EU Consultation: European Sustainability Reporting Standards (ESRS)

European Association of Chemical Distributors (Fecc)
July 2023

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The European Association of Chemical Distributors (Fecc) welcomes the European Sustainability Reporting Standards (ESRS) framework in response to the need to have a single European-wide framework aligned with the requirements of the new Corporate Sustainability Reporting Directive (CSRD) and acknowledges the need to reduce corporate greenwashing by setting standards on material sustainability reporting for companies in Europe.

Considering this, Fecc welcomes the opportunity to provide feedback on the open EU public consultation on “European Sustainability Reporting Standards – first set” and would like to draw attention to some points of relevance for the chemical distribution industry.

1. **The need for harmonization and simplification.** To enhance coherence and comparability in sustainability reporting, the relationship between ESRS and other EU Legislations needs to be aligned and clarified. Particularly, alignment with the Corporate Sustainability Due Diligence Directive (CSDDD) is of great importance, as to optimize reporting activities and, consequently, make reporting processes more efficient. It would be recommended that alignment between CSDDD and CSRD/ESRS on the requirements for transition planning is ensured.

2. **Clearer guidance on terminology.** To avoid ambiguity, setting explicit definitions on certain terminology would be welcomed. Terms such as “vulnerable groups” and “decent pay”, for instance, could be further described. In addition, clarity regarding materiality assessment of substances of concern and thresholds for classification as material is recommended.

3. **Flexibility for undertakings during the adjustment period to changing reporting obligations.** Under the CSRD, undertakings will bear additional compliance costs for the collection, organization, validation and disclosure of sustainability reporting information (such as IT systems, certification of translations into multiple languages, adaptation to a single electronic reporting format, among others). Fecc, as the voice of several SMEs, brings attention to the relevance of considering limited assurance as policy choice. Additionally, concrete consequences of ESRS as of reporting date is not yet fully predictable, as still in preparation. However, it is anticipated that for some key performance indicators (KPIs) there will be significant short-term effort to set up processes and structures to meet reporting.

4. **Set clear guidance on double materiality reporting.** As different sectors might approach their materials with different priorities, it is important that there is an alignment on what would be the expected successful reporting from the undertakings. For example, the topic of biodiversity may not have been identified as material by organizations that approached the materiality assessment from a financial perspective. On the other hand, organizations that had identified biodiversity to be material from an impact perspective (meaning biodiversity may be affected in the environment where the organization operates) have already started to address the topic, hence, being better prepared now that the topic is gradually becoming material from a financial perspective too. Considering this, it would be coherent to set initial expectations that all undertakings should meet, to incentivize fair competition. In addition, at the same time that very extensive materiality analysis is required, there is a lack of guidance on the matter. For example, for many topics it is difficult to estimate any financial impacts, as these are not recorded in finance/accounting departments, which leads to uncertainties.
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