ESG
Reporting Guidelines

Guide for issuers

October 2023

Disclaimer

This document is informed by the Polish and European legislative landscapes and the international standards and frameworks on sustainability reporting available by the cut-off date of the publication (October 2023). As the relevant ESG reporting standards and legal framework develop over time, the contents of these Guidelines may have to be updated in the future.

This publication has been produced by the Steward Redqueen with the assistance of the European Bank for Reconstruction and Development (EBRD) and the Warsaw Stock Exchange (WSE). The contents of this document do not necessarily reflect the views of the EBRD and the WSE. Whilst every effort was taken to avoid errors, EBRD, WSE and Steward Redqueen cannot accept responsibility for the accuracy of any statement or information contained within the report, nor for any decision made on the basis of any statement or information included herein.

The document has been prepared in the English language. If any text of the original edition in English is inconsistent with the text of the Polish translation, the original edition in English shall govern.

Contents

Abbreviations and acronyms

CAPEX	Capital expenditures
CDSB	Climate Disclosure Standards Board
CEE	Central Eastern Europe
CO_2	Carbon dioxide
CSDDD	Corporate Sustainability Due Diligence Directive
CSR	Corporate Social Responsibility
CSRD	Corporate Sustainability Reporting Directive
DNSH	Do No Significant Harm
DPSN	Dobre Praktyki Spółek Notowanych na GPW
EBRD	European Bank for Reconstruction and Development
EFRAG	European Financial Reporting Advisory Group
ESG	Environmental, Social and Governance
EU	European Union
ESRS	European Sustainability Reporting Standards
GHG	Greenhouse gases
GRI	Global Reporting Initiative
IFRS	International Financial Reporting Standards
IR	Integrated Reporting
IRO	Impact, risk and opportunity
ISSB	International Sustainability Standards Board
NFRD	Non-Financial Reporting Directive
OECD	Organisation for Economic Co-operation and Development
OPEX	Operating expenditures
PAI	Principal Adverse Impact
PRI	Principles for Responsible Investment
SASB	Sustainability Accounting Standards Board
SDGs	Sustainable Development Goals
SFDR	Sustainable Finance Disclosure Regulation
SMEs	Small Medium Enterprises
TCFD	Task Force on Climate-related Financial Disclosures
TNFD	Task Force on Nature-related Financial Disclosures
TSC	Technical Screening Criteria
RTS	Regulatory Technical Standards
UN	United Nations
VRF	Value Reporting Foundation
WSE	Warsaw Stock Exchange (GPW)

Foreword by the WSE

The shift to sustainable investing has accelerated sharply over the past two years. It has been driven by growing investor awareness of the benefits of integrating ESG factors into business strategies combined with regulatory pressure on asset managers and companies to disclose climate and sustainability-related information so as to ensure reliable sustainable finance reporting. The experience has prompted the Warsaw Stock Exchange and the European Bank for Reconstruction and Development to update the 2021 ESG Reporting Guidelines. Guide for Companies Listed on GPW.

Stock exchanges are an important part of the capital market infrastructure, in particular as regards good sustainable investment practices including sustainability and climate disclosures, as well as reporting incentives and requirements. Stock exchanges can play a strategic role in developing the necessary tools and guidelines to educate and prepare issuers and investors in adapting to non-financial reporting.

This trend is followed by the Warsaw Stock Exchange which has for more than 20 years worked to develop corporate governance practices of listed companies on the capital market and broadly supported the integration of sustainability factors into the business operations of companies. This includes the publication of the Best Practice for GPW-Listed Companies in force since 2002, as well as the RESPECT index introduced in 2009 to promote socially responsible business, replaced by WIG-ESG in 2019. In June 2023, GPW opened the Warsaw Sustainable Segment, a dedicated section on the Catalyst website providing information about bonds issued by companies and public administration bodies to raise funding for sustainability projects.

In view of the growing educational needs and challenges in the area of sustainable finance, GPW has decided to support companies even more strongly. These efforts include the ESG Leaders competition which rewards companies in categories such as ESG Strategy, ESG Innovation, and Educational Project. The GPW Foundation and the Cracow University of Economics have launched a postgraduate programme “ESG Manager” in 2023, while GPW Growth has launched the GPW Growth – ESG in Practice programme.

The GPW Group’s ESG Strategy 2025 announced in December 2021 defines GPW’s long-term commitment to promoting sustainable development and implementing ESG initiatives. As a public company, GPW can be a beacon for change for other public companies. The objectives enshrined in the ESG Strategy guide the GPW Group’s activities in three key pillars: Environmental, Social, and Governance, and focus on achieving the following UN Sustainable Development Goals: Quality education, Gender equality, Decent work and economic growth, Responsible consumption and production, Climate action, and Partnerships for the goals.

The current version of the ESG Reporting Guidelines. Guide for Companies Listed on GPW has been produced in cooperation with partners: the European Bank for Reconstruction and Development as well as Steward Redqueen, a consultancy specialising in sustainability. Once again, this publication can provide practical tools to support issuers in ESG disclosures depending on the needs of the investors. In particular, it can address the requirements of the CSRD, which will soon cover nearly four thousand entities in Poland, in the preparation for the reporting of ESRS (European Sustainability Reporting Standards) indicators. The Guidelines provide recommendations for a list of key ESG indicators expected by global stock market investors. The document’s chapters cover ESG definitions, the regulatory environment, the approach to reporting, and the stages of drafting a sustainability report. The appendix provides a list of indicators expected by the investors. As such, the Guidelines can be a useful tool for issuers and investors in the adaptation to new challenges in sustainable finance.

On behalf of the Warsaw Stock Exchange, I would like to thank all issuers, investors, advisors, private and public institutions that have been involved in the preparation of the ESG Reporting Guidelines for Companies Listed on GPW. In particular, we would like to thank our partners in the project: the entire team at the European Bank for Reconstruction and Development as well as Steward Redqueen. Thanks to their joint efforts, backed by expertise, many years of experience and in-depth analysis, this set of complementary information can be a useful resource for both reporting companies and report users.

Izabela Olszewska
Member of the Management Board, Warsaw Stock Exchange

Foreword by EBRD

The global market shift to financing green and sustainable assets has accelerated in the last few years. A combination of growing awareness of the severity and urgency of the world's sustainability crisis and consequent government policy, stakeholder pressure and increased scrutiny from institutional investors is driving global financial flows towards sustainable investment. The recent regulatory developments in the European Union (EU) and the launch of the International Financial Reporting Standards (IFRS) sustainability standards have fast-tracked the sustainability and transparency agenda.

Environmentally sound investment and sustainable development lie at the heart of our mandate, underpinned at project level by our Environmental and Social Policy. In 2021 we published our Green Economy Transition approach (2021-2025) through which we committed to increase green financing to at least 50 per cent of its annual business volume by 2025 and to achieve cumulative greenhouse gas emissions reduction of 25 to 40 million tonnes per year by 2025. Our green investment in both 2021 and 2022 already reached 50 percent of total financing, representing an early achievement of our targets.

When it comes to sustainability and climate ambition, we strongly believe in leading by example. EBRD was the first multilateral development bank to support the Task Force for Climate-related Financial Disclosures in 2018, and since 2019 have published four stand-alone TCFD-aligned reports. And we were one of the first international financial institution to align its activities with the goals of the Paris Agreement starting from 1 January 2023.

We are committed to supporting Poland in its transition to a low-carbon and climate-resilient economy, in line with the EU sustainable finance agenda and international best practice. In 2022, more than two-thirds of our investment in Poland were green. As part of our country policy engagement, the EBRD is pleased to have supported our partner, the Warsaw Stock Exchange (WSE) in publishing its well-received sustainability reporting guidelines in 2021. Due to dynamic policy and regulatory developments in the EU and internationally, we have supported the 2023 update to respond to market needs, help businesses navigate the information requirements, and in this way facilitate the green transition in Poland.

The main objectives of the guidelines are to support issuers in their efforts to identify and manage ESG risks and opportunities and guide the development of their ESG reporting practices. The guidelines have been developed in line with the EU reporting requirements, including those under the Taxonomy Regulation, the Sustainable Finance Disclosure Regulation and the Corporate Sustainability Reporting Directive (as well as the related reporting standards), while also considering the national context and current level of sustainability reporting.

The WSE has a powerful role to play in facilitating the ESG data flow between companies and investors by fostering transparency and providing guidance to clients and wider stakeholders on the importance of harmonised and comparable ESG data reporting.

We hope that these guidelines will contribute to the development of a well-functioning and more resilient market, steering investment towards climate and sustainable development priorities. We are confident that this work will provide companies, investors, and other market participants in Poland with a clear and practical guide on their journey to a more sustainable economy.

Jürgen Rigterink
EBRD's First Vice President and Head of Client Services Group

PART 1

WHAT IS ESG AND WHY SHOULD A COMPANY REPORT ON IT?

1 Introduction

In this chapter you will learn:

- What is the purpose of the Guidelines and how they should be used
- What has changed in the updated Guidelines
- How sustainability reporting has evolved in Poland over time

1.1 What is the purpose of the Guidelines?

These Guidelines set out the what, the why, and the how of sustainability reporting. They identify key building blocks for effective communication on ESG issues and offer practical guidance for implementation.

The Guidelines have been developed with the following objectives in mind:

1) To support companies listed on the WSE in better, investor-oriented ESG reporting

The Guidelines aim to contribute to better, more consistent, comparable and reliable sustainability reporting that meets local and global market needs. They are a roadmap that builds on the internationally accepted reporting standards and frameworks and sustainability reporting best practices, and provides companies with a practical tool for setting up a focused reporting capacity.

2) To help companies prepare for the increasing regulatory requirements

The Guidelines offer a comprehensive overview of the latest regulatory developments around sustainability reporting. The Corporate Sustainability Reporting Directive (CSRD), the European Sustainability Reporting Standards (ESRS), the Sustainable Finance Disclosure Regulation (SFDR) and the EU Taxonomy are covered extensively, and further guidance have been provided to facilitate practical implementation.

It is important to stipulate that the Guidelines do not replace those international developments nor do they pretend to be exhaustive on the matters discussed therein. Rather, they aim to equip the users with necessary knowledge to navigate the rapidly evolving sustainability reporting landscape which is becoming more and more demanding.

3) To strengthen development of sustainable finance in Poland

On a macro-level, the Guidelines will further strengthen the Polish capital market and business community on the global arena. International investors are demanding more clarity from companies on their ESG performance. The dialogue between investors and companies will intensify and the quality of ESG reporting will impact access to capital to a greater extent. Thus, the Guidelines will inform the transition towards a more sustainable economy and raise the investment attractiveness of the region.

1.2. How should the Guidelines be used?

The Guidelines have been developed to support companies listed on the WSE. However, non-listed companies that aspire to improve their sustainability reporting practices may also find them relevant as the Guidelines content is centred around the CSRD and the ESRS which will apply to certain non-listed undertakings. Companies with little or no experience in ESG reporting will appreciate the Guidelines introductory approach. They may also use the minimum recommended disclosure metrics listed in Chapter 8 as a starting point for their disclosures.

It is important to emphasize, that the Guidelines are not a new standard, they do not replace legal obligations, nor do they introduce new reporting requirements. Rather they are intended to be used by the companies voluntarily to enhance their ESG reporting capabilities.

1.3. What has changed in the updated Guidelines?

The ESG Reporting Guidelines were first published in May 2021.[1] This reviewed and updated version was produced to ensure alignment with regulatory developments around sustainability reporting. The update was informed by extensive analytical work as well as consultations with various WSE stakeholders, including listed companies, fund managers and public administration.

As a result, significant parts of the original text of the Guidelines were updated and expanded to ensure Guidelines' continued relevance and accuracy. Regulatory developments around sustainability reporting – notably, the CSRD and supplementing it ESRS – will have a major impact on companies' reporting obligations in the EU. To help companies navigate this quickly evolving landscape, the Guidelines discuss extensively key reporting concepts under the CSRD (including double materiality principle, value chain approach, and sustainability due diligence) as well as disclosure requirements covered by the ESRS. They also highlight important information and offer useful tips to facilitate first time implementation.

In addition to the CSRD and ESRS, the Guidelines consider other relevant regulatory measures such as the EU Taxonomy, SFDR and Corporate Sustainable Due Diligence Directive (CSDDD). They also discuss the International Sustainability Standards Board (ISSB) sustainability reporting standards that are being developed at the global level, and offer a comparison table illustrating key difference between the ESRS, the ISSB and the Global Reporting Initiative (GRI).

Given the wide ranging, systemic impacts of climate change on the economy and the increasing need for companies to provide transparency on how they identify, assess and manage material climate-related impacts, risks and opportunities, a new chapter dedicated to climate change was added. It covers the Task Force on Climate-related Financial Disclosures (TCFD) framework as well as climate-related disclosure requirements under the ESRS.

Finally, it is worth noting that in the Appendices section the Reporting Template (Appendix D) was added to facilitate reporting of the Guidelines' minimum recommended disclosure metrics in a standardised format and allow them to be easily found by investors and other users of sustainability reporting.

The Guidelines are tailored to specific needs of the Polish capital market and business community. There is a consensus that ESG reporting is part of a broader drive towards more sustainable economy. To inform their investment decisions, investors are looking for robust data on material ESG impacts, risks and opportunities. They want companies to be responsible and accountable as they increasingly recognise that effective ESG management reflects operational excellence. Consistent and effective ESG reporting helps to build the sustainability profile of the company. The sustainability business case that drives operational choices and target-setting is a process of continuous improvement that is reflected in the ESG reporting. By updating these Guidelines, the WSE position itself at the forefront of regulatory developments among other stock exchanges around the world that have published ESG reporting guidance for their issuers.

1.4 Sustainability reporting in Poland

The international business community is increasingly addressing environmental, social and governance issues to meet sustainability challenges. This is in part driven by regulations, changing shareholder demands, a broader shift among capital providers, societal pressures, and reputational concerns. However, it is also driven by new business opportunities that are emerging, such as alternative products and markets, better access to talent and anticipation of changes in consumer behaviour.

In Poland the sustainability agenda is gaining momentum as well, and many companies have been reporting sustainability information for a long time already. **Figure 1** summarises how the concept of sustainability reporting has evolved over time in line with emerging regulations and companies' increasing awareness of ESG risks and opportunities.

The introduction of the Non-Financial Reporting Directive (NFRD) and its transposition into the Polish legislation was a watershed moment for sustainability reporting in Poland. It helped to anchor ESG reporting and increase the amount of ESG information published by the companies. The new and expanded regulatory requirements have further strengthened companies reporting practices.

While the ESG reporting has been improving in Poland, the breadth, depth and consistency of reported information continues to vary. To bridge those gaps and help companies to further enhance their sustainability reporting capabilities, in 2021 the WSE published its ESG Reporting Guidelines and subsequently revised and updated them to ensure their continued relevance and accuracy. Additionally, issuers are expected to address specific aspects of governance and accountability in line with the WSE code of corporate governance – [Best Practice for GPW listed companies 2021.]()

At the same time, the WSE has been promoting transparency on the Polish capital market and encouraging listed companies to consistently improve their sustainability reporting practices, not least through the introduction of the RESPECT Index in 2009 – the first sustainability index in Central and Eastern Europe. In 2019, the index was replaced by the WIG-ESG index, which became an underlying instrument for investment products.

1 Warsaw Stock Exchange, ESG ESG Reporting Guidelines. Guide for issuers (Publ. May 2021). https://www.gpw.pl/pub/GPW/ESG/ESG_Reporting_Guidelines.pdf

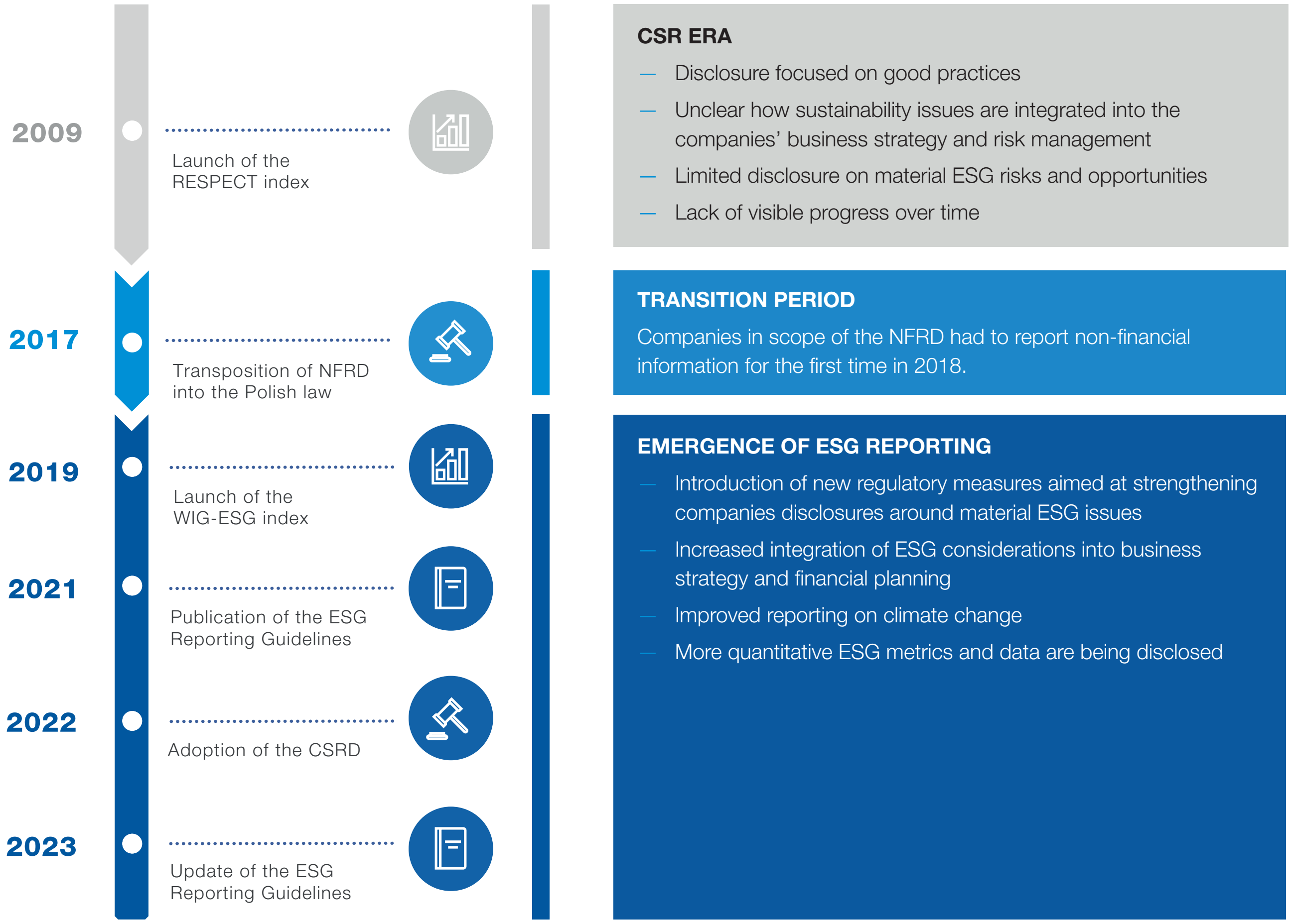

Figure 1 - Evolution of sustainability reporting in Poland

2 ESG – what it is and why it is important

In this chapter you will learn:

- What ESG means
- How governance fits in the context of broader ESG topics
- What are the benefits of improved ESG management and disclosure

It is in every company's interest to adequately address material ESG impacts, risks and opportunities. ESG risks just like any other corporate risks may become detrimental to the company value. The cost to repair damages can be higher than preventative measures and proactive management. Evidence shows that companies that fully integrate ESG consideration in their operations and that are transparent and accountable to their stakeholders are better positioned for a long-term success. Furthermore, companies face increasing pressure to report on ESG matters driven by shareholder demands, regulation, reputational concerns and other factors.

2.1 ESG – what does it mean?

ESG refers to a broad range of environmental, social and governance factors that are used to evaluate how companies are managing their sustainability impacts, risks and opportunities. These factors can be either considered from the inside-out perspective (how the company operations impact the environment and the society at large) or an outside-in perspective (how ESG issues can affect the company's positions). **Figure 2** provides examples of different ESG issues.

- Climate change mitigation and adaptation
- Energy
- Pollution and waste
- Water and marine resources
- Biodiversity and ecosystems
- Resource use and circular economy

- Working conditions
- Occupational health and safety
- Employee diversity and inclusion
- Development and training
- Human rights
- Community relations
- Impacts on consumers and end-users

- Corporate governance
- Corporate culture and responsible business conduct
- Bribery and corruption
- Political influence and lobbying activities
- Relationships with suppliers
- Privacy and data security

Figure 2 - Examples of ESG issues

Environmental factors include issues that stem from or affect the environment. They include but are not limited to company impact on climate change (through GHG emissions); its management of climate related risks and opportunities; the use of energy, water and other resources; pollution and waste management; and impact of its business activities on biodiversity and natural environment.

Social factors refer to how the company affects humans it interacts with – its employees, clients, suppliers, local communities and other stakeholders – and how they in turn can affect the company. They include but are not limited to issues such as treatment of workers in own operations and in the supply chain; employees' health and safety; diversity and inclusion; respect for human rights; as well as impacts on local communities and users of company's products and services.

Governance refers to a system of internal practices, controls and procedures that a company adopts in order to govern itself, make effective decisions, comply with the law, and meet the needs of its stakeholders. For further details, please refer to section 2.2 Governance in ESG.

ESG factors are sometimes referred to as "non-financial" or "extra-financial". However, there has been some scepticism around the adequacy of those terms, because they imply that the information in question has no financial relevance. Whereas ESG issues in fact may have direct implications for the company financial performance. For example, a company with weak governance practices can face substantial regulatory fines and legal costs if it gets embroiled in a related scandal. Similarly, mismanagement of environmental and social issues can have a bearing on the company bottom line through revenue loss, lower profitability and compliance costs, among others.

ESG, sustainability and CSR

While the term ESG is more commonly used among investors, the term sustainability tends to be more common among companies. Although subtle nuances exist, both terms are used in the Guidelines interchangeably as they refer to the same concept. On the other hand, the term Corporate Social Responsibility (CSR) has been avoided, as it has somewhat different meaning. Firstly, CSR tends to refer to the social dimension of ESG, placing less emphasis on the environmental and governance aspects. Secondly, CSR tends to be focused on the company external environment, whereas ESG has a much broader scope by looking at the company internal and external impacts, risks and opportunities. Finally, CSR is often used in relation to philanthropic activities or activities that are not related to the company core business.

2.2 Governance in ESG

Governance encompasses a system by which a company is managed, operated and held to account. Its primary objective is to help build the environment of trust, transparency and accountability that is key to ensure stability and encourage long-term investments.

In the context of a broader range of ESG issues, governance can be broken down into two main areas: corporate governance and business ethics (or responsible business conduct). The first one covers issues such as: ownership structure; board composition, independence and compensation; approach to risk management and internal controls; shareholder rights; and communication with shareholders. Business ethics on the other hand, refers to values, standards and principles a company adopts to govern itself in a responsible way, in line with applicable laws and regulations, and commonly accepted norms. It includes issues such as anti-corruption, whistle blowing, and political lobbying, among others.

The importance of governance for listed companies

Governance is a fundamental component of the company ability to create and maintain value in short, medium and long term. Moreover, companies with well-functioning corporate governance systems tend to be preferred as a long-term investments by institutional investors.

In Poland, many traditional aspects of the corporate governance, such as board composition or remuneration policy are covered by relevant regulations. Additionally, to foster transparency and good governance practices, companies listed on the WSE are required to follow Best Practice for GPW listed companies 2021 („Dobre Praktyki Spółek Notowanych na GPW 2021" or DPSN2021). The document serves as a complement to legal or regulatory provisions, outlining best practices in relation to corporate governance and investor communication. The DPSN were first published in 2002 and are regularly updated to ensure their relevance and alignment with regulatory developments.

It should be noted, that DPSN2021 cover certain ESG aspects. Specifically, sections 1.3 and 1.4 recommend that companies consider ESG issues as part of their business strategy and planning and provide disclosure on their climate risks and related KPIs. Companies are also asked to disclose employee pay gap ratio and inform whether actions have been taken to eliminate gender inequalities. Sections 2.1 and 2.2 address diversity on corporate bodies.

The Guidelines integrate the DPSN2021 recommendations related to broader ESG aspects. However, they do not discuss corporate governance aspects in great detail. As such, those two documents while complementary, should be read separately.

Useful resources:

1. Best Practice for GPW listed companies 2021 (link)
2. Guidelines to the Best Practice 2021 (link) concerning the application of the principles of the Best Practice for GPW Listed Companies 2021
3. Best Practice Scanner (link)

2.3 The business case for ESG

Investors (and other stakeholders) increasingly demand companies to be transparent on how they address material ESG issues. **Figure 3** summarises how effective ESG management (or lack of thereof) can affect the company business operations.

	PRO-ACTIVE ESG MANAGEMENT	WEAK ESG MANAGEMENT
RISK MANAGEMENT	– Improved preparedness to manage risks – Better long-term financial planning	– Compliance costs, regulatory fines and penalties – Higher risks of ESG-related incidents or scandals
OPERATIONAL PERFORMANCE	– Cost savings resulting from more efficient use of energy and other resources – Improved employee retention and productivity	– Higher costs resulting from inefficient processes and inefficient use of resources – High employee turnover and lower productivity (affecting recruitment costs) – Risk of labour unrest and work stoppages
BUSINESS OPPORTUNITIES	– B2B opportunities (as ESG criteria are increasingly part of the procurement requirements) – Gaining customers as a result of adding new and/or expanding existing sustainable products and services	– Loss of potential business contracts due to inability to meet ESG requirements – Weaker competitive position
ACCESS TO CAPITAL AND FINANCING	– Improved access to capital (both debt and equity financing) including from long-term institutional investors – Lower pricing/better financing terms	– Higher financing costs due to ESG risk premium – Loss of financing (incl. divestment)
REPUTATION	– Improved brand value – Being perceived as reputable employer affecting company ability to acquire and retain talent – Improved customer loyalty	– Loss of customers as a result of weak ESG practices or ESG-related incidents – Difficulty to attract talent – Pressure from NGOs
STAKEHOLDER ENGAGEMENT	– Better understanding of stakeholders needs and expectations – Improved investor relations	– Risks of community opposition – Weak ESG rating affecting investors' view of the company performance

Figure 3 – Benefits of improved ESG management and disclosure

2.4 Attracting capital – ESG in the financial sector

Over the last decade, sustainability has gained importance in the financial sector. The sector is shifting away from a short-term investment approach that maximises financial returns towards a long-term value creation model that optimises financial, social and environmental value subject to risk. Investors, lenders, insurers and other financial players alike are becoming aware that corporate financial statements alone are not necessarily sufficient in determining the company's risk profile and potential. It is acknowledged that both a company's balance sheet and profit and loss account can be impacted by ESG factors. Good ESG management reflects operational excellence. Investors and other providers of financial services have recognised that ESG has a significant impact on the (present and future) value creation of an organisation. The ESG risks a company may face, and the way in which these risks are managed can increase or decrease the cost of capital or impact access to it. For example, increasing in popularity sustainability-linked bonds and loans link the company's borrowing cost to its performance on the predetermined ESG indicators or targets. This gives investors an opportunity to support companies that are in transition, while allowing companies in question to receive discount on the interest paid if the ESG KPIs are achieved. Another example are debt instruments that use the proceeds to fund projects with positive environmental or social outcomes, such as green bonds or social bonds. The need for issuers to respond to this demand for ESG information is clear. By disclosing data that investors seek, issuers can provide reassurance that they are effectively managing business risks and identifying opportunities.[2]

The UN Principles for Responsible Investment (PRI)

The PRI is the world's leading proponent of responsible investment. It was established by 100 investment institutions in 2006, and provides a list of six voluntary and aspirational investment principles outlining possible actions investors can take to incorporate ESG issues into investment practice.

PRINCIPLE 1	Incorporate ESG issues into investment analysis and decision-making processes
PRINCIPLE 2	Be active owners and incorporate ESG issues into ownership policies and practices
PRINCIPLE 3	Seek appropriate disclosure on ESG issues by the entities in which we invest
PRINCIPLE 4	Promote acceptance and implementation of the Principles within the investment industry
PRINCIPLE 5	Work together to enhance effectiveness in implementing the Principles
PRINCIPLE 6	Report on activities and progress towards implementing the Principles.

Since its establishment PRI has been consistently growing. In 2010 it had over 700 signatories with USD 21 trillion AUM. As of 2021, the collective AUM represented by PRI signatories increased by 480% to US$121.3 trillion, and the number of signatories increased to a total of 3,826 signatories[2]. From an issuer perspective, good ESG reporting is thus an advantage in attracting capital from these investors.

For further information on the relevance of the Guidelines for investors please refer to Appendix C.

2 PRI website, accessed Feb 2023, https://www.unpri.org/about-us/about-the-pri

PART 2

EU ESG REGULATORY FRAMEWORK

3 Regulatory landscape

In this chapter you will learn:

- What will be expected from the companies under the CSRD
- How to navigate the ESRS
- What is the link between CSRD and other regulations i.e. EU Taxonomy, SFDR and CSDDD
- How SFDR will impact listed companies

3.1 The EU Sustainable Finance Action Plan

The Sustainable Finance Action Plan[3] was first introduced in March 2018 with the aim to channel more investment into environmentally sustainable economic activities. Notably, those that can accelerate transition to carbon-neutral and climate-resilient economy by 2050. The plan is a part of larger sustainable finance agenda supported by a broad set of new and amended legislations demanding greater transparency from companies and financial institutions on their sustainability impacts and the way they are managing related risks. These regulations include, among others:

- The **CSRD** and supplementing it **ESRS**;
- The **EU Taxonomy** setting forth a common classification system to identify environmentally sustainable economic activities; and
- The **SFDR** targeting financial market participants and financial advisors, and aimed at increasing transparency on sustainability aspects in the financial sector.

EU SUSTAINABLE FINANCE AGENDA

	SFDR	EU TAXONOMY	CSRD
GOAL	To increase transparency on sustainability aspects in the financial industry and prevent greenwashing.	To create a common classification framework for environmentally sustainable economic activities.	To increase the amount of high quality ESG information and data disclosed by companies.
LEVEL 1	Sustainable Finance Disclosure Regulation Regulation (EU) 2019/2088	Taxonomy Regulation Regulation (EU) 2020/852	Corporate Sustainability Reporting Directive Directive (EU) 2022/2464
LEVEL 2	Regulatory Technical Standards	Climate Delegated Act Environmental Delegated Act Disclosures Delegated Act	European Sustainability Reporting Standards

Applicable to companies (EU Taxonomy, CSRD)

Applicable to investors (SFDR, EU Taxonomy)

Figure 4 – Overview of the key policy measures under of the EU sustainable finance agenda

3 https://finance.ec.europa.eu/publications/renewed-sustainable-finance-strategy-and-implementation-action-plan-financing-sustainable-growth_en

As presented in **Figure 4**, regulatory measures introduced as part of the EU sustainable finance agenda consist of:

- **Level 1 measures** (regulations and directives) setting forth general framework governing certain issue, and
- **Level 2 measures** that are adopted as Delegated Acts, and supplement Level 1 regulations by providing technical guidance on how certain aspects should be implemented in practice.

3.2 Corporate Sustainability Reporting Directive (CSRD)

What are the main changes introduced by the CSRD?

The CSRD (Directive 2022/2464)[4] entered into force in January 2023. It amends reporting requirements of the NFRD (Directive 2014/95/EU)[5], which was adopted in 2014 and entered into force in 2017, following the transposition into the Polish Accounting Act[6].

The NFRD was the first legal act requiring certain companies across the EU to report on sustainability matters. Accordingly, large public-interest entities (PIEs) – such as listed companies, banks, insurance providers, etc. – or PIEs being a parent company of large groups exceeding 500 employees were required to publish an annual non-financial statement containing information and KPIs related to environmental, social and employee matters, respect for human rights, and actions to prevent bribery and corruption.

The CSRD extends the scope of the NFRD and introduces more detailed and ambitious reporting requirements for affected companies. Some of the major changes include:

INCREASED SCOPE CSRD extends the scope of the reporting obligations to all large companies (listed and not listed) and the SMEs listed on the EU regulated markets (except micro enterprises) as well as (indirectly) certain non-EU companies	**DOUBLE MATERIALITY PERSPECTIVE** Companies will have to report on the financial impact of ESG issues on their businesses as well as on the impacts they operations have on people and the planet.	**EUROPEAN SUSTAINABILITY REPORTING STANDARDS** Companies will be required to use mandatory European Sustainability Reporting Standards (ESRS) to prepare their sustainability disclosures.
TRANSPARENCY ON VALUE CHAIN IMPACTS Companies reporting will need to cover their direct operations but also material impacts, risks and opportunities in upstream and downstream value chain.	**LINKS TO BUSINESS MODEL AND STRATEGY** Companies will have to explain how material ESG issues impact (positively and negatively) their strategy and business model and whether any adjustments will be made to mitigate negative sustainability impacts.	**THIRD-PARTY ASSURANCE** Companies will be subject to limited assurance by accredited auditors and will likely be subject to more rigorous reasonable assurance in the future.

GOOD TO KNOW

Why there was a need to revise the NFRD?

The NFRD undoubtedly helped to improve the availability of ESG information among the companies in the EU. However, many stakeholders (including investors) have been raising concerns that the disclosures provided by the companies are insufficient and difficult to compare due to the lack of common unified sustainability reporting standard. Moreover, it was necessary to align the NFRD requirements with the regulations introduced at the later stage as part of the EU sustainable finance agenda, i.e. the EU Taxonomy and the SFDR.

4 Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting (Publ. 14 December 2022). https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32022L2464

5 Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups (Publ. 22 October 2014). https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32014L0095

6 Polish Accounting Act (Publ. 29 September 1994). https://isap.sejm.gov.pl/isap.nsf/download.xsp/WDU19941210591/U/D19940591Lj.pdf

Who is in scope of the CSRD?

The CSRD will apply to the following entities:

- all companies listed on the EU regulated market, including SMEs (except micro-enterprises)
- all large companies exceeding two of the three following criteria (as per the Accounting Directive 2013/34/EU):
  - more than 250 employees
  - net turnover exceeding EUR 40 million
  - balance sheet exceeding EUR 20 million
- (indirectly) non-EU companies operating in the EU meeting the following criteria:
  - net turnover generated in the EU exceeding EUR 150 million and a subsidiary in the EU that is in scope of the CSRD
  - net turnover generated in the EU exceeding EUR 150 million and EU branch with an annual net turnover exceeding €40 million.

Subsidiaries will be exempted from publishing sustainability statements if they have been included in the parent company consolidated management report that was prepared in accordance with the CSRD requirements, or in the consolidated sustainability reporting of the third-country parent company prepared in accordance with the ESRS or other standard recognised as equivalent. The exemption is not available to large listed companies.

Exempted subsidiaries must include in their management report the following information:

- name and registered office of the parent company that is reporting sustainability information at the group level;
- link to the consolidated management report;
- reference of this exemption in their own management report.

When will the CSRD start to apply?

CSRD provisions will become applicable in phases in line with the timeline presented in **Figure 5**.

From 2025 (reports covering FY2024), CSRD will start to apply to companies already in scope of the NFRD (as transposed in the Polish Accounting Act) as well as those which will become in scope of the NFRD for 2024 as a result of exceeding associated thresholds.

From 2026 (reports covering FY2025) new requirements will be extended to all large companies (as specified above).

From 2027 (reports covering FY2026) new rules will apply to small and medium-sized enterprises (SMEs) listed on the regulated markets (except micro-enterprises). However, they will have the possibility of voluntary opt-out until 2029 (reports covering FY2028), and will be able to report according to a separate, proportionate standards that are being developed. This means that SMEs will be able to omit the sustainability information in their management reports for the first two years, but will have to explain in the report why they have not provided such information.

From 2029 (reports covering FY2028) the new requirements will also (indirectly) apply to certain non-EU companies.

FY 2024
(Reporting in 2025)

Companies in scope of the NFRD
Large public interest entities or parent companies of large groups exceeding 500 employees and meeting one of the following criteria: net turnover > EUR 40 million and total assets > EUR 20 million

FY 2025
(Reporting in 2026)

Large companies (listed and not listed) or parent companies of large groups
Meeting two of the following criteria: more than 250 employees, net turnover > EUR 40 million and total assets > EUR 20 million

FY 2026
(Reporting in 2027)

SMEs listed on regulated markets
Meeting two of the following criteria: more than 10 employees, net turnover > EUR 700 thousands and total assets > EUR 350 thousands (possible “opt-out” clause until FY2028)

FY 2028
(Reporting in 2029)

Certain non-EU companies (indirectly)
Generating net turnover > EUR 150 million in the EU and having an EU branch office with a net turnover of at least EUR 40 million, or EU subsidiary in scope of the CSRD

Figure 5 – CSRD implementation timeline

3.3 European Sustainability Reporting Standards (ESRS)

In line with the CSRD provisions, all companies subject to the CSRD are required to use mandatory regulatory sustainability reporting standards as a basis for preparing their sustainability disclosures. Those standards are referred to as European Sustainability Reporting Standards (ESRS)[7] and are adopted as Delegated Acts supplementing the CSRD.

The first set of standards was adopted in July 2023 and contains 12 sector agnostic standards. The standards architecture also anticipates the adoption of sector-specific standards as well as proportionate standards for SMEs and non-EU companies.

The standards are being developed by the European Financial Reporting Advisory Group (EFRAG) – a private organization that provides technical assistance to the European Commission.

Link to other regulations and sustainability reporting initiatives

The ESRS consider European law and initiatives under the EU sustainable finance agenda, EU Taxonomy, SFDR, proposal of the CSDDD, as well as sustainability reporting initiatives such as ISSB, TCFD and GRI to ensure standards interoperability.

For a comprehensive overview of the ESRS please refer to Chapter 4.

3.4 EU Taxonomy

The EU Taxonomy (Regulation (EU) 2020/852)[8] establishes a common classification system to help identify environmentally sustainable economic activities. It applies to:

- Companies in scope of the NFRD/CSRD, and
- Financial market participants offering financial products in the EU in scope of the SFDR. Notably, those offering products with sustainability objectives or promoting characteristics (SFDR Article 8 and 9 funds).

What are the EU Taxonomy classification criteria?

To be classified as environmentally sustainable, an economic activity must make substantial contribution to at least one of the six environmental objectives outlined in **Figure 6** whilst not significantly harming any of the others. It must also comply with the Minimum Safeguards such as OECD Guidelines, UN Principles and ILO core conventions.

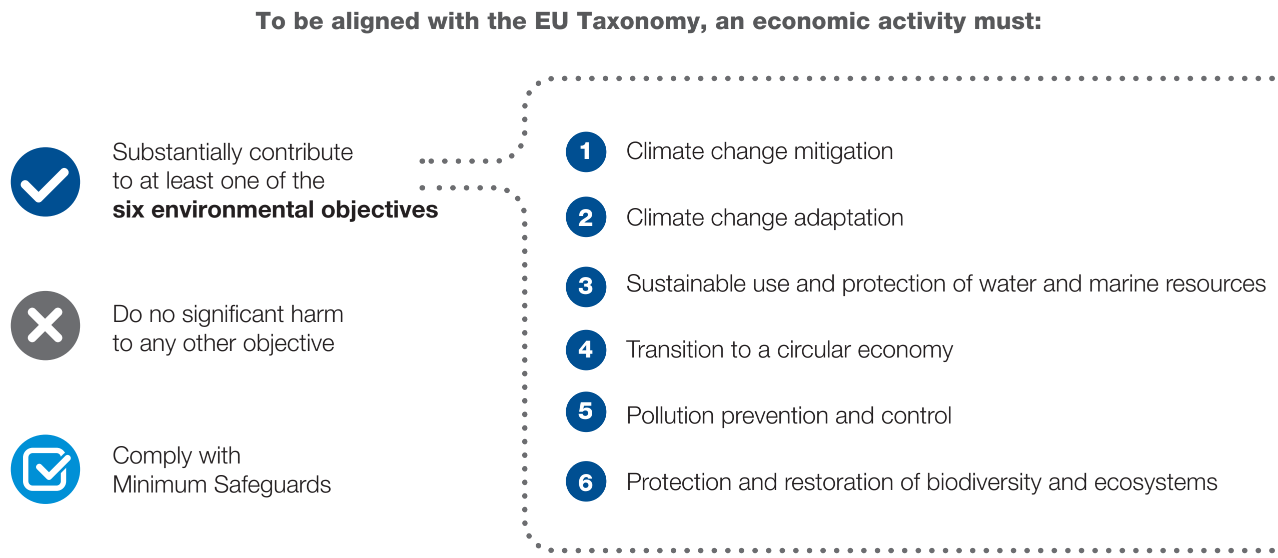

Figure 6 - EU Taxonomy objectives and classification criteria

7 https://finance.ec.europa.eu/regulation-and-supervision/financial-services-legislation/implementing-and-delegated-acts/corporate-sustainability-reporting-directive_en

8 Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (Publ. 18 June 2020). https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32020R0852

The assessment whether an activity contributes to or harms the environmental objectives is made based on the harmonized performance thresholds, also called the Technical Screening Criteria (TSC). They are outlined in the EU Taxonomy Delegated Acts[9], which provide technical guidance on practical implementation of the Taxonomy Regulation. Notably:

- The Climate Delegated Act (Delegated Regulation (EU) 2021/2139)[10] and a the Complementary Climate Delegated Act (Delegated Regulation (EU) 2022/1214[11], providing technical screening criteria for activities that can make a substantial contribution to climate change mitigation and climate change adaptation, and
- The Environmental Delegated Act, providing technical screening criteria for activities that can make a substantial contribution to the remaining four environmental objectives.

What has to be reported under the EU Taxonomy?

Although the EU Taxonomy is not intended to be a reporting framework, it introduces certain reporting obligations on companies and financial actors it applies to. Those obligations differ depending on the type of entity and the underlying regulation that is applicable to it. **Figure 7** provides details on the timelines and disclosure requirements for different types of organisations.

The Disclosures Delegated Act (Delegated Regulation (EU) 2021/2178)[12] supplementing Art. 8 of the Taxonomy Regulation specifies the reporting timelines as well as the content, methodology and presentation of information to be disclosed by financial and non-financial companies in scope of the NFRD/CSRD, concerning the proportion of environmentally sustainable economic activities in their business, investments or lending activities.

Accordingly, non-financial companies subject to NFRD/CSRD are required to report the following KPIs:

- proportion (%) of turnover derived from products or services associated with environmentally sustainable economic activities;
- proportion (%) of capital expenditures (CAPEX) related to assets or processes associated with environmentally sustainable economic activities;
- proportion (%) of operating expenditures (OPEX) related to assets or processes associated with environmentally sustainable economic activities.

Financial companies in scope of the NFRD/CSRD have to report corresponding KPIs. Specifically, credit institutions have to disclose Green Asset Ratio (GAR) which shows the proportion of Taxonomy-aligned on-balance-sheet exposure in relation to the total assets.

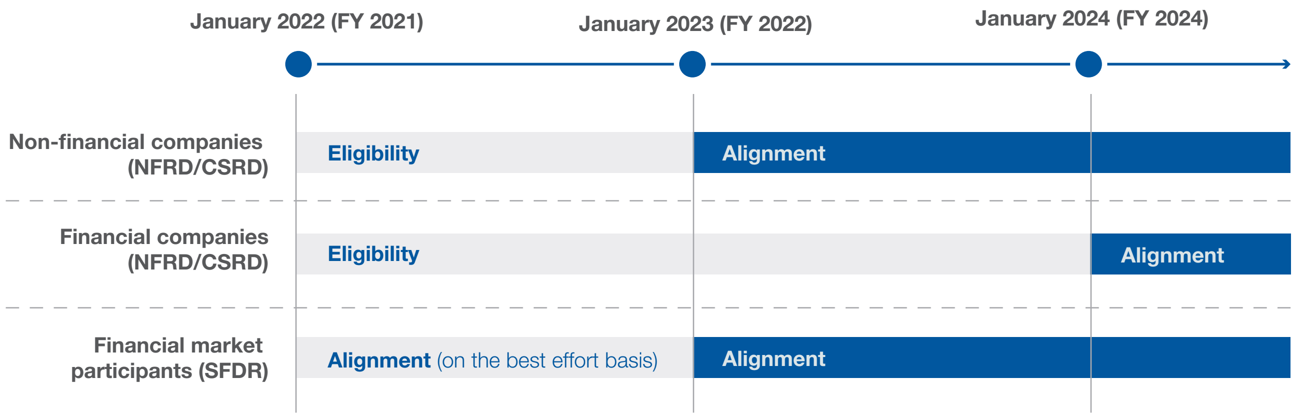

Figure 7 – EU Taxonomy reporting timeline

9 https://finance.ec.europa.eu/regulation-and-supervision/financial-services-legislation/implementing-and-delegated-acts/taxonomy-regulation_en

10 Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing 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 (Publ. 4 June 2021). https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32021R2139

11 Commission Delegated Regulation (EU) 2022/1214 of 9 March 2022 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 (Publ. 9 March 2022). https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32022R1214

12 Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by 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 (Publ. 6 July 2021). https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32021R2178

On the other hand, financial market participants who are subject to the SFDR are required to provide product-level disclosures (in case of SFDR Article 8 and Article 9 funds) in line with the Art. 5 and 6 of the Taxonomy Regulation. The details on how this information should be presented in pre-contractual disclosures and periodic reports, including a mandatory template is specified by the Regulatory Technical Standards (RTS) supplementing SFDR.

Section 3.5 below provides further information on SFDR.

What is the difference between the Taxonomy eligibility and alignment?

The EU Taxonomy provides a list of business activities that have a potential to contribute to outlined therein environmental objectives. For those activities, technical screening criteria were developed to evaluate whether an economic activity can be considered environmentally sustainable. Those activities fall in scope of the EU Taxonomy (in other words they are Taxonomy-eligible).

If an economic activity is not included in the EU Taxonomy, it does not mean that it has negative environmental impact. It simply means that it was not classified either because it has negligible positive impact or is considered neutral.

The eligibility assessment is the first step of a full Taxonomy-alignment analysis. The remaining four conditions have to be met to support the alignment conclusion. These are:

- Making a substantial contribution to at least one environmental objective
- Do no significant harm (DNSH) in relation to the other environmental objectives
- Compliance with Minimum Safeguards to ensure that companies engaging in the sustainable activities meet certain social and business ethics standards
- Compliance with the technical screening criteria set out in the Taxonomy Delegated Acts

For more information on the Minimum Safeguards please also refer to Section 4.3.2 in Chapter 4

Useful resources:

1. Taxonomy Regulation (link)
2. Climate Delegated Act (link) and a Complementary Climate Delegated Act including specific nuclear and gas energy activities in the list of economic activities covered by the EU Taxonomy (link)
3. Environmental Delegated Act (link)
4. Disclosures Delegated Act supplementing Article 8 of the Taxonomy Regulation (link)
5. EU Taxonomy Navigator, including EU Taxonomy Compass and EU Taxonomy Calculator (link)

3.5 Sustainable Finance Disclosure Regulations (SFDR)

The SFDR (Regulation (EU) 2019/2088)[13] was introduced in 2019 and came into effect in March 2021. It imposes mandatory ESG disclosure obligations on two types of financial entities:

- financial markets participants that manufacture and sell financial products and perform portfolio management services (i.e., asset managers, pension fund providers, banks and insurers), and
- financial advisors.

What is the objective of the SFDR?

The SFDR aims to increase transparency on the European capital markets by requiring financial actors to report more accurately about their ESG risks and integration of sustainability aspects in the investment processes.

To provide end-investors with a better overview of the sustainability profile of investment products, SFDR also requires fund managers to classify their funds into the following categories:

- Article 6 Funds – funds that have no specific ESG focus
- Article 8 Funds – funds that promote environmental or social characteristics
- Article 9 Funds – funds that have sustainable investment as their objective

What must be disclosed under the SFDR?

Under the SFDR, financial actors must make a number of entity-level and product-level disclosures in relation to sustainability risks and consideration of adverse sustainability impacts in their investment processes, among other things. They must also disclose sustainability-related information with respect to the

13 Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability related disclosures in the financial services sector (publ. 27 November 2019), https://eur-lex.europa.eu/eli/reg/2019/2088/oj

financial products they offer. Products that promote environmental or social characteristics or have a sustainable investment objective (so called Article 8 and Article 9 funds) are subject to stricter disclosure rules. Required information must be disclosed through different channels: on the company website, in pre-contractual documents and in periodic reporting.

Content, methodologies and presentation of the sustainability-related disclosures required under SFDR is further specified in the Regulatory Technical Standards (RTS),[14] which have been adopted in April 2022 and started to apply from 1 January 2023.

What will be the impact of the SFDR on the listed companies?

While SFDR is applicable to financial actors, it will impact companies indirectly through increased demand for ESG data from investors as they will be seeking to fulfil their reporting obligations.

Listed companies should specifically take notice of the **Principal Adverse Impact (PAI)** indicators, that fund managers subject to the SFRD are required to report across their investments in a given period. PAI indicators are divided into mandatory and voluntary ones and have been established for corporate, sovereign, and real estate holdings. Mandatory PAI indicators for corporate investments are outlined in **Figure 8**.

	SFDR Mandatory PAIs applicable to corporate investments	
1	GHG emissions	Scope 1 GHG emissions[15] Scope 2 GHG emissions Scope 3 GHG emissions Total GHG emissions
2	Carbon footprint	Carbon footprint
3	GHG intensity of investee companies	GHG intensity of investee companies
4	Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector.
5	Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage.
6	Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector.
7	Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas.
8	Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average.
9	Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average.
10	Violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises.
11	Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises.
12	Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies.

14 Commission Delegated Regulation (EU) 2022/1288 (Publ. April 2022), https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02022R1288-20230220

15 Definition of Scope 1, 2 and 3 GHG emissions are provided in Section 6.2

	SFDR Mandatory PAIs applicable to corporate investments	
13	Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board member.
14	Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture orselling of controversial weapons.

Figure 8 – Mandatory PAIs applicable to corporate investments

Useful resources:

1. Sustainable Finance Disclosure Regulation (link)
2. Regulatory Technical Standards (link)

3.6 Corporate Sustainability Due Diligence Directive (CSDDD)

Beyond on-going developments related to the CSRD, the ESRS, the EU Taxonomy and the SFDR, the EU Commission proposed also other regulations further specifying companies' obligations around management of sustainability issues.

Specifically, in February 2022, European Commission proposed the Corporate Sustainability Directive (CSDDD)[16], which will increase companies' accountability for the negative environmental and human rights impact across their value chain. The new directive is closely linked to the CSRD and the minimum safeguards included in the EU Taxonomy.

The directive will require companies to identify and mitigate (based on the severity and likelihood) any potential adverse impacts in their own operations, their subsidiaries and other entities in their value chains with which they have direct and indirect business relationships. These include issues such as child and forced labour, abusive labour practices, unsafe working conditions, impacts on biodiversity, pollution, etc.

When enforced, the directive will require companies to perform the following due diligence activities:

- include due diligence in relevant policies;
- identify and mitigate any potential adverse environmental or human rights impacts;
- bring to an end or minimise actual impacts;
- establish and maintain a complaints procedure;
- monitor the effectiveness of the due diligence policy and actions;
- publicly disclose on due diligence.

In terms of human rights due diligence, the CSDDD proposal is aligned with existing international standards. such as the UN's Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, and the OECD Due Diligence Guidance for Responsible Business Conduct.

For more information on the sustainability due diligence please refer to Section 4.3.2 in Chapter 4

16 European Commission, Proposal for a directive on sustainability due diligence (Published Feb 2023), https://commission.europa.eu/publications/proposal-directive-corporate-sustainability-due-diligence-and-annex_en

4 Zoom-in on the ESRS

In this chapter you will learn:

- How the ESRS are structured
- What elements are covered under cross-cutting and topical standards
- What does double materiality mean
- What are the due diligence requirements under the ESRS
- How the value chain approach will affect companies reporting obligations

4.1 ESRS structure

The ESRS will be published in phase over 2023 and 2024. The first set of the ESRS has been already published and is comprised of 2 cross-cutting standards and 10 topical standards covering environmental, social and governance matters. The standards architecture also anticipates the adoption of sector-specific standards as well as proportionate standards for SMEs and non-EU companies.

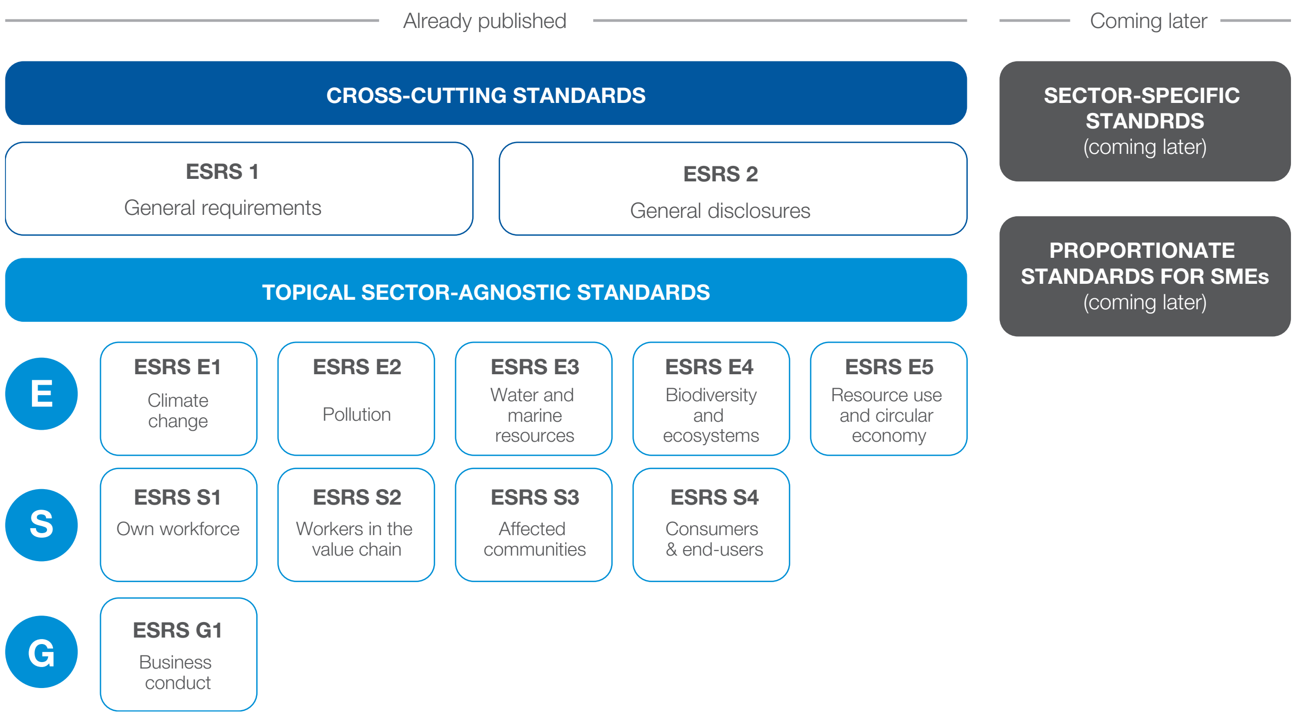

Figure 9 – ESRS architecture

4.1.1 Cross-cutting standards

ESRS 1 (General Requirements) and ESRS 2 (General Disclosures) set out general requirements that companies should comply with when preparing their sustainability reporting. They are cross-cutting and apply at a general level to all sustainability matters.

ESRS	Name	Covered aspects	Nr of DRs
ESRS 1	General requirements	General guidance on key reporting principles and concepts	-
ESRS 2	General disclosures	General disclosure requirements around: — reporting issues — governance — business model and strategy — materiality assessment process	12

Figure 10 – Cross-cutting standards

ESRS 1 outlines general requirements that companies reporting according to the ESRS need to follow. Unlike the rest of the standards, ESRS 1 does not include any specific disclosure requirements (DRs). Instead, it provides a conceptual framework explaining key reporting principles and concepts. It also specifies how sustainability information should be presented. **Figure 11** outlines the content of ESRS 1.

Content of ESRS 1	
Ch. 1	Categories of ESRS Standards, reporting areas and drafting conventions
Ch. 2	Qualitative characteristics of information
Ch. 3	Double materiality as the basis for sustainability disclosures
Ch. 4	Due diligence
Ch. 5	Value chain
Ch. 6	Time horizons
Ch. 7	Preparation and presentation of sustainability information
Ch. 8	Structure of sustainability statements
Ch. 9	Linkages with other parts of corporate reporting and connected information
Ch. 10	Transitional provisions

Figure 11 – Content of the ESRS 1

For more information on specific aspects covered in ESRS 1 please go to the following sections of the Guidelines:

- **Section 4.3.1 – Double materiality**
- **Section 4.3.2 – Sustainability due diligence**
- **Section 4.3.3 – Value chain approach**
- **Section 4.2 – Transitional provisions**
- **Section 5.1 – Presentation of sustainability information**

ESRS 2 outlines the cross-cutting disclosure requirements. This includes general characteristics of the company, an overview of its business model, strategy and governance structure as well as materiality assessment of sustainability impacts, risks and opportunities, and sustainability due diligence process.

Disclosure requirements in ESRS 2 (as well as in the topical standards) are structured around the following areas:

- governance (GOV),
- strategy (SBM),
- impact, risk and opportunity (IRO) management, and
- metrics and targets.

The structure is aligned with the one of the TCFD and ISSB to ensure standards interoperability.

1 GOVERNANCE (GOV)	2 STRATEGY (SBM)	3 IRO MANAGEMENT	4 METRICS AND TARGETS
Governance process in place to manage and monitor sustainability impacts, risks and opportunities.	How the company strategy and business model interacts with material sustainability impacts, risks and opportunities, including the strategy to address them.	How sustainability impacts, risks and opportunities (IRO) are identified, assessed and managed through policies and actions.	How the company is measuring its performance on sustainability matters, including progress towards targets.

Figure 12 – Structure of ESRS 2

Figure 13 specifies disclosure requirements under ESRS 2.

DISCLOSURE REQUIREMENTS	
Basis for preparation (BP)	BP-1 – General basis for preparation of the sustainability statements BP-2 – Disclosures in relation to specific circumstances
Governance	GOV-1 - The role of the administrative, management and supervisory bodies GOV-2 – Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies GOV-3 - Integration of sustainability-related performance in incentive schemes GOV-4 - Statement on due diligence GOV-5 - Risk management and internal controls over sustainability reporting
Strategy	SBM-1 – Strategy, business model and value chain SBM-2 – Interests and views of stakeholders SBM-3 - Material impacts, risks and opportunities and their interaction with strategy and business model(s)
IRO management	**Materiality assessment** IRO-1 - Description of the processes to identify and assess material impacts, risks and opportunities IRO-2 – Disclosure Requirements in ESRS covered by the undertaking's sustainability statements **Minimum disclosure requirements on policies and actions** MDR-P – Policies adopted to manage material sustainability matters MDR-A – Actions and resources in relation to material sustainability matters
Metrics and targets	**Minimum Disclosure Requirements on metrics and targets** MDR -M – Metrics in relation to material sustainability matters MDR-T – Tracking effectiveness of policies and action plans through targets

Figure 13 – Disclosure Requirements of ESRS 2

It should be noted that ESRS 2 has to be applied jointly with the topical ESRS. Appendix D in ESRS 2 outlines the requirements in the topical ESRS that need to be taken into account when reporting against Disclosure Requirements in ESRS 2.

4.1.2 Topical standards

Topical standards are divided into environmental, social, and governance standards. Disclosure requirements contained herein are sector-agnostic, meaning they are applicable to all companies independent of the sector(s) they operate in. All topical standards follow the same four-pillar approach as ESRS 2 in terms of structure and content.

ENVIRONMENTAL STANDARDS

ESRS	Name	Covered aspects
ESRS E1	Climate change	• Climate change mitigation • Climate change adaptation • Energy
ESRS E2	Pollution	• Pollution of air, water, soil, living organisms and food resources • Substances of concern and very high concern • Microplastics
ESRS E3	Water and marine resources	• Water consumption and withdrawal • Water discharges • Use of marine resources
ESRS E4	Biodiversity and ecosystems	• Biodiversity loss • Impacts on the state of species • Impacts on the ecosystems
ESRS E5	Resource use and circular economy	• Resource use • Waste

SOCIAL STANDARDS

ESRS	Name	Covered aspects
ESRS S1	Own workforce	• Employees • Non-employees (e.g. independent contractors, temporary workers, people provided by companies primarily engaged in “employment activities”)
ESRS S2	Workers in the value chain	• All other non-employees not included in ESRS S1 • Upstream value chain • Downstream value chain • Joint ventures or special purpose vehicles • Other workers particularly vulnerable to negative impacts
ESRS S3	Affected communities	• Local communities • Indigenous people
ESRS S4	Consumers and end-suers	• Privacy • Product quality and safety • Responsible marketing practices • Access to products and services

GOVERNANCE STANDARDS

ESRS	Name	Covered aspects
ESRS G1	Business Conduct	• Corporate culture and responsible business conduct • Bribery and corruption • Political influence and lobbying activities • Relationships with suppliers • Payment practices

GOOD TO KNOW

It is important to note that not all topical standards will be applicable to all companies. Companies' disclosures will be subject to the materiality assessment. Only topics determined to be material should be covered in the sustainability statements. For the topics that have been assessed as not material the company should only explain how it has concluded that the topic is not material.

4.2 Transitional provisions

To facilitate first time application of the ESRS, a number of transitional provisions have been included delaying application of certain reporting requirements. Specifically:

- All companies, regardless of their size, may omit information related to:
  - Their value chain for the first three years of reporting (if they are unable to obtain necessary data)
  - Anticipated financial impacts related to risks from environmental issues (1-year phase-in)
  - Certain data points related to their own workforce (social protection, people with disabilities, work-related illness, and work-life balance) (1-year phase-in)
- Companies or groups with less than 750 employees may also omit:
  - Disclosure of Scope 3 GHG emissions and total GHG emissions (1-year phase-in)
  - Disclosure requirements in ESRS S1 "Own workforce" (1-year phase-in)
  - Disclosure requirements in ESRS E4 "Biodiversity and ecosystems" (2-year phase-in)
  - Disclosure requirements in ESRS S2 "Value-chain workers" (2-year phase-in)
  - Disclosure requirements in ESRS S3 "Affected communities" (2-year phase-in)
  - Disclosure requirements in ESRS S4 "Consumers and end-users" (2-year phase-in)

The full list of phased-in disclosure requirements is specified in the Appendix C of ESRS 1. Chapter 10 of ESRS 1 provide further information on the transitional provisions.

4.3 Key reporting principles under ESRS

4.3.1 Double materiality

Companies subject to the CSRD are required to describe the process of identifying material ESG issues using double materiality principle. The outcome of the materiality assessment should not only inform the company business strategy but is necessary to determine which ESG topics should be discussed in its sustainability statements.

While certain ESG topics are relevant to all companies, in general companies' exposure to different ESG issues will vary depending on their sector of operations, company-specific circumstances, and other contextual factors. Materiality assessment helps to identify and prioritise ESG issues according to their relevance to the company and the impact they may have on its ability to create value in short, medium, and long term.

Materiality – what does it mean?

The concept of materiality is commonly used in the context of financial accounting and disclosure, where information is considered material if omitting, misstating or obscuring it could influence the economic decisions of the users of financial statements. In other words, materiality determines whether specific information should be included in the corporate financial disclosures.

In the context sustainability disclosure, materiality is somewhat more complex, and can be divided into two components: financial materiality and impact materiality.

Financial materiality refers to actual and potential ESG risks and opportunities that may have material implications for the company's financial positions and operational performance. An ESG topic is considered material form the financial materiality perspective, if it triggers financial impacts on the company (i.e. it affects its revenues, costs, assets or liabilities).

Impact materiality refers to actual and potential adverse impact of the company activities on the environment and society at large. An ESG topic is considered material from the impact materiality perspective, if a company can be linked to negative environmental and social impacts either through its direct business activities or indirectly through its value chain.

Impact assessment should be based on the following factors:

- scale of the impact (how severe is the impact),
- scope of the impact (how widespread is the impact), and
- its irremediable character (whether and to what extend the negative impacts can be remediated).
- and its likelihood (in case of potential impacts).

Double materiality is a union of the financial and impact materiality. An ESG topic is considered material from a double materiality perspective if:

1) it is material from the financial materiality perspective, or
2) if it is material from the impact materiality perspective, or
3) if it is material from both perspectives.

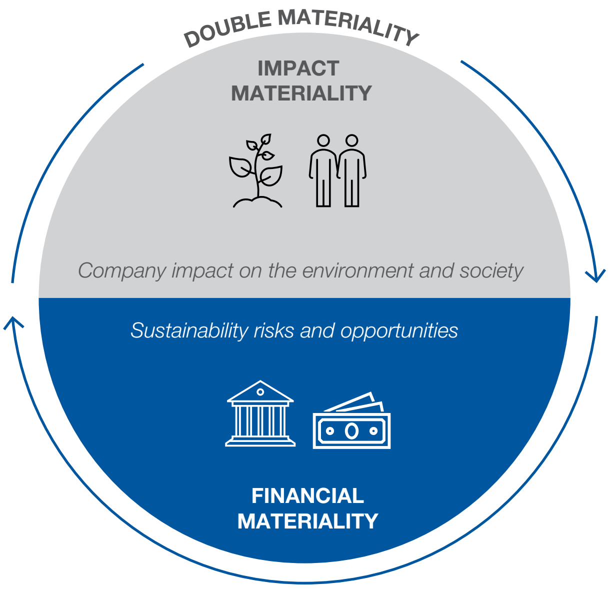

Figure 14 – Double materiality perspective

GOOD TO KNOW

Different sustainability reporting frameworks and standards use their own definition of materiality, which depends on the type of audiences they are serving. For example, the SASB Standards and the IR framework (which in 2021 have been consolidated by the IFRS/ISSB and serve as a basis for development of the ISSB global sustainability reporting standards) follow the financial materiality perspective as their goal is to facilitate disclosure to investors and other financial stakeholders. On the other hand, the GRI Standards are more closely aligned with the impact materiality perspective.

Sustainability reporting frameworks and standards are discussed in more detail in Section 5.2.

4.3.2. Sustainability due diligence

The ESRS require companies to provide a description of the sustainability due diligence process implemented with regard to the sustainability matters. The outcome of that process should be used to inform the company materiality assessment.

Sustainability due diligence is a process by which a company identifies, prevents, mitigates and accounts for how it addresses its actual and potential negative impacts on the environment and people throughout its value chain. Those impacts could be caused or contributed to by the company itself or its value chain, including through its products or services, as well as through its business relationships.

ESRS 1 discusses broadly the sustainability due diligence process and provides a list of core elements of sustainability due diligence which were developed based on the international references (i.e. the UN Guiding Principles on Business and Human Rights, and the OECD Guidelines for Multinational Enterprises). **Figure 15** presents the main steps of the sustainability due diligence outlined in the ESRS and related Disclosure Requirements.

	SUSTAINABILITY DUE DILIGENCE STEPS	REFERENCE TO DR
0	Embedding sustainability due diligence in governance, strategy and business model	**ESRS 2** GOV-2, GOV-3, SBM-3
1	Engaging with affected stakeholders	**ESRS 2** GOV-2, SBM-2, IRO-1, MDR-P + topical standards
2	Identifying and assessing negative impacts on people and the environment	**ESRS 2** IRO-1, SBM-3
3	Taking action to address negative impacts on people a nd the environment	**ESRS 2** MDR-A + topical standards
4	Tracking the effectiveness of these efforts and communicating	**ESRS 2** MDR-M, MDR-T + topical standards

Figure 15 – Core elements of the sustainability due diligence

In line with the disclosure requirement GOV-4 in ESRS 2, companies' approach to sustainability due diligence has to be described in the **statement on due diligence**.

TIPS

It is important to note that, while the topic of sustainability due diligence is broadly covered in ESRS 1, the standard does not impose specific requirements on how the process should be performed. Rather, it refers to the guidance provided by international instruments such as: the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises.

More detailed requirements related to the sustainable due diligence process in the value chain will be established by the **Corporate Sustainability Due Diligence Directive** (CSDDD), which is currently under development. Accordingly, certain large companies will have to report how they address actual and potential negative impacts that their operations have on people and the environment.

The CSDDD is discussed in more detail in Section 3.6.

TIPS

Companies are encouraged to consult the OECD Due Diligence Guidance for Responsible Business Conduct which provides practical, clear explanations of how to implement due diligence as recommended in the OECD Guidelines for Multinational Enterprises. The Guidance includes explanations, tips and illustrative examples of the due diligence, and builds on the approaches specified in the sector-specific due diligence guidance that were published earlier by the OECD.

Sustainability due diligence should be an on-going exercise that responds to the company changing business circumstances and context. Companies should regularly evaluate the effectiveness of their management systems and processes as well as potential changes to their risk exposure to be able to mitigate and address adverse impacts. If all identified impacts cannot be addressed at once, companies can prioritise them based on their severity and likelihood.

Sustainability due diligence provisions in the EU Taxonomy and the SFDR

Elements of the sustainability due diligence process are also embedded in the EU Taxonomy and the SFDR.

To be classified as environmentally sustainable under the **EU Taxonomy**, economic activity must comply with **Minimum Safeguards**. This is to ensure that companies engaging in the sustainable activities meet certain social and business ethics standards in the area of: human rights and labour rights, bribery and corruption, taxation, and fair competition.

Accordingly, to be classified as Taxonomy-aligned companies need to demonstrate that they meet the criteria for responsible business conduct outlined in the following documents:

- **The OECD Guidelines for Multinational Enterprises**[17] – which provide a set of recommendations for responsible business conduct. They cover all key areas of business responsibility, including human rights, labour rights, environment, bribery, consumer interests, as well as information disclosure, science and technology, competition, and taxation.
- **The UN Guiding Principles on Business and Human Rights (UNGPs)**[18] – which provide actionable steps for companies to prevent, address and remedy human rights abuses in their operations.
- The eight fundamental **conventions of the International Labour Organisation** on Fundamental Principles and Rights at Work[19]
- **The International Bill of Human Rights**[20] – covering five core human rights treaties of the United Nations.

GOOD TO KNOW

The EU Platform on Sustainable Finance Report on Minimum Safeguards provides additional guidance and clarification on the matter of minimum safeguards and how companies should approach it in practical terms.

The **SFDR** also includes elements of sustainability due diligence. Notably, they have been incorporated under the **Principal Adverse Impacts (PAIs)**. The SFDR provides a list of adverse impacts spanning across environmental and social themes along with quantifiable indicators. Accordingly, financial market participants have to provide extensive disclosure on the consideration of PAIs of their investments, including a statement on their due diligence policies and a principal adverse impacts report.

17 OECD, OECD Guidelines for Multinational Enterprises on Responsible Business Conduct. (Publ. 2023) https://www.oecd-ilibrary.org/finance-and-investment/oecd-guidelines-for-multinational-enterprises-on-responsible-business-conduct_81f92357-en

18 United Nations, Human Rights – Office of the High Commissioner, Guiding principle on business and human rights. (Publ. 2011) https://www.ohchr.org/documents/publications/guidingprinciplesbusinesshr_en.pdf

19 ILO, Fundamental Conventions. https://www.ilo.org/global/standards/introduction-to-international-labour-standards/conventions-and-recommendations/lang--en/index.htm

20 United Nations, Human Rights – Office of the High Commissioner. The international bill of human rights. (Publ. 10 December 1948). https://www.ohchr.org/documents/publications/compilation1.1en.pdf

4.3.3 Value chain approach

The ESRS require companies to follow the value chain approach when preparing their sustainability disclosures. Accordingly, companies have to be much more familiar with activities and processes they rely on to create their products and services (from their conception to delivery, consumption and end-of-life).

In line with the ESRS provisions, the scope of the company sustainability statement should be consistent with the scope of its financial statements but extended to include information on material impacts, risks and opportunities connected to its direct and indirect business relationships in the value chain. This doesn't mean that companies are required to report on all entities in their value chain. Only material value chain information should be included.

Assessment of material impacts, risks and opportunities should be performed along the value chain. To do that companies need to map out their upstream and downstream impacts, in addition to impacts in its direct operations. Upstream value chain includes activities, resources and relationships the company uses and relies on to create its products or services (e.g. suppliers). Downstream value chain includes activities and entities that a company relies on or interacts with as it provides its products or services (e.g. distributors, customers). **Figure 16** depicts an example of a value chain broken down into different stages.

Reporting on material value chain impacts, risks and opportunities should be

- informed by the outcome of the sustainability due diligence process and the materiality assessment;
- consistent with specific requirements of the topical ESRS (if such exist).

Figure 16 – Example of a company value chain

GOOD TO KNOW

The ESRS recognise that it might be challenging for companies to obtain information from partners in their upstream and downstream value chain. To address that issue, section 10.2 of ESRS 1 contains transitional provision related to value chain reporting. Accordingly, for the first three years of the reporting under ESRS, a company may be exempted from reporting value chain information if such information is not available. Nonetheless, it should explain:

- the efforts made to obtain relevant value chain information,
- the reasons why this information could not be obtained, and
- plans to obtain such information in the future.

In such case, the ESRS allow companies to estimate the information to be reported using indirect sources such as sector-average data and other proxies.

PART 3
REPORTING ON ESG

5 Reporting process – key considerations

In this chapter you will learn:

- Where the sustainability information should be presented
- How the ESRS interact with other sustainability reporting standards and frameworks
- What are the audit requirements under the CSRD

5.1 Format and location of sustainability disclosures under ESRS

Companies subject to the CSRD should follow requirements outlined in ESRS 1 with regard to the location and presentation of sustainability disclosures.

Location and presentation of sustainability disclosures

Companies in scope of the CSRD have to publish their sustainability information in a dedicated section of the management report called sustainability statements. Sustainability statements have to be structured into four parts:

1	**GENERAL INFORMATION**	**ESRS 2 General Disclosures:** • Specific topical disclosure requirements from topical ESRS • Additional disclosure requirements from sector specific ESRS • List of disclosure requirements complied with • Table of all the datapoints deriving from other EU legislation
2	**ENVIRONMENTAL INFORMATION**	**Disclosures pursuant to Article 8 of the Taxonomy Regulation** **ESRS E1 Climate change (if relevant)** • Impact, risk and opportunity management and Metrics and targets disclosure requirements from ESRS E1 • Additional disclosure requirements from sector specific ESRS • Potential additional entity specific information ↓ Next material topic (if relevant)
3	**SOCIAL INFORMATION**	**ESRS S1 Own workforce** (if relevant) • Impact, risk and opportunity management and Metrics and targets disclosure requirements from ESRS S1 • Additional disclosure requirements from sector specific ESRS • Potential additional entity specific information ↓ Next material topic (if relevant)
4	**GOVERNANCE INFORMATION**	**ESRS G1 Business Conduct** (if relevant) • Impact, risk and opportunity management and Metrics and targets disclosure requirements from ESRS G1 • Additional disclosure requirements from sector specific ESRS • Potential additional entity specific information

Figure 17 - Example of a structure of sustainability statement under ESRS

Content index and datapoints deriving from other EU legislation

To help users navigate their sustainability disclosures, companies will have to provide a list of all disclosure requirements they have complied with as well as the page number and/or paragraphs where the related disclosures are located in the sustainability statements.

Additionally, companies should provide a table with all datapoints listed in the Appendix B of ESRS 2 indicating where they can be found in their sustainability statement. These datapoints are needed by the financial market participants, benchmark administrators and financial institutions for their own reporting purposes. If a company concludes that a datapoint is not material, it will have to explicitly state that.

Format of sustainability disclosures

The management report has to be prepared in the XHTML format. All sustainability disclosures, including key performance indicators required under Article 8 of the Taxonomy Regulation, have to be digitally 'tagged' to make them machine readable as they will feed into the European Single Access Point (ESAP) that will be introduced in the future.

5.2 ESRS vs other sustainability reporting standards

Companies all over the world are increasingly expected to communicate their ESG risks, opportunities and impacts. At the same time efforts have been undertaken to harmonise existing sustainability reporting standards and frameworks with the goal to provide users of sustainability information with more consistent and comparable reporting. Some of the key developments include adoption of the ESRS and publication of the ISSB sustainability disclosure standards. In this section we will explore the differences between the ESRS, the ISSB, and the GRI – the oldest voluntary sustainability reporting framework out there.

	ESRS	ISSB Standards	GRI Standards
Voluntary vs Mandatory	The ESRS are regulatory standards applicable to certain companies in the EU. Companies subject to the CSRD are required to use the ESRS as a basis for preparing their sustainability disclosures.	The ISSB standards were designed to provide a unified set of global rules for reporting sustainability information. The ISSB standards are not mandatory. National authorities will decide whether or not companies in Poland will be required to use them.	GRI provides a comprehensive set of global voluntary standards that companies can use to disclose sustainability information.
Coverage	The ESRS so far include 12 standards – two cross-cutting standards and 10 sector-agnostic topical standards covering environment, social and governance issues. The set of standards will be expanded in the near future, including sector-specific standards and proportioned standards for SMEs.	The ISSB so far published two standards: • IFRS S1 - General Requirements for Disclosure of Sustainability-related Financial Information, and • IFRS S2 - Climate-related Disclosures More standards are expected to be released in the future.	The GRI Standards 2021 cover a wide range of sustainability topics. Alongside, GRI also provide sector-specific standards. In the long-term, GRI expects to develop 40 sector standards, starting with those sectors that have the highest impact.
Approach to materiality	The ESRS require companies to use double materiality perspective	The ISSB standards focus on financial materiality only. This means that they prioritise issues that are most relevant to financial performance and decision-making.	The GRI standards follow an impact materiality approach by focusing on matters that affect the economy, environment, and people.
Main audience	Multiple stakeholders	Financial stakeholders	Multiple stakeholders

Figure 18 – ESRS vs other sustainability reporting standards

ESRS

The ESRS provide a harmonised set of reporting requirements for companies subject to the CSRD, which is one of the key building blocks of the European Union's sustainable finance agenda.

The ESRS were designed to meet the needs of different users of sustainability information while considering existing EU legislative requirements (including the SFRD, the EU Taxonomy, etc.) One of the key principles under the ESRS is double materiality perspective which is defined as the "union of impact materiality and financial materiality."

ISSB sustainability disclosure standards

In 2021, the International Financial Reporting Standards (IFRS) Foundation created the International Sustainability Standards Board (ISSB) which has emerged as a crucial standard-setting body at the global level.

The ISSB goal is to develop global sustainability disclosure standards that offer companies a unified set of requirements for reporting sustainability information. The standards have an exclusive focus on financial materiality as they have been designed for an investor-based audience.

The ISSB consolidated several existing sustainability reporting frameworks such as the Value Reporting Foundation (VRF) – housing the SASB Standards and the Integrated Reporting Framework – and the Climate Disclosure Standards Board (CDSB), and used them as a starting point for developing its own standards.

In 2023, the ISSB published its first standards[21] covering general requirements and climate-related disclosures:

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

More standards are expected to be released in the future.

GOOD TO KNOW

ISSB standards build upon existing sustainability reporting standards and frameworks described below.

Sustainability Accounting Standards Board (SASB) was founded in 2011 to develop sustainability accounting standards to help companies in the US disclose financially material sustainability information in the mainstream financial reporting. The SASB Standards are industry-based (specific guidance is provided for 77 industries) and have been designed to respond to the needs of investors. Although historically, SASB Standards were mainly used by the companies in North America, nowadays they are increasingly adopted in Europe and other regions.

Integrated Reporting Framework was established in 2013 and revised in 2021 to help companies explain how they create value in the short, medium and long-term in financial and non-financial terms through integrated reporting. The framework was designed to support concise, investor-oriented disclosure based on the concept of six capitals essential to the value creation process: financial, manufactured, intellectual, human, social and relationship and natural.

In June 2021, SASB and IR Framework have merged into one organisation – the Value Reporting Foundation, which was subsequently consolidated into the IFRS Foundations. Despite this events SASB Standards and IR Framework will remain available to the companies to use.

Climate Disclosure Standards Board (CDSB) was established in 2007 to offer companies a framework for disclosing environmental and climate change information in their annual and integrated reports with the same rigor as financial information. The CDSB framework was subsequently used to inform the TCFD recommendations. In 2022, the CDSB consolidated into the IFRS Foundation.

Taskforce on Climate-related Financial Disclosures (TCFD) was created by the Financial Stability Board in 2015 to help companies disclose information on their approach for managing climate-related risks and opportunities. In 2017, TCFD published its recommendations within four areas: governance, strategy, risk management, and metrics and targets. TCFD recommendations emerged to be a leading global framework for disclosure of climate-related information. They have been integrated into various voluntary and regulatory sustainability reporting initiatives. From 2024, the IFRS Foundation will take over the monitoring of the progress on companies' climate-related disclosures from the TCFD.

21 https://www.ifrs.org/issued-standards/ifrs-sustainability-standards-navigator

The ISSB and the EU authorities are working together to create an interoperability mapping table to highlight the intersection i.e. a subset of the requirements that would be aligned sufficiently such that applying one standard would satisfy the other. At the moment, it is possible to compare IFRS S1 with ESRS 1 and ESRS 2 as well as IFRS S2 with the ESRS E1.

GRI Standards

The Global Reporting Initiative (GRI) was one of the first organisations to provide companies with guidance on reporting sustainability information. Established in 1997, it offers standards to help companies communicate their impact on the economy, environment and the society to a broad range of stakeholders. The GRI Standards were revised in 2021 to ensure greater alignment with on-going regulatory developments such as the CSRD and the ISSB sustainability reporting standards.

GRI worked closely with EFRAG on the development of the ESRS. As such companies already using GRI Standards are well positioned to meet the requirements of the ESRS.

5.3 Assurance requirements under the CSRD

Demand for reliable, high-quality ESG information is on the rise. Investors and other financial actors need confidence in the sustainability data disclosed by the companies as they incorporate it into their own sustainability reporting and investment decision-making. In recognition of that need, the CSRD has introduced the requirement for limited assurance on sustainability information.

What does external assurance mean?

The main objective of the assurance process is to confirm the credibility of the reported information. It involves engaging a third-party (i.e. statutory auditor or accredited professional assurance provider) to perform assessment of that information, and issue an independent opinion on whether it is reliable or not, in exchange for a fee. Typically, such assessment is done in accordance with a recognized standard. The final conclusion is presented in the form of assurance report.

Companies that decide to undergo independent assurance voluntarily can specify the subject matter of the assurance engagement themselves. While more mature companies can go as far as assuring entire sustainability reports, other companies may focus on specific ESG aspects and/or key performance indicators.

What are the different types of assurance?

External assurance can be provided either at a reasonable or limited level. The level of assurance reflects the extent and depth of the assurance process. Reasonable assurance requires a more comprehensive process that can be compared to a financial statement audit. Whereas procedures performed in a limited assurance engagement vary in nature, and are less detailed. As such limited level of assurance provides a lower degree of confidence. Additionally, the conclusion from a reasonable assurance is presented in a positive manner. For example, „based on the reasonable assurance procedures performed, in our opinion, the subject matter information is properly prepared." On the other hand, limited assurance conclusion is framed in a negative manner to alert the reader to the lower level of assurance being provided. For example: „based on the limited assurance procedures performed, nothing has come to our attention that causes us to believe that the subject matter information was not properly prepared."

What are the CSRD requirements in terms of assurance process?

Companies in scope of the CSRD are required to engage independent assurance provider to provide limited level of assurance on the following elements:

- compliance with the CSRD reporting rules, including with the adopted ESRS;
- process undertaken to identify material information to be reported based on the double materiality principle;
- compliance with the reporting obligations under the EU Taxonomy (Article 8);
- compliance with the requirement to mark-up sustainability reporting in accordance with Article 29d (digital tagging).

In order to satisfy the audit requirements imposed by the CSRD, companies will have to establish a clear audit trail and documentation of processes and controls to support the disclosures provided.

It is expected that in the future a reasonable level of assurance might be required.

At the moment there are no legal requirements to use specific standards and procedures to conduct an assurance engagement. Auditors often follow the International Standard on Assurance Engagements (ISAE) 3000 Revised (ISAE 3000). However, other (national) assurance standards or requirements can be used.

In the future, the European Commission will adopt legislation to provide for limited assurance standards, as well as further legislation to provide for reasonable assurance standards.

6 Reporting on climate change

In this chapter you will learn:

- Why it is vital for companies to report climate-related information
- How can the TCFD framework guide companies' climate-related reporting
- What climate-related risks companies may be faced with
- What disclosure requirements are covered in ESRS E1- Climate Change

Climate change impacts almost all sectors and geographies, and immediate actions are needed to tackle the climate crisis. At the same time, greater transparency is needed from companies and financial market participants on how they identify, evaluate and manage climate-related impacts, risks and opportunities. As investors are looking into the carbon footprint of their portfolios and potential climate-related risks they might be exposed to through their investments, it is critical that companies provide them with consistent and complete disclosures that can support investment decisions.

Why it is important to start preparing now?

- Climate science shows[22] that climate crisis is real and urgent actions are needed.
- The number of companies subject to the EU regulations requiring reporting on climate change (i.e. the CSRD and the EU Taxonomy) is going to significantly increase.
- Much more comprehensive reporting will be required than is currently provided by most companies.

6.1 Taskforce on Climate-related Financial Disclosures (TCFD)

The TCFD recommendations can be used by the companies and investors to develop effective climate-related disclosures, and to evaluate and manage exposure to climate risks and opportunities. The framework is structured around four pillars: governance, strategy, risk management, targets and metrics, supported by 11 disclosure recommendations outlined in **Figure 19**.

TCFD recommendations emerged to be a leading global framework for disclosure of climate-related information. As of 2022, 3,960 organizations, with a market cap of USD26 trillion, including over 1,500 financial institutions, responsible for assets of USD 220 trillion, have expressed support for the TCFD. The TCFD recommendations have been used by governments, regulators and stock exchanges (fully, or in part) to inform law, rules, or guidance on climate-related financial disclosures.[23] They have been also incorporated into sustainability reporting standards, including the ESRS and the ISSB standards.

22 IPCC website, https://www.ipcc.ch/reports/

23 Task Force on Climate-related Financial Disclosures, 2022 Status Report (Publ. October 2022), p.98-104, https://assets.bbhub.io/company/sites/60/2022/10/2022-TCFD-Status-Report.pdf

GOVERNANCE Disclose the organisation's governance around climate-related risks and opportunities.	a. Describe the organisation's governance around climate-related risks and opportunities. b. Describe management's role in assessing and managing climate-related risks and opportunities.
STRATEGY Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.	a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term. b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning. c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.
RISK MANAGEMENT Disclose how the organisation identifies, assesses, and manages climate-related risks.	a. Describe the organisation's processes for identifying and assessing climate-related risks. b. Describe the organisation's processes for managing climate-related risks. c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.
METRICS AND TARGETS Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process. b. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks. c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

Figure 19 – TCFD recommendations

TCFD recommendations in ESRS E1 Climate Change

Disclosure requirements under ESRS E1 Climate Change have been largely informed by the TCFD framework. As such, companies that have been already using TCFD recommendations to guide their climate-related reporting should be well positioned to onboard more stringent ESRS provisions.

Nonetheless, while the ESRS align strongly with the TCFD recommendations, they are much more prescriptive and detailed in nature. They also introduce additional disclosure requirements. Those additional requirements stem among other things from the double materiality approach mandated by the ESRS.

GOOD TO KNOW

Following the publication of the ISSB standards which fully incorporate the TCFD recommendations, the Financial Stability Board announced that TCFD work has been completed. From 2024, the IFRS Foundation will take over the monitoring of the progress on companies' climate-related disclosures from the TCFD.

6.2 ESRS E1 Climate Change: what companies need to know

ESRS E1 Climate Change specifies what information companies should report with regard to climate change. Similarly to ESRS 2 and other topical standards, disclosure requirements are structured around four core elements: governance (GOV); strategy (SBM); impact, risk and opportunity (IRO) management; and metrics and targets.

As show in **Figure 20**, there are nine topical disclosure requirements (E1-1 to E1-9) and three requirements from ESRS 2 (GOV-3, SBM-3, and IRO-1). When preparing climate-related disclosures, companies should use ESRS E1 in conjunction with ESRS 2.

1 GOVERNANCE (GOV)	2 STRATEGY (SBM)	3 IRO MANAGEMENT	4 METRICS AND TARGETS
ESRS 2 GOV-3 Integration of sustainability-related performance in incentive schemes.	**E1-1** – Transition plan for climate change mitigation **ESRS 2 SBM-3** – Material impacts, risks and opportunities and their interaction with strategy and business model.	**ESRS 2 IRO-1** – Description of the processes to identify and assess material climate-related impacts, risks and opportunities **E1-2** – Policies related to climate change mitigation and adaptation **E1-3** – Actions and resources in relation to climate change policies	**E1-4** – Targets related to climate change mitigation and adaptation **E1-5** – Energy consumption and mix **E1-6** – Gross Scopes 1, 2, 3 and Total GHG emissions **E1-7** – GHG removals and GHG mitigation projects financed through carbon credits **E1-8** – Internal carbon pricing **E1-9** – Anticipated financial effects from material physical and transition risks and potential climate-related opportunities.

Figure 20 – ESRS E1 Climate Change

Where to start?[24]

1. Identify material impacts, risks and opportunities associated with climate change

Before any disclosures can be made, companies need to develop a comprehensive understanding of climate-related risk and opportunities they may be exposed to and impacts they may be causing (i.e. through their emission of greenhouse gases).

Climate-related risks can be divided into risks associated with the transition to low carbon economy (transitional risks) and risks related to the physical impacts of climate change (physical risks).

TRANSITIONAL RISKS	PHYSICAL RISKS
Risks associated with the transition to a low carbon, climate-resilient economy	Risks resulting from the physical impacts of climate change
• policy and legal risks such as risks stemming from current and emerging regulations (e.g. increasing price for GHG emissions); litigation risks • technology risks (e.g. costs related to investments in climate-friendly technology) • market risks (e.g. changing consumer behaviour, increased cost of raw materials) • reputational risks (negative stakeholder perception of a company)	• acute risks (driven by extreme weather events, such as storms, floods, fires or heatwaves) • chronic risks (resulting from long-term shifts in climate patterns, such temperature changes, rising sea levels, water stress, etc.)

Figure 21 – Examples of climate risks

24 The Guidelines are not a technical document and should not be used as a substitute for the ESRS text. The guidance provided below is merely to familirise companies with key reporting requirements under ESRS E1.

Both physical and transitional risks can affect the company's financial positions (i.e. asset, liabilities, revenues and costs) as well as access to capital and financing.

Climate-related opportunities, on the other hand, are understood as any potential positive impacts resulting from climate change. Climate-related opportunities will vary depending on the region, market, and industry. Examples may include:

- potential efficiency gains and cost-savings
- development of new products or services
- development of innovative technologies

Climate-related impacts refer to company contribution to climate change through its GHG emissions.

ESRS E1 requires companies to describe the process for identifying and assessing climate change impacts (i.e. GHG emissions), transitional risks and opportunities, and physical risks. Additionally, companies should also disclose if they used **scenario analysis** to understand resilience of its organization.

SCENARIO ANALYSIS

Scenario analysis is a forward-looking exercise that allows company to understand how different climate-related risks and possible future developments may affect its strategy, business model and financial performance over time. The insights from such analysis can be used to inform strategic planning and fine-tune overall strategy – thus reducing exposure to climate-related risks. It is recommended that companies consider a range of different scenarios, including a 2°C or lower scenario in line with the 2015 Paris Agreement.

Scenario analysis can be quantitative, qualitative, or a mixture of both. Qualitative scenario analysis looks at industry trends (e.g. policy changes, technological developments, etc.). Whereas quantitative scenario analysis relies on numerical data and models to assess how different plausible scenarios can affect companies' assets and operations. The latter is suitable for climate risk that can be expressed with numbers, such as possible changes in weather patterns or transition-related impacts (e.g. carbon price).

Companies are encouraged to consult **TCFD resources** for further guidance on scenario analysis.

2. Explain how identified impacts, risks and opportunities interact with the company strategy and business model

Once the company identifies its climate-related IROs, it can start integrating them into its strategy and risks management.

In line with ESRS E1, companies should explain resilience of their strategy and business model to both physical and transition risks and opportunities. Additionally they are expected to disclose whether they have developed a **transition plan** for climate change mitigation.

TRANSITION PLAN

Transition plan details company strategy to transform existing assets, operations, and business models to transition towards achieving net zero by 2050. It should include time-bound measurable GHG reduction target (e.g., a net zero target) and actionable steps the company plans to take to reduce its GHG emissions. The company should also explain how the transition will impact its strategy and business model and disclose associated investments. Companies that have not yet developed transition plan should explain whether and when they plan to prepare one.

3. Explain how climate-related IROs are integrated into governance structure and process

Proper governance process is key to ensure that material climate-related impacts, risks and opportunities receive appropriate board and management attention.

Here are some important questions to consider:

- Does your board of directors (or board committee or board member) have assigned responsibility for overseeing climate-related issues?
- Is climate change regularly discussed in board meetings?
- Does your board of directors consider climate-related issues when reviewing/approving strategies, budgets, and major plans?
- To what extent does the company board have a robust knowledge and understanding of climate change and how it may impact the company?
- Are there remuneration-linked incentive schemes in place linked to performance on climate-related KPIs or targets?
- What is the management role in assessing and managing climate-related IROs?

4. Explain what measures have been implemented to manage climate-related IROs

Inform investors (and other stakeholders) how you manage identified climate-related impacts, risks and opportunities through relevant policies, action plans and targets. **Figure 22** provides some key elements that should be considered.

POLICIES	**Has the company adopted policies to manage its material impacts, risks and opportunities related to climate change?** What aspects are covered by the policies (e.g. climate change mitigation, climate change adaptation, energy efficiency, use of renewable energy, other)? Minimum Disclosure Requirements from ESRS 2 MDR-P must be applied when providing disclosures on relevant policies.
ACTIONS	**What actions has the company taken (and plans to take) to manage its material impacts, risks and opportunities related to climate change?** What are the anticipated results of actions taken? What were the monetary amounts of CapEx and OpEx required to implement actions taken (as well as those planned for the future)? Minimum Disclosure Requirements from ESRS 2 MDR-A must be applied when providing disclosures on relevant actions.
TARGETS	**What targets has the company set to support implemented policies and actions?** Has the company set GHG emissions reduction target? Is the target science-based and compatible with limiting global warming to 1.5°C? Has the company set other climate targets (e.g. related to renewable energy, energy efficiency, climate change adaptation, etc.)? ➔ Companies interested in exploring science-based target setting can consult Science Based Targets initiative (SBTi) website for further details. Minimum Disclosure Requirements from ESRS 2 MDR-T must be applied when providing disclosures on relevant targets.

Figure 22 – Climate-related policies, actions and targets

5. Disclose relevant KPIs

Reduction of GHG emissions is a critical component of climate change mitigation efforts.

To calculate GHG emission companies should use GHG accounting standards defined in the Greenhouse Gas Protocol's Corporate Accounting and Reporting Standard. It is also possible to use the GHG accounting methodology of ISO 14064-1:2018.

Accordingly, GHG emission should be broken down into Scope 1, 2 and 3 GHG emission as follows:

- **Scope 1 Emissions** – direct emissions from owned or controlled sources, including: stationery combustion (fuels and heating sources), mobile combustion (vehicles), fugitive emissions (resulting from refrigeration or air conditioning leakages), and process emissions from industrial processes.
- **Scope 2 Emissions** – indirect emissions from purchased or acquired electricity, heat or steam.
- **Scope 3 Emissions** – other indirect emissions that occur in the value chain both upstream and downstream of its operations. Scope 3 GHG emissions can be further broken down into Scope 3 categories. GHG Protocol Corporate Standard identifies 15 categories of Scope 3 emissions.[25]

Beyond GHG emission ESRS E1 requires companies to disclose other metrics listed below:

- Energy consumption and mix
- GHG removals and GHG mitigation projects financed through carbon credits
- Internal carbon pricing
- Anticipated financial effects from material physical and transition risks and potential climate-related opportunities

25 https://ghgprotocol.org/scope-3-calculation-guidance-2

GOOD TO KNOW

While all topical disclosures (including those related to climate change) are subject to materiality assessment, for most companies it will be rather difficult to prove that risks and impacts associated with climate change are not material to their operations, and thus omit completely disclosure requirements of ESRS E1. Climate change has wide-ranging, systemic impacts across the economy and vast majority of companies already face (or might face) climate-related risks or contribute to climate change through their GHG emissions.

However, if a company concludes that climate change is not material to its operations, it has to provide a detailed explanation of the conclusions of its materiality assessment with regard to climate change.

7 Step-by-step approach to report on ESG

In this chapter you will learn:

- What elements should be included in your sustainability report
- How to perform the double materiality analysis
- What are the ESRS requirements in terms of policies, action plans and targets

Chapter 7 presents a step-by-step approach companies can use to report on relevant sustainability issues. The process was largely informed by the ESRS provisions, notably the cross-cutting standards ESRS 1 and ESRS 2.

1

DOUBLE MATERIALITY ASSESSMENT

- Determine material ESG impacts, risks and opportunities using double materiality perspective.
- Identify and address negative sustainability impacts.
- Engage with relevant stakeholders.

2

SUSTAINABILITY GOVERNANCE

- Explain how sustainability matters are governed in your organisation.
- Describe board and management responsibilities with regard to sustainability matters.

3

STRATEGY AND BUSINESS MODEL

- Provide context on your business activities by describing your business model and strategy and linking it to material sustainability issues.

ESRS 1

ESRS 2

4

POLICIES AND ACTION PLANS

- Describe implemented policies and action plans as well as resources allocated to manage material ESG impacts, risks and opportunities

5

TARGETS AND METRICS

- Describe targets set in relation to material sustainability issues and progress achieved against them.
- Disclose relevant metrics and KPIs.

ESRS 2

+

Topical

ESRS

The guidance provided below can be used as a starting point for preparing ESRS-aligned disclosures. However, it should be noted, that these Guidelines are not a technical document and should not be used as a substitute for the ESRS text. All companies subject to the CSRD must use the ESRS as a basis for preparing their sustainability disclosures.

ESRS 2 sets out disclosure requirements that apply to all companies and are structured around four areas: governance; strategy; impact risk and opportunity (IRO) management; and targets and metrics. Some of these disclosure requirements should be applied at the entity level, whereas others specify information that should be disclosed on the topical level (for issues that have been identified as material). The aim of this chapter is to draw companies' attention to some key reporting requirements under ESRS 2 and help them conduct the materiality assessment process. Specifically:

- Step 1 provides some practical tips for conducting a double materiality assessment.
- Step 2 and Step 3 cover some key elements companies should consider when disclosing information related to governance and strategy on the entity-level.
- Step 4 and Step 5 specify what information should be disclosed with regard to identified material impacts, risks and opportunities when it comes to policies, actions, targets and metrics.

For more details on the ESRS 2 and a full list of Disclosure Requirements see Section 4.1.1

7.1 Step 1: Perform double materiality assessment

Before any disclosures can be made, companies need to identify their material impacts, risks and opportunities.

Materiality of a topic is specific to the company, its context and stakeholders. When deciding which ESG issues are material, companies may consider using the following steps:

1) **Review sustainability topics outlined in the ESRS**. Begin the materiality assessment by reviewing a list of sustainability topics covered in the topical ESRS provided in the Appendix A of ESRS 1.
2) **Use available resources to determine which ESG issues are considered material in your industry.** You can also consider industry standards and tools to determine which ESG issues are considered material in your industry. Companies from the same industry are likely to face similar ESG risks and opportunities. Benchmarking against peers and competitors can help to identify relevant issues. Tools such as SASB Materiality Finder and Materiality Map can also help to identifying financially material sustainability topics[26] that may be relevant to your organisation.
3) **Evaluate identified ESG issues from the perspective of your business model and company-specific circumstances.** Company business strategy, goals and values as well as principal risks and impacts within its value chain are important factors to consider when performing materiality analysis.
4) **Take into account stakeholder needs and expectations.** Proactive stakeholder engagement can help to better understand their interests and needs.

It is recommended to seek feedback from different groups of stakeholders as part of the materiality assessment process to make sure that both the views of the company and its stakeholders are considered.

Finally, it should be emphasized that materiality assessment is a dynamic process. Companies' business environment is constantly evolving and so are the expectations of their stakeholders. Therefore, it is recommended to regularly review identified material ESG issues to ensure they continued relevance, and to check if new issues have emerged as material since the last materiality assessment.

GOOD TO KNOW

EFRAG will periodically publish additional resources to assist companies in practical implementation of the CSRD and ESRS provisions. The non-binding technical implementation guidance for the double materiality assessment is expected to be published soon.

26 SASB uses financial materility as a guiding principle for its standards. As such, companies will still need to carry out the impact materiality assessment to complete a double materiality assessment.

Engagement with stakeholders

The company's ability to generate value over the long term is increasingly dependent on its relationship with stakeholders. It is thus of critical importance that the company identifies its main stakeholders and establishes a process which allows for a two-way communication and engagement on a regular basis. Furthermore, the insights gathered through regular dialogue with stakeholders are an important input for the company materiality assessment.

The ESRS define stakeholders as those who can affect or be affected by the company's decisions and actions. It further breaks them down into two groups:

- **affected stakeholders** – individuals or groups who have interest in the company or can be affected positively and negatively) by its operations, and
- **users of sustainability reporting** – investors, financial institutions, business partners, analysts, etc.

Companies can use different tools to engage with different groups of stakeholders and gather their feedback. Some common examples include:

- Organizing stakeholder consultation panels
- Collecting feedback through surveys (e.g. employee satisfaction survey, customer satisfaction survey)
- Engagements with suppliers as part of the procurement process
- Interviews with experts
- Engagement with investors and analysts (direct engagement, investors events)

The information gathered through the stakeholder engagement activities should be evaluated by the company and communicated both internally to the leadership team and externally as part of the sustainability reporting.

7.2 Step 2: Describe your sustainability governance

Assigning roles and responsibilities for sustainability matters is paramount for effective implementation of sustainability policies, action plans and targets as well as the day-to-day management of material sustainability matters. It also helps to increase accountability and can serve as a yardstick by which the leadership commitment to sustainability is measured.

ESRS 2 include a number of Disclosure Requirements to allow users of sustainability information understand what governance processes the company has in place to monitor, manage and oversee sustainability matters. These are broadly summarised below.

	WHAT SHOULD BE DISCLOSED
Composition of governance bodies	• Composition and diversity of their administrative, management and supervisory bodies as well as their role in oversight and management of material sustainability impacts, risks and opportunities.
Roles and responsibilities	• Which administrative, management and supervisory body (e.g. board of directors, board committee or similar) or individual(s) within a body are responsible for oversight of material sustainability impacts, risks and opportunities. • How each body's or individual's responsibilities are reflected in the company's terms of reference, board mandates and other related policies.
Skills and expertise	• Whether administrative, management and supervisory bodies are equipped with relevant expertise and skills with regard to sustainability or otherwise have access to such expertise and skills.
Information flow	• How the administrative, management and supervisory bodies are informed about sustainability matters and how these matters were addressed during the reporting period
Incentive schemes	• Whether incentive schemes are offered to members of the administrative, management and supervisory bodies that are linked to sustainability matters

7.3 Step 3: Describe your strategy and business model

To give context to its sustainability disclosures, companies should briefly describe the following elements:

- Business model and value chain
- Sector(s) of activity (including breakdown of total revenue from that sectors)
- Key products and services offered
- Markets of operations
- Key drivers of value creation

Companies should further explain how material sustainability impacts, risk and opportunities interact with its strategy and business model.

By disclosing how sustainability considerations are integrated into strategy, business model and financial planning companies can show where priorities are in the organisation and which direction it is heading.

7.4 Step 4: Report on implemented policies and action plans

Policies and action plans allow companies to demonstrate their commitment to manage material sustainability areas as well as measures adopted to translate that commitment into practice.

ESRS 2 includes Minimum Disclosure Requirements with regard to policies (MDR-P) and action (MDR-A). Those disclosure requirements should be applied jointly with the corresponding disclosure requirements in topical and sector-specific standards.

Disclosure on relevant sustainability policies

In line with the ESRS provisions, companies should describe if they have adopted policies to prevent, mitigate and remediate actual and potential impacts, to address risks and to pursue opportunities.

Policy is a document formalising company commitment to manage specific sustainability area. It may be a standalone policy focused on one specific topic (e.g. climate change policy) or an integrated policy which addresses more than one sustainability area (e.g. environmental policy).

Policy should be approved by the representative of the senior management and dated. It is recommended to review and update policies periodically to ensure their continued relevance and alignment with the company strategy and evolving sustainability context.

In line with ESRS 2 disclosure with regard to the company policies should include the following elements:

1) **Description of the policy subject and its key objectives**

   A policy should clearly articulate which material impacts, risks or opportunities it covers, including general objectives and the process for monitoring of performance.

2) **Description of the scope of the policy**

   It is important to determine the scope of the policy in terms of company activities, upstream and/or downstream value chain, geographies and if relevant, affected stakeholder groups. The policy should also inform if there are any areas that have been excluded.

3) **Responsibilities**

   The policy should specify the most senior individual responsible and accountable for the implementation of the policy.

4) **Reference to relevant standards and initiatives**

   If relevant, the policy should provide a reference to relevant third-party standards or initiatives the company commits to respect through its implementation.

5) **Consideration of stakeholders**

   If relevant, the policy should describe whether interest of stakeholders have been taken into consideration when developing the policy, and how the policy is made available to potentially affected stakeholders or stakeholders that need to implement it.

Disclosure on action plans

Similarly to disclosure on adopted policies, the ESRS require companies to describe actions taken to prevent, mitigate and remediate actual and potential impacts, and to address risks and opportunities, and where applicable to achieve the objectives and targets of related policies.

Disclosure with regard to the company actions should include the following elements:

- **list of key actions** undertaken in a reporting year (as well as those planned for the future), their expected outcomes, and where relevant, how their implementation contributes to the achievement of policy objectives and targets;
- **scope** of the key actions (i.e., in terms of activities, upstream and/or downstream value chain, geographies and, where applicable, affected stakeholder groups);

- **time horizons** under which the company plans to complete each key action;
- if applicable, key actions taken (along with results) to address and remedy actual material adverse impacts;
- if applicable, quantitative and qualitative information regarding the progress of actions or action plans disclosed in prior periods.

If implementation of an action plan requires significant operation expenditures (OpEx) and/or capital expenditures (CapEx) companies should specify the following:

- **type** of current and future financial (and other) resources allocated to the action plan;
- **amount of current financial resources** and how they relate to the most relevant amounts presented in the financial statements;
- **amount of future financial resources**.

GOOD TO KNOW

Referencing policy that covers several material sustainability areas

Some sustainability areas are interconnected and thus may be covered by the same policy or actions. In such instance, the company may disclose required information in its reporting under one topical ESRS and cross reference to it in its reporting under other topical ESRS.

Lack of policies on material sustainability topics

If the company cannot disclose required information because it has not yet adopted respective policies or action plans, it should disclose this to be the case. Furthermore, it may specify the timeframe in which it aims to have these in place.

7.4 Step 5: Report relevant metrics and targets

Setting Key Performance Indicators (KPIs) and targets allow company to track effectiveness of its actions and measure progress over time.

ESRS 2 includes Minimum Disclosure Requirements with regard to metrics (MDR-M) and targets (MDR-T). Those disclosure requirements should be applied jointly with the corresponding disclosure requirements in topical and sector-specific standards.

Disclosure on metrics

In line with the ESRS, companies should disclose all metrics used to evaluate performance in relation to material sustainability areas. These include metrics defined in the ESRS as well as metrics identified on an entity-specific basis, whether taken from other sources or developed by the company itself.

Disclosure with regard to the company metrics should include the following elements:

- **methodologies** (including their limitations) and significant assumptions used to calculate the metric;
- information whether the measurement of the metric is **validated by an external body** other than the assurance provider (and if so, which body);
- clear **description** of the metric;
- if the metric is stated in monetary terms, the company should use the same currency as the currency of its financial statements.

Disclosure on targets

In line with the ESRS, companies should specify if they adopted measurable time-bound outcome-oriented targets with regard to material sustainability aspect. The goal is to allow the users of sustainability information understand if a company tracks effectiveness of its actions and measures the progress in achieving its policy objectives.

For each target, the disclosure should include the following information:

- description of the relationship of the target to the policy objectives;
- defined **target level** to be achieved, including, where applicable, whether the target is absolute or relative and in which unit it is measured;
- **scope of the target**, including the undertaking's activities and/or its upstream and/or downstream value chain where applicable and geographical boundaries;

- **baseline** value and base year from which progress is measured;
- **period to which the target applies** and if applicable, any milestones or interim targets;
- **methodologies** and significant assumptions used to define targets
- whether the targets related to environmental matters are based on conclusive scientific evidence (so called **science-based targets**)
- whether and how **stakeholders** have been involved in the target setting process
- **any changes** in targets and corresponding metrics or underlying measurement methodologies, significant assumptions, limitations, sources and processes to collect data adopted within the defined time horizon.
- **performance** against disclosed targets, including information on how the target is monitored and reviewed and the metrics used, whether the progress is in line with what had been initially planned, and an analysis of trends or significant changes in the performance of the undertaking towards achieving the target.

GOOD TO KNOW

Lack of targets on material sustainability topics

If the company cannot disclose required information because it has not set measurable outcome-oriented targets with respect to its material sustainability impact, risk and opportunities, it should disclose this to be the case, and provide reasons for not having adopted such targets. Additionally, the company should disclose whether it nevertheless tracks the effectiveness of its policies and actions on material sustainability aspects, and if so provide details on the process it uses to do so, what it plans to accomplish as well as qualitative and quantitative indicators that are used to evaluate progress.

Furthermore, it may disclose whether its plans to set those targets in the future (indicating anticipated timeframe for adoption), or the reason why it does not plan to set them.

8 Recommended ESG disclosure metrics

Chapter 8 provides a list of recommended disclosure metrics that companies can use to start communicating on the ESG issues. The metrics have been divided into four categories: General information, Environmental disclosures, Social disclosures and Governance disclosures. Each category contains recommended disclosure metrics (both qualitative and quantitative) that have been marked either as minimum disclosures (relevant to all companies) or additional disclosures (that might not be relevant to all companies).

The selection of recommended disclosure metrics has been informed by relevant regulatory initiatives i.e. the CSRD and the ESRS as well as the WSE DPNS2021. Moreover, to address increasing investors' data needs, they have been also aligned with the mandatory PAI indicators for corporate investments required by the SFDR (see mapping in the Appendix C). References have been added below each section to other frameworks and resources that companies may also consider.

It should be emphasized that the Guidelines do not provide an exhaustive list of indicators and topics. Rather they aim to offer less advanced companies a minimum set of carefully selected disclosure metrics that will help them to prepare for the upcoming requirements stemming from the CSRD and the ESRS and better respond to investors' ESG data needs. Companies in scope of the CSRD should use the ESRS to prepare their disclosures on material sustainability topics.

Disclosure metric	Type	Alignment with the EU regulations		Alignment with other frameworks	
		ESRS	SFDR (PAI)	GRI	DPNS
General information					
I-M1 Business model	Description	✓	✓	✓	
I-M2 Sustainability integration	Description	✓	-	✓	✓
I-M3 Sustainability governance	Description	✓	-	✓	
I-M4 Material impacts, risks and opportunities	Description	✓	-	✓	
I-M5 Stakeholder engagement	Description	✓	-	✓	
Environmental disclosures					
Climate change					
E-M1 Climate change management	Description	✓	-	✓	✓
E-M2 GHG emissions	Tons CO_2 eq	✓	✓	✓	
E-M3 GHG emissions intensity	Tons CO_2 eq / rev	✓	✓	✓	
E-M4 Energy consumption and mix	MWh	✓	✓	✓	
Other environmental issues					
E-M5 Environmental policy	Policy	✓	-	✓	
E-A1 Water consumption	m3	✓	-	✓	
E-A2 Water management	Description	✓	-	✓	
E-A3 Biodiversity impacts	Description	✓	✓	✓	
E-A4 Waste management	Description, #	✓		✓	
Social disclosures					
Working conditions					
S-M1 Diversity policy	Policy	✓	-	✓	
S-M2 Employment policy	Policy		-		
S-M3 Work-life balance policy	Policy		-		
S-M4 Reintegration policy	Policy		-		
S-M5 Gender pay gap ratio	#	✓	✓	✓	✓
S-M6 Employee turnover	%	✓	-	✓	
S-M7 Freedom of association and collective bargaining	%	✓	-	✓	
S-A1 Employee health and safety	Description, #	✓	-	✓	
Human rights					
S-M8 Human rights policy	Policy	✓	✓	✓	
S-M9 Human rights due diligence	Description	✓	✓	✓	
Governance disclosures					
Corporate Governance					
G-M1 Board composition	Description	✓	-	✓	
G-M2 Board independence	%	✓	-	✓	
G-M3 Board diversity	%	✓	✓	✓	✓
Business ethics					
G-M4 Code of ethics	Policy	✓	✓	✓	
G-M5 Anti-Corruption Policy	Policy	✓	✓	✓	
G-M6 Whistle-Blower Procedure	Description	✓	✓	✓	
Data security and privacy					
G-A1 Data Security Policy	Policy		-	✓	

8.1 General information

General information metrics provide essential context to understand the company business activities and value creation model, it's material ESG impacts, risks and opportunities, and how it is managing them.

Recommended disclosures

Code	Name	Unit	EU legislation		Other frameworks	
			ESRS	SFDR (PAI)	GRI	Other
Minimum disclosures (applicable to all sectors)						
I-M1	Business Model	Description	•	partially	•	
I-M2	Sustainability Integration	Description	•	-	•	
I-M3	Sustainability Governance	Description	•	-	•	
I-M4	Material Impacts, Risks and Opportunities	Description	•	-	•	
I-M5	Stakeholder Engagement	Description	•	-	•	

I M1 GENERAL INFORMATION
BUSINESS MODEL

What should be disclosed:

- Short description of the company business model and value chain.
- Whether the company is active in the following sectors: fossil fuel (coal, oil and gas), controversial weapons along with related revenues.

Companies may consider including the following characteristics when describing their business model: economic activities; products and services offered; markets of operation, company size (in terms of workforce, business locations, revenue, etc.)

I M2 GENERAL INFORMATION
SUSTAINABILITY INTEGRATION

What should be disclosed:

- Whether and how sustainability matters are integrated in the company strategy and business model.
- Resilience of the company strategy and business model(s) to material sustainability risks.
- Policies and actions adopted to manage material sustainability matters.
- Targets related to management of sustainability matters.

I M3 GENERAL INFORMATION
SUSTAINABILITY GOVERNANCE

What should be disclosed:

- Governance bodies roles and responsibilities with regard to sustainability matters (e.g. in relation to risk management, target setting, sustainability disclosure).
- Whether governance bodies are informed about sustainability matters, and how they are addressed by administrative and/or management bodies.
- Whether incentive schemes are offered to members of governance bodies that are linked to sustainability matters.

I M4 GENERAL INFORMATION
MATERIAL IMPACTS, RISK AND OPPORTUNITIES

What should be disclosed:

- The processes used to identify material impacts, risks and opportunities.
- Sustainability due diligence process.
- Outcome of the materiality assessment (identified material impacts, risks and opportunities).
- How material impacts, risks and opportunities interact with the company strategy and business model.

I M5 GENERAL INFORMATION
STAKEHOLDER ENGAGEMENT

What should be disclosed:

- Description of the company main stakeholders, and how the company engages with them.
- How the interests and views of stakeholders are taken into account by the undertaking's strategy and business model.

8.2 Environmental disclosures

Environmental metrics cover issues that arise from or impact the natural environment.

Climate Change

Climate change has emerged as the biggest environmental challenge of our times, posing significant risks and opportunities for businesses and investors alike. As the momentum around necessary climate action continues to build with new regulatory measures entering into force, the demand for climate-related information and metrics is expected to follow suit.

Relevance to investors / issuers

Investors want to understand whether companies:

- might be negatively impacted by tightening carbon regulations (i.e. carbon pricing) for example through regulatory fines or the stranded assets risks
- consider physical risks of climate change as part of business continuity/resilience planning
- are transition-ready and have aligned their strategies and investment plans with the requirements of the Paris Agreement and the low-carbon economy
- pursue climate-related opportunities such as investments in innovative technologies or new products or services

Recommended disclosures

Code	Name	Unit	EU legislation		Other frameworks	
			ESRS	SFDR (PAI)	GRI	Other
Minimum disclosures (applicable to all sectors)						
E-M1	Climate Change Management	Description	•	-	•	TCFD
E-M2	GHG Emissions	Tons CO_2 eq	•	•	•	TCFD
E-M3	GHG Emissions Intensity	Tons CO_2 eq/rev	•	•	•	TCFD
E-M4	Energy Consumption and Mix	MWh	•	•	•	TCFD

E M1 CLIMATE CHANGE
CLIMATE CHANGE MANAGEMENT

Companies are advised to use recommendations of the TCFD, ESRS E1 - Climate change and/or IFRS S2 Climate-related Disclosures to inform their disclosures with regard to climate governance, strategy, risk management, and targets and metrics.

E M2 CLIMATE CHANGE
GHG EMISSIONS

Definition

GHG emissions are understood as total direct and indirect emissions. They should be further categorised into Scope 1, Scope 2 and Scope 3 emissions.

What should be disclosed?

— Methods and assumptions used for calculation of the emissions.

- Scope 1, Scope 2 and Scope 3 (if relevant) emissions for the last three reporting years to facilitate performance assessment over time.
- Explanation of significant changes in performance (whether negative or positive), if relevant.

It is recommended to use internationally recognised standards for the corporate accounting and reporting of GHG emissions such as the GHG Protocol or the ISO 14064-1:2018 standard.

E M2 CLIMATE CHANGE
GHG EMISSIONS INTENSITY

Definition

Emission intensity is the ratio of GHG emissions per unit of economic activity.

What should be disclosed?

- Methods and assumptions used for calculation.
- Ratio of total GHG emissions divided by revenue

E M3 CLIMATE CHANGE
ENERGY CONSUMPTION AND MIX

Definition:

Energy consumption is the total amount of energy consumed within an organisation. It comprises purchased and self-generated energy sources.

What should be disclosed?

- Methods and assumptions used for calculation of the energy consumption.
- Total amount of energy consumed within the organisation (in MWh).
- Percentage (%) of energy consumed by type of energy (i.e. renewable and non-renewable energy sources).

Additional considerations and resources

- Align your disclosures with TCFD recommendations (if possible)
- Inform your stakeholders if you have responded to the CDP questionnaire

Consult also:

- TCFD Knowledge Hub for guidance on how to implement TCFD recommendations;
- Science Based Target initiative (SBTi) website for resources on science-based target setting;
- CDP resources;
- Transition Pathway Initiative methodology and resources

Other Environmental Issues

Other environmental disclosures may relate to topics such as, use of natural resources, impacts on the biodiversity as well as waste and pollution. As exposure to environmental issues may differ between companies some disclosure recommendations outlined below may not be applicable to all issuers.

Recommended disclosures

Code	Name	Unit	EU legislation		Other frameworks	
			ESRS	SFDR (PAI)	GRI	Other
Minimum disclosures (applicable to all sectors)						
E-M6	Environmental Policy	Policy	•	-	•	
Sector-specific disclosures						
E-A1	Water Consumption	m^3	•	-	•	
E-A2	Water Management	Description	•	-	•	
E-A3	Biodiversity Impacts	Description	•	•	•	
E-A4	Waste Management	Description, #	•	•	•	

E M6 OTHER ENVIRONMENTAL ISSUES
ENVIRONMENTAL POLICY

Definition:

Environmental policy is a formal document outlining the company commitments and approach in relation to managing environmental aspects of its operations.

What should be disclosed:

— Whether the company has adopted environmental policy.

It is recommended that the policy covers the following areas:

— compliance with relevant environmental laws and regulations
— commitment to protect environment
— commitment to manage and mitigate adverse environmental impacts
— implementation of environmental management system
— monitoring of environmental performance
— reporting on environmental issues
— company's expectations of its suppliers and business partners with respect to the management of environmental issues.

E A1 OTHER ENVIRONMENTAL ISSUES
WATER CONSUMPTION

Definition:

Water consumption is the total volume (in m^3) of water consumed by the organisation.

What should be disclosed?

— Total amount of water consumed within the organisation (in m3).

— Total amount of water recycled and reused as a percentage of total water withdrawn.

E A2 OTHER ENVIRONMENTAL ISSUES
WATER MANAGEMENT

Definition:

Water management is a process by which a company optimises its water consumption to reduce its impact on natural environment. It includes activities to reduce water use within operations, increase water circularity (through water reuse and recycling) and preserve water resources (through water stewardship efforts).

What should be disclosed?

- Whether the company has adopted and implemented a water management program and what it entails.
- Companies with operations in water-stress areas should also disclose a process for identifying and mitigating water-related risks.

E A3 OTHER ENVIRONMENTAL ISSUES
BIODIVERSITY IMPACTS

Definition:

Biodiversity has been defined by the UN Convention on Biological Diversity as “the term given to the variety of life on Earth and the natural patterns it forms.” It includes species diversity as well as genetic and ecosystem diversity.

Biodiversity loss is considered a serious environmental challenge. It arises due to destruction and fragmentation of habitats mainly by human activities, such as overexploitation of resources, land use changes (e.g. deforestation, urbanisation, intensive mono-culture), pollution and climate change.

What should be disclosed?

- Whether the company has an impact on biodiversity (both directly or indirectly through its supply chain) and what are the main drivers of this impact.
- What policies are in place to conserve and restore biodiversity and combat deforestation, and whether they are applicable to suppliers.
- What process is in place to manage and mitigate impacts on biodiversity, and whether it is applicable to supply chain.

E A4 OTHER ENVIRONMENTAL ISSUES
WASTE MANAGEMENT

Definition:

Waste management is a set of activities to monitor, manage and reduce (including reuse and recycle) waste produced by an organisation.

What should be disclosed?

- Total amount of hazardous (and if applicable radioactive waste) and non-hazardous waste generated (in tonnes).
- Waste by type of treatment (e.g. recycled, landfill) in percentage (%).
- Narrative explaining what activities are undertaken to manage waste and ensure regulatory compliance.

Additional considerations and resources

- Inform your stakeholders if you have responded to the CDP Water and/or Forest questionnaire

Consult also:

- Taskforce for Nature-related Financial Disclosures (TNFD) for guidance on reporting on a broad range of nature-related risks and opportunities (including risks from biodiversity loss and ecosystem degradation).

8.3 Social disclosures

Social metrics relate to the rights, well-being and interests of people and communities.

Working Conditions

Relevance to investors / issuers

Investors are interested in companies that:

- recognise the value of its workforce and provide reasonable terms of employment;
- align with labour and certification standards;
- have a stable structure and operations;
- do not interfere or discourage workers from forming or joining workers' organisations.

Recommended disclosures

Code	Name	Unit	EU legislation		Other frameworks	
			ESRS	SFDR (PAI)	GRI	Other
Minimum disclosures (applicable to all sectors)						
S-M1	Diversity Policy	Policy	•	-	•	
S-M2	Employment Policy	Policy	•	-	•	
S-M3	Work-life balance Policy	Policy	•	-	•	
S-M4	Reintegration Policy	Policy	•	-	•	
S-M5	Gender Pay Gap Ratio	Percentage (%)	•	•	•	
S-M6	Employee Turnover	Percentage (%)	•	-	•	
S-M7	Freedom of Association and Collective Bargaining	Percentage (%)	•	-	•	
Sector-specific disclosures						
S-A1	Employee Health and Safety	Description, #	•	-	•	

S M1 **WORKING CONDITIONS**

DIVERSITY POLICY

Definition:

Diversity policy is a formal document outlining the company commitment to prevent discrimination at the workplace and ensure equal opportunities.

What should be disclosed:

— Whether the company has adopted a diversity policy.

It is recommended that the policy covers the following areas:

— Commitment to eliminate discrimination, including types of discrimination the company is committed to eliminate.
— Commitment to promote equal opportunities.
— Reference to applicable international references, such as ILO core conventions.

S | M2

WORKING CONDITIONS
EMPLOYMENT POLICY

Definition:

Employment policy is a formal document outlining the company commitment to ensure stable employment for its employees.

What should be disclosed:

- Whether the company has adopted an employment policy.

It is recommended that the policy covers the following areas:

- Commitment to eliminate unstable work contracts, incl. fixed term contracts.
- Commitment to promote stability of employment in non-contract related areas.
- Inclusion of employees regardless of gender, age, work tenure or position.

S | M3

WORKING CONDITIONS
WORK-LIFE BALANCE POLICY

Definition:

Work-life balance policy is a formal document outlining the company commitment to ensure employment allowing better balance between work and private life of its employees.

What should be disclosed:

— Whether the company has adopted a work-life balance policy.

It is recommended that the policy covers the following areas:

— Commitment to offer work in flexible working schemes, including working time and remote work.
— Commitment to offer part-time work for current and new employees.
— Commitment to promote equal treatment for employees using flexible working schemes or working part-time with other employees.

S | M4

WORKING CONDITIONS
REINTEGRATION POLICY

Definition:

Reintegration policy is a formal document outlining the company commitment to ensure undisturbed return of an employee to work after parental leave.

What should be disclosed:

— Whether the company has adopted a reintegration policy.

It is recommended that the policy covers the following areas:

— Commitment to retain relationship with the employee during the leave.
— Commitment to reintroduce an employee to work after the leave ended.
— Commitment to reduce rotation of employees returning to work after the leave.

S M5 WORKING CONDITIONS
GENDER PAY GAP RATIO

Definition:

This definition is aligned with the one in the DPSN2021.

Gender pay gap ratio is a difference between the average (gross) remuneration (including bonuses and other economic incentives) of men and women within an organisation.

What should be disclosed?

— The gender pay gap ratio.

To calculate gender pay gap ratio:

— Divide the total annual pay for all full-time male employees by the total number of male full-time employees (A)
— Divide the total annual pay for all full-time female employees by the total number of female full-time employees (B)
— Calculate the gender pay gap ratio by using the following formula: (A – B) / B x 100

The result of the formula tells how much more (or less) men earn than women on average in your organisation, and thus by how much women's average salary would need to be raised (lowered) to equal that of men.

S M6 WORKING CONDITIONS
EMPLOYEE TURNOVER

Definition

The employee turnover measures the proportion of employees[27] that have left an organisation during the fiscal year. High employee turnover may signal dissatisfaction with the work environment, compensation or workplace health or safety. The employee turnover rate could be:

— voluntary (when an employee actively chooses to leave such as resignation or retirement)
— involuntary (when an employer chooses to end a contract and dismiss an employee such as layoff, retrenchment, or non-renewal of a contract due to an employee's performance, behaviour or the company's decision to downsize)

What should be disclosed

- Employee turnover rate (in percentage)

The turnover rate is calculated by dividing the number of employees that left the company during the fiscal year (voluntary or unvoluntary) by the average number of employees within that year.

S M7 WORKING CONDITIONS
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

Definition

Collective bargaining and freedom of association is the right for workers to join workers' organisations of their own choosing and to negotiate their terms of employment.

What should be disclosed

- The percentage of the active workforce covered by collective bargaining agreements. This is calculated as the number of active workforce employees covered by a collective bargaining agreement divided by the total number of active workforce members within the reporting year.
- Measures taken by companies to support workers' rights to exercise freedom of association and collective bargaining (both in their own operations and in their supply chain).

27 Employee is an individual who is in an employment relationship with the undertaking according to national law or practice.

S | A1

WORKING CONDITIONS

EMPLOYEE HEALTH AND SAFETY

Definition

Employee health and safety is a set of activities and procedures to prevent accidents and injuries in the workplace. Company performance on this issue is often measured by the following indicators:

- total number of employee and contractor fatalities within a given period;
- total number of work-related injuries within a given period;
- lost-time incident rate (LTIR) - total number of incidents resulting in lost time from work, per measure of time (e.g. per 100,000 hours worked).

What should be disclosed

- Whether the company has implemented a health and safety management system, what percentage of its operations does it cover and what elements does it include.
- Relevant performance indicators for the last three reporting years to facilitate performance assessment over time, broken down by fulltime and contractual employees.

Human Rights

Businesses have a responsibility to respect international human rights standards. Beyond ethical concerns, companies that do not evaluate and manage their human rights impacts may face reputational and regulatory risks and/or lose its social licence to operate.

Relevance to investors / issuers

Investors are interested in companies that:

- understand its responsibility to respect human rights;
- embed human rights considerations into its operations and risk management process;
- actively manage human rights impacts both within own operations and supply chain.

Recommended disclosures

Code	Name	Unit	EU legislation		Other frameworks	
			ESRS	SFDR (PAI)	GRI	Other
Minimum disclosures (applicable to all sectors)						
S-M8	Human Rights Policy	Policy	•	•	•	
S-M9	Human Rights Due Diligence	Description	•	•	•	

S | M8

HUMAN RIGHTS

HUMAN RIGHTS POLICY

Definition

Human rights policy is a formal document outlining the company's position on human rights. It can have a stand-alone format or be integrated into a wider set of company standards such as a code of ethics or an employee/supplier code of conduct.

What should be disclosed?

- Whether the company has a human rights policy that extends to suppliers and business partners.

It is recommended that the policy:

— Makes reference to internationally recognised human rights standards the company commits to respect (i.e. International Bill of Human Rights and ILO's Declaration on Fundamental Principles and Rights at Work).
— Sets out the company's expectations of its employees.
— Sets out the company's expectations of its suppliers and business partners.
— Describes a process for its implementation.
— Is communicated internally and externally.

S | M9

HUMAN RIGHTS

HUMAN RIGHTS DUE DILIGENCE

Definition

Human rights due diligence is a set of activities to identify, mitigate and act on actual and potential risks of human rights violations.

What should be disclosed?

— Whether the company conducts human rights due diligence throughout its value chain to assess risk exposure to human rights issues, including child labour and forced labour.

It is recommended that the company discloses whether its human rights due diligence includes:

— Identification of activities within own operations at risk of human rights violations.
— Identification or mapping of suppliers/raw materials with high exposure to human rights risk.
— Human rights risks assessment of new suppliers.
— Incorporation of human rights provisions into procurement contracts.
— Audit and monitoring of suppliers' operations.
— Corrective action in case of identified non-compliance.

Additional considerations and resources

— United Nations, Guiding Principles on Business and Human Rights (Polish translation)
— United Nations Global Compact, Guide on How to Develop a Human Rights Policy
— World Benchmarking Alliance, Corporate Human Rights Benchmark Methodology
— United Nations, The Corporate Responsibility to Respect Human Rights. An Interpretive Guide
— UN Guiding Principles in the Age of Technology (for companies in the technology sector)
— Investor Alliance for Human Rights, Investor Toolkit on Human Rights

8.4 Governance disclosures

Governance metrics cover issues relating to corporate governance and business ethics standards.

Corporate Governance

Corporate governance is a system of controls and procedures by which an organisation is operated. A company with strong corporate governance structures is defined by professional management, a well-structured board, and organised systems and processes. These in turn reduce and mitigate risks, and ensure decisions are aligned with the company's and the shareholders' interests. Weak governance performance can impact the risk exposures and the bottom line significantly, and thereby also the credit ratings, and the access to capital over time.

Relevance to investors / issuers

Investors favour companies that demonstrate good corporate governance, including:

- well-structured framework of policies and procedures
- protection and equitable treatment of all shareholders, including minority shareholders
- good understanding and management of stakeholders' interests vis-à-vis the company
- defined transparency and disclosure practices
- clear responsibilities of the board addressing the role of the board, compliance matters, treatment of shareholders, the code of conduct, and the company's objectives
- board structure that considers balance of skills and gender, and includes independent board members
- transparent corporate governance and accounting practices

Recommended disclosures

Companies corporate governance disclosure should be consistent with the rule of law. As a complement to legal and regulatory provisions, companies listed on WSE are required to follow "Good Practices of Companies Listed on WSE 2021" in line with the comply or explain principle, as they relate to:

1. *Information policy and communication with investors (Chapter 1)*
2. *Management and supervisory board (Chapter 2)*
3. *Internal systems and functions (Chapter 3)*
4. *General shareholder meeting and shareholder relations (Chapter 4)*
5. *Conflicts of interests and related party transactions (Chapter 5)*
6. *Remunerations (Chapter 6)*

Code	Name	Unit	EU legislation		Other frameworks	
			ESRS	SFDR (PAI)	GRI	Other
Minimum disclosures (applicable to all sectors)						
G-M1	Board Composition	Description	•	-	•	
G-M2	Board Independence	Percentage (%)	•	-	•	
G-M3	Board Diversity	Percentage (%)	•	•	•	DPSN

G M1

CORPORATE GOVERNANCE
BOARD COMPOSITION

Definition

Board composition refers to the characteristics of the company's highest governance bodies i.e. the management board and the supervisory board. It covers qualifications and competences (also with regard to sustainability matters) of board members, their roles and responsibilities as well as their tenure.

What should be disclosed?

— Short bio of each of the management and supervisory board members indicating competences, qualification and background.
— Classification of members between executive and non-executive.

G | M2

CORPORATE GOVERNANCE
BOARD INDEPENDENCE

What should be disclosed?

— Percentage of independent board members in the management board and supervisory board.

G | M3

CORPORATE GOVERNANCE
BOARD DIVERSITY

Definition:

Board diversity aims to measure whether an organisations' governance bodies are represented by people with varied characteristics, including gender, in addition to skills and experience.

What should be disclosed?

— Percentage of female board members in the management board and supervisory board.

Additional considerations and resources

— ICGN Global Governance Principles
— G20 / OECD Principles of Corporate Governance
— Women on Boards Directive aimed at increasing gender balance among directors of listed companies.

Business Ethics

Business ethics refers to organizational principles that serve as guidelines for the way a company conducts itself and its operations. Business ethics standards define the extent to which companies conduct business ethically, and in line with applicable laws and accepted norms. It is a critical component of long-term value creation.

Relevance to investors / issuers

Investors are interested in companies that:

- have embedded strong ethical standards in their everyday operations
- regularly assess compliance with internal standards of conduct and take corrective actions accordingly
- work to increase employee awareness of related topics and provide them with appropriate channels to raise concerns

Recommended disclosures:

Code	Name	Unit	EU legislation		Other frameworks	
			ESRS	SFDR (PAI)	GRI	Other
Minimum disclosures (applicable to all sectors)						
G-M4	Code of Ethics	Policy	•	•	•	
G-M5	Anti-Corruption Policy	Policy	•	•	•	
G-M6	Whistle-Blower Procedure	Description	•	•	•	

G | M4

BUSINESS ETHICS
CODE OF ETHICS

Definition:

Code of ethics (also called code of conduct) is a formal document outlining standards of ethics and responsible business conduct to which the company commits itself. The code clarifies the company's values and principles and provides guidelines of behaviour for employees (and third parties).

What should be disclosed?

- Whether the company has adopted a code of ethics. The code should be accessible internally and externally.

G | M5

BUSINESS ETHICS
ANTI-CORRUPTION POLICY

Definition:

Anti-corruption policy is a formal document outlining the company's position on bribery and corruption. It can have a stand-alone format or be integrated into a wider set of company standards of conduct such as a code of ethics or a code of conduct described above.

What should be disclosed?

- Whether the company has an anti-corruption policy that extends to suppliers and business partners.

It is recommended that the policy:

- Outlines the company position regarding bribery and corruption, conflict of interest and facilitation payments.
- Defines what is understood by each of the terms above.
- Provides a clear explanation and examples of what is acceptable and non-acceptable behaviour.
- Is communicated internally and externally.

G | M6

BUSINESS ETHICS
WHISTLE-BLOWER PROCEDURE

Definition:

A whistle-blower procedure (also called grievance mechanism) is a system that enables reporting of suspected or actual violations of rules or misconduct. It can be internally operated by a company (e.g. a dedicated email) or managed by an independent third-party.

What should be disclosed?

- Whether the company has a whistle-blower procedure in place.
- Methods for reporting a violation or concern (e.g. dedicated email, reporting hotline, etc.).
- Process for handling of the report.

It is recommended that the whistle-blower procedure:

- Allows the reporting of violations anonymously and without fear of retaliation.
- Is available to suppliers and third parties.

Additional considerations and resources

- ISO 37001:2016 Standard outlining specifies requirements for establishing, implementing, maintaining, reviewing and improving an anti-bribery management system.

Data Security and Privacy

Data privacy is about the rights of individuals such as employees, customers and partners with respect to their personal information. Data security focuses on protecting the personal data from any unauthorised third-party access.

Relevance to investors / issuers

Investors are interested in companies that:

- comply with data privacy regulations
- ensure end-customers' and business-to-business customers' privacy protection
- limit data security risks and protects the company from related financial losses

Recommended disclosures:

Code	Name	Unit	EU legislation		Other frameworks	
			ESRS	SFDR (PAI)	GRI	Other
Sector-specific disclosures						
G-A1	Data Security Policy	Policy		-	•	

G A1 DATA SECURITY AND PRIVACY
DATA SECURITY POLICY

Definition:

Data security seeks to protect employees', customers' or partners' data and prevent unauthorised access to it. Data security includes data privacy which is related to a proper handling of data (data collection, processing, storage and usage). A data security policy aims to implement, guide and monitor the secure handling of the company's data.

What should be disclosed?

— Whether the company has a cyber and data security policy in place.

A comprehensive data security policy:

— Details the scope of data protection.

— Describes cyber and data security risk management arrangements like protocols, roles and responsibilities (for instance cyber/information security team), reporting and performance monitoring.

— Outlines security protocols to ensure adequate protection from intrusions, data breaches, unauthorised access, malicious content and other attacks.

APPENDICES

Appendix A – EU sustainability disclosure regulations

THE EUROPEAN GREEN DEAL	FINANCING SUSTAINABLE GROWTH ACTION PLAN	
CSRD (Directive 2022/2464)	**EU Taxonomy (Regulation (EU) 2020/852)**	**SFDR (Regulation (EU) 2019/2088)**
Who: all large companies and all companies listed on the EU regulated markets (except micro-enterprises) **What:** CSRD requires companies to provide comprehensive sustainability disclosure following double materiality perspective. Aspects covered include: sustainability governance, integration of sustainability aspects into strategy and business model, material ESG risks, opportunities and impacts, (incl. due diligence process), relevant policies, action plans, targets and KPIs. **Adopted:** January 2023	**Who:** Companies subject to NFRD/ CSRD and financial market participants subject to SFDR. **What:** EU Taxonomy establishes a common classification system to help identify environmentally sustainable economic activities based on six environmental objectives. Additionally, it requires companies in scope to provide disclosure on the level of alignment with the EU Taxonomy. **Adopted:** July 2020	**Who:** Financial market participants and financial advisors. **What:** SFDR requires financial actors to provide disclosure on the sustainability risks and integration of sustainability aspects into investment processes. **Adopted:** March 2021
Level 2 measures: European Sustainability Reporting Standards (ESRS)	**Level 2 measures:** Climate Delegated Act; Environmental Delegated Act; Disclosure Delegated Act	**Level 2 measures:** Regulatory Technical Standards (RTS)
Covered topics: Various general, environmental, social and governance disclosure requirements	**Covered topics:** 1) Climate change mitigation and 2) adaptation; 3) Use and protection of water and marine resources; 4) Transition to a circular economy; 5) Pollution prevention and control; 6) Protection and restoration of biodiversity and ecosystems	**Covered topics:** Sustainability risks; Principal adverse impacts as they relate to: climate, environment, social and employment issues, human rights, anti-corruption & bribery; Green assets

Appendix B – ESG ratings explained

More and more Polish companies are being evaluated and rated on their performance on ESG risks and opportunities by third-party ESG data and ratings providers. Investors and other financial actors use this information to understand companies exposure to material ESG issues and whether they take appropriate actions to manage them. ESG ratings and data allow investors to identify ESG leaders and laggards and screen out companies that do not meet their requirements.

Nonetheless, it is important to note that, for many investors ESG ratings are merely a starting point of the ESG analysis. Research shows[28] that investors with a more sophisticated ESG integration approach tend to use raw data and analytical insights rather than the final ESG ratings to inform their view of the company.

How are ESG ratings calculated?

Each ESG rating provider uses its own proprietary methodology for calculation of the ESG rating. However, in general, ESG ratings are based on two pillars: exposure to material ESG issues and company preparedness to manage those issues.

1) Identification of material ESG issues at a sub-industry level

Company exposure to material ESG issues is typically determined at the sub-industry level. For each sub-industry there is a set of material ESG issues on which companies are assessed. Those issues have been identified based on number of resources including: specialised data sets from different organisations, international standards, norms, companies practices, and others.

It is important to note, that corporate governance is commonly considered to be material for all companies regardless of their sector of operations.

2) Assessment of the company ESG performance

Companies performance on material ESG risks and opportunities is evaluated based on the publicly available information, such as sustainability reports, annual reports, media sources, etc. Elements that are scored include specific policies and management programmes as well as quantitative performance indicators. Any negative events (typically referred to as incidents or controversies) have a discounting effect on the ESG management score as they indicate shortcomings in the company management approach. Typically, each evaluated ESG issue receive its individual ESG score.

3) Application of weights

All material ESG issues have assigned specific weight in the rating. The weighting approach can be different depending on the rating provider and is rarely disclosed. However, some rating providers[29] offer details on how much different ESG issues weight in the final rating.

4) Calculation of the final rating

The final rating is calculated by aggregating the management scores on material ESG issue combined with their weights. In other words, the ESG rating is a weighted average of the company management scores on material ESG issues.

How to understand the ESG rating?

Good ESG rating means the company is proactively managing its ESG risks and taking advantage of ESG opportunities relative to its peers. Bad ESG rating on the other hand means that the company has high exposure to unmanaged ESG risks. Average performers may manage some risk better than others or be average across the board.

Rating providers use different rating scales, making interpretation of the results somewhat difficult. **Figure 23** below provides a brief overview of the two most widely referenced ESG rating systems: MSCI and Sustainalytics.

28 https://www.sustainability.com/globalassets/sustainability.com/thinking/pdfs/sustainability-ratetheraters2020-report.pdf

29 https://www.msci.com/our-solutions/esg-investing/esg-industry-materiality-map

	MSCI	Sustainalytics
Rating scale	AAA – CCC	0 – 100
Explanation	AAA, AA – leader A, BBB, BB – average B, CCC - laggard	Ratings are categorised into five risk levels: negligible (0-10), low (10-20), medium (20-30), high (30-40), and severe (40+). The lower the rating the lower the level of unmanaged risks, meaning that the company is effectively managing its exposure to ESG risks.

Figure 23 – Example of rating scores

Ratings methodologies vary across different ratings providers. Consequently, the same company may have different ESG rating depending on the rating provider. In fact, a recent study[30] has found that the correlation among ESG ratings of leading ESG rating providers is on average only 0.61. This divergence is caused by different definitions of ESG performance and approaches to measure it, affecting rating's scope, measurement and weighting.

How can issuers interact with the ESG rating providers?

Most rating providers have established feedback mechanism to allow rated companies review their profile before the publication and correct any factual errors. This gives companies a chance to verify if all relevant information were taken into account during the assessment and provide any additional information if appropriate.

30 Berg, Florian and Kölbel, Julian and Rigobon, Roberto, Aggregate Confusion: The Divergence of ESG Ratings (August 15, 2019). Available at SSRN: https://ssrn.com/abstract=3438533

Appendix C – Relevance of the Guidelines to investors

Context and overview

Background and investor objectives

The ESG Reporting Guidelines were published to support companies listed on the Warsaw Stock Exchange in reporting high quality ESG information and data to investors and other stakeholders. They provide clarity on various ESG topics, specific metrics to be reported, as well as a step-by-step guide for the ESG reporting process. While the companies can benefit by better identifying, understanding and managing their ESG impacts, risks and opportunities investors can also derive value by better understanding the companies and their value potential.

Investors seek to have as complete and good understanding of companies, their performance, risk exposures, and future outlook. In addition to using financial analysis, ESG reporting can complement and improve the understanding of a company and its long-term potential value, either where there is a direct bearing on value at risk, or where it may be a broader reflection of general operational or managerial excellence.

Focus on limited number of carefully selected disclosure metrics

The number of ESG topics can be overwhelming. To provide guidance, structure and priority to the ESG reporting, a limited number of recommended ESG disclosure metrics have been defined in the Guidelines (Chapter 8). These metrics have been informed by the relevant UE regulations (CSRD and ESRS, EU Taxonomy and SFDR), WSE corporate governance code (DPNS2021), as well as international sustainability reporting standards and frameworks.

Furthermore to facilitate the reporting process for companies and the ESG analysis for investors, the recommended ESG disclosure metrics have been categorised by topic and divided into minimum disclosure requirements (relevant to all companies regardless of their sector of operation) and additional sector-specific disclosure requirements.

Alignment with the SFDR PAI indicators for corporate investment.

The recommended ESG disclosure metrics have been aligned with the mandatory SFDR PAI indicators for corporate investment (see table below). They also should help to conduct the assessment of good governance practices relevant for investments that promote environmental or social characteristics (Art. 8 funds), or that have sustainable investment as their objective (Art. 9 funds). This will allow companies to better respond to growing investors' ESG data needs, while at the same time facilitating access to such information and data for investors.

SFDR Indicators		WSE Guidelines
Environmental indicators		
1. GHG emissions	Scope 1 GHG emissions Scope 2 GHG emissions Scope 3 GHG emissions Total GHG emissions	E-M2 GHG Emissions
2. Carbon footprint	Carbon footprint	E-M2 GHG Emissions
3. GHG intensity of investee companies	GHG intensity of investee companies	E-M3 Emissions Intensity
4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	I-M1 – Business Model
5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage	E-M4 Energy Consumption and Mix
6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	I-M1 Business Model + E-M4 Energy Consumption and Mix
7. Activities negatively affecting biodiversity -sensitive areas	Share of investments in investee companies with sites/ operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	E-A3 Biodiversity impacts
8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	-
9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	E-A4 Waste Management
Social indicators		
10. Violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	Not applicable. Typically verified through third-party data.
11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	G-M5 Whistle-blower Mechanism + G-M3 Business Ethics Standards G-M4 Anti-corruption Policy S-M8 Human Rights Policy S-M9 Human Rights Due Diligence E-M6 Environmental Policy
12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	S-M5 Gender Pay Gap
13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board member	G-M2 Board Diversity
14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	I-M1 Business Model

Figure 24 – Mapping of SFDR mandatory PAI indicators for corporate investments

Interpretation of disclosures

First, investors should develop an understanding of which risks they consider material for a potential investment. If a prospective company leaves out reporting on supposedly core ESG matters, that should raise questions and potentially concerns. If the company on the other hand explains the reason for leaving it out, such concerns may then dissipate.

Second, analysing corporate ESG reporting and performance should be done from a comparative angle – with other companies in the same or similar sectors, and within as well as outside the specific country or market.

Third, the Guidelines are a support for the investment process and decision, but not a replacement for analysis and independent thought. In a similar vein, the primary data provided by the companies in their respective ESG reporting is an important source of information. However, while it complements the investor's data to be analysed, it neither replaces nor is replaced by external ESG company specific data, ratios and information.

Benefits for investors

Asset owners and managers can have many different reasons for integrating sustainability and ESG data in their investment and portfolio management processes. For investors it is important to understand which reasons are the most relevant for them, and to integrate this data accordingly in their operations.

I. Complying with fiduciary or regulatory requirements. Regulations are on the increase: the CSRD introduces more detailed and ambitious reporting requirements for affected companies and extends the scope of the NFRD. Meanwhile the EU Taxonomy outlines disclosure obligations for financial market participants under the scope of the SFDR and companies under the scope of the NFRD/CSRD, gaining full legal application by 2023. These and other developments are discussed in more detail in Chapter 3. Hence, investors will need to consider and disclose some ESG data stipulated in these regulations.

II. Meeting client, market and other stakeholder demands. Many investors view ESG risk management as essential to handle broader reputational risks – to new and existing clients, to local communities surrounding portfolio companies, and to clients of the portfolio companies' products and services. Being aware of the risk exposures, comfortable with how they are handled by a company, and prepared in case a risk materialises is part of sound investment management.

In addition, communicating such awareness may provide an advantage over other investors in attracting and retaining institutional and individual clients with increasingly higher demands on sustainability integration, such as specific climate targets, alignment with the Paris Agreement, and goals tied to the Sustainable Development Goals and 2030 Agenda.

III. Complementing the financial analysis with ESG analysis. ESG reporting can complement traditional financial analysis by providing a more comprehensive coverage of risk exposures. Climate resilience, regulatory risks and demands, reputational risks, supply chain operations and practices and other ESG topics do not form part of financial analysis, but they do have a potential to impact a company's operations, profitability and value.

In addition, the ESG reporting from companies reveals how they perceive their risk exposure – which are the material risks, how are they managed, and how are they performing. Just like other strategic and tactical analyses and decisions, the ESG reporting can complement an investor's view of how well the company is managed.

IV. Improving investment decisions. While some ESG factors are difficult to quantify others are not. And regardless of whether they are quantified or not, those ESG factors that are deemed material in terms of their impact on a company need to be considered in investment decisions.

For those factors that are either quantifiable, or whose impacts on a company may have financial repercussions could also impact valuations. This could happen via various channels like adjusted forecast financials (revenues, operating costs, capital expenditure), adjusted valuation models (discount rates, terminal values), and credit risk adjustments.

Furthermore, taking these factors together across a portfolio may also lead to shifting of strategic and tactical asset allocations – either by taking the risks and related valuation impacts into account, or more proactively by including thematic or ESG objective tilts.

V. Facilitating consistency and comparability across markets. The increased amount of ESG reporting resulting from these Guidelines will improve data availability to investors. Furthermore, the alignment of the ESG indicators to be used and the setting of core/minimum reporting requirements will make reporting and performance comparisons between companies easier. This applies both to comparing companies in the Polish market and those in other markets since the ESG indicators are aligned with broadly established and recognised international standards.

Appendix D – Reference list

EU legislation

Non-financial Reporting Directive (NFRD) Directive 2014/95/EU (link)

Corporate Sustainability Reporting Directive (CSRD) (link)

European Sustainability Reporting Standards (ESRS) (link)

Sustainable Finance Disclosure Regulation (SFDR) (link)

SFDR – Technical Regulatory Standards (link)

EU Taxonomy Regulation (link)

EU Taxonomy Delegated Acts (link)

EU Whistle-blowers directive (link)

Framework for Communication action in the field of water policy Directive 2000/60/EC (link)

Assessment of the effects of public and private projects on the environment Directive 2011/92/EU (link)

Proposal for the Corporate Sustainability Due Diligence Directive (link)

Women on Boards directive (link)

Polish legislation/supporting document

Polish Accounting Act (link)

Regulation of the Minister of Finance (from May 25th, 2016) on current and periodic disclosures

Reporting standards and framework

Global Reporting Initiative (link)

Sustainability Accounting Standards Board (link)

Integrated Reporting framework (link)

Task Force on Climate-related Financial Disclosures (link)

TCFD Knowledge Hub (link)

Taskforce on Nature-related Financial Disclosures (link)

ICGN Global Governance Principles (link)

CDP (link)

Climate Disclosure Standards Board (link)

IFRS/ISSB Sustainability-related Disclosure Standards (link)

Good practices and other guidelines

General

Best Practice for GPW listed companies 2021, and additional resources (link)

UN Guiding Principles Reporting Framework (link), in Polish

OECD Guidelines for Multinational Enterprises (link)

UN Global Compact (link)

Sustainable Development Goals (link)

Environmental

UN Convention on Biological Diversity (link)

Transition Pathway Initiative (link)

Science-Based Targets Initiative (link)

Social

UN Guidelines principles on business and human rights (link)

ILO Conventions and Recommendations (link)

The International Bill of Human Rights (link)

World Benchmarking Alliance, Corporate Human Rights Benchmark Methodology (link)

United Nations Global Compact, Guide on How to Develop a Human Rights Policy (link)

Corporate Governance

G20 / OECD Principles of Corporate Governance (link)

Appendix E – Reporting template

This template was designed to allow investors and other uses of ESG information to easily find ESG information and data recommended to be disclosed by the Guidelines. Reporting companies should fill in this template according to the instructions below.

1) **Disclosure and explanatory notes**: If relevant, please provide any explanations and/or additional context here. Avoid copying the content of your sustainability statement (or sustainability report). Instead refer the reader to relevant sections of your report, where the information can be found.
2) **Disclosure references**: Please provide reference to relevant documents (for example link to a specific policies or reference to the specific page(s) in the sustainability statement (report) where recommended information is discussed.

Metric ID	Metric name	Disclosure and explanatory notes	Disclosure reference
General Information			
I-M1	Business model		
I-M2	Sustainability integration		
I-M3	Sustainability governance		
I-M4	Material impacts, risks and opportunities		
I-M5	Stakeholder engagement		
Environmental disclosures			
Climate change			
E-M1	Climate change management		
E-M2	GHG emissions	*Scope 1 emissions:* *Scope 2 emissions:* *Scope 3 emissions:*	
E-M3	GHG emissions intensity	*GHG emissions intensity:*	
E-M4	Energy consumption andmix	*Total amount of energy consumed within the organisation:*	
Other environmental issues			
E-M5	Environmental Policy	*Has the company adopted an environmental policy: YES/NO*	*Link to the policy*
E-A1	Water consumption		
E-A2	Water management		
E-A3	Biodiversity impacts		
E-A4	Waste management		
Social disclosures			
Working conditions			
S-M1	Diversity policy	*Has the company adopted an diversity policy: YES/NO*	*Link to the policy*
S-M2	Employment policy	*Has the company adopted an employment policy: YES/NO*	*Link to the policy*
S-M3	Work-life balance policy	*Has the company adopted a work-life balance policy: YES/NO*	*Link to the policy*
S-M4	Reintegration policy	*Has the company adopted a reintegration policy: YES/NO*	*Link to the policy*
S-M5	Gender pay gap ratio	*Gender pay gap ratio:*	
S-M6	Employee turnover	*Employee turnover::*	
S-M7	Freedom of association and collective bargaining	*Percentage of the active workforce covered by collective bargaining agreements:*	
S-A1	Employee health and safety		

Metric ID	Metric name	Disclosure and explanatory notes	Disclosure reference
		Human rights	
S-M8	Human rights policy	*Has the company adopted a human rights policy: YES/NO* *Does the policy extends to suppliers and business partners: YES/NO*	*Link to the policy*
S-M9	Human rights due diligence		
		Governance disclosures	
		Corporate governance	
-	Information regarding company compliance with the DPSN2021		*Link to the statement*
G-M1	Board composition		
G-M2	Board independence	*Percentage of independent board members in the management board:* *Percentage of independent board members in the supervisory board:*	
G-M3	Board diversity	*Percentage of female board members in the management board* *Percentage of female board members in the supervisory board:*	
		Business ethics	
G-M4	Code of ethics	*Has the company adopted code of ethics: YES/NO* *Does the code extends to suppliers and business partners: YES/NO*	*Link to the policy:*
G-M5	Anti-Corruption Policy	*Has the company adopted anti-corruption policy: YES/NO* *Does the policy extends to suppliers and business partners: YES/NO*	*Link to the policy:*
G-M6	Whistle-Blower Procedure	*Does the company have a whistle-blower procedure in place: YES/NO* *Is the procedure available to suppliers and third-parties: YES/NO*	*Link to the procedure:*
		Data security and privacy	
G-A1	Data Security Policy	*Has the company adopted data security policy: YES/NO*	*Link to the policy*

Project execution

The ESG Reporting Guidelines were written by Magdalena Krzysztofik with contributions from Wouter Scheepens and Danijela Piljic of Steward Redqueen.

Steward Redqueen is an independent consultancy firm that works across the globe advising organisations on impact and sustainability. Its mission is to make business work for society. Key areas of work include ESG integration, private sector development, quantifying impact and facilitating change. The company's offices are in Amsterdam, Singapore and Washington DC. The company is also represented in Spain, Canada and Poland. Clients of Steward Redqueen include (development) financial institutions, private equity funds and impact investors, multinational corporations, and non-profit organisations.

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