CONSULTATION RESPONSE

PUBLIC CONSULTATION ON THE FIRST SET OF DRAFT EUREOPEAN SUSTAINABILITY REPORTING STANDARDS (ESRS)

Section 3B – Adequacy of Disclosure Requirements – Environmental standards

August 2022

To inform this response, the following investor groups have been consulted: PRI Corporate Reporting Reference Group and PRI Global Policy Reference Group. This consultation is not an endorsement or acknowledgement of the views expressed in this response.

Please note that this document contains PRI's response to Section 3B of EFRAG's public consultation on the first set of Draft European Sustainability Reporting Standards (ESRS): Adequacy of Disclosure Requirements – Environmental standards, specifically focusing on Exposure Draft ESRS E1 on climate change.

An overview of all key recommendations and our responses to the remaining sections of the consultation are included in separate documents, available here.

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INTRODUCTION

The Principles for Responsible Investment (PRI) works with its international network of signatories to put the six Principles for Responsible Investment into practice. Its goals are to understand the investment implications of environmental, social and governance (ESG) issues and to support signatories in integrating these issues into investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.

The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a range of possible actions for incorporating ESG issues into investment practice. The Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system.

The PRI's Driving Meaningful Data programme is a key PRI Blueprint target and works on the types of data, sources and reporting frameworks needed to support responsible investors. This work includes ensuring consistent data across all the various units and entities, as well as addressing gaps identified in the Driving Meaningful Data Framework. This requires collaboration with others across the financial and corporate sectors as well as standard setters, policy makers and regulators. The PRI has an important role in working with our signatories to provide a clear signal on their data needs, how they aid decision-making and understanding their contribution towards sustainability objectives.

The PRI develops analysis and recommendations based on signatory views and evidence-based research. The PRI welcomes the opportunity to respond to the European Financial Reporting Advisory Group (EFRAG) public consultation on the first set of Draft European Sustainability Reporting Standards (ESRS).

ABOUT THIS CONSULTATION

On 29 April 2022 EFRAG launched a first set of sector-agnostic Exposure Draft European Sustainability Reporting Standard (ED ESRS) prepared by its Project Task Force on European sustainability reporting standards (PTF-ESRS), for consultation until 8 August 2022. Final standards will be adopted through Delegated Acts by the European Commission next year and constitute reporting requirements under the Corporate Sustainability Reporting Directive (CSRD).

This first set of ED ESRS includes:

- Two **cross-cutting standards** applicable to reporting on all sustainability issues
  - ESRS 1 General principles
  - ESRS 2 General, strategy, governance and materiality assessment disclosure requirements
- Eleven **issue-specific standards** with additional disclosures on their respective sustainability issues
  - E: ESRS E1 Climate change, ESRS E2 Pollution, ESRS E3 Water and marine resources, ESRS E4 Biodiversity and ecosystems and ESRS E5 Resource use and circular economy
  - S: ESRS S1 Own workforce, ESRS S2 Workers in the value chain, ESRS S3 Affected communities and ESRS S4 Consumers and end-users
  - G: ESRS G1 Governance, risk management and internal control and ESRS G2 Business conduct

This consultation aims to gather feedback on whether the structure and content of the ED ESRS are fit for purpose, and on the potential phase-in of certain draft standards after the initial reporting period.

ABOUT OUR RESPONSE

The analysis and recommendations set out in this consultation response were shared with and reflect input of PRI signatories, including members of the PRI Investor Corporate Reporting Reference Group and PRI Global Policy Reference Group. The PRI has previously provided views and recommendations on European sustainability reporting standard setting through consultation responses and public statements on the proposed CSRD.

Our response focuses on cross-issue requirements (ED ESRS 1 and 2), climate reporting requirements (ED ESRS E1), social requirements (ED ESRS S1-4) and business conduct (ED ESRS G2). To shorten our overall response, recommendations on social and business conduct requirements are fully captured within our Section 1 response document (cf. Questions 45-50), and we have not responded to Sections 3c and 3d on Social and Governance standards.

At this time the PRI is not able to offer detailed views on the content of ED ESRS for pollution (E2), water and marine resources (E3), biodiversity and ecosystems (E4), resource use and circular economy (E5) or governance, risk management and internal control (G1). **However, we want to stress that these issues are highly important for investors and welcome EFRAG's work in this area.**

Finally, please note that italicised text throughout our response is used to indicate summaries or guidance included by EFRAG within the consultation documents, and that our response is based on the provisionally agreed CSRD text rather than the April 2021 CSRD proposal.

KEY RECOMMENDATIONS

ED ESRS E1 on climate change is a significant step towards providing responsible investors with the data needed to consider climate-related risks, opportunities and impacts in their decision-making. The PRI is broadly supportive of these proposed disclosures and believes they would cover the climate-related information required by Articles 19(a) and 29(a-b) of the provisionally agreed CSRD text.

In our view the provisions related to strategy, governance, materiality, policies, targets and action plans would for the most part appropriately capture climate-related specificities and allow reporting to meet the required characteristics of information quality.

Furthermore, we welcome the breadth of performance metrics included. These would provide investors with relevant information characterising an undertaking's climate-related risks/opportunities/impacts and allow them to meet their own reporting obligations, such as those under the Sustainable Finance Disclosure Regulation (SFDR).

To better meet investor data needs, the PRI's key recommendations regarding the content of ED ESRS E1 are:

- Include additional metrics capturing how undertakings are exposed to physical risks, including asset location data of an undertaking's main facilities, operations and leading suppliers located in an area at risk of extreme weather events, how physical risk is assessed and considered in companies' business interruption plans, current and predicted financial losses from extreme weather events and anticipated future financial impacts based on the results of physical risk-focused scenario analysis (cf. Question 37).
- Require undertakings to disclose the temperature probability of the base scenario used to assess 1.5°C-alignment of emissions reduction targets, where such alignment is reported. This would help to ensure that reporting on alignment constitutes a faithful representation and enhance the comparability and verifiability of such reporting (cf. Question 25).
- Include further guidance on calculating and reporting locked-in emissions, given the novelty of this disclosure area (cf. Question 23).

- Require undertakings to explain how metrics on energy consumption and potentially stranded assets were calculated – including information on methodologies, assumptions and limitations – to improve the verifiability of this reporting (cf. Questions 27 and 38).
- Require undertakings to use the Greenhouse Gas Protocol Corporate Standard to calculate and report Scope 1, Scope 2 and Scope 3 greenhouse gas emissions, in order to improve comparability of reporting at the EU and international level (cf. Questions 29-32).
- Require that disclosures on the potential market size of 'green products' accessible to undertakings be put into perspective against planned future EU Taxonomy-aligned turnover – this would indicate an undertaking's willingness to pursue such opportunities and the alignment of this strategy with environmental objectives (cf. Question 39).

SECTOR-SPECIFIC REQUIREMENTS

We note that the second set of ED ESRS, which will include sector-specific standards, is set to be consulted on in 2023 and adopted through Delegated Acts by the European Commission by June 2024. We are therefore including the following recommendations on sector-specific metrics, for consideration as sector-specific ED ESRS are elaborated.

Sector targets are the most relevant means for financial institutions of achieving real world emissions reductions, incentivising and providing capital support to companies which are the best carbon performers within their sector, and financing the global economy's transition to net zero. Therefore, the PRI recommends that when sector-specific ED ESRS are elaborated, EFRAG proposes to require the disclosure of industry metrics for the 12 most energy-intensive sectors listed in Annex 1. These should include Scope 1, Scope 2 and where material Scope 3 emissions, capturing historical data as well as data on a forward-looking basis (at 5-year and 10-year intervals).

In addition, sector-specific ED ESRS should contain requirements on methane, a major greenhouse gas that is significant in a number of key industries such as oil and gas, the utility sector and agriculture. The PRI recommends that methane emissions are reported separately and not as aggregated CO_2e. Further, there should be a measure of methane volume disclosure per metric ton, and a measure of methane intensity within the oil and gas, utility and agricultural sectors.

Finally, EFRAG's approach towards sector-specific standards should be driven by an ambition to close transparency gaps, not duplicate existing sector-specific reporting requirements (such as extending SFDR requirements to financial companies at consolidated level). Otherwise, sector-specific standards will be unable to enhance transparency and comparability of corporate climate reporting.

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DETAILED RESPONSE

3B. ADEQUACY OF DISCLOSURE REQUIREMENTS – CLIMATE CHANGE

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

- *When sharing comments on a given Disclosure Requirement, and as much as possible, reference to the specific paragraphs being commented on should be included in the written comments.*
- *In the question asked, for each ESRS, about the alignment with international sustainability standards, these include but are not limited to the International Sustainability Standards Board Exposure Drafts (ISSB EDs) and the Global Reporting Initiative Standards. Other relevant international initiatives may be considered by the respondents.*
- *When commenting on this particular question, respondents are encouraged to specify which international standards are being referred to.*

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

DR E1-1 – Transition plan for climate change mitigation

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

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

Q23: Please, rate to what extent do you think DR E1-1 – Transition plan for climate change mitigation

	Not at all	To a limited extent with strong reservations	To a large extent with some reservations	Fully	No opinion	Not applicable
A. Requires relevant information about the sustainability matter covered				X		
B. Requires information that is relevant for all sectors (sector-agnostic only information)					X	
C. Can be verified / assured				X		

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

Please share any comment and suggestion for improvement you might have relating to the above questions, referring explicitly to the part of the question you are providing comment to

Proposed disclosures on transition plans would provide investors with information they need to understand an undertaking's future resilience to climate-related risks, ability to pursue opportunities and climate-related impacts. These disclosures are decision-useful to investors and should be prioritised in the first year of implementation.

Reporting would include (but not be limited to) emissions reduction targets, relevant strategic changes, action plans, locked-in emissions and how these will be addressed, future Taxonomy alignment and progress towards achieving the transition plan [15].

These disclosures would be supported by several 'sources of verifiability', including reporting on how the transition plan has been embedded in (and is aligned with) the overall business strategy and financial planning, and whether the plan has been approved by the undertaking's administrative, management and supervisory bodies [15(c)].

However, we note that limited application guidance is provided on calculating and reporting predicted 'locked-in' GHG emissions [15(c)]. Given the novelty of these disclosures there is a significant risk to their consistency (and thereby comparability) across entities. **To mitigate this risk, further guidance should be included on calculating and reporting on locked-in GHG emissions.**

DR E1-2 – Policies implemented to manage climate change mitigation and adaptation

The undertaking shall disclose its policies related to climate change mitigation and its policies related to climate change adaptation.

The principle to be followed under this Disclosure Requirement is to provide an understanding of how the undertaking monitors and manages its GHG emissions, climate-related physical and transition risks and opportunities throughout the value chain.

Q24: Please, rate to what extent do you think DR E1-2 – Policies implemented to manage climate change mitigation and adaptation

	Not at all	To a limited extent with strong reservations	To a large extent with some reservations	Fully	No opinion	Not applicable
A. Requires relevant information about the sustainability matter covered				X		
B. Requires information that is relevant for all sectors (sector-agnostic only information)					X	
C. Can be verified / assured				X		
D. Meets the other objectives of the CSRD in term of quality of information				X		
E. Reaches a reasonable cost / benefit balance					X	
F. Is sufficiently consistent with relevant EU policies and other EU legislation				X		

G. Is as aligned as possible to international sustainability standards given the CSRD requirements				X		
H. Represent information that must be prioritised in first year of implementation				X		
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstanding or practical complexities					X	

Please share any comment and suggestion for improvement you might have relating to the above questions, referring explicitly to the part of the question you are providing comment to

Proposed disclosures on climate-related policies would provide investors with relevant information on how an undertaking is implementing strategic decisions and other initiatives to address material climate-related risks, opportunities and impacts. These disclosures are decision-useful to investors and should be prioritised in the first year of implementation.

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

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

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

Q25: Please, rate to what extent do you think DR E1-3 – Measurable targets for climate change mitigation and adaptation

	Not at all	To a limited extent with strong reservations	To a large extent with some reservations	Fully	No opinion	Not applicable
A. Requires relevant information about the sustainability matter covered			X			

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

Please share any comment and suggestion for improvement you might have relating to the above questions, referring explicitly to the part of the question you are providing comment to

Proposed disclosures on targets would provide investors with relevant information on an undertaking's anticipated future performance in addressing material climate-related matters, as well as the feasibility of targets. Furthermore, this information is needed by Financial Market Participants

(FMPs) for reporting Principal Adverse Impact indicators under the SFDR, particularly on share of investments in companies without carbon reduction initiatives. Therefore, these disclosures are decision-useful to investors and should be prioritised in the first year of implementation.

We welcome the strong alignment between this section and the equivalent disclosures on targets within the ISSB's Exposure Draft IFRS S2 *Climate-related Disclosures* (ED IFRS S2).

In addition, disclosures are underpinned by several 'sources of verifiability', including reporting on planned emissions reductions compared to a 1.5°C climate scenario [AG30], how progress against the target is monitored and reviewed [24(h)], and methodologies and significant assumptions used to define targets [24(f)].

Our sole recommendation on targets concerns reporting on 1.5°C alignment. We note that where undertakings state that GHG emissions reduction targets are science-based and in line with limiting global warming to 1.5°C, they would need to specify the methodology that has been used to determine this including underlying climate and policy scenarios [24(f)]. While we welcome this requirement, in our view these disclosures alone would not provide investors with sufficient information as to what is meant by 1.5°C-alignment of climate-related targets. To ensure that reporting on alignment constitutes a faithful representation, **undertakings should be required to disclose the temperature probability of the base scenario they have used to assess 1.5°C-alignment.** Such disclosures would also improve comparability and verifiability of reporting on emissions reduction targets across undertakings.

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

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

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

Q26: Please, rate to what extent do you think DR E1-4 – Climate change mitigation and adaptation action plans and resources

	Not at all	To a limited extent with strong reservations	To a large extent with some reservations	Fully	No opinion	Not applicable
A. Requires relevant information about the sustainability matter covered				X		
B. Requires information that is relevant for all sectors (sector-agnostic only information)					X	

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

Please share any comment and suggestion for improvement you might have relating to the above questions, referring explicitly to the part of the question you are providing comment to

Suggested disclosures would help investors to understand how undertakings are addressing (or will address) material climate-related risks, opportunities and impacts. These disclosures are decision-useful to investors and should be prioritised in the first year of implementation.

The granularity of these disclosures as proposed would help to improve verifiability and comparability of reporting across entities. In addition, they would enable investors to better assess whether action plans are credible and engage with undertakings in future reporting periods on progress achieved.

For instance, suggested disclosures on action plans are strengthened by several ‘sources of verifiability’, including the requirement to relate monetary amounts to the most relevant amount presented in the financial statements [30-b], and to specify whether the ability to implement the action plans depends on resource availability and allocation [AG34].

Finally, we note that where action plans require a substantial mobilisation of resources undertakings would need to specify resource allocation in current and future reporting periods, expressed as CapEx and OpEx breakdowns [AG35]. For reasons of policy coherence we welcome the specification within ED ESRS 1 that these would need to be consistent with relevant CapEx and OpEx disclosures under the EU Taxonomy, and that any differences would need to be reported and explained [AG35].

DR E1-5 – Energy consumption & mix

The undertaking shall provide information on its energy consumption.

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

Q27: Please, rate to what extent do you think DR E1-5 – Energy consumption & mix

	Not at all	**To a limited extent with strong reservations**	**To a large extent with some reservations**	**Fully**	**No opinion**	**Not applicable**
A. Requires relevant information about the sustainability matter covered				X		
B. Requires information that is relevant for all sectors (sector-agnostic only information)					X	
C. Can be verified / assured			X			
D. Meets the other objectives of the CSRD in term of quality of information			X			
E. Reaches a reasonable cost / benefit balance					X	
F. Is sufficiently consistent with relevant EU policies				X		

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

Please share any comment and suggestion for improvement you might have relating to the above questions, referring explicitly to the part of the question you are providing comment to

Proposed disclosures on energy mix would provide investors with information they need to understand an undertaking's climate-related impacts, exposure to transition risks and ability to meet emissions reduction targets. Furthermore, this information is needed by FMPs for reporting Principal Adverse Impact indicators under the SFDR, particularly on share of non-renewable energy consumption and production across portfolios. Therefore, these disclosures are decision-useful to investors and should be prioritised in the first year of implementation.

We welcome the provision of clear calculation methodologies and presentation requirements for reporting on energy consumption, as this would enhance consistency of reporting across undertakings. For instance, information would need to be presented in a standardised table including comparative values from previous periods [AG37], energy consumption would need to be reported in MWh [AG36(d)] and as final energy consumption [AG36(e)], and the figures would need to exclude offsets [AG36(g)].

Notwithstanding the ED's clarity on methodologies to be employed, **undertakings should also be required to report on the calculation methodologies, data sources and underlying assumptions / uncertainties used to derive these figures.** This would improve verifiability of reporting, as well as comparability between undertakings subject to the CSRD and other undertakings which may calculate and disclose energy mix figures in a different manner.

DR E1-6 – Energy intensity per net turnover

The undertaking shall provide information on the energy consumption associated with activities in high climate impact sectors per net turnover of these activities.

Q28: Please, rate to what extent do you think DR E1-6 – Energy intensity per net turnover

	Not at all	To a limited extent with strong reservations	To a large extent with some reservations	Fully	No opinion	Not applicable
A. Requires relevant information about the sustainability matter covered				X		
B. Requires information that is relevant for all sectors (sector-agnostic only information)					X	
C. Can be verified / assured			X			
D. Meets the other objectives of the CSRD in term of quality of information			X			
E. Reaches a reasonable cost / benefit balance					X	
F. Is sufficiently consistent with relevant EU policies and other EU legislation				X		
G. Is as aligned as possible to international sustainability standards given the CSRD requirements				X		
H. Represent information that must be prioritised in first				X		

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

Please share any comment and suggestion for improvement you might have relating to the above questions, referring explicitly to the part of the question you are providing comment to

Reporting on energy intensity allows for the normalisation of energy consumption figures across undertakings and is needed by FMPs for reporting Principal Adverse Impact indicators under the SFDR, particularly on energy consumption intensity per high impact climate sector. Therefore, these disclosures are decision-useful to investors and should be prioritised in the first year of implementation.

As for (DR E1-5), clear calculation methodologies are provided [AG40] and disclosures would need to be issued in the form of a standardised table [AG41], improving consistency of reporting. Furthermore, the requirement to provide a reconciliation to the most relevant net turnover amount presented in financial statements, including a quantitative reconciliation table where net turnover cannot be directly cross-referenced [AG42], would improve the verifiability of reporting and connectivity with the financial statements.

However, two additional disclosures are needed on how energy intensity metrics have been produced to improve consistency and verifiability of reporting. Undertakings should be required to:

- **report the denominator used to calculate energy intensity (net turnover from activities in high climate impact sectors)** [AG40(a)] – this would allow investors to verify energy intensity figures more easily and normalise these across investee companies; and
- **specify the 'high climate impacts sectors' included within the energy intensity figure** – such that investors are aware of any variations in the selection of 'high climate impact sectors' across undertakings, improving consistency, and can verify the list of sectors included.

DR E1-7 – Scope 1 GHG emissions

The undertaking shall disclose its gross Scope 1 GHG emissions in metric tons of CO2 equivalent.

Q29: Please, rate to what extent do you think DR E1-7 – Scope 1 GHG emissions

	Not at all	To a limited extent with strong reservations	To a large extent with some reservations	Fully	No opinion	Not applicable

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

Please share any comment and suggestion for improvement you might have relating to the above questions, referring explicitly to the part of the question you are providing comment to

Note that all reasoning below also applies to our answer to Question 30 on Scope 2 GHG emissions.

Reporting on Scope 1, 2 and 3 GHG emissions is needed by investors to understand an undertaking's climate-related impacts and exposure to transition risks. Furthermore, it is needed to meet regulatory and client reporting obligations, including Principal Adverse Impact indicators under the SFDR such as portfolio-level GHG emissions. Therefore, these disclosures are decision-useful to investors and should be prioritised in the first year of implementation.

We welcome that undertakings would need to disclose the methodologies and emissions factors used to calculate or measure Scope 1, 2 and 3 GHG emissions and provide a reference or link to calculation tools used [AG43(e)]. This would provide a crucial 'source of verifiability' strengthening these disclosures.

However, we note that when compiling the information for reporting Scope 1, 2 and 3 emissions undertakings would need to consider the principles, requirements and guidance provided by the GHG Protocol Corporate Standard and GRI 305, and would have the option to consider the organisational environmental footprint method (Commission Recommendation (EU) 2021/2279) for compiling their GHG emissions [AG43(a)]. While there are commonalities between these approaches, this level of flexibility would risk consistency and thereby comparability of reporting.

Because the Greenhouse Gas Protocol is the most widely used and recognised international standard for calculating GHG emissions, and because ED IFRS S2 proposes to require the use of the Greenhouse Gas Protocol Corporate Standard [ED IFRS S2, 21(a)], **it should be explicitly stated that undertakings are required to use the Greenhouse Gas Protocol Corporate Standard to calculate and report Scope 1, 2 and 3 GHG emissions.** This would improve comparability of reporting on this critical datapoint without contradicting the content and objectives of the CSRD, both across undertakings subject to the CSRD and with other undertakings.

In addition, **we recommend that undertakings should be required to disclose Scope 1 and Scope 2 emissions separately for: (i) the consolidated accounting group (the parent and its subsidiaries); and (ii) associates, joint ventures, unconsolidated subsidiaries or affiliates not included in (i), along with the approach used to include emissions for these entities and why this approach was chosen**.

This would improve alignment with ED IFRS S2 in which this is required [21(a)], enhancing international consistency of reporting. In addition, it would provide investors with relevant information on the share of total GHG emissions reported from the consolidated accounting group, that can therefore be linked back to the financial statements.

DR E1-8 – Scope 2 GHG emissions

The undertaking shall disclose its gross indirect energy Scope 2 GHG emissions in metric tons of CO2 equivalent.

The principle to be followed under this Disclosure Requirement is to provide an understanding of the indirect impacts on climate change caused by the undertaking's consumed energy whether externally purchased or acquired.

Q30: Please, rate to what extent do you think DR E1-8 – Scope 2 GHG emissions

	Not at all	To a limited extent with strong reservations	To a large extent with some reservations	Fully	No opinion	Not applicable
A. Requires relevant information about the sustainability matter covered			X			
B. Requires information that is relevant for all sectors (sector-agnostic only information)					X	
C. Can be verified / assured				X		
D. Meets the other objectives of the CSRD in term of quality of information				X		
E. Reaches a reasonable cost / benefit balance					X	
F. Is sufficiently consistent with relevant EU policies and other EU legislation				X		
G. Is as aligned as possible to international sustainability standards given the CSRD requirements		X				
H. Represent information that must be prioritised in first year of implementation				X		

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

Please share any comment and suggestion for improvement you might have relating to the above questions, referring explicitly to the part of the question you are providing comment to

Like Scope 1 GHG emissions, reporting on Scope 2 GHG emissions is needed by investors to understand an undertaking's climate-related impacts and exposure to transition risks. Furthermore, it is needed to meet regulatory and client reporting obligations, including Principal Adverse Impact indicators under the SFDR such as portfolio-level GHG emissions. Therefore, these disclosures are decision-useful to investors and should be prioritised in the first year of implementation.

Please note that all commentary, recommendations and ratings provided in response to Question 29 on Scope 1 GHG emissions also apply in response to this question.

On Scope 2 emissions in particular, we welcome the inclusion of disclosure requirements on gross location-based and market-based Scope 2 GHG emissions [43], because:

- market-based emissions are needed to predict transition risks and compare them across undertakings performing the same activities – they would also help investors to verify whether the correct financial assumptions (e.g. on asset impairment) have been made in reporting transition risks; and
- reporting on location-based emissions would improve investors' understanding of exposure to transition risks that may vary across geographies, such as risks arising from jurisdiction-specific policy objectives.

As recommended for Scope 1 GHG emissions, **undertakings should be required to use the Greenhouse Gas Protocol Corporate Standard to calculate and report Scope 2 GHG emissions.**

DR E1-9 – Scope 3 GHG emissions

The undertaking shall disclose its gross indirect Scope 3 GHG emissions in metric tons of CO2 equivalent. The principle to be followed under this Disclosure Requirement is to provide an understanding of the GHG emissions that occur in the undertaking's value chain beyond its Scope 1 and 2 GHG emissions. For many undertakings Scope 3 GHG emissions are the main component of the GHG inventory and an important driver of their transition risks.

Q31: Please, rate to what extent do you think DR E1-9 – Scope 3 GHG emissions

	Not at all	To a limited extent with strong reservations	To a large extent with some reservations	Fully	No opinion	Not applicable

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

Please share any comment and suggestion for improvement you might have relating to the above questions, referring explicitly to the part of the question you are providing comment to

The PRI supports the disclosure of Scope 3 emissions where they are a significant portion of an undertaking's overall emissions profile.

As for Scope 1 and 2 GHG emissions, reporting on Scope 3 GHG emissions is needed to understand an undertaking's climate-related impacts and exposure to transition risks. While Scope 3 emissions are often more difficult to report, these are the most impactful kind of emissions for some industries such as oil and gas producers. Their inclusion would mean that a large share of actual emissions, where material, will not go unreported.

Furthermore, investors need this reporting to meet their own regulatory and client reporting obligations. This includes reporting Principal Adverse Impact indicators under the SFDR, particularly on portfolio-level GHG emissions.

Therefore, these disclosures are decision-useful to investors and should be prioritised in the first year of implementation.

We also welcome the inclusion of several disclosures that would improve the verifiability of reporting on Scope 3 GHG emissions. These include:

- extensive calculation requirements [AG48] to ensure the consistency of methodologies (and by extension outputs);
- the requirement to disclose a list of Scope 3 GHG emissions categories included in (and excluded from) the inventory and justify excluded Scope 3 categories [AG48(i)]; and
- the requirement to disclose, for each significant Scope 3 GHG emissions category, the boundaries considered and calculation methods / tools applied [AG48(h)].

As recommended for Scope 1 and 2 GHG emissions, **undertakings should be required to use the Greenhouse Gas Protocol Corporate Standard to calculate and report Scope 3 GHG emissions.**

DR E1-10 – Total GHG emissions

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

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

Q32: Please, rate to what extent do you think DR E1-10 – Total GHG emissions

	Not at all	To a limited extent with strong reservations	To a large extent with some reservations	Fully	No opinion	Not applicable
A. Requires relevant information about the sustainability matter covered			X			

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

Please share any comment and suggestion for improvement you might have relating to the above questions, referring explicitly to the part of the question you are providing comment to

Investors need reporting on total GHG emissions to understand an undertaking's climate-related impacts and exposure to transition risks. Furthermore, such reporting is needed to meet regulatory and client reporting obligations. This includes reporting Principal Adverse Impact indicators under the

SFDR, particularly on portfolio-level GHG emissions and carbon footprint. Therefore, these disclosures are decision-useful to investors and should be prioritised in the first year of implementation.

We welcome that undertakings would need to issue all suggested disclosures on Scope 1, 2 and 3 GHG emissions, and total GHG emissions, within a standardised table including base year, comparative figures, percentage change from the previous reporting year and forward-looking emissions (2025, 2030 and 2050) for each relevant figure [AG50]. This would improve comparability of reporting across undertakings and time periods.

Please note that our recommendations on Scope 1, Scope 2 and Scope 3 emissions (Questions 29-31) also apply to this section.

DR E1-11 – GHG intensity per net turnover

The undertaking shall disclose its total GHG emissions per net turnover.

Q33: Please, rate to what extent do you think DR E1-11 – GHG intensity per net turnover

	Not at all	To a limited extent with strong reservations	To a large extent with some reservations	Fully	No opinion	Not applicable
A. Requires relevant information about the sustainability matter covered			X			
B. Requires information that is relevant for all sectors (sector-agnostic only information)					X	
C. Can be verified / assured				X		
D. Meets the other objectives of the CSRD in term of quality of information			X			
E. Reaches a reasonable cost / benefit balance					X	
F. Is sufficiently consistent with relevant EU policies				X		

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

Please share any comment and suggestion for improvement you might have relating to the above questions, referring explicitly to the part of the question you are providing comment to

Reporting on GHG intensity allows for the normalisation of GHG emissions figures across entities. Furthermore, it is needed for reporting Principal Adverse Impact indicators under the SFDR, particularly on GHG intensity of investee companies. Therefore, these disclosures are decision-useful to investors and should be prioritised in the first year of implementation.

We welcome that undertakings would be required to reconcile net turnover used in this calculation with the amount presented in the financial statements, including a quantitative reconciliation table illustrating differences where these exist [AG57]. This would enhance the connectivity of reporting on emissions intensity with financial reporting.

In addition, we welcome that undertakings would need to provide emissions intensity figures in a standardised table including comparative figures and percentage change from the previous reporting period [AG56], and that extensive calculation provisions are provided [AG55]. This would improve comparability of reporting across undertakings and time periods.

However, we note that undertakings would only need to disclose GHG intensity per net turnover [51], and not GHG intensity per unit of physical output.

We acknowledge the point within the 'Basis for conclusions' document that GHG intensity per activity can be sector-specific [BC155]. However, since undertakings not covered by the CSRD may disclose emissions intensity per unit of physical output, this risks comparability of emissions intensity figures, leading to increased costs and complexity for investors in normalising this data across undertakings.

Therefore, undertakings should be recommended to disclose emissions intensity in terms of metric tonnes of CO2 equivalent: (i) per unit of total revenue; and (ii) per unit of production. To facilitate normalisation by investors, **undertakings should also be required to disclose the**

denominators used for emissions intensity figures. This would allow investors to verify emissions intensity figures more easily and normalise these across companies.

DR E1-12 – GHG removals in own operations and the value chain

The undertaking shall disclose GHG removals from own operations and the upstream and downstream value chain in metric tons of CO2 equivalent.

The principle to be followed under this Disclosure Requirement is to provide in a comparable manner transparency on actions to permanently remove or actively support the removal of GHG from the atmosphere.

Q34: Please, rate to what extent do you think DR E1-12 – GHG removals in own operations and the value chain

	Not at all	To a limited extent with strong reservations	To a large extent with some reservations	Fully	No opinion	Not applicable
A. Requires relevant information about the sustainability matter covered				X		
B. Requires information that is relevant for all sectors (sector-agnostic only information)					X	
C. Can be verified / assured				X		
D. Meets the other objectives of the CSRD in term of quality of information				X		
E. Reaches a reasonable cost / benefit balance					X	
F. Is sufficiently consistent with relevant EU policies and other EU legislation				X		

G. Is as aligned as possible to international sustainability standards given the CSRD requirements				X		
H. Represent information that must be prioritised in first year of implementation				X		
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstanding or practical complexities					X	

Please share any comment and suggestion for improvement you might have relating to the above questions, referring explicitly to the part of the question you are providing comment to

These disclosures are relevant for investors' understanding of an undertaking's climate-related impacts and should therefore be prioritised in the first year of implementation. Furthermore, since this is an emerging disclosure area, there is an opportunity for EFRAG to harmonise this reporting across undertakings at an early stage.

We welcome that undertakings would provide a clear description of each removal activity including type and GHGs concerned [AG55(b)], as well as separate disclosure of GHG removals in own operations and the value chain [AG61], and issue disclosures in a standardised table including comparative figures and percentage changes from the previous reporting period [AG62]. This, combined with extensive calculation guidance provided [AG60], would enhance comparability of reporting over time and across undertakings.

Similarly, we welcome the proposed disclosures on whether activities qualify as nature-based solutions [55], and that the definition of nature-based solutions is based on the United Nations Environmental Assembly Resolution UNEP/EA.5/Res.5 [AG60(h)]. This will enhance comparability of reporting on the use of nature-based solutions across undertakings subject to the CSRD and other undertakings.

Finally, we welcome the proposed requirement for undertakings to describe assumptions, methodologies and frameworks applied for calculation [55(c)], as this would improve verifiability of reporting.

DR E1-13 – GHG mitigation projects financed through carbon credits

The undertaking shall disclose the amount of GHG emission reductions or removals from climate change mitigation projects outside its value chain it has financed through the purchase of carbon credits.

The principle to be followed under this Disclosure Requirement is to provide an understanding of the extent and quality of carbon credits the undertaking has purchased from the voluntary market and cancelled in the reporting period.

Q35: Please, rate to what extent do you think DR E1-13 – GHG mitigation projects financed through carbon credits

	Not at all	**To a limited extent with strong reservations**	**To a large extent with some reservations**	**Fully**	**No opinion**	**Not applicable**
A. Requires relevant information about the sustainability matter covered				X		
B. Requires information that is relevant for all sectors (sector-agnostic only information)					X	
C. Can be verified / assured				X		
D. Meets the other objectives of the CSRD in term of quality of information				X		
E. Reaches a reasonable cost / benefit balance					X	
F. Is sufficiently consistent with relevant EU policies and other EU legislation				X		
G. Is as aligned as possible to international sustainability standards given the CSRD requirements				X		

H. Represent information that must be prioritised in first year of implementation				X		
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstanding or practical complexities					X	

Please share any comment and suggestion for improvement you might have relating to the above questions, referring explicitly to the part of the question you are providing comment to

These disclosures are relevant for investors to understand an undertaking's climate-related impacts and the source of these impacts, and should therefore be prioritised in the first year of implementation.

We welcome that disclosures would include (but not be limited to) the total amount of carbon credits that have been verified against recognised national or international quality standards [58(a)], and the total amount planned to be cancelled in the future based on existing contractual agreements [58(b)]. Both specifications would provide investors with an important source of verifiability.

Additionally, we welcome the provision of clear calculation rules [AG65], and the expectations for undertakings to issue these disclosures within a standardised presentation table including comparative disclosures in previous periods [AG66]. Both specifications would enhance comparability of reporting across undertakings and reporting periods.

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

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

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

Q36: Please, rate to what extent do you think DR E1-14 – Avoided GHG emissions from products and services

	Not at all	**To a limited extent with strong reservations**	**To a large extent with some reservations**	**Fully**	**No opinion**	**Not applicable**

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

Please share any comment and suggestion for improvement you might have relating to the above questions, referring explicitly to the part of the question you are providing comment to

Given methodological challenges in reporting on avoided emissions, the PRI supports the optional nature of this disclosure requirement. However, where these disclosures can be provided by undertakings, they are relevant for investors to understand an undertaking's climate-related impacts and the source of those impacts.

We welcome the provision of clear calculation rules [AG68] and a standardised presentation table for disclosure including comparative information and percentage change from the previous reporting period [AG69]. Both specifications would enhance comparability of reporting across entities and time periods.

In addition, we welcome the proposed requirement to disclose assumptions, data sources and methodologies used for calculation [61]. This would help to ensure verifiability of reporting where undertakings choose to issue these disclosures.

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

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

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

Q37: Please, rate to what extent do you think DR E1-15 – Potential financial effects from material physical risks

	Not at all	**To a limited extent with strong reservations**	**To a large extent with some reservations**	**Fully**	**No opinion**	**Not applicable**
A. Requires relevant information about the sustainability matter covered			X			
B. Requires information that is relevant for all sectors (sector-agnostic only information)					X	
C. Can be verified / assured				X		
D. Meets the other objectives of the CSRD in term of quality of information				X		

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

Please share any comment and suggestion for improvement you might have relating to the above questions, referring explicitly to the part of the question you are providing comment to

These disclosures are decision-useful to investors and should be prioritised in the first year of implementation, since they are needed to predict the future financial impact of exposure to physical risks.

We welcome the inclusion of clear calculation rules in this section [AG72], as this will help to improve comparability of reporting across entities.

In addition, we welcome the inclusion of several ‘sources of verifiability’ to underpin these disclosures, including:

- a reconciliation of assets and turnover to the most relevant amount in financial statements [68], along with a quantitative reconciliation table illustrating the difference where an undertaking is unable to simply cross-reference a line item in the financial statements [AG75(b) – this would also improve connectivity of reporting;
- an explanation of whether and how an undertaking has assessed the potential financial effects for assets and business activities at material physical risk, including the scope of application, time horizon, calculation methodology, critical assumptions, parameters and

limitations of the assessment [AG71(a)], as well as whether the assessment relies on (or is part of) the process to determine material physical risks [AG71(b)]; and

- comprehensive disclosures on scenario analysis used to assess physical risks [AG7, AG17-19].

Finally, we support the alignment between this reporting and equivalent disclosures proposed within ED IFRS S2 [21(c)]. Both focus on exposure as a percentage of assets and business activities (share of net turnover). The disclosure on share of these assets addressed by the climate change adaptation action plan [67(a)] is an important addition relative to ED IFRS S2, as it would enable investors to better understand an undertaking's residual exposure to physical risks.

However, investors would benefit from further detail on how undertakings are exposed to physical risks, and require information on how undertakings are managing, mitigating and adapting to physical risk exposure to effectively consider such exposures in decision-making. **The ESRS could improve the availability of data that investors need by enhancing suggested disclosures in this area.**

For example, EFRAG could consider recommending the following metrics as part of application guidance on disclosing exposure to physical risks:

- Asset location data of undertakings' main facilities, operations and leading suppliers located in an area at risk of extreme weather events, such as:
    - percentage located in flood hazard areas and/or regions of high or extremely high water stress; and
    - assets in areas that are subject to wildfire risk, as the intensity and frequency of wildfires continue to increase[1].

This would help to address the lack of readily accessible and comparable location data that has made it difficult for investors to determine the level of physical risks from climate change on undertakings.

- How physical climate risk is assessed and considered in undertakings' business interruption plans.
- Current and predicted financial losses from extreme weather events.
- Anticipated future financial impacts based on the results of physical risk-focused scenario analyses.

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

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

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

Q38: Please, rate to what extent do you think DR E1-16 – Potential financial effects from material transition risks

[1] Metrics for physical climate risk were adapted in accordance with research by IIGCC available at https://www.iigcc.org/resource/understanding-physical-climate-risks-and-opportunities-a-guide-for-investors/ and the UK Climate Financial Risk Forum's report on data and metrics available at https://www.fca.org.uk/transparency/climate-financial-risk-forum.

	Not at all	To a limited extent with strong reservations	To a large extent with some reservations	Fully	No opinion	Not applicable
A. Requires relevant information about the sustainability matter covered				X		
B. Requires information that is relevant for all sectors (sector-agnostic only information)					X	
C. Can be verified / assured			X			
D. Meets the other objectives of the CSRD in term of quality of information				X		
E. Reaches a reasonable cost / benefit balance					X	
F. Is sufficiently consistent with relevant EU policies and other EU legislation				X		
G. Is as aligned as possible to international sustainability standards given the CSRD requirements				X		
H. Represent information that must be prioritised in first year of implementation				X		

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

Please share any comment and suggestion for improvement you might have relating to the above questions, referring explicitly to the part of the question you are providing comment to

These disclosures are decision-useful to investors and should be prioritised in the first year of implementation, since they are needed to predict the future financial impact of exposure to transition risks.

We welcome that clear calculation rules are provided [AG81], which will help to improve comparability of reporting across entities.

In addition, we support the inclusion of several 'sources of verifiability' to underpin this reporting, including:

- a reconciliation of assets and turnover to the most relevant amount in financial statements [72], along with a quantitative reconciliation table illustrating the difference where an undertaking is unable to simply cross-reference a line item in the financial statements [AG68(b) – this would also improve connectivity of reporting;
- an explanation of whether and how an undertaking has assessed the potential financial effects for assets and business activities at material transition risk, including the scope of application, time horizon, calculation methodology, critical assumptions, parameters and limitations of the assessment [AG80(a)], as well as whether the assessment relies on (or is part of) the process to determine material transition risks [AG80(b)]; and
- comprehensive disclosures on scenario analysis used to assess transition risks in particular [AG7, AG17-19].

Furthermore, we welcome the alignment between this reporting and equivalent disclosures proposed within ED IFRS S2 [21(b)]. Both EDs would focus on exposure as a percentage of assets and business activities (share of net turnover). Reporting on share of these assets addressed by the climate change mitigation plan [ED ESRS E1, 71(a)] is an important addition relative to ED IFRS S2, as it would enable investors to better understand an undertaking's residual exposure to transition risks.

However, we note that undertakings would be required to disclose an estimation of the amount of potentially stranded assets (in monetary amounts and percentage) from the reporting year until 2030 and 2050, as defined within paragraph AG81(a), but would not need to explain how stranded assets were identified. This risks verifiability of reporting, particularly since these disclosures constitute emerging industry practice and information on stranded assets is highly relevant to investment decision-making.

Therefore, **undertakings should be required to disclose the scope, time horizon, critical assumptions, parameters and limitations of this assessment**, as is already proposed for reporting on the percentage of assets and business activities vulnerable to transition risk [AG80(a)]. This would allow investors to more easily verify the selection of stranded assets among assets deemed 'vulnerable to transition risk'.

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

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

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

Q39: Please, rate to what extent do you think DR E1-17 – Potential financial effects from climate- related opportunities

	Not at all	To a limited extent with strong reservations	To a large extent with some reservations	Fully	No opinion	Not applicable
A. Requires relevant information about the sustainability matter covered			X			
B. Requires information that is relevant for all sectors (sector-agnostic only information)					X	
C. Can be verified / assured				X		
D. Meets the other objectives of the CSRD in term of quality of information				X		
E. Reaches a reasonable cost / benefit balance					X	
F. Is sufficiently consistent with relevant EU policies and other EU legislation			X			
G. Is as aligned as possible to international sustainability standards given the CSRD requirements				X		

H. Represent information that must be prioritised in first year of implementation				X		
I. Is well suited to be transformed in a digital reporting taxonomy that will avoid creating misunderstanding or practical complexities					X	

Please share any comment and suggestion for improvement you might have relating to the above questions, referring explicitly to the part of the question you are providing comment to

These disclosures are decision-useful to investors and should be prioritised in the first year of implementation, since they are needed to predict the future financial impact of exposure to climate-related opportunities.

We welcome that on both expected cost savings with regards to climate change mitigation and adaptation actions [75(a)] and potential market size for low-carbon products and services or adaptation solutions to which the undertaking may have access [75(b)], undertakings would be required to disclose the scope of assessment, time horizon, methodology, critical assumptions and limitations underpinning their assessment of these [AG91-92]. This would enhance verifiability of reporting.

However, in our view potential market size of 'green products' alone is not decision-useful to investors. This is because investors would also need to understand an undertaking's willingness and ability to pursue such opportunities.

As such, **we suggest that disclosures putting market size into perspective against current EU Taxonomy-aligned turnover, which are currently optional under ED ESRS E1 [AG92], should be made mandatory. Undertakings should also be required to report planned future EU Taxonomy-aligned turnover and link this with reporting on market size**.

This would better indicate an entity's willingness to pursue climate-related opportunities, enhance connectivity with reporting pursuant to the Taxonomy Regulation, and evidence whether 'green products' referenced are also 'beneficial' (as defined by the EU Taxonomy) in terms of their climate and other environmental impacts.

For similar reasons, **undertakings should be required to provide commentary on how they will pursue such climate-related opportunities**. Where possible, this should be linked to reporting on policies, targets and action plans under Disclosure Requirements E1 2-4.

ANNEX 1 – SECTOR METRICS TABLE

The PRI is grateful to the MRV Track of the UN Net-Zero Asset Owner Alliance for providing this table.

Sector[2]	**Required Data** *(reported as of current date, and forward looking at 5 years and 10 years)*
Oil and Gas	■ gCO2e/ MJ[3] ■ Also reporting on methane separately with gCH4/MJ
Utilities	■ tCO2e/MWH[4] [5]
Transportation – Aviation	■ gCO2e/RTK
Transportation – Shipping	■ gCO2e/TKM[6]
Transportation – Heavy duty road	■ gCO2e/TKM
Transportation – Light duty road	■ gCO2e/KM (of newly sold fleet of vehicles)
Cement	■ tCO2e/tonne of cementitious produced
Steel	■ tCO2e/tonne of crude steel[7]
Aluminium	■ tCO2e/tonne of aluminium[8]
Agriculture	■ tCO2/tonne of agricultural product ■ CH4/tonne of agricultural product ■ NO2/tonne of agricultural product
Chemicals	■ tCO2e/tonne of chemical product[9]
Construction & Buildings	■ CO2e/m2 annum ■ kWh/m2 annum[10]

[2] Please see Alliance Target Setting Protocol Annex for NACE/GICS/BICS mapping of sector classifications.

[3] Scope 1, 2 and 3 (use of sold product) greenhouse gas emissions from energy products sold externally in units of grams of CO2 equivalent (gCO2e) per mega joule (MJ). "Energy products sold externally" is defined by TPI as the total net calorific energy supply from all fuels including hydrocarbons, biomass and waste, plus energy supplied as electricity generated from fossil fuels, nuclear or renewables. https://www.transitionpathwayinitiative.org/publications/96.pdf?type=Publication

[4] A "t" indicated metric tonne, not US ton. "CO2e" is used here and is requested by some, while TPI requests "Co2".

[5] Scope 1 of owned gross electricity generation, excluding purchased electricity.

[6] Note, Current TPI methodology considers emissions related to marine shipping in international waters only; we note that it would be useful if companies provide an intensity for all shipping activities and then separate ones for shipping activities in international vs coastal vs inland waters.

[7] Where possible reporting separately for primary and secondary.

[8] This should include emissions from alumina and aluminium production, both normalised to a tonne of aluminium.

[9] We note the heterogeneity in the chemical sector and that this may vary by the type of products produced by the company in the sector. We none the less believe this is the necessary starting place.

[10] This should cover 100% of buildings' floor area and include additionally embodied emissions for new buildings / refurbishments (CO2/m2).