

EXPLANATORY NOTE

of how the draft Amended ESRS take account of the initiatives and legislation listed in Article 1(8) of the CSRD adding Article 29(b)-5 to the Accounting Directive.

 DECEMBER 2025



Disclaimer: This Explanatory Note accompanies but is not part of the draft amended ESRS. It does not reflect the position of the European Union or the European Commission DG Financial Stability, Financial Services and Capital Markets Union (DG FISMA).

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PURPOSE OF THIS DOCUMENT AND GENERAL APPROACH

EFRAG was requested by the European Commission ('EC') in March 2025 to elaborate its technical advice for the simplification of the ESRS enacted in 2023 (Draft Amended ESRS, approved by the EFRAG SRB on 28 November

2025 and issued on 3 December 2025). This document accompanies the EFRAG advice to the European Commission for Amended ESRS.

According to the Directive of the European Parliament and of the Council amending Directive 2013/34/EU, Directive 2004/109/EC, Directive 2006/43/EC and Regulation (EU) No 537/2014, as regards corporate sustainability reporting ('CSRD'), when adopting delegated acts pursuant to Articles 29b and 29c, the Commission shall take into consideration technical advice from EFRAG, provided that such advice (i.e. technical advice for Amended ESRS) is accompanied by an explanation of how the advice takes account of the initiatives and legislation listed in Article 1 (8) of CSRD that is introducing article 29b in the Accounting Directive 2013/34/EU (in the rest of document referred to as Article 29b).

This document explains how the initiatives and legislation listed in Article 29(b)(5) have been incorporated and/or referenced to by EFRAG in the preparation of the Amended ESRS. It updates the corresponding Explanatory Note issued in November 2022 and it is not limited to the explanation of how the changes to the Standards have affected the incorporation of and/or the references to those initiatives and legislation.

This explanatory note is accompanied by an annex which:

- (a) maps Article 29(b)(5)(a) to (j) with the respective legislation and initiatives mentioned in (a) to (j) differentiating between (i) EU sources and (ii) other sources;
- (b) introduces the subject of the respective legislation and initiatives; and
- (c) shows where in the Amended ESRS the respective legislation and initiative have been considered.

In developing the Amended ESRS, the EFRAG SRB endeavoured to the greatest extent possible to take account of the EU legislation and international instruments detailed in the aforementioned Article 29b and the Omnibus proposals issued by the European Commission in February 2025, as described in the Basis for Conclusions that accompany the Amended ESRS.

This document has been developed starting from the content of the Explanatory note issued in conjunction with the Technical Advice on ESRS Set 1 issued in November 2022 by EFRAG, updating that note for changes in the Amended ESRS and in the regulation and legislation intervened since that note was issued.

The approach taken in developing the ESRS Set 1 issued in November 2022 and the Amended ESRS was to embed the indicators and/or datapoints stemming from the initiatives and legislation when possible or, when not possible, to ensure that the information requested by the specific EU legislation described therein would be easily identified in the Amended ESRS. In relation to the EU datapoints derived, specifically the so-called Sustainable Finance Disclosure

Regulation datapoints, the Amended ESRS do not take into account potential amendments arising from the revisions to Regulation (EU) 2018/2008; Appendix 6 of the Basis for Conclusion illustrates how the EU datapoints in Appendix A of Amended ESRS 2 General Disclosures have been modified.

Regarding global reporting standards, the Amended ESRS strive to strengthen interoperability with standards such as the ISSB Standards and GRI Standards where the amendments are compatible with the CSRD provisions and the Omnibus mandate. For ISSB Standards, the revision builds on the very high-level interoperability achieved as illustrated by the joint ESRS-ISSB Standards Interoperability Guidance published on 2 May 2024¹ which will be updated for the Amended ESRS. Likewise, for GRI Standards, with the ESRS-GRI Interoperability Index published in December 2023² which will be further updated for the Amended ESRS. This Explanatory note and its Annex do not include the detailed mapping exercise already issued for the aforementioned global reporting standards.

¹ www.efrag.org/sites/default/files/sites/webpublishing/SiteAssets/ESRS-ISSB%20Standards%20Interoperability%20Guidance.pdf

² www.efrag.org/system/files/sites/webpublishing/Meeting%20Documents/2305101050307353/04-02%20draft%20ESRS-GRI%20Interoperability%20Index%20SR%20TEG%20meeting%205%20December.pdf

SPECIFIC INITIATIVES, LEGISLATION, AND REFERENCES

1. Regulation (EU) 2019/2088 – Sustainability related disclosures in the financial services sector (SFDR)

The SFDR Principal Adverse Impacts (PAI) indicators were incorporated in the relevant cross cutting (Amended ESRS 2 *General disclosures*) or topical standards (Amended ESRS E1/E5, S1/S4, G1). This includes the indicators in Table 1 (applicable to investments in investee companies), Table 2 (additional climate and other environment-related indicators) and Table 3 (additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters) for the ESRS as enacted in 2023.

Following the Omnibus mandate, EFRAG notes that the general objectives of the CSRD have not changed (i) of supporting the creation of the data infrastructure necessary for implementing the SFDR and (ii) considering the different EU regulations that require appropriate information from undertakings. In the ESRS adopted on 31 July 2023, all the related datapoints were added to the ESRS regardless of their relevance, including all optional SFDR PAI Indicators. In the simplification exercise, the datapoints identified as corresponding to SFDR PAI in the ESRS as enacted in 2023 have been scrutinised for their relevance and usefulness and amendments were made to address the most relevant issues and the possibility of deriving the SFDR PAI from information already required under ESRS. Selected deletions and amendments were made. As a result, the datapoints with SFDR PAI correspondence included in Amended ESRS are primarily maintained due to their relevance. A summary of the changes made to SFDR datapoints has been included in the Chapter 6 of the Basis for Conclusions.

To create the necessary data infrastructure for financial market participants to be able to fulfil their SFDR obligations, the Amended ESRS mandate the disclosure of a table of the SFDR datapoints, indicating where they can be found in the sustainability statement or, for those that the undertaking has assessed as not material, that they are not material.

To facilitate the identification of the SFDR datapoints in the text of the Amended ESRS, Appendix A of ESRS 2 *General disclosures* identifies the corresponding datapoints in all the Amended ESRS.

2. Regulation (EU) 2020/852- Sustainable Finance Taxonomy

The undertakings subject to the scope of the CSRD are also obliged to disclose information required by Article 8 of the Regulation (EU) 2020/852 (Taxonomy Regulation) in conjunction with the Commission Delegated Regulation (EU) 2021/2178 and in conjunction with technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to the protection and restoration of biodiversity and ecosystems. Also, the Taxonomy Regulation in its Article 8(2) requires undertakings to disclose information such as the proportion of the turnover, capital expenditure ('CapEx') and operating expenditure

(‘OpEx’) or on their green asset ratio associated with economic activities that qualify as environmentally sustainable (‘Taxonomy disclosure’) for credit institutions.

The Amended ESRS do not impose additional obligations to the undertakings in connection with these Regulations, nor interfere with the content of the definitions and specifications contained in the Regulatory Technical Standards. At the same time, the sustainability statements prepared in compliance with Amended ESRS offer a location for the Taxonomy disclosure that will facilitate their understanding in the context of the undertaking’s overall sustainability reporting. Consistent with this approach, Amended ESRS 1 *General requirements* contains a sort of ‘placeholder’ for the Taxonomy disclosure (Amended ESRS 1 Paragraph 107), in requiring that the undertaking reports the disclosures pursuant to Article 8 of the Taxonomy regulation (2020/852) in an identifiable part of the management report.

In addition, the following examples below include Disclosure Requirements from the Amended ESRS whose information may be useful or related to Taxonomy regulation:

- Amended ESRS 2 GDR-A includes a requirement to disclose financial resources allocated or expected to be allocated to the implementation of key actions;
- Amended ESRS S1 *Own workforce*, Amended ESRS S2 *Workers in the value chain*, Amended ESRS S3 *Affected communities* and Amended ESRS S4 *Consumers and end-users* have been designed to be aligned with the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises (MNE) and, therefore, with the EU Taxonomy ‘minimum safeguards’ criterion. Likewise, ESRS 2 GOV-3 includes a requirement for undertakings to explain how the main steps of the due diligence process are reflected in its sustainability statement.

3. EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks

To allow for the implementation of the obligations related to the EU Climate Transition Benchmarks, Amended ESRS E1 *Climate Change* has a specific Disclosure Requirement (E1-1 Transition plan for climate change mitigation) that requires the undertaking to disclose its plans to ensure that its business model and strategy are or will be compatible with the transition to a sustainable economy, and with the limiting of global warming to 1.5°C in line with the Paris Agreement and with the objective of achieving climate neutrality by 2050 and where relevant, the exposure of the group to coal, oil and gas-related activities.

The provisions from ESRS 2 IRO-2 are also relevant given that they require enhanced transparency for undertakings that conclude that ESRS E1 *Climate Change* is not material. In this regard, undertakings are required to disclose how they reached such conclusion.

4. Capital requirements regulation (CRR)

The prudential requirements for credit institutions require undertakings that are under the CRD to disclose specific sustainability-related information about their lending and investment portfolios, as defined in the relevant implementing standards developed by EBA³.

To support creation of the necessary data infrastructure for credit institutions and investment firms to meet the CRR obligations, Amended ESRS incorporate a limited number of specific datapoints required by the EBA implementing standards. Such datapoints have been identified to reflect the sector-agnostic nature of the amended Standards included in the Amended ESRS, i.e. applicable to all undertakings irrespective of their sector. The Amended ESRS do not take into account potential amendments to Commission Implementing Regulation under the CRR with regard to public disclosures (so called Pillar 3) arising from updates to Regulation (EU) No 575/2013.

Accordingly, the following three datapoints have been included in ESRS E1 and can contribute to data necessary for the EBA implementing standards:

- ESRS E1-11 The carrying amount of assets at material physical risk, before considering climate change adaptation actions, including the relevant time horizons;
- ESRS E1-11 Breakdown of the carrying amount of real estate assets that have been used as loan collaterals by energy-efficiency classes;
- ESRS E1-11, AR 32 for para. 40 (undertaking shall include where relevant the location of its assets at material physical risks aggregated in a way that support faithful representation of its risks).

5. Commission Recommendation of 9 April 2013 on the use of common methods to measure and communicate the life cycle environmental performance of products and organisations

The Commission Recommendation of 9 April 2013 promotes the use of environmental footprint methods in relevant policies and schemes related to the measurement or communication of the life cycle environmental performance of products and organisations.

Draft Amended ESRS E1 *Climate Change* refers (AR20 for paragraphs 28 and 29) to the organisational and products environmental footprint (OEF and PEF) as a method that the undertaking may consider in the preparation of its information for reporting on GHG.

³Commission Implementing Regulation (EU) 2024/3172, of 29 November 2024, laying down implementing technical standards for the application of Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to public disclosures by institutions of the information referred to in Part Eight, Titles II and III, of that Regulation, and repealing Commission Implementing Regulation (EU) 2021/637.

6. EU Emissions Trading Scheme (EU-ETS)

The EU-ETS establishes a scheme for greenhouse gas emission allowance trading within the Community to promote reductions of greenhouse gas emissions in a cost effective and economically efficient manner.

The content of the EU-ETS has been embedded in the Amended ESRS E1 *Climate Change*. Specifically, E1-8 *Gross scope 1, 2, 3 GHG emission* requires the disclosure of the percentage of Scope 1 GHG emissions from EU Emission Trading System and AR 21 allows undertakings to report on Scope 1 emissions following the EU ETS methodologies.

7. European Climate Law

This Regulation establishes a framework for the irreversible and gradual reduction of anthropogenic greenhouse gas emissions by sources and enhancement of removals by sinks regulated in Union law.

The Amended ESRS E1 *Climate Change* seeks to contribute to this objective throughout the Standard, and in particular with DRs E1-1, E1-5, E1-6, E1-7, E1-8 and E1-9.

8. EMAS III Regulation

EMAS III (Regulation (EC) No 1221/2009, Voluntary participation by organisations in a community eco-management and audit scheme) is mainly addressed to improve environmental protection and provide organisations, supervisory authorities and citizens (to the general public) with a tool through which it is possible to obtain information on the environmental performance of organisations. A full mapping of EMAS III has been included in the Annex.

9. EU Whistleblowing Directive

The Directive establishes a legal and institutional framework to protect persons who, in the context of their industrial relations, draw attention to violations or to threats to the public interest or make information on them public.

The following DRs embed the principles of this Directive:

- Amended ESRS S1-2, S2-2, S3-2 and S4-2 *Engagement, existence of channels to raise concerns or needs and approaches to remedy*; and
- Amended ESRS G1-1 *Policies related to business conduct*.

10. Global standard-setting initiatives⁴ for sustainability reporting, and existing standards and frameworks for natural capital accounting and for greenhouse gas accounting, responsible business conduct, corporate social responsibility, and sustainable development

Building on and contributing to the global development of sustainability reporting is and remains a key objective for EFRAG. In this regard, developing a fruitful dialogue with all international initiatives continues to be one of EFRAG's key objectives as it has been from the beginning.

a) Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

Amended ESRS E1 *Climate Change* covers all the disclosures recommended in the TCFD; as such, EU undertakings that comply with ESRS E1 are expected also to be able to claim compliance with the TCFD.

In addition, the architecture of the Amended ESRS mirrors the TCFD four core contents. This will facilitate understanding from undertakings and users already familiar with the TCFD approach. Given that the TCFD was incorporated into the ISSB Standards and therefore those mirrored the structure of four pillars, this is also beneficial for alignment between ESRS and ISSB Standards.

b) GHG Protocol

Amended ESRS E1 has primarily based the calculation guidance of GHG emissions (Disclosure requirement E1-8 and related ARs) on the GHG Protocol. When preparing the information for reporting GHG emissions, the undertaking shall consider the principles, requirements and guidance provided by the GHG Protocol Corporate Standard (version 2004). Definitions of scope 1, 2 and 3 in Appendix A are adapted from the GHG Protocol and its different supplements.

The major difference with the GHG Protocol relates to the definition of the reporting boundaries. The GHG Protocol proposes 3 options for defining the boundaries outside the financially controlled perimeter: equity share, financial control and operational control. Amended ESRS E1 aims at promoting a higher degree of comparability between the undertakings in scope of the CSRD, by requiring the reporting boundary to be set according to financial control in line with the GHG Protocol Corporate Accounting and Reporting Standard (2004). When, due to specific facts and circumstances, the information reported in ESRS E1 paragraph 29(a) and (b) is insufficient to portray the emissions resulting from operated assets that are outside the

⁴ Please note that the content of this section reflects the EFRAG Secretariat's assessment of how the relevant provisions in the third parties' standards or frameworks have been embedded in the Amended ESRS. This content has not been validated by the organisations in charge of the respective standard setting initiatives and frameworks.

reporting boundary, the undertaking shall in addition report GHG scope 1 and 2 emissions calculated on the basis of its operational control boundary as defined by the GHG Protocol Corporate Accounting and Reporting Standard (2004).

c) *Transparent Project and Natural Capital Protocol*

Amended ESRS E4 chose not to follow a natural capital themed approach, but to build the standard around the underlying ecological themes of ecosystems, ecosystem services and species. This makes an alignment with globally accepted framework agreements and concepts such as the Post-2020 Global Biodiversity Framework or planetary boundaries conceptually and practically possible.

Structurally, Amended ESRS E4 reflects TNFD's LEAP-Approach, which also establishes its link to the Natural Capital Protocol as well as the project Transparent :

- Consideration of Natural Capital Protocol: In particular the Step "A(ssess)" of TNFD's LEAP-Approach points to the NatCap-Protocol for implementation and application guidance. Amended ESRS E4 therefore takes the NatCap Protocol into account where it is most sensible and suitable.
- Consideration of the project Transparent : Transparent was a project funded by the LIFE Programme of the European Commission that developed standardised natural capital accounting and valuation principles for business in line with the ambition of the European Green Deal. As impact measurement and valuation play a significant role especially with regard to disclosure on risks and transition plans and pathways, the Transparent project provides a natural capital accounting methodology that may support the implementation of ESRS E4..

d) *Recommendations of the Task Force for Nature Related Financial Disclosure (TNFD)*

TNFD and TCFD are built using the same architecture. As Amended ESRS E1 and Amended ESRS E4 are structured in the same way, Amended ESRS E4 *Biodiversity and ecosystems* is structurally compliant with TNFD. Furthermore, Amended ESRS 1 references TNFD's Locate, Evaluate, Assess and Prepare (LEAP) framework in Amended ESRS 1 Chapter 3 *Double Materiality as the basis for sustainability reporting* (AR 15 for paragraph 33).

e) *Global Circularity Protocol (GCP) / WBCSD*

The Global Circularity Protocol is a framework developed to help organisations measure, manage, and report their circularity performance in a consistent and comparable way. Where possible Amended ESRS E5 *Circular Economy and Resource Use* aligns with the principles of the GCP, particularly in relation to measuring resource inflows, outflows, and circularity performance across the value chain.

f) ISO 59004

ISO 59004 sets out the core principles and guidelines for a circular economy, explaining how organisations can design products, use resources, and manage value chains in ways that retain value and reduce waste. Amended ESRS E5 takes into consideration ISO 59004 principles that apply; particularly in relation to reporting on resource efficiency, waste management, and circularity metrics.

g) Global Reporting Initiative (GRI) Standards

Across all the standards, definitions, concepts and disclosures have been built leveraging the GRI Standards and are fully or, when full alignment was not possible due to the content of the CSRD mandate, closely aligned with GRI. Below we report the key features of this alignment:

- In terms of general approach to materiality, while Amended ESRS adopt double materiality, GRI Standards have a single materiality perspective, the impact materiality. The core definition, criteria and steps for impact materiality are aligned.
- Similar to the GRI Standards, Amended ESRS require the inclusion of own operations and value chain information. GRI provides an omission regime defined in the GRI Universal Standards whereas ESRS has introduced a number of reliefs and provisions. Under the fair presentation principle, all the

information included in sustainability reporting shall meet the qualitative characteristics of the information. However, the mechanism of undue cost or effort is available for reporting on own operations and value chain including metrics, to limit the burden, as well as the possibility to report a partial scope of the metrics when information of the necessary quality is not available. In addition, the preference for the collection of direct data has been eliminated.

- Language on sustainability due diligence has been aligned to the international instruments and, in this way, to GRI Standards.
- GRI allows incorporation by reference to information published in any location. ESRS allow incorporation by reference to other sections of the management report, the financial statements and a limited number of other reports prepared pursuant EU regulations, provided that they meet certain conditions. The approach in ESRS respond to the necessity to ensure that digitalization and assurance are practicable, as foreseen by the CSRD. At the same time, the conditions for the incorporation by reference in ESRS introduce a discipline that allows to respect the principle of understandability and cohesiveness of the information.

Amended ESRS 2 General Disclosures

In relation to GRI 2 General Disclosures, Amended ESRS 2 has been designed to align with this GRI Universal Standard. In summary, Amended ESRS cover the five chapters of GRI 2 General Disclosures as follows:

- GRI 2, Chapter 1 -The organization and its reporting practices. The Basis for preparation section of Amended ESRS 2 covers the same areas with the exception of those aspects that are already defined in the main text of the CSRD (for example, frequency of reporting, or level of assurance)
- GRI 2, Chapter 2 – Activities and workers. The majority of GRI disclosure requirements are included in the Amended ESRS 2 within the Strategy section. However, the workers' related disclosures (i.e. GRI 2-7 Employees and 2-8 Workers who are not employees) are located within Amended ESRS S1 *Own workforce* (i.e., S1-5 *Characteristics of the undertaking's employees* and S1-6 *Characteristics of non-employee workers in the undertaking's own workforce*). S1-6 covers non-employee workers who are either individuals with contracts with the undertaking to supply labour ("self-employed people") or workers provided by undertakings primarily engaged in "employment activities" (NACE Code N78), while GRI 2-8 has a broader scope and covers workers who are not employees and whose work is controlled by the organisation.
- GRI 2, Chapter 3- Governance. The Governance section of Amended ESRS 2 is aligned in several aspects with the GRI 2 disclosures, in particular the ones that relate to the governance of sustainability matters as this is the scope of the Amended ESRS as per the final text of the CSRD. Therefore, the key difference between the GRI governance related disclosures from the Universal Standards and the Amended ESRS 2 lies on the scope of the governance matters as GRI disclosures also include issues already covered by the corporate governance statements (rather than the sustainability statements). In addition, Disclosure 2-21 Annual total compensation ratio is located within S1-15 *Remuneration metrics* and it has been aligned with the SFDR PAI on the same subject.
- GRI 2, Chapter 4- Strategy, policies and practices. The Amended ESRS 2 includes a number of the GRI disclosures within the various sections of this cross-cutting standard (i.e. Governance, Strategy, IRO Management) following the four pillar architecture of the Amended ESRS. The disclosures on the policy commitment to respect human rights (under GRI 2-23) is included in ESRS 2 GDR-P *General Disclosure Requirements for Policies* and the processes to remediate negative impacts (GRI 2-25) are included in ESRS S1-S4 DR 2 *Engagement, existence of channels to raise concerns or needs and approaches to remedy*.
- GRI 2, Chapter 5- Stakeholder engagement. The GRI 2-29 *Approach to stakeholder engagement* has been covered within the stakeholder engagement related disclosures of the Amended ESRS 2 (i.e. SBM 2- *Interests and views of stakeholders*) and the Disclosure contents on policies, actions and resources. In addition, for the ESRS S1-S4, the social standards include a disclosure requirement on stakeholder engagement (i.e. ESRS S1/S2/S3/S4 DR 2 *Engagement, existence of channels to raise concerns*

or needs and approaches to remedy). In addition, GRI 2-30 *Collective bargaining agreements* has been reflected in S1-7 *Collective bargaining and social dialogue*.

- GRI 3 – SBM-3 and IRO disclosures are aligned with GRI 3 disclosures, when it comes to impact materiality. The ESRS Disclosure Content policies, actions and resources and targets have been designed to comply with the requirements set out in the final text of the CSRD which, in turn, embed the due diligence principles, also core to GRI 3-3 *Management of material topics*.

f) IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures

The content of Amended ESRS 1, Amended ESRS 2 and Amended ESRS E1 have been built to integrate to the maximum extent possible the content of the IFRS S1 and S2.

EFRAG and the IFRS foundation issued a joint ESRS-ISSB Standards Interoperability Guidance published on 2 May 2024⁵ illustrating the very high level of interoperability between the two sets of standards.

Amended ESRS build on it. In this context, the explicit emphasis on fair presentation enhances the conceptual commonality between the ESRS and ISSB standards. In addition, whenever possible the structure of the Amended ESRS was reorganised to emphasise the link between entity-specific information and fair presentation. The boundary for the calculation of GHG emissions in ESRS E1-8 has been amended to adopt the financial consolidation approach, which is fully consistent with one of the possible options in the GHG protocol (and in IFRS S2). Reliefs, notably the 'undue cost or effort' mechanism also contribute to the level of commonality with respect to practical expedients. Finally, the treatment of anticipated financial effects and the related reliefs introduce a further alignment of the two sets of standards. Moreover, several datapoints in the topical standards, as well as the language used for common provisions, have been systematically revised to adopt similar wording. In some instances, the introduction of incremental reliefs that go beyond the corresponding provisions in ISSB Standards means that undertakings will not be able to use the incremental reliefs proposed in amended ESRS that beyond those in the ISSB Standards if needing or choosing to comply with both the ESRS and the ISSB Standards.

As a result, the simplification, including the reduction of datapoints, has been achieved without compromising the substantial commonality and interoperability between the two sets of standards.

EFRAG expects to work with the IFRS foundation to update the joint Guidance reflecting the Amended ESRS.

⁵ www.efrag.org/sites/default/files/sites/webpublishing/SiteAssets/ESRS-ISSB%20Standards%20Interoperability%20Guidance.pdf

11. UN Sustainable Development Goals

The UN Sustainable Development Goals (SDGs) can be related to a number of Amended ESRS DRs. A description of how the SDGs can be anchored at topical level (E, S and G) is summarised below.

Environmental

SDG 3 relates to ensuring healthy lives and promote well-being for all at all ages. It has been considered within Amended ESRS E2 *Pollution*. Specifically, the disclosures E2-1 on Policies, E2-3 on Actions and resources and E2-4 on Targets, which relate to pollution of water, and also pollution of air and soil relate to SDG 3.

SDG 6 relates to ensuring the availability and sustainable management of water and sanitation for all. It has been taken into account by Amended ESRS E3 *Water resources*. Specifically, its disclosures E3-1 on Policies, E3-2 on Actions and resources and E3-4 on Water, which are related to water stressed locations.

SDG 7 relates to affordable and clean energy. It includes a target to increase substantially by 2030 the share of renewable energy in the global energy mix. In that respect, Amended ESRS E1 *Climate Change* requires undertakings to disclose information on their energy consumption and mix (E1-5), including a disaggregation of their total energy consumption from non-renewable and renewable sources.

SDG 12 aims at ensuring sustainable consumption and production patterns. These aspects are covered in Amended ESRS E5 *Circular economy and resource use*. In particular, the undertaking's management of material matters related to circular economy and resource use are to be disclosed as per E5-1 on Policies, E5-2 on Actions and resources and E5-3 on Targets. In addition, metrics related to resource inflows (E5-4) and resource outflows, including waste, (E5-5) are also to be disclosed.

SDG 13 of the UN Sustainable Development Goals ("Climate Action") refers to the Paris Agreement's goal of reducing global greenhouse gas emissions to limit the global temperature increase to 2 degrees Celsius while pursuing efforts to limit the increase to 1.5 degrees Celsius above pre-industrial levels. Amended ESRS E1 *Climate Change* requires undertakings to disclose information on their transition plans for climate change mitigation, to enable an understanding of their efforts to ensure that its strategy and business model(s) are compatible with the transition to a sustainable economy, and with the limiting of global warming to 1.5 °C in line with the Paris Agreement and with the objective of achieving climate neutrality by 2050 (E1-1 Transition plan for climate change mitigation).

In line with that, target 13.1 of the UN SDG is set to strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries. Amended ESRS E1 *Climate Change* requires undertakings to describe the resilience of its strategy and business model(s) in relation to climate change (DR E1-2 – Material impacts, risks and opportunities and their interaction with strategy and business model(s)). Target 13.2 of the UN SDG seeks to integrate

climate change measures into national policies, strategies and planning. Amended ESRS E1 *Climate Change* requires undertakings to disclose their policies (E1-4), action plans and resources (E1-5), and targets (E1-6) related to climate change mitigation and adaptation. In particular, the undertaking is required to disclose whether and how it has set GHG emissions reduction targets and/or any other targets to manage material climate-related impacts, risks and opportunities (E1-6).

Considering SDG 14 (regarding conservation and sustainable use of the oceans, seas and marine resources for sustainable development) and SDG 15 (related to protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss) they are considered within Amended ESRS E4 *Biodiversity and ecosystems*. Specifically in its disclosures ESRS 2 - IRO1 on materiality assessment, E4-2 on Actions and E4-5 on Targets. The undertaking shall describe material impacts, risks and opportunities related to protected areas, threatened species and deforestation. In addition, Amended ESRS E4 *Biodiversity and ecosystem* may also contribute to other objectives, such as SDG 2 Zero Hunger and SDG 6 Clean water and sanitation.

It should be noted that aspects of SDG 11 on Sustainable cities and communities are also addressed in the different environmental standards, in particular with regards to environmental targets on safeguarding natural heritage (11.4), reducing impacts of water disasters (11.5), paying attention to air quality and waste (11.6), adaptation to climate change (11.b), and utilisation of local materials (11.c).

Social

SDG 3 addresses 'Good health and well-being' and Target 3.9 specifically addresses deaths and illnesses caused by hazardous chemicals and air, water and soil pollution and contamination. In addition, SDG 8 on 'Decent Work and Economic Growth' promotes safe working conditions. Amended ESRS S1-5 to 16 contribute to the attainment of SDG 3 and SDG 8.

SDG 4 on 'Quality Education' aims to promote lifelong learning opportunities for all, similarly to the goals of the European Pillar of Social Rights (Principle 1 of the European Pillar of Social Rights also outlines the importance of education, training and life-long learning). ESRS S1-12 includes a datapoint on the average number of training hours per employee, following a broad definition of training aimed at maintaining or improving the skills of the undertaking's own employees.

One of the goals of SDG 8 is 'decent work for all'. Several disclosure requirements in the Amended ESRS S1 address diversity and inclusion (e.g. ESRS S1-8 *Diversity*, ESRS S1-11 *Persons with Disabilities*). S1-8 *Diversity metrics*, which includes a datapoint on the percentage of women in management positions, is also relevant for the SDG 10.2 target of inclusion for all and SDG 10.4 target to progressively achieve greater equality. This is also supported by Amended ESRS 2 GOV-1 *The role of the administrative, supervisory and management bodies in relation to sustainability* that require information about the percentage of such bodies by gender and other aspects of diversity the undertaking considers.

Both SDG 5 ('Gender Equality') and SDG 8 ('Decent Work and Economic Growth') address gender equality, which is reflected in several disclosure requirements in the Amended ESRS S1. For example, ESRS S1-14 focuses on family-related leave entitlements, ESRS S1-15 includes a datapoint on the unadjusted gender pay gap. ESRS S1-15 is relevant for the SDG 8.5 target of equal pay for work of equal value, the SDG 10.2 target to empower and promote the social, economic and political inclusion of all, and the SDG 10.4 target to progressively achieve greater equality.

S1-16 *Incidents of discrimination and other human rights incidents*, which includes datapoints on incidents of discrimination and human-rights related incidents, is relevant for SDG 5 Goal 5 to achieve gender equality and empower all women and girls, the SDG 8.7 target to take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, and the SDG 16.2 target to end abuse, exploitation, trafficking and all forms of violence against and torture of children. This datapoint on human rights incidents is also reflected, with an adjustment of granularity, in Amended ESRS S2 *Workers in the Value Chain*, Amended ESRS S3 *Affected Communities* and Amended ESRS S4 *Consumers and End-Users* (DR 3 *Actions and resources*).

- Amended ESRS S2-3 includes datapoints related to initiatives or actions whose aim is to deliver positive impacts for value chain workers that are designed also to support the achievement of one or more of the UN Sustainable Development Goals (SDGs), providing an example which refers to UN SDG 8 "Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all";
- Amended ESRS S3-3 includes datapoints related to initiatives or actions whose aim is to deliver positive impacts for affected communities that are designed to support the achievement of one or more of the UN Sustainable Development Goals, providing an example which refers to UN SDG 5 "Achieve gender equality and empower all women and girls";
- Amended ESRS S4-3 includes datapoints related to initiatives or actions whose aim is to deliver positive impacts for consumers and end-users are designed also to support the achievement of one or more of the UN Sustainable Development Goals, providing an example which refers to UN SDG 3 "Ensure healthy lives and promote well-being for all at all ages".

Governance

The SDG 16.5 target to reduce corruption and bribery in all their forms and target 16.6 to develop effective, accountable and transparent institutions at all levels are supported by G1-2 *Actions related to business conduct*, G1-4 *Metrics related to corruption or bribery* and G1-1 *Policies related to business conduct*. The latter requires:

- Whether or not the undertaking has policies on anti-corruption or anti-bribery consistent with the United Nations Convention against Corruption (a SFDR PAI indicator);
- Whether or not the undertaking has policies around whistleblowing protection (an SFDR PAI indicator).

G1-2 *Actions related to business conduct* indirectly supports the SDG 17 Partnerships to achieve the Goal and specifically the targets around Trade and Capacity building. ESRS G1-2 covers ESG criteria considered (if any) when selecting suppliers and engagement with suppliers to improve their ESG performance.

12. UN Guiding Principles on Business and Human Rights

Amended ESRS 1 General Requirements

The architecture of Amended ESRS 1 has been designed to align with the UN Guiding Principles on Business and Human Rights (UNGPs), and in particular reflecting that the outcome of the undertaking's due diligence process informs the assessment of its material negative impacts as UNGPs first described the concept negative impacts. Due diligence is reflected in Amended ESRS 1 chapter 4 *Due Diligence*.

Amended ESRS 1 chapter 3.2.1 describes impact materiality and the definition of Annex II Glossary of terms is aligned with the concept of adverse impact from UNGP :

- Impact: The effect the undertaking has or could have on the environment and people, including effects on their human rights, connected with its own operations and upstream and downstream value chain, including through its products and services, as well as through its business relationships. The impacts can be actual or potential, negative or positive, intended or unintended, and reversible or irreversible. They can arise over the short, medium, or long term. Impacts indicate the undertaking's contribution, negative or positive, to sustainable development
- The undertaking shall report information about a given topic from an impact perspective if that topic relates to the undertaking's material actual or potential, positive or negative impacts on people or the environment over the short, medium or long term. Impacts include those connected with the undertaking's own operations and its upstream and downstream value chain, including through its products and services, as well as through its business relationships in its upstream and downstream value chain. Business relationships are not limited to direct contractual relationships. UN Guiding Principle 13 similarly describes how companies can be involved with impacts.
- In line with the UNGPs, for actual negative impacts, materiality is based on the severity of the impact, while for potential negative impacts it is based on the severity and likelihood of the impact. Severity is based on (a) the scale; (b) scope; and (c) irremediable character of the impact. This is derived from UN Guiding Principle 14 which states (in its commentary) that severity of impacts will be judged by their scale, scope and irremediable character.

Engagement with affected stakeholders is a central component in all steps of an undertaking's due diligence processes, as set out in UNGPs 18 – 21, and in particular 18 b that requires companies to involve meaningful consultation with potentially affected groups and other relevant stakeholders (as appropriate to the size of the business enterprise and the nature and context of the operation). The focus on engagement with affected stakeholders is reflected in

Amended ESRS 1 chapter 3.2.1 *Impact materiality* as well as in the description of due diligence process, Amended ESRS 1 chapter 4 *Due diligence*.

Amended ESRS 1 Chapter 4 also makes reference to the international instruments from which the concept of due diligence is derived.

Amended ESRS 2 General Disclosures

The core elements of due diligence are reflected directly in DRs set out in ESRS 2 as illustrated below:

- a) embedding sustainability due diligence in governance, strategy and business model. This is addressed under:
 - i. GOV 1: *The role of the administrative, management and supervisory bodies in relation to sustainability*
- b) engaging with affected stakeholders. This is addressed under:
 - i. SBM-2: *Interests and views of stakeholders;*
 - ii. IRO-1: *Description of the process to identify and assess material impacts, risks and opportunities and material information to be reported;*
 - iii. GDR-P – Policies adopted to manage material sustainability matters; and
 - iv. Topical ESRS: reflecting the different stages and purposes of stakeholder engagement throughout the sustainability due diligence process.
- c) identifying and assessing negative impacts on people and the environment. This is addressed under:
 - i. IRO-1: *Description of the process to identify and assess material impacts, risks and opportunities and material information to be reported;* and
 - ii. IRO-2: *Material impacts, risks and opportunities and disclosure requirements included in the sustainability statement;*
 - iii. DR 2 SBM-3: *Interaction of material impacts risks and opportunities with strategy and business model, and financial effects;*
- d) taking action to address negative impacts on people and the environment. This is addressed under:
 - i. Disclosure Content – GDR-A: Actions and resources in relation to material impacts, risks and opportunities; and
 - ii. Topical ESRS: reflecting the range of actions, including transition plans through which impacts are addressed; and
- e) tracking the effectiveness of these efforts. This is addressed under:

- i. Disclosure Content – GDR-M and GDR-T: Tracking effectiveness of policies and actions through metrics and targets; and
- ii. Topical ESRS: regarding performance metrics.

Finally, ESRS 2 GOV-3 *Statement on due diligence* enables an understanding where in the sustainability statement the steps of the due diligence process are being disclosed.

ESRS S1-4: The Social standards

The architecture of the social standards has been designed to reflect both the UN Guiding Principles on Business and Human Rights (UNGPs) and the OECD Guidelines for Multinational Enterprises.

The disclosure of policies under Amended ESRS S1/S2/S3/S4-1 *Policies* is relevant for UN Guiding Principle 15, which states that enterprises should have in place policies and processes to meet their responsibility to respect human rights. In addition, UN Guiding Principle 16 stresses the need for undertakings to have a statement of policy to as part of their commitment to meet their human rights responsibilities.

Amended ESRS S1/S2/S3/S4-2 *Engagement, existence of channels to raise concerns or needs and approaches to remedy* is relevant for UN Guiding Principle 29, which states that business enterprises should establish or participate in effective operational-level grievance mechanisms; UN Guiding Principle 30, which stresses that industry, multi-stakeholder and other collaborative initiatives based on respect for human rights-related standards should ensure that effective grievance mechanisms are available; and UN Guiding Principle 31, which outlines effectiveness criteria for non-judicial grievance mechanisms.

Amended ESRS S1/S2/S3/S4-3 *Actions and resources* related to the Social stakeholder groups, and effectiveness of those actions has relevance for a number of Guiding Principles: UN Guiding Principle 19, which states that undertakings should integrate the findings from their impact assessments and take appropriate actions; UN Guiding Principle 20, which stresses that business enterprises should track the effectiveness of their responses to verify whether adverse human rights impacts are being addressed; and UN Guiding Principle 22, which states that businesses should provide for or cooperate in remediation when they identify that they have caused or contributed to adverse impacts.

ESRS G1: Business Conduct

As mentioned above, Amended ESRS G1-1 *Policies related to business conduct* requires acknowledging whether or not has a policy on the protection of whistle-blowers. This reflects UN Guiding Principle 29, which states that businesses should establish or participate in effective operational-level grievance mechanisms for individuals and communities.

13. OECD Guidelines for Multinational Enterprises

Amended ESRS 1 and ESRS 2

The architecture of Amended ESRS 1 and Amended ESRS 2 has been aligned to the greatest extent with the OECD Guidelines for Multinational Enterprises, as it largely incorporates the content of the UN Guiding Principles on Business and Human Rights (UNGPs) as it relates to human rights. In particular, the concept of due diligence outlined in the OECD Guidelines for Multinational Enterprises chapter IV, principle 5 and commentary paragraph 45 are reflected in ESRS 1, chapter 4 *Due Diligence*, which describes how due diligence informs an undertaking's assessment of material impacts, risks and opportunities.

Impact materiality, described in Amended ESRS 1 chapter 3.2.1: 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. OECD Guidelines for Multinational Enterprises, chapter IV, principle 5, paragraph 45 outlines that companies have to account for their actual and potential adverse human rights impacts.

The core elements of due diligence are reflected directly in DRs set out in Amended ESRS 1, ESRS 2 and the topical standards mirroring the core content of due diligence as set out in OECD Guidelines for Multinational Enterprises, chapter IV, principles 1-6.

Amended ESRS S1-4: Social standards

The ESRS Social standards have been designed based on the contents of the OECD Guidelines for Multinational Enterprises and therefore these are reflected in a number of DRs across the Amended ESRS 2 and the topical standards.

At cross-cutting level, Amended ESRS 2 IRO-2 *Material impacts, risks and opportunities and disclosure requirements in the sustainability statement* is relevant for V.1c-d, which states that MNEs should contribute to the abolition of child and forced or compulsory labour. Amended ESRS 2 GDR-P *General Disclosure Requirements for Policies* reflect the need under IV.4 and Commentary IV para. 44 for MNEs to have a policy commitment to respect human rights; actions and targets related to child labour and forced or compulsory labour material impacts are to be disclosed under Amended ESRS S1/S2/S3-4 *Targets* and under Amended ESRS S1/S2/S3-3 *Actions and resources*. In ESRS S1 *Own workforce*, disclosures on the number of identified cases of human rights incidents are required in S1-16 *Incidents of discrimination and other human rights incidents*.

The Guideline II.A-15 on engaging with relevant stakeholders is reflected in the Application Requirements for Amended ESRS S1/S2/S3/S4-2 *Engagement, existence of channels to raise concerns or needs and approaches to remedy*. OECD Guidelines IV.6, which states that companies should provide for or co-operate through legitimate processes in the remediation of adverse human rights impacts where they identify that they have caused or contributed to these impacts, is also reflected in S1/S2/S3/S4-2 *Engagement, existence of channels to raise concerns or needs and approaches to remedy*.

Guidelines II.A.1, 11 & 12, IV.2 and IV.3, which stress MNE's responsibility to contribute to positive impacts and avoid negative impacts, are relevant for Amended ESRS S1/S2/S3/S4-3 *Actions and resources*. Guideline V.4c states that MNEs should take adequate steps to ensure

occupational health and safety in their operations, which is relevant for S1-13 *Health and safety metrics*.

Guideline III 2 (e), (f) and (g) which relates to the governance bodies is covered by Amended ESRS 2 GOV1 and 2.

Guideline III 3(a) to (c) which deals with business conduct, policies and codes of conduct and its performance related to such statements and codes which is covered partially in Amended G1-1 which focuses on policies related to business conduct.

Guideline III 3(e) on relationships with workers and other stakeholders are covered in Amended ESRS S1/S2/S3/S4-2 on *Engagement, existence of channels to raise concerns or needs and approaches to remedy*.

Guideline VII 1 to 7 are covered by the corruption and bribery DR in G1-1, G1-2 and G1-4 as well as the political contribution aspects in G1-5.

Chapter VI of the OECD Guidelines for Multinational Enterprises describe recommendations for environmental matters. The following recommendations within Chapter VI are relevant for the Environmental disclosures:

- Recommendation no. 1 refers to the collection and evaluation of adequate and timely information regarding the environmental impacts of their activities, the establishment of measurable objectives and targets for improved environmental performance and resource utilisation (where appropriate, targets should be consistent with relevant national policies and international environmental commitments), and the regular monitoring and verification of progress towards those targets. The Amended ESRS 2-IRO1 on Impact, risk and opportunities management is directly related to the assessment or evaluation of sustainability, including environmental, impacts. In addition, all Environmental standards follow the ESRS architecture whereby material policies, actions and targets are to be disclosed.
- Recommendation no. 2 specifically addresses the importance of providing the public with adequate, measurable, verifiable (where applicable) and timely information on the potential environment, impacts of the activities of the enterprise. This is aligned with Amended ESRS 1 Chapter 3 and Appendix B Qualitative characteristics of information. These principles and requirements to disclose policies, actions and targets on material impacts, risks and opportunities within Amended ESRS E1 *Climate change*, Amended ESRS E2 *Pollution*, Amended ESRS E3 *Water resources*, Amended ESRS E4 *Biodiversity and ecosystems* and Amended ESRS E5 *Circular economy and resource use*.
- Recommendation no. 3 relates to the performance of risk-based due diligence, assessing and addressing environmental impacts over the full life cycle of their processes, products and services, with a view to avoiding such impacts or, where avoidance is not possible, mitigate them. The linkage between material impacts, risks and opportunities and their interaction with the undertaking's strategy and business model is disclosed under draft amended ESRS 2 SBM-3.

- Recommendation no. 6 refers to seeking improvement in corporate environmental performance, at the level of the enterprise and, where appropriate, of its supply chain, “for instance by developing strategies for emission reduction, efficient resource utilisation and recycling, substitution or reduction of use of toxic substances, or strategies on biodiversity”. These points have been considered together with the other recommendations as described above.

14. UN Global Compact

UN Global Compact principles on Human Rights (1-2) and Labour (3-6), which stress commitments to human rights in general and freedom of association, the abolition of child and forced labour and discrimination in particular, are reflected in Amended ESRS 2 GDR-P *General Disclosure Requirements for Policies*, Amended ESRS 2 IRO-2 *Material impacts, risks and opportunities and disclosure requirements included in the sustainability statement*, Amended ESRS S1/S2/S3/S4-1 *Policies* and Amended ESRS S1-16 *Incidents of discrimination and other human rights incidents* as well as Amended ESRS S2-3, S3-3, S4-3 *Actions and Resources*.

With regards to the Amended Social Standards, the following UN Global Compact principles are relevant:

- Principle 1, which stresses that businesses should support and respect the protection of internationally proclaimed human rights, is reflected in the overall structure and architecture of the Amended ESRS 1, 2 and all Amended S1/2/3/4 standards that incorporate reporting requirements on due diligence.
- Principle 2 refers to ensuring that companies are not complicit in human rights abuses, which is reflected in Amended ESRS 2 GDR-P *General Disclosure Requirements for Policies* and further reflected through the integration in Amended ESRS S1-16 and S2, S3 and S4 DR 3 of SFDR PAI 14 (Table 3 of Annex 1) “Number of identified cases of severe human rights issues and incidents” and SFDR PAI 10 (Table 1 of Annex 1);
- Principles 3 (Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining) and 6 (Business should uphold the elimination of discrimination in respect of employment and occupation) are reflected in the overall structure and architecture of Amended ESRS S1 and S2, which requires undertakings to report on material impacts, risks and opportunities, including on freedom of associations, collective bargaining and non-discrimination, inclusion and diversity where material);
- Principle 4 and 5 address the elimination of all forms of forced and compulsory labour and the effective abolition of child labour. Amended ESRS 2 IRO-2 includes two SFDR PAI (#12, #13 Table III) on exposure to heightened risk of incidents related to forced or compulsory labour and child labour related to both own operations and the undertaking’s value chain. Amended ESRS S1 and ESRS S2

both include a specific policy disclosure on human trafficking, forced labour or compulsory labour and child labour and each Social Standard includes a datapoint on human rights incidents.

- Amended ESRS G1 *Business conduct*:
 - Principle 10 (Businesses should work against corruption in all its forms, including extortion and bribery), is covered by G1-1, G1-2 and G1-4.

15. Tripartite Declaration of Principles of the International Labour Organisation concerning Multinational Enterprises and Social Policy, and the Fundamental Principles and Rights at Work (ILO core conventions)

The Tripartite Declaration offers guidance to Multinational enterprises (MNEs) on labour and social policy, based on principles contained in international labour Conventions and Recommendations. The principles included in the MNE are closely related to Amended ESRS S1 and Amended ESRS S2 and cover areas such as employment (including the elimination of forced or compulsory labour and the abolition of child labour), training, working conditions (including health and safety), and industrial relations. The declaration also emphasises the need for access to remedy and grievance mechanisms, which are reflected in Amended ESRS S1-2 and ESRS S2-2 (grievance/remedy).

We provide the following description of how the Amended ESRS covers Fundamental Principles and Rights at Work in the ILO:

- Freedom of association and the effective recognition of the right to collective bargaining, and the elimination of discrimination in respect of employment and occupation are reflected in the overall structure and architecture of Amended ESRS S1 *Own workforce* and Amended ESRS S2 *Workers in the value chain*, which require undertakings to report on material impacts, risks and opportunities, including on freedom of associations, collective bargaining and non-discrimination where material. In addition, Amended S1-7 *Collective bargaining coverage and social dialogue* requires undertakings to disclose the percentage of own workers whose working conditions are determined by collective bargaining agreements;
- The elimination of all forms of forced and compulsory labour and child labour are reflected through the integration of SFDR PAI indicators #12 and #13 in Table 3 of Annex 1, respectively “Operations and suppliers at significant risk of incidents of child labour” and “Operations and suppliers at significant risk of incidents of forced or compulsory labour”, which are integrated in Amended ESRS 2 IRO-2 *Material impacts, risks and opportunities and disclosure requirements included in the sustainability statement*;
- Occupational health and safety is covered in particular in S1-13 *Health and safety metrics*, including the percentage of the undertaking’s own workforce covered by a

health and safety management system and a number of indicators on fatalities, accidents and ill-health, and days of work lost.

- Non-discrimination is also covered by the breakdowns by gender and type of employment contract in S1-5 *Characteristics of own employees*. In addition, disclosure on incidents related to discrimination are required by S1- 16 *Incidents of discrimination and other human rights incidents*.
- Other topics included in the ILO Conventions and Recommendations listed in the Declaration, which are in Amended ESRS S1, include adequate housing (listed as a sustainability matter in the Objectives section), social protection (Amended S1-10 *Social protection*) and training (in Amended S1-12 Training and skills development metrics).

16. ISO 26000 standard on social responsibility

The ISO 26000 standard on social responsibility contains several clauses addressing core subjects of social responsibility. To that extent, the Principle of Transparency (ISO 26000 4.3) emphasises the importance of organisations to disclose impacts on society and environment, reflected in the overall structure and architecture the amended ESRS.

17. UN Principles for Responsible Investment

The six UN Principles for Responsible Investment, which were developed for institutional investors, are statements of commitment for responsible behaviour as they are voluntary aspirational and incorporate ESG issues into investment analysis and decision-making process. In this respect, the ESRS cover such principles on E, S and G issues across the various Amended Standards.

Specifically, Amended ESRS 2 at cross-cutting level covers how E, S and G are considered and affect the undertaking's governance mechanisms, its strategy and business model and how such factors are managed. Whereas the topical standards provide the detailed disclosures for those material E, S and G impacts, risks and opportunities for the undertaking with quantitative and qualitative information for both: i) policies, actions and resources and ii) targets and metrics.

18. ICGN Global Governance Principles

The ICGN Global Governance Principles serve as the standard for well-governed companies. They also inform governments on internationally accepted standards to help inspire the evolution of national corporate governance codes. Moreover, they set out expectations around governance issues that are most likely to influence investment decision-making.

Amended ESRS 2 GOV 1, 2 and 4 provide information to inform to what extent the ICGN principles have been implemented.

- Principle 1: Board role and responsibilities - specifically GOV-1
- Principle 2: Leadership and independence - specifically GOV-1
- Principle 3: Composition and appointment – The section on composition is reflected in d by GOV –1 while the section on nomination and appointments is included in companies' corporate governance statements (where relevant) rather than sustainability statements.
- Principle 4: corporate culture is reflected in G1 Principle 5: Remuneration linked to sustainability topics is reflected in GOV-2. Moreover, transparency on remuneration is required by the Directive 2007/36/EC on the exercise of certain rights of shareholders in listed companies and disclosed in the remuneration report (listed companies only)
- Principle 6: Risk oversight - specifically GOV-1 and ESRS 2 GOV-4
- Principle 7: Corporate reporting – Amended ESRS 2 GOV-4 covers the sustainability reporting process.
- Principle 8 (*internal and external audit*), Principle 9 (*shareholder rights*) and Principle 10 (shareholder meetings) are not covered by ESRS but the topics are being commonly disclosed in the corporate governance statements.

Annex to the Explanatory Note on Article 29b
December 2025

1. This Annex complements the Explanatory note and indicates where in the ESRS the EU Regulation defined in article 1(7b) of CSRD (that introduced article 29b in the Accounting Directive of the CSRD) has been incorporated.
2. In drafting the ESRS, the EFRAG SRB endeavoured to, to the greatest extent possible, take account of the EU legislation detailed in the aforementioned article of the CSRD. The approach taken was to embed the indicators when possible or, when not possible, to ensure that the information requested by the specific EU piece of legislation would be easily identified in the ESRS Disclosure Requirements.
3. This Annex:
 - (a) maps Article 29b) 5 (a) to (j) with the respective legislation and initiatives mentioned in (a) to (j) differentiating between (i) EU sources and (ii) other sources;
 - (b) introduces the subject of the respective legislation and initiatives; and
 - (c) describes where in the Amended Standards the respective legislation and initiative have been considered.

CSRD Text	EU sources	Other sources	Topic	Amended Standard
Art. 29b 5 (a)		<i>UN Guiding Principles on Business and Human Rights</i>	<p>The UNGPs on Business and Human Rights set out a framework for identifying, addressing and providing remedy to adverse impacts on human rights involving business activity.</p> <p>Assessment of impacts</p> <p>Remedy</p> <p>Account</p> <p>Policies UNGP 15 on companies' responsibility to have policies and</p>	<p>ESRS 2 SBM-1, SBM-2, IRO-2</p> <p>ESRS 2 GDR-A S1/S2/S3/S4-2 S1/S2/S3/4-3</p> <p>ESRS 2 GOV-3</p> <p>ESRS 2 GDR-P ESRS S1/S2/S3/S4-1 ESRS G1-1</p>

			<p>processes in place; UNGP 16 on means of communication of these policies.</p> <p>Engagement UNGP 18 on consultation with affected stakeholders UNGP 22 on processes to provide for or cooperate in remediation UNGP 29, 30 and 31 on grievance mechanisms</p> <p>Actions UNGP 19, 20 and 22 on appropriate action, tracking of effectiveness and remediation</p> <p>Targets UNGP 20 on tracking effectiveness through qualitative and quantitative indicators</p> <p>Embedding due diligence within the undertaking's governance bodies</p> <p>Mapping of main due diligence steps</p>	<p>ESRS 2 SBM-2 ESRS S1/S2/S3/S4-2</p> <p>ESRS 2 GDR-A ESRS S1/S2/S3/S4-3</p> <p>ESRS S1/S2/S3/S4-4 ESRS 2 GDR-T ESRS 2 GDR-M</p> <p>ESRS 2 GOV-1</p> <p>ESRS 2 GOV-3</p>
Art. 29b 5 (a)		<i>OECD Guidelines for Multinational Enterprises</i>	The OECD Guidelines for Multinational Enterprises are recommendations jointly issued by	

			<p>governments with the purpose of steering positive contributions to sustainable development and addressing adverse impacts associated with business activities.</p> <p>Policies OECD III 3 (a) to (c) (business conduct) OECD IV. 4 on overarching human rights policy in ESRS 2 GDR-P OECD VII 1-6 (corruption and bribery)</p> <p>Engagement OECD II.A-15 on stakeholder engagement OECD IV.6 on processes for remediation</p> <p>Actions OECD II.A and IV OECD VII 1-6 (corruption and bribery)</p> <p>Targets OECD IV.5</p> <p>Metrics</p>	<p>ESRS 2 GDR-P ESRS S1/S2/S3/S4-1 ESRS G1-1</p> <p>ESRS 2 SBM-2 ESRS S1/S2/S3/S4-2</p> <p>ESRS 2 GDR-A ESRS S1/S2/S3/S4-3 ESRS G1-2</p> <p>ESRS 2 GDR-T ESRS S1/S2/S3/S4-4</p>
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			OECD VII 1-7 (corruption and bribery/ political influence) Governance bodies OECD III 2(e), (f) and (g)	ESRS G1-2 ESRS G1-4 ESRS G1-5 ESRS 2 GOV-1 ESRS 2 GOV-2
Art. 29b 5 (a)		Tripartite Declaration of Principles of the International Labour Organisation concerning Multinational Enterprises and Social Policy and the Fundamental Principles and Rights at Work (ILO core conventions)	The Tripartite Declaration provides guidance to multinational enterprises founded on principles contained in international labour conventions and recommendations. It covers the following areas: general policies, employment (employment promotion, social security, elimination of forced or compulsory labour, abolition of child labour, equality of opportunity and treatment, security of employment), training, conditions of work and life (wages, benefits and conditions of work, safety and health), industrial relations (freedom of association, collective bargaining, consultation, access to remedy and examination of grievances).	ESRS 2 GDR-P ESRS 2 IRO-2 ESRS S1/S2-1 ESRS S1/S2 -2 ESRS S1-5 ESRS S1-6 ESRS S1-7 ESRS S1-8 ESRS S1-9 ESRS S1-10 ESRS S1-11 ESRS S1-12 ESRS S1-13 ESRS S1-14 ESRS S1-15 ESRS S1-16
		ICGN Global Governance Principles	The ICGN Global Governance Principles serve as the standard for well-governed companies. The principles set expectations regarding the composition, responsibilities (including	ESRS GOV 1, 2 and 4 ESRS G1-1 to 5

			corporate culture) and remuneration of governance bodies as well as regarding risk management, internal controls, audits and interactions with shareholders.	
Art. 29b 5 (a)		<i>Recommendations of the Task Force on Climate related Financial Disclosures</i>	<p><u>Strategy</u> Disclose the actual and potential impacts of climate-related risks and opportunities on the company's businesses, strategy, and financial planning where such information is material.</p> <p><u>Risk management</u> Disclose how the company identifies, assesses, and manages climate related risks.</p> <p><u>Metrics and targets</u> Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.</p>	<p>ESRS E1-1 ESRS E1-2 ESRS E1-3 ESRS E1-4 ESRS E1-9</p> <p>ESRS E1-2 ESRS E1-3 ESRS E1-4</p> <p>ESRS E1-3 ESRS E1-4 ESRS E1-6 ESRS E1-9</p>
Art. 29b 5 (a)		GHG Protocol	<u>Principles and rules on organisational GHG inventory, accounting and reporting</u>	<p>ESRS E1-7 ESRS E1-8 ESRS E1-9</p>

Art. 29b 5 (a)		ISO 14064-1	<u>Principles and rules on organisational GHG inventory, accounting and reporting</u>	ESRS E1-7 ESRS E1-8 ESRS E1-9
Art. 29b 5 (a)		TNFD	<p><u>LEAP approach:</u></p> <p><u>Strategy</u> <u>Disclose the actual and potential impacts of nature-related risks and opportunities on the company's businesses, strategy, and financial planning where such information is material.</u></p> <p><u>Risk management</u> <u>Disclose how the company identifies, assesses, and manages nature related risks.</u></p> <p><u>Metrics and targets</u> <u>Disclose the metrics and targets used to assess and manage relevant nature-related risks and opportunities where such information is material.</u></p>	ESRS 1 AR 15 ESRS E2-1 ESRS E2-2 ESRS E2-3 ESRS E2-4 ESRS E2-5 ESRS E3-1 ESRS E3-2 ESRS E3-3 ESRS E3-4 E4-1 E4-2 E4-3 E4-4 E4-5 E5-1 E5-2 E5-3 E5-5 ESRS S3-1 to 4
Art. 29b 5 (a)		GCP - Global Circularity Protocol / WBCSD	The Global Circularity Protocol is a framework developed to help organisations measure, manage, and report their circularity performance in a consistent and comparable way.	E5-4

Art. 29b 5 (a)		ISO 59004	ISO 59004 sets out the core principles and guidelines for a circular economy, explaining how organisations can design products, use resources, and manage value chains in ways that retain value and reduce waste.	ESRS E5-1 to 5
Art. 29b 5 (b)	<i>Regulation (EU) 2019/2088</i>		<u><i>Sustainability-related disclosures in the financial services sector (SFDR)</i></u> Improve transparency in the market for sustainable investment products, to prevent greenwashing and to increase transparency around sustainability claims made by financial market participants.	ESRS as a whole provide transparency on the material sustainability impacts, risks and opportunities
Art. 29b 5 (b)	<i>Commission Delegated Regulation (EU) 2022/1288</i>		<u><i>SFDR – RTS</i></u> Regulatory technical standards specifying the details of the content and presentation of the information in relation to the principle of 'do no significant harm', specifying the content, methodologies and presentation of information in relation to sustainability indicators and adverse sustainability impacts, and the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in pre-contractual documents, on websites and in periodic reports.	Refer to Appendix A of ESRS 2I – SFDR Principle Adverse Impacts Indicators

Art. 29b 5 (c)	Regulation (EU) 2020/852		<u><i>Taxonomy Regulation</i></u> Classification system, establishing a list of environmentally sustainable economic activities	A requirement for those undertakings subject to the Taxonomy regulation has been included in ESRS 1 to have that information in the sustainability statement; might also be in an Appendix
Art. 29b 5 (c)	<i>Commission Delegated Regulation (EU) 2021/2139</i>		<u><i>Taxonomy Regulation – Technical Screening Criteria</i></u> Establish the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives	
Art. 29b 5 (c)	<i>Commission Delegated Regulation (EU) 2021/2178</i>		<u><i>Taxonomy Regulation</i></u> Specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation	

Art. 29b 5 (c)	<i>Commission Delegated Regulation (EU) 2022/1214</i>		<u><i>Amending Delegated Regulation (EU) 2021/2139 as regards economic activities in certain energy sectors and Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities</i></u>	
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CSRD Text	EU sources	Other sources	Topic	Amended Standard
Art. 29b 5 (d)	<i>Regulation (EU) 2019/2089</i>		<p><u><i>EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks</i></u></p> <p>The Regulation on the EU Climate Transition Benchmarks (2019) creates two new categories, or labels, of climate-related benchmarks:</p> <ul style="list-style-type: none"> • the EU climate transition benchmark (EU CTB) which brings the resulting benchmark portfolio on a decarbonisation trajectory; and • the EU Paris-aligned benchmark (EU PAB) which brings the resulting benchmark portfolio's carbon emissions in line with the Paris Climate Agreement target to limit the global temperature rise to 1.5C° compared to pre-industrial levels. <p>For those two new benchmarks, a Delegated Regulation (2020) specifies the minimum standards of the benchmarks methodology (see delegated regulations above).</p>	ESRS E1-1 Transition plan with GHG emission reduction targets aligned with 1.5°C trajectory.

CSRD Text	EU sources	Other sources	Topic	Amended Standard
Art. 29b 5 (d)	<i>Commission Delegated Regulations (EU) 2020/1816</i>		<u>Benchmark regulation</u> Explanation in the benchmark statement of how environmental, social and governance factors are reflected in each benchmark provided and published	Environmental Standards ESRS E1-1 ESRS E1-6 ESRS E1-9
Art. 29b 5 (d)	<i>Commission Delegated Regulations (EU) 2020/1817</i>		<u>Benchmark regulation</u> The minimum content of the explanation on how environmental, social and governance factors are reflected in the benchmark methodology	Social Standards ESRS S1-13 ESRS S1-15 ESRS S1-16, ESRS S2-3, S3-3, S4-3 Business Conduct: ESRS G1-4 ESRS 2 General Disclosures: ESRS 2 GDR-P ESRS 2 SBM –1 ESRS 2 GOV-1
Art. 29b 5 (d)	<i>Commission Delegated Regulations (EU) 2020/1818</i>		<u>Benchmark regulation</u> Minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks	

Art. 29b 5 (e)	<i>Regulation (EU) No 575/2013</i> <i>Article 434a of Regulation (EU) No 575/2013</i> <i>Commission Implementing Regulation (EU) 2024/3172</i>		<u><i>Capital Requirements Regulation (CRR)</i></u> Prudential requirements for credit institutions and investment firms Article 434a mandates the EBA to develop draft implementing technical standards specifying uniform disclosure formats, and associated instructions in accordance with which the disclosures required in Part eight of the CRR shall be made. Those uniform formats shall convey sufficiently comprehensive and comparable information for users of that information to assess the risk profiles of institutions.	ESRS E1-1 ESRS E1-6 ESRS E1-9
Art. 29b 5 (e) Part Eight of Regulation (EU) No 575/2013	<i>Commission Implementing Regulation (EU) 2024/3172</i>		Technical standards with regard to public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013	

Art. 29b 5 (f)	<p><i>Commission Recommendation 2013/179/EU</i></p> <p><i>Commission Recommendation (EU) 2021/2279 of 15 December 2021 on the use of the Environmental Footprint methods to measure and communicate the life cycle environmental performance of products and organisations</i></p>		<p>Commission Recommendation of 9 April 2013 on the use of common methods to measure and communicate the life cycle environmental performance of products and organisations</p>	<p>E1-7 E1-8 E1-9</p>
Art. 29b 5 (g)	<p>Directive 2003/87/EC</p>		<p><u><i>EU Emissions Trading Scheme (EU-ETS) establish a scheme for greenhouse gas emission allowance trading</i></u></p> <p>This Directive establishes a scheme for greenhouse gas emission allowance trading within the Community in order to promote reductions of greenhouse gas emissions in a cost effective and economically efficient manner.</p>	<p>ESRS E1-6 Gross Scope 1 GHG emissions and the percentage of Scope 1 GHG emissions from regulated emission trading schemes.</p> <p>ESRS E1-9 Financial effects from material climate-related risks: potential liabilities linked to EU ETS</p>

Art. 29b 5 (h)	Regulation (EU) 2021/1119		<p><u>European Climate Law (Establish the framework for achieving climate neutrality)</u></p> <p>This Regulation establishes a framework for the irreversible and gradual reduction of anthropogenic greenhouse gas emissions by sources and enhancement of removals by sinks regulated in Union law.</p>	<p>ESRS E1-1 Transition plan to in line with limiting climate change to 1.5°C and reaching climate neutrality by 2050</p> <p>ESRS E1-7 enhancement of GHG removals and storage</p>
Art. 29b 5 (i)	Regulation (EC) No 1221/2009		<p><u>EMAS III (Voluntary participation by organisations in a Community ecomanagement and audit scheme)</u></p> <p>EMAS is mainly addressed to improve the environmental protection and provide organisations, supervisory authorities and citizens (to the general public) with a tool through which it is possible to obtain information on the environmental performance of organisations.</p>	<p>No explicit reference to EMAS but:</p> <p>ESRS E1</p> <ul style="list-style-type: none"> • ESRS E1-7 on energy consumption and ESRS E1-8 on GHG emissions are compatible with the EMAS regulation's core environmental performance indicators on energy and emissions (Annex IV, C. 2. (c) (i) and (vi)) of Regulation EU 2018/2026) • ESRS E1-4 on climate-related policies is compatible with

				<p>EMAS, Annex IV B. (b) and (g)</p> <ul style="list-style-type: none"> • ESRS E1-5 on action plans is compatible with EMAS, Annex IV B. (e) • ESRS E1-6 on climate-related targets is compatible with EMAS, Annex IV B. (d) <p><u>ESRS E2</u></p> <ul style="list-style-type: none"> • ESRS E2-1 on policies related to pollution is compatible with Annex II A.5.2 and Annex IV B(b) • ESRS E2-2 and ESRS E2-3 on actions and targets are compatible with Annex II A.6.2.2 and A.6.2.2, and Annex IV B(e,d)
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				<ul style="list-style-type: none">• ESRS E2-4 on emissions to air, water and soil is compatible with Annex IV C.2(vi) and Annex I 4.1(a) (2) (4)• ESRS E2-5 on substances is partially compatible with Annex I 1
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				<p>indicators emissions (Annex IV, C. 2. (vi))</p> <p><u>ESRS E3</u></p> <ul style="list-style-type: none"> ESRS E3-4 on water use is compatible with the EMAS regulation's core environmental performance indicators on water (Annex IV, C. 2. (iii)) <p><u>ESRS E4</u></p> <ul style="list-style-type: none"> ESRS E4-5 Impact metrics related to biodiversity and ecosystems change is compatible with EMAS EMAS, Annex IV, C, 2 (v) <p><u>ESRS E5</u></p> <ul style="list-style-type: none"> ESRS E5-5 on waste generation is compatible with the EMAS regulation's core environmental performance indicators on waste (Annex IV, C. 2. (iv))
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Art. 29b 5 (j)	Directive (EU) 2019/1937		<u><i>EU Whistleblowing Directive (Protection of persons who report breaches of Union law)</i></u>	
			The Directive establish a legal and institutional framework to protect persons who, in the context of their industrial relations, draw attention to violations or to threats to the public interest or make information on them public.	ESRS G1 -1 ESRS S1-2 ESRS S2-2 ESRS S3-2 ESRS S4-2



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