether and how the actual and potential impacts on the undertaking's own workforce:
    - i) originate from or are connected to the undertaking's strategy and business models, and
    - ii) inform and contribute to adapting the undertaking's strategy and business model
  - the relationship between the undertaking's material risks and opportunities arising from impacts and dependencies on own workforce and its strategy and business model
  - whether all people in the undertaking's own workforce who could be materially affected by the undertaking are included in the scope of its disclosure.

Management of impacts, risks and opportunities

- **S1-1:** Policies for managing the undertaking's material impacts on its own workforce as well as associated material risks and opportunities
- **S1-2:** Information about the undertaking's general processes for engaging with people in its own workforce and workers' representatives about actual and potential impacts on them
- **S1-3:** Description of the processes that the undertaking has in place to provide for or cooperate in the remediation of negative impacts on people in its own workforce, as well as channels available to its own workforce to raise concerns and have them addressed
- **S1-4:** Information on how the undertaking takes actions to address material negative and positive impacts, manage material risks and pursue material opportunities related to its own workforce, and the effectiveness of those actions.

Metrics and targets

- **S1-5:** The undertaking's time-bound and outcome-related targets, which it may have set to:
  - reduce negative impacts on its own workforce, and/or
  - advance positive impacts on its own workforce, and/or
  - manage material risks and opportunities related to its own workforce.
- **S1-6:** Description of key characteristics of employees in the undertaking's own workforce
- **S1-7:** Description of key characteristics of non-employees in the undertaking's own workforce
- **S1-8:** Information on the extent to which the working conditions and terms of employment of the undertaking's employees are determined or influenced by collective bargaining agreements and on the extent to which its employees are represented in social dialogue in the European Economic Area (EEA) at the establishment and European level
- **S1-9:** Gender distribution at top management and age distribution among the undertaking's employees
- **S1-10:** Information on whether or not the undertaking's employees are paid an adequate wage and, if they are not paid an adequate wage, the countries and percentage of employees concerned
- **S1-11:** Information on whether the undertaking's employees are covered by social protection against loss of income due to major life events and, if not, the countries where this is not the case
- **S1-12:** The percentage of the undertaking's own employees with disabilities
- **S1-13:** Information on the extent to which training and skills development are provided to the undertaking's employees
- **S1-14:** Information on the extent to which the undertaking's own workforce is covered by its health and safety management system and the number of incidents associated with work-related injuries, ill health and fatalities of its own workforce. In addition, it shall disclose the number of fatalities as a result of work-related injuries and work-related ill health of other workers working at the undertaking's sites.
- **S1-15:** Work-life balance metrics, including the extent to which employees are entitled to and make use of family-related leave
- **S1-16:** Metrics for the percentage gap in pay between the undertaking's female and male employees and the ratio between the remuneration of its highest paid individual and the median remuneration for its employees
- **S1-17:** The number of work-related incidents and/or complaints and severe human rights impacts within the undertaking's own workforce, and any related material fines, sanctions or compensation for the reporting period.

Exemptions from the requirements

- Undertakings or groups which, at their balance sheet date, do not exceed an average number of employees of 750 during the financial year (on a consolidated basis, if applicable) may omit the information specified in S1 for the first year of preparation of their sustainability reporting
- **S1-7, S1-11, S1-12 , S1-13 og S1-15** – The undertaking may omit to report on all data points in these disclosure requirements for the first year of preparation
- **S1-8** – The undertaking may omit this disclosure requirement with regard to its own employees in non-EEA countries for the first year of preparation of its sustainability reporting
- **S1-14** – The undertaking may omit the data points on cases of work-related ill health and on number of work days lost due to injuries, accidents, fatalities and work-related ill health and on workers not employed for the first year of preparation of its sustainability reporting.

Other standards related to this standard

- ESRS 1
- ESRS 2
- ESRS S2
- ESRS S3
- ESRS S4

ESRS S2 – Workers in the value chain

ESRS S2 defines information that the undertaking shall report on its material impacts on its employees in the value chain. The information to be reported relates to working conditions, equal treatment and equal opportunities for all and other work-related rights.

Objective of the standard

The objective of the disclosure requirements in the standard is that the undertaking provides clear information in its sustainability reporting on:

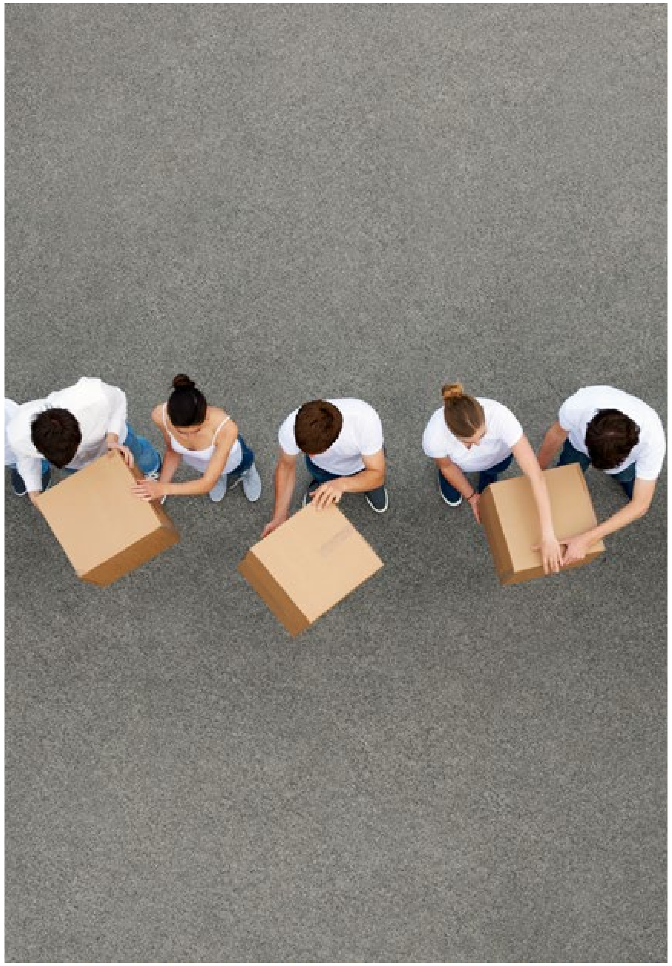
- how the undertaking affects workers in its value chain
- any actions taken, and the result of such actions, to prevent, mitigate or remediate actual or potential negative impacts, and to address risks and opportunities
- material risks and opportunities, including those relating to the undertaking's impacts and dependencies on workers in the value chain, and how the undertaking manages them
- financial effects on the undertaking over the short, medium and long term.

Sustainability matters

The standard covers the following:

Value chain workers

An individual working in the enterprise's upstream or downstream value chain who is or can be materially impacted by the enterprise, including impacts that are connected with the enterprise's own operations and value chain, including through its products or services, and through its business relationships. This includes all workers who are not included in the scope of "own workforce".



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Disclosure requirements

The undertaking shall provide the following information to meet the objective of the standard:

Governance

- No specific requirements

Strategy

- **ESRS 2 SBM-2:** The undertaking shall disclose how its strategy and business model take into account the interests, views and rights of its value chain workers that could be materially impacted by the undertaking, including respect for their human rights
- **ESRS 2 SBM-3:** Description of the undertaking's material impacts, risks and opportunities and how these influence the undertaking's strategy and business model, including:
  - whether and how actual and potential impacts on value chain workers
    - i) originate from or are connected with the undertaking's strategy and business models, and
    - ii) inform and contribute to adapting the undertaking's strategy and business model
  - the relationship between, on the one hand, its material risks and opportunities arising from impacts and dependencies on value chain workers and, on the other hand, its strategy and business model
  - whether all value chain workers who are likely to be materially impacted by the undertaking are included in the scope of its disclosure.

Management of impacts, risks and opportunities

- **S2-1:** Description of the undertaking's policies adopted to manage its material impacts on value chain workers, and associated material risks and opportunities
- **S2-2:** Information on the undertaking's general processes for engaging with value chain workers and their representatives about actual and potential impacts on them
- **S2-3:** Description of the processes the undertaking has in place to provide for or cooperate in the remediation of negative impacts on value chain workers, and channels available to value chain workers to raise concerns and have them addressed
- **S2-4:** Information on how the undertaking takes action to address material impacts on value chain workers and to manage material risks and pursue material opportunities related to value chain workers, and the effectiveness of those actions.

Metrics and targets

- **S2-5:** Information on the time-bound and outcome-oriented targets the undertaking may have set to:
  - reduce negative impacts on value chain workers, and/or
  - advance positive impacts on value chain workers, and/or
  - manage material risks and opportunities related to chain workers.

Exemptions from the requirements

- Undertakings which, at their balance sheet dates, do not exceed an average number of employees of 750 during the financial year, may omit all information in the standard for the first two years of preparation of their sustainability reporting.

Other standards related to this standard

- ESRS 1
- ESRS 2
- ESRS S1
- ESRS S3
- ESRS S4

ESRS S3 – Affected communities

ESRS S3 defines information about communities affected by the undertaking. Information to be reported covers the impact on these communities' economic, social and cultural rights, their civil and political rights, and the particular rights of indigenous peoples.

Objective of the standard

The objective of the disclosure requirements in the standard is that the undertaking provides clear information in its sustainability reporting on:

- how the undertaking affects communities in areas where impacts are most likely to be present and severe
- any actions taken, and the result of such actions, to prevent, mitigate or remediate risks and opportunities
- material risks and opportunities related to the undertaking's impacts and dependencies on affected communities, and how the undertaking manages them
- financial effects on the undertaking over the short, medium and long term

Sustainability matters

The standard covers the following:

Affected communities

Individuals or groups who live or work in the same area as the enterprise and who have been or could be affected by the enterprise's activities or through its upstream or downstream value chain. Affected communities can range from those living near the activities of the enterprise (local communities) to those living further away. Affected communities include actually and potentially affected indigenous peoples.

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Disclosure requirements

The undertaking shall provide the following information to meet the objective of the standard:

Governance

- No specific requirements

Strategy

- **ESRS 2 SBM-2:** The undertaking shall disclose how its strategy and business model take into account the interests, views and rights of its affected communities that could be materially impacted by the undertaking, including respect for their human rights
- **ESRS 2 SBM-3:** Description of the undertaking's material impacts, risks and opportunities and how these influence the undertaking's strategy and business model, including:
  - whether and how actual and potential impacts on affected communities
    - i) originate from or are connected with the undertaking's strategy and business models, and
    - ii) inform and contribute to adapting the undertaking's strategy and business model
  - the relationship between, on the one hand, its material risks and opportunities arising from impacts and dependencies on affected communities and, on the other hand, its strategy and business model
  - whether all affected communities who are likely to be materially impacted by the undertaking are included in the scope of its disclosure.

Management of impacts, risks and opportunities

- **S3-1:** Description of the undertaking's policies adopted to manage its material impacts on affected communities, and associated material risks and opportunities
- **S3-2:** Information on the undertaking's general processes for engaging with affected communities and their representatives about actual and potential impacts on them
- **S3-3:** Description of the processes the undertaking has in place to provide for or cooperate in the remediation of negative impacts on affected communities, and channels available to affected communities to raise concerns and have them addressed
- **S3-4:** Information on how the undertaking takes action to address material impacts on affected communities and to manage material risks and pursue material opportunities related to affected communities, and the effectiveness of those actions.

Metrics and targets

- **S3-5:** Information on the time-bound and outcome-oriented targets the undertaking may have set to:
  - reduce negative impacts on affected communities, and/or
  - advance positive impacts on affected communities, and/or
  - manage material risks and opportunities related to affected communities.

Exemptions from the requirements

- Undertakings which, at their balance sheet dates, do not exceed an average number of employees of 750 during the financial year, may omit all information in the standard for the first two years of preparation of their sustainability reporting.

Other standards related to this standard

- ESRS 1
- ESRS 2
- ESRS S1
- ESRS S2
- ESRS S4

ESRS S4 – Consumers and end-users

ESRS S4 defines information on how the undertaking's operations affect consumers and end-users. Information to be reported covers impacts on consumers and/or end-users related to the undertaking's products and/or services in relation to information-related impacts on consumers and/or end-users (e.g., privacy, freedom of expression and access to information), and personal safety and social inclusion of consumers and/or end-users.

Objective of the standard

The objective of the disclosure requirements in the standard is that the undertaking provides clear information in its sustainability reporting on:

- how the undertaking affects the consumers and/or end-users of its products and/or services
- any actions, and the result of such actions, to prevent, mitigate or remediate impacts, and to address risks and opportunities
- material risks and opportunities related to the undertaking's impacts and dependencies on consumers and end-users, and how the undertaking manages them
- financial effects of material risks and opportunities on the undertaking over the short, medium and long term.

Sustainability matters

The standard covers the following:

Consumers

Individuals who acquire, consume or use goods and services for personal use, either for themselves or for others, and not for resale, commercial or trade, business, craft or profession purposes.

End-users

Individuals who ultimately use or are intended to ultimately use a particular product or service.

Disclosure requirements

The undertaking shall provide the following information to meet the objective of the standard:

Governance

- No specific requirements

Strategy

- **ESRS 2 SBM-2:** The undertaking shall disclose how the interests, views and rights of its consumers and/or end-users, including respect for their human rights, inform its strategy and business model.
- **ESRS 2 SBM-3:** Description of the undertaking's material impacts, risks and opportunities and how these influence the undertaking's strategy and business models, including:
  - whether and how actual and potential impacts on consumers and/or end-users
    - i) originate from or are connected with the undertaking's strategy and business models, and
    - ii) inform and contribute to adapting the undertaking's strategy and business model
  - the relationship between its material risks and opportunities arising from impacts and dependencies on consumers and/or end-users and its strategy and business model
  - information on whether all consumers and/or end-users who are likely to be materially impacted by the undertaking are included in the scope of its disclosure.

Management of impacts, risks and opportunities

- **S4-1:** Description of the undertaking's policies adopted to manage its material impacts of its products and/or services on consumers and end-users, as well as associated material risks and opportunities
- **S4-2:** Processes for engaging with consumers and/or end-users and their representatives about actual and potential impacts on them
- **S4-3:** Description of the processes the undertaking has in place to provide for or cooperate in the remediation of negative impacts on consumers and/or end-users that the undertaking is connected with, and channels available to consumers and/or end-users to raise concerns and have them addressed
- **S4-4:** The undertaking's actions to address material impacts on consumers and end-users, managing material risks and pursuing material opportunities related to consumers and end-users, and the effectiveness of those actions.

Metrics and targets

- **S4-5:** The undertaking's time-bound and outcome-oriented targets it may have set to:
  - reduce negative impacts on consumers and/or end-users, and/or
  - advance positive impacts on consumers and/or end-users, and/or
  - manage material risks and opportunities related to consumers and/or end-users.

Exemptions from the requirements

- Undertakings which, at their balance sheet dates, do not exceed an average number of employees of 750 during the financial year, may omit all information in the standard for the first two years of preparation of their sustainability reporting.

Other standards related to this standard

- ESRS 1
- ESRS 2
- ESRS S1
- ESRS S2
- ESRS S3

ESRS G1 – Business conduct

ESRS G1 defines the information relating to business conduct.

Objective of the standard

The objective of the disclosure requirements in the standard is that the undertaking provides clear information in its sustainability reporting on its strategy and approach, processes and procedures, and its performance in respect of business conduct.

Sustainability matters

The standard covers the following:

Business conduct

For the purposes of this standard, the following factors are collectively referred to as business conduct matters:

(a) Business ethics and corporate culture, including anti-corruption and anti-bribery, the protection of whistleblowers, and animal welfare

(b) The management of relationships with suppliers, including payment practices, especially with regard to late payment to SMEs

(c) Activities and commitments of the enterprise related to exerting its political influence, including its lobbying activities.

Disclosure requirements

The undertaking shall provide the following information to meet the objective of the standard:

Governance

- **ESRS 2 GOV-1:** When the undertaking discloses information about the role of the administrative, management and supervisory bodies, it shall cover the following aspects:
  - Their role related to business conduct
  - Their expertise on business conduct matters.

Strategy

- No specific requirements

Management of impacts, risks and opportunities

- **ESRS 2 IRO-1:** Description of the process to identify material impacts, risks and opportunities
- **G1-1:** The undertaking's policies with respect to business conduct matters and how it fosters its corporate culture
- **G1-2:** Information about the management of the undertaking's relationships with its suppliers and its impacts on its supply chain
- **G1-3:** Information on the undertaking's system to prevent, detect, investigate and respond to allegations or incidents relating to corruption and bribery, including related training.

Metrics and targets

- **G1-4:** Information on incidents of corruption or bribery during the reporting period
- **G1-5:** Information on the activities and commitments related to exerting the undertaking's political influence, including its lobbying activities related to its material impacts, risks and opportunities
- **G1-6:** Information on the undertaking's payment practices, especially with respect to late payment to SMEs.

Exemptions from the requirements

No exemptions

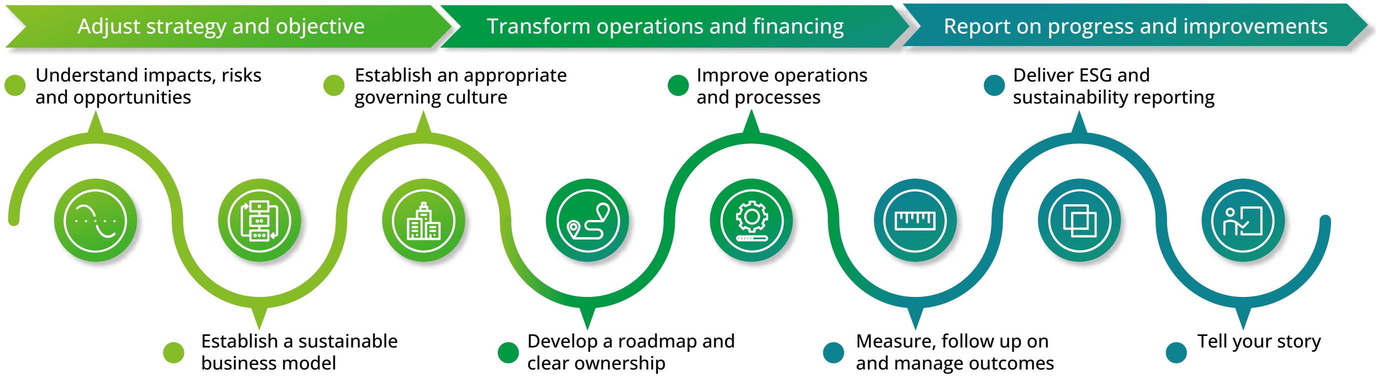
Other standards related to this standard

- ESRS 1
- ESRS 2

Deloitte on sustainability reporting

For more than 20 years, Deloitte has helped clients develop on their journey towards creating sustainable value for their stakeholders – from investors, customers and business partners to regulators, authorities, and society at large. We provide guidance to our clients when they redefine strategies, integrate sustainability into their operations, respond to new rules and expectations of transparency, and help them facilitate the necessary transformation.

Through innovative and digital solutions, deep industry experience and experience from our own journey, we at Deloitte work with our clients to integrate sustainability in a meaningful manner in decision-making and in their various operations.



To support the development of sustainability reporting, we at Deloitte offer a wide range of tools and publications:

iGAAP in Focus newsletters are issued when new or revised Standards and Interpretations, draft exposures and discussion papers are released, including summaries of the documents and considerations on key changes/proposals covering the development of corporate reporting worldwide.

Deloitte iGAAP publications provide comprehensive guidance to undertakings presenting their financial statements under International Financial Reporting Standards (IFRS) and for those considering transitioning to IFRS in the near future.

In addition to IFRS, iGAAP provides guidance on disclosure requirements and recommendations on corporate sustainability reporting.

Deloitte Accounting Research Tool (DART) is a comprehensive online library with information on legislation and standards regarding corporate financial reporting (e.g., IFRS) and sustainability reporting. DART contains Deloitte iGAAP which, in addition to Deloitte's interpretations of IFRS, now also includes guidance on disclosure requirements and recommendations that undertakings should consider with respect to Environmental, Social and Governance topics.

IAS Plus is one of the most comprehensive sources of global financial reporting news on the Internet. It is also a central archive of information on the development of corporate sustainability reporting worldwide.

Deloitte's website Sustainability & Climate presents how we at Deloitte advise our clients towards a more sustainable future. It also contains links to our newsletters and other sources of information relevant to Danish undertakings.

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