

Attn Mr Benoit Jaspar  
Administrative Board President  
EFRAG  
35 Square de Meeûs  
1000 Brussels

BELGIUM

29 September 2025

CC: Sven Gentner  
Head of Unit DG FISMA, Corporate reporting, audit and credit rating agencies  
European Commission  
CC: Patrick de Cambourg  
Sustainability Reporting Board Chair, EFRAG  
CC: Chiara Del Prete,  
Sustainability Reporting TEG Chair, EFRAG  
CC: Saskia Slomp  
Chief Executive Officer, EFRAG

## **Revised and Simplified Exposure Drafts of the European Sustainability Reporting Standards (ESRS)**

Dear Mr Jaspar

We welcome the opportunity to comment on the Exposure Drafts (the EDs) of revised and simplified European Sustainability Reporting Standards (ESRS). We commend the effort and acknowledge the extensive proposed revisions EFRAG delivered under the mandate to revise and simplify ESRS comprehensively from the European Commission (EC) in a very short timeframe.

We have provided detailed responses to the questions accompanying the EDs using the online survey as requested. This letter sets out high-level key points that we want to draw to your attention.

### *Due process*

While the timeframe for delivery of the EDs and the final technical advice to the EC was not set by EFRAG, it runs the risk of undermining the foundational pillars of due process in standard setting: transparency, full and fair consultation and accountability. We note the high number of closed sessions of the EFRAG Sustainability Reporting Board (SRB) and the Sustainability Reporting Technical Expert Group (SR TEG), the extremely short response period not reflective of the significant number and the significance of the amendments proposed, limited field-testing and absence of a thorough cost-benefit analysis to support the proposals. We strongly

believe that thorough due process is necessary for achieving high-quality of standards and their wide acceptance with stakeholders. We therefore ask EFRAG to explore all available avenues to ensure the final product meets that threshold.

#### *Overarching concept of materiality and fair presentation*

We welcome the positioning of materiality as an overarching concept with the aim of improving relevance of the information reported to the users and its authenticity to the underlying business dynamics, governance and strategy. Further, we welcome the clarity that is now provided on the objective of the ESRS reporting framework. However, we note that the language used in the EDs to describe ‘fair presentation’ deviates from that in other ‘fair presentation’ frameworks, and in particular the IFRS Accounting Standards and the IFRS Sustainability Disclosure Standards (SDS), without providing a convincing rationale for such deviation. We ask EFRAG to align fully the guidance on fair presentation with IFRS SDS, subject to deviations only when it is necessary to include consideration of impacts. Entity-specific information is an essential element of achieving fair presentation and, therefore, consistently with IFRS SDS, it should be included in the articulation of the objective and covered by the overarching concept of materiality. Full alignment of the wording of the objective will not only support greater interoperability but will also allow undertakings to draw on their practical experience of reporting under a ‘fair presentation’ framework for over twenty years of applying IFRS Accounting Standards. However, we also emphasise the need to provide additional guidance on how the objective of fair presentation should be accomplished when it is supported by the concept (qualitative characteristics of information) of impact materiality. For example, an impact materiality assessment requires consideration of the entire value chain, considering impacts on all stakeholders. Hence, further guidance is needed to explain how to narrow this down to a ‘complete depiction of an impact’ through ‘all material information necessary for the users’.

#### *Changes to reporting IROs, number of data points and structure*

We welcome the change to reporting impacts, risks and opportunities (IROs), in particular the greater emphasis on assessing and reporting IROs at the level at which they are managed. We also welcome greater prominence of a top-down approach and expectation that non-material IROs would not need to be assessed in depth.

We acknowledge EFRAG’s proposals to further simplify and clarify the structure of ESRS, in particular relabelling the minimum disclosure requirements as general disclosure requirements in conjunction with the objective of reporting IROs at the level at which they are managed. We strongly encourage EFRAG, in the spirit of encouraging concise and connected disclosures and in support of interoperability, to merge policies and actions into the strategy section, which would better align with the four pillars of the TCFD framework that is the underlying foundation of IFRS SDS.

We also support the reduction in datapoints and volume of guidance and the increased clarity as to what is mandatory and what is non-mandatory. Clarity around the status of guidance is crucial for the purposes of certainty and enforceability, and is a significant contributor to burden reduction. We make specific proposals in our survey response on how greater clarity and therefore simplification can be achieved.

#### *Anticipated financial effects*

We appreciate EFRAG’s efforts to address the concerns around the disclosure of anticipated financial effects, which has proven to be challenging for undertakings to comply with and led to many first-time reporters using the transitional relief provided. However, we believe quantitative information on anticipated financial effects is important to users (especially investors). As noted in our survey response, we believe that ‘Option 1’ together with full alignment with the ISSB proportionality mechanisms would best meet the cost-benefit objective. Appropriate proportionality mechanisms alongside existing reliefs in ESRS for the first years of application would allow the corporate reporting ecosystem to evolve over time and become familiar with the relatively nascent requirements.

### *Interoperability*

Lastly, we comment on interoperability between ESRS and IFRS SDS. EFRAG itself has identified interoperability as a key lever of the revisions to ESRS. This is also clearly highlighted in the mandate letter to EFRAG from Commissioner Albuquerque. While we believe that EFRAG has taken useful steps to achieve further alignment with IFRS SDS, we see the potential and the need for greater alignment.

For example, the proposal in respect of minimum disclosure requirements in ESRS 2 provides an opportunity for EFRAG to align fully with certain provisions in IFRS SDS, as we note above – an opportunity that has not been taken so far. We further note that some proposals actually increase the differences between ESRS and IFRS SDS, which would be detrimental to interoperability and credibility of the effort. We urge EFRAG to align the language to the fullest extent possible, with clear justification for any deviations that are deemed necessary. Many EU and non-EU companies will be required to apply IFRS SDS in addition to ESRS and will face significant complexity and costs when applying both sets together if the requirements and the way they are expressed are not fully aligned; this may also hinder the ability of undertakings applying only ESRS to obtain exemptions for subsidiaries in jurisdictions with mandatory IFRS SDS disclosure requirements. That is why we believe that the greatest possible alignment of the language used to articulate the requirements will achieve a substantial and substantive burden reduction not only for business but for all participants in the corporate reporting ecosystem.

We further believe the proposals on GHG emissions disclosure introduce additional complexities and, as EFRAG acknowledges, differences with IFRS SDS requirements. As we stated in our earlier feedback to EFRAG, global consistency and comparability of GHG emissions measurement and disclosure is of particular importance to users. We note that the Global Reporting Initiative's (GRI) Global Sustainability Standards Board (GSSB) would now accept GHG emissions disclosure under IFRS SDS as equivalent to its requirements under GRI's new climate standard. Furthermore, we note that the GHG Protocol (GHGP) is undertaking its own revisions that it will consult on in the near future. This should help resolve some of the issues that have led to differences between ESRS and GHGP. We encourage EFRAG to contribute to this process and to leverage potential for further alignment and for removing deviations. In this context, we highlight the recent announcement by the GHGP and the International Organization for Standardization (ISO) to harmonise their standards, which should serve further to align global practices in the measurement of GHG emissions and allow EFRAG to reference global approaches without unnecessary deviations.

We have made detailed comments on aspects of the points above in our survey response which we have included as an appendix to this letter for reference. If you have any questions concerning our comments, please contact Pablo Zalba at [pzalba@deloitte.de](mailto:pzalba@deloitte.de) or Jens Berger at [jensberger@deloitte.de](mailto:jensberger@deloitte.de).

Yours sincerely



Pablo Zalba  
Managing Director EU Policy Centre  
Partner Deloitte Spain



Jens Berger  
EU Corporate Reporting Policy Leader  
Partner Deloitte Germany

Attachment

## ESRS Revision: Public Consultation Survey

### PART 1: Information about the respondent: Q1 – Q10

#### 1) Please enter the following information:\*

Name: Jens

Surname: Berger

Name of organisation: Deloitte

#### 2) Please enter your email\*:

jensberger@deloitte.de

#### 3) Which of the following stakeholder types do you represent?\*

##### Company (Preparers)

Preparer (non-financial institution preparing a sustainability report)

Business association (other than association of financial institution)

##### Users

User (analyst, data provider, rating agency, etc.)

National supervisory authority & regulator

User Association

Financial Institutions

Bank

Asset manager/Investor

Insurance

Association of financial institutions

##### Other stakeholders

Consultant (including software vendor)

Other - please specify (required): \_\_\_\_\_ \*

##### **Auditor**

(National) standard setter

NGO

Academia

**4) Preparers: Please disclose your company's revenue in EUR below (at group level, if applicable)\***

Revenue: \_\_\_\_\_

**5) Preparers: Please disclose your company's total assets in EUR below (at group level, if applicable)\***

Total assets: \_\_\_\_\_

**6) Preparers: Please select your company size by employees (at group level, if applicable)\***

Less than 1000 employees  
More than 1000 employees and less than 3000  
More than 3000 employees and less than 5000  
More than 5000 employees

**7) Country of headquarters\***

**8) Preparers: Is your company in scope for the preparation of ESRS sustainability statements under the CSRD (adopted in 2022)? [Companies in scope: over 250 employees, €50 million in net turnover, or €25 million in total assets]\***

Yes – but the CSRD has not been transposed in the jurisdiction  
Yes - from 2024 and the relevant jurisdiction has transposed the CSRD  
Yes - from 2025 and the relevant jurisdiction has transposed the CSRD  
Yes - from 2026 and the relevant jurisdiction has transposed the CSRD  
No  
No, but it is done/intended to do on voluntary basis

**9) Preparers: Did your company prepare a sustainability statement for Financial Year 2024?\***

Yes, based on the ESRS Delegated Act published in 2023  
Yes, based on another sustainability standards or (national) legislation  
No

**10) Preparers: Does your company also prepare or intend to prepare a sustainability statement under IFRS S1/S2?\***

Yes

No

**PART 2: General Feedback: Q11 – Q31**

**11) Clarifications and simplification of the Double Materiality Assessment (DMA) (ESRS 1 Chapter 3) and materiality of information as the basis for sustainability reporting**

Do you agree that the proposed amendments have sufficiently simplified the DMA process, reinforced the information materiality filter and have succeeded in striking an acceptable balance between simplification and robustness of the DMA? Do you agree that the wording of Chapter 3 of ESRS 1 is sufficiently simplified?

YES

**PARTIALLY AGREE/PARTIALLY DISAGREE**

NO

We agree with the focus on material information as an overarching principle and the emphasis on reporting IROs at the level at which they are managed. This is supported by EFRAG's greater emphasis on a top-down approach and guidance that topics clearly material/not material to the undertaking do not need to be assessed in depth.

However, the proposed simplified DMA process will continue to require considerable effort for undertakings, in particular for first-time application and in the assessment of impacts which involves consideration of their severity and significance from the perspective of affected stakeholders. Further non-binding guidance on how to identify affected stakeholders and assess impacts would be helpful.

We support the principle of including a definition of material information for stakeholders more broadly than investors. It should be clarified that the assessment is to be considered in the context of the information needs of the 'intended users' of the sustainability statement, rather than the information needs of any stakeholder. Better explanation is needed of the concept of 'general purpose sustainability statements' in ESRS 1:AR3.

The clarification of the connection between IROs and topics is helpful, but the overall organising architecture of the standards should be clearer. The standards consistently should allow an undertaking to disclose material information about material IROs aggregated at the level at which they are managed in the business. Once the undertaking has identified its material IROs, it should apply the topical standards to identify material information. However, the language in ESRS 1 and ESRS 2 is not sufficiently clear in this regard (e.g., ESRS2:2 references disclosing on IROs and disclosing on topics). Further non-mandatory guidance on how to apply 'reporting at the level IROs are managed' or 'groups of IROs' in practice would be helpful.

See also Q33.

**12) New guidance in ESRS 1 on how to consider remediation, mitigation and prevention actions in assessing materiality of negative impacts**

Do you agree that the new guidelines clarify how to consider remediation, mitigation and prevention implemented actions in the DMA, contributing to more relevant and comparable reporting?

YES

PARTIALLY AGREE/PARTIALLY DISAGREE

**NO**

We do not agree with the inclusion of overly prescriptive detail that could have unintended consequences for undertakings when identifying material IROs. Instead, we support clear principles in DRs/ARs.

We therefore agree with ESRS 1.34-36 as helpful clarifying principles and they should be extended to assessment of risks and opportunities. A qualifier ‘generally’ should be added to the requirements in these paragraphs (i.e., that the impacts/IROs are ‘generally assessed...’) to allow for consideration of an individual undertaking’s facts and circumstances and for interoperability with the ISSB Standards, including the approach set out in the Transition Implementation Group paper on this matter.

A major part of Appendix C, which in our view is too prescriptive and detailed, should be repurposed as NMIG, with any essential points from the appendix being moved to the related ARs. The appendix should therefore be removed from the standard.

**13) Improved readability, conciseness and connectivity of ESRS Sustainability Statements**

Do you agree that these proposed Amendments, when combined with the other changes in the Amended ESRS, provide an appropriate level of flexibility to support more relevant and concise reporting, as well as to promote better connectivity with corporate reporting as a whole?

YES

PARTIALLY AGREE/PARTIALLY DISAGREE

**NO**

While we acknowledge the proposed additional flexibility, we disagree with the prescriptive format of four mandatory sections which does not support sufficiently the ability of an undertaking to disclose IROs at the level at which they are managed, notably for undertakings which are conglomerates. The template approach encourages more granular ‘topic-by-topic’ reporting (even when allowing for the enhanced guidance on avoiding duplication and on cross-referencing) rather than a connected story about how the undertaking measures and manages its material IROs. Greater flexibility should be allowed in the structure of sustainability statement to allow entities to report in a connected and authentic way, e.g., by material IROs.

We support the additional clarifications on the use of appendices to the sustainability statement, including for EU Taxonomy disclosures.

The option to include an executive summary is useful and could support companies in better ‘telling their story’. However, the standard should state clearly that the executive summary should be subject to considerations of materiality and qualitative characteristics of information and should be unbiased and supportable in the context of the sustainability statement as a whole. Furthermore, an executive summary may become superfluous if more flexibility is given on presentation of IROs as suggested above.

#### 14) Restructuring of the architecture and interaction between ESRS 2 and Topical Standards

Do you agree that these proposed amendments strike an appropriate balance between (1) prescriptiveness of the requirements and preparation effort from the one hand, and (2) need for relevant and comparable information from the other?

YES

PARTIALLY AGREE/PARTIALLY DISAGREE

**NO**

We consider that the proposals do not focus sufficiently on disclosure of material information or go far enough in achieving interoperability. The introduction of GDR is consistent with the intent to encourage reporting on IROs at the level at which they are managed and to discourage too granular information. However, further revisions are needed to help undertakings to 'tell their story' and to support interoperability, by:

- further clarifying what is intended by reporting PATs on IROs at the level they are managed or for groups of IROs – without this, it would not be clear to an undertaking what is expected.
- following the relabelling of the MDR concept, structuring the general disclosures in the same four content areas used by the ISSB in IFRS S1 and S2 (based on the widely accepted TCFD structure). This could be achieved by moving policies and actions into the Strategy area, which would reinforce the principle of reporting about policies at the strategic rather than tactical level. The disclosure requirements could be placed alongside SBM 3 (in ESRS 2:22), which already requires disclosure about the effects of IROs on an undertaking's strategy and how its strategy addresses or plans to address them.
- using the same words in IFRS S1 for ESRS 2 GDRs as far as possible.

Furthermore, with the reduction and simplification of datapoints in the topical standards (some of which now only include 1-2 pages of disclosure requirements), it may be more difficult for undertakings to identify relevant disclosures, leading to greater reliance on entity-specific disclosures (e.g., on metrics as mandated by ESRS 2). IFRS S1 includes sources of guidance to help an undertaking identify material information in the absence of related requirements in topical standards. Introducing the approach used by the ISSB would give helpful guidance to preparers.

#### 15) Improved understandability, clarity and accessibility of the Standards

Do you agree that these proposed amendments achieve the desired level of clarity and accessibility?

YES

PARTIALLY AGREE/PARTIALLY DISAGREE

**NO**

Extensive changes have been made to the overall structure, disclosure requirements and related guidance in a very short timeframe. While clarity and accessibility have been improved, there is insufficient time to consider the implications of the revisions across 12 standards. Furthermore, the revisions could lead to new unforeseen implementation issues, especially where new language has been introduced that is not clearly derived from existing standards and frameworks (such as the ISSB Standards).

We support the objective that ARs are streamlined, do not introduce additional disclosure requirements, and only include requirements needed to fulfil the objective of the disclosure requirements.



The work to determine what should remain in ARs as ‘shall’ and what should be moved to non-mandatory implementation guidance (NMIG) was done in a very short timeframe. We therefore recommend EFRAG validate that the following ‘hierarchy’ is consistently adopted across the standards: ARs should be included as ‘shall’ requirements that clearly support the related DR, and non-mandatory guidance in NMIG should be genuinely illustrative and not introduce additional disclosure requirements that are not directly included in the DR itself (see Q16).

To support a cost-effective system for preparers, enhance interoperability and support globally consistent and comparable disclosures, we recommend the ISSB’s disclosure requirements are included as mandatory requirements in ESRS as far as possible.

#### **16) Usefulness and status of “Non-Mandatory Illustrative Guidance” (NMIG)**

We support the approach of including mandatory ARs in the body of the standard with illustrative content in NMIG. However, some of the NMIG content represents extensions to DRs or ARs rather than illustrations. It is essential that NMIG does not introduce additional requirements or options that should be part of DRs/ARs themselves (either explicitly or by implication), especially for measurement of metrics. Such ambiguity would lead to implementation challenges, requiring further guidance and interpretation by preparers, regulators and assurance providers.

We believe more time is needed to for EFRAG to validate and refine the NMIG, including drafting quality, than is available in the current timeline. We therefore recommend that EFRAG take the time to do so and finalise the NMIG later than the technical advice on the core ESRS to be submitted to the EC.

NMIG should remain a living document that can be updated to reflect practical implementation considerations as undertakings apply the revised ESRS, while maintaining appropriate due process. An appropriate due process should therefore be put in place for proposed future changes to NMIG which should set out to what extent proposals would be consulted on through a public consultation process and requirements for considering that feedback when finalising content. This due process should be published to give stakeholders certainty as to how updates to the NMIG will be made.

#### **17) Burden reliefs and other suggested clarifications**

Do you agree that these proposed Amendments provide sufficient relief and strike an acceptable balance between (a) responding to the stakeholders’ demands for burden reliefs and (b) preserving the transparency needed to achieve the objectives of the EU Green Deal, as well as interoperability with the ISSB’s IFRS S1 and S2?

YES

PARTIALLY AGREE/PARTIALLY DISAGREE

**NO**

In our view, the proposed reliefs do not strike the right balance. We recognise the need for relief for specific circumstances (such as impracticability of obtaining data, or challenges arising from new IROs or business transactions) and support the inclusion of the ‘undue cost or effort’ proportionality mechanism (see Q18). However, we do not support how the proposed new reliefs on reporting ‘partial scope’ or excluding data on activities that do not significantly drive IROs have been introduced: we are concerned that these reliefs as drafted could undermine the usefulness of information to users and encourage selective reporting. In

particular, such reliefs should not be included as permanent provisions as we expect that over time there should be less need to apply them as reporting becomes more widespread and practice matures.

Instead, we recommend a general relief, independent of the ‘undue cost or effort’ relief based on a ‘comply or explain’ principle under which the undertaking explains which required information it was not able to provide in specified circumstances such as temporary impracticability of obtaining data, together with an explanation as to when the undertaking expects to be able to comply in full.

As an example, the ‘comply or explain’ relief would be suitable for acquisitions and disposals, allowing the consideration of facts and circumstances. For example, affected stakeholders might expect disclosure to be made of material impacts related to an undertaking prior to its disposal; or where an acquisition occurred late in the reporting period disclosure at a more general level could be provided on IROs, strategy, performance and targets (e.g., adapting ESRS 2:17).

If the proposed reliefs are kept as drafted, clear parameters are needed setting out the circumstances when the reliefs can be applied and for how long.

#### **18) Relief for lack of data quality on metrics (ESRS 1 paragraph 92)**

Do you agree that the proposed relief for lack of data quality on metrics strikes an acceptable balance between providing the necessary flexibility for preparers and avoiding undue loss of information?

YES

**PARTIALLY AGREE/PARTIALLY DISAGREE**

NO

We welcome the inclusion of the ‘undue cost or effort’ proportionality mechanisms, incorporated from the ISSB Standards, as helpful ongoing relief for preparers, available to use in appropriate circumstances. We note that the ‘undue cost or effort’ mechanism is not conditional on timing and specific events or circumstances. We strongly recommend the exact words and the accompanying guidance, as well as scope of application, are incorporated in full from the ISSB Standards (including guidance in appendices).

Regarding the proposed relief on ‘partial scope’ reporting, we disagree and refer to our response to Q17.

#### **19) Relief for anticipated financial effects**

**I agree with Option 1**

I agree with Option 2

I disagree with both Options

We agree with Option 1.

Information on anticipated financial effects is valuable to investors. We recognise that this is a complex and difficult area for preparers, and that practice is largely nascent. However, we support the requirement to provide quantitative information in keeping with the aim of providing consistent and comparable information. By continuing to require this information, we would expect practice to evolve and mature over the years.

Recognising the inherent challenges of measuring financial effects in this area (including the lack of globally recognised measurement methodologies and skills/experience), we welcome the inclusion of a range of reliefs to enable proportionate application of the requirements, based on the ISSB provisions. We note that

EFRAG has only partially included the proportionality mechanisms that the ISSB included in its standards that would be helpful when disclosing information about anticipated financial effects and recommend that EFRAG incorporates all the ISSB's guidance (including in the appendices to IFRS S1).

We also note the existing transitional relief for the first years of application in ESRS 1 and believe this continues to be important for preparers. Further guidance on appropriate methodologies and application will be helpful for the future.

## 20) ESRS E1: Disclosures on Anticipated Financial Effects

Do you agree that the amended paragraph 40, 41 and 42 of ESRS E1 strike an acceptable balance between (i) simplification and reporting effort and (ii) users' needs?

YES

PARTIALLY AGREE/PARTIALLY DISAGREE

**NO**

IF YOU REPLIED NO, SELECT THE PARAGRAPH ON WHICH YOU WANT TO EXPRESS AGREEMENT / DISAGREEMENT [SCROLLING MENU]:

ESRS E1 - 40. (a)

ESRS E1 - 40. (b)

ESRS E1 - 40. (c)

ESRS E1 - 40. (d)

**ESRS E1 - 41. (a)**

ESRS E1 - 41. (b)

ESRS E1 - 41. (c)

ESRS E1 - 41. (d)

ESRS E1 - 41. (e)

ESRS E1 - 41. (f)

ESRS E1 - 42.

We disagree with the proposal as it does not strike an appropriate balance between simplification and users' needs, in our view. Our comment here is made as an overarching point rather than on each individual paragraph.

ESRS E1:40-42 includes additional mandatory DRs on anticipated financial effects that are not included in the ISSB requirements. These paragraphs could be moved to NMIG as non-mandatory illustrations to help support application of the requirement to provide quantitative information on anticipated financial effects, along with further guidance that would be needed on areas such as measurement and aggregation of the information.

More generally, we believe it is essential that EFRAG uses the ISSB's approach on anticipated financial effects in its entirety, including the disclosure requirements and the relief/proportionality mechanisms (see Q19).

## 21) Enhanced interoperability with the ISSB's Standards IFRS S1 and S2

Do you agree that these proposed Amendments achieve an appropriate balance between increasing interoperability and meeting the simplification objectives?

YES

PARTIALLY AGREE/PARTIALLY DISAGREE

NO

We believe full alignment of language between ISSB Standards and ESRS is necessary to achieve true simplification (i.e. using the same language as far as possible), which should be possible given the high degree of interoperability already achieved. It is not clear on what basis EFRAG has concluded it has 'considered all opportunities to align the provisions and avoid unnecessary differences [...]' We agree with the amendments made to enhance interoperability, including on fair presentation and IFRS industry guidance, including SASB Standards. However, there remain many differences in language for no obvious reasons and a significant lack of alignment in many areas - with the ED introducing additional differences in some cases. Some disclosure requirements and reliefs/proportionality mechanisms have only been partially adopted, or included without the complete accompanying application guidance.

The repositioning of MDR would allow for aligning the content areas fully with the ISSB's approach and introducing content on sources of guidance that could be used when the topical standards do not address material IROs sufficiently (see Q14).

We strongly recommend that EFRAG should align the wording of ESRS E1 and IFRS S2 as far as possible on a topic that leads to material IROs for most undertakings, adding requirements only where it is necessary to meet the objectives of the EU Green Deal (see Q33).

Not achieving the greatest possible alignment of the exact wording of the standards would be contradictory to the overall objective of burden reduction. Many EU and non-EU undertakings will be required to apply ISSB Standards in addition to ESRS and will face significant complexity and costs when applying both sets together if the requirements are not fully aligned; this may also hinder the ability of undertakings applying only ESRS to obtain exemptions for subsidiaries in jurisdictions with mandatory ISSB disclosure requirements.

## 22) Reduction in the number of mandatory and voluntary datapoints

Do you agree that the proposed reduction in "shall disclose" datapoints (under materiality) strike an acceptable balance between burden reduction and preserving the information that is necessary to fulfil the objectives of the EU Green Deal?

YES

PARTIALLY AGREE/PARTIALLY DISAGREE

NO

**I BELIEVE SOME OF THE DELETED CONTENT SHOULD BE MAINTAINED (PLEASE SPECIFY IN THE COMMENTS BY INDICATING THE RELEVANT PARAGRAPH IN THE STANDARD)**

We recommend EFRAG validates that the architectural 'hierarchy' is consistently adopted across the standards, including that ARs are appropriately included as 'shall' requirements that clearly support the related DR, and that any non-mandatory guidance remaining in NMIG is genuinely illustrative and does not introduce additional disclosure requirements that are not directly included in the DR itself (see Q16).

It is essential that the NMIG does not introduce additional requirements or options that should be part of DRs/ARs themselves (either explicitly or by implication), especially for measurement of metrics. Such ambiguity would lead to implementation challenges, requiring further guidance or interpretation by preparers and assurance providers.

We note that some disclosures that were previously included to support interoperability with the ISSB Standards have been removed – for example, disclosure of whether the process to assess and manage material sustainability IROs is integrated into the undertaking's overall risk management process; whether and how climate-related considerations are factored into executive remuneration and the percentage of executive management remuneration that is linked to climate-related considerations (as summarised in the Basis for Conclusions paragraph 100). Such information is likely to be important to users, particularly investors.

See also responses to Qs 15, 16 and 21 and further detail in the accompanying spreadsheet.

### **23) Six datapoints exceptionally moved from “may” to “shall”**

Do you agree that these exceptions to the general rule are appropriate and justified?

YES

**PARTIALLY AGREE/PARTIALLY DISAGREE**

NO

The rationale for moving these ‘may’ to ‘shall’ data points is that ‘they do not add new obligations, as they refer to an already existing disclosure objective’. While we do not disagree, this approach does not seem to have been applied consistently to all DRs. The rationale for mandating disclosure of these additional data points seems to be that the disclosures are needed to support the DR objective. On the other hand, for other DRs the opposite approach of removing data points seems to have been taken. We think that consistency in the approach taken by EFRAG (deletion vs moving to ‘shall’ vs moving to NMIG) is key.

For example, the following voluntary datapoints in S1-15 ‘Remuneration metrics’ have been removed and not moved to ‘shall’ even though it could be considered that they are relevant to the existing disclosure objective: ‘The undertaking may disclose a breakdown of the gender pay gap as defined in paragraph 97(a) by employee category and/or by country/segment. The undertaking may also disclose the gender pay gap between employees by categories of employees broken down by ordinary basic salary and complementary or variable components’.

We set out similar general concerns in our answer to Q24.

On the specific proposal to require mandatory disclosure of a transition plan for biodiversity and ecosystems if such a plan exists, we are concerned by the difficulties in assessing whether an undertaking’s plan would be considered a transition plan (as opposed to an extension of strategic policies, actions and targets). If mandating disclosure, it would be important that the standards include characteristics necessary to determine what constitutes a biodiversity transition plan for the purposes of disclosure.

#### 24) Four new mandatory datapoints (exception)

Do you agree that these exceptions to the general rule are appropriate and justified?

YES

PARTIALLY AGREE/PARTIALLY DISAGREE

NO

In our view, the proposed additional disclosure requirement on a statement of compliance in BP 1 is essential in the context of a fair presentation framework.

As stated in the EFRAG accompanying FAQs, the rationale for addition of the other new data points is to 'make explicit a separate element of required information' with the aim to 'clarify the reporting requirements' to meet 'the disclosure objective'. Whilst we do not disagree, this approach does not seem to have been applied consistently to all DRs.

The approach taken for these additional DPs seems to be that because the disclosures are needed to support the DR objectives, disclosure should be mandated. On the other hand, for other DRs a different approach seems to have been taken, simplifying the disclosure requirements without making a corresponding amendment to the objective itself, leading to an inconsistency between the objective and the related DRs. We think that clarity on this matter and consistency in the approach taken by EFRAG (additions vs deletions vs moving to NMIG) is key.

#### 25) Emphasis on ESRS being a "fair presentation" reporting framework

Do you agree that explicitly requiring to adopt fair presentation in preparing ESRS sustainability statements will support a more effective functioning of the materiality filter, therefore enabling more relevant reporting and reducing the risk of excessive reported information?

YES

PARTIALLY AGREE/PARTIALLY DISAGREE

NO

We welcome the clarification that ESRS is a fair presentation framework, which should support a more effective application of materiality and more relevant, concise reporting. Fair presentation, along with qualitative characteristics of information, is at the heart of the IASB's financial reporting standards and has been adopted by the ISSB for sustainability reporting. Clarity that ESRS is a fair presentation framework brings certainty on a concept that is widely used and understood by preparers and users (e.g., for financial reporting), and is therefore familiar in application.

However, while clearly derived from the IASB and the ISSB Standards, the words and their order in ESRS 1 are different. It is essential that ESRS use the same words as the IASB/ISSB subject to deviations only when absolutely necessary such as reference to 'material IROs'. In particular the content on fair presentation does not include a direct reference to entity-specific information (included at ESRS 1:10-11), which is an integral part of fair presentation as included in the IASB and ISSB Standards. Including requirements on entity-specific information separately from the fair presentation requirement potentially undermines the concept of fair presentation. (Such a disconnect would be even more prominent given the significant proposed reduction in mandatory datapoints that will likely lead undertakings to rely more on entity-specific information.)

While fair presentation is well understood when supported by the characteristic of financial materiality, guidance should be provided on how to achieve fair presentation when supported by the characteristic of impact materiality. For example, impact materiality assessment requires consideration of the entire value chain, considering impacts on all stakeholders, hence further guidance is needed to explain how to narrow this down to a 'complete depiction of an impact' that includes 'all material information necessary for the users'.

#### **26) Exception for Financial Institutions' Absolute Climate Reduction Targets**

I agree that financial institutions should be exempted from disclosing climate absolute GHG emission values targets when they have only set intensity targets

I disagree that financial institutions should be exempted from disclosing climate absolute GHG emission values targets when they have only set intensity targets

Not responding to this question.

#### **27) ESRS S1: New Threshold for Reporting Metrics Disaggregated at Country Level**

Do you agree with the change to the threshold for country-by-country disclosure for the DRs ESRS S1-5 and ESRS S1-7?

YES

PARTIALLY AGREE/PARTIALLY DISAGREE

NO

Not responding to this question.

#### **28) ESRS S1: Calculation approach to adequate wages outside the European Union (EU)**

Do you agree with the proposed change to the methodology for the calculation of non-EU adequate wages in ESRS S1?

YES

PARTIALLY AGREE/PARTIALLY DISAGREE

**NO**

The disclosures associated with adequate wages are highly judgemental and there is a general lack of consensus about what might be considered 'adequate'. Instead of prescribing an approach, EFRAG should require undertakings to provide transparent disclosures about the judgements and methodologies applied. We recommend that EFRAG works with undertakings and other stakeholders to identify and make available sources of information on levels of adequate wages around the world that would be needed to achieve the disclosure objective.

We note that there is an inconsistency between the disclosure objective 'to enable an understanding of whether or not the undertaking's employees are paid an adequate wage' and the DRs relating to employees outside the EU that focus primarily on minimum wage and living wage.

**29) SFDR and other EU datapoints in Appendix B of Amended ESRS 2**

Do you agree with the way the SFDR PAI have been incorporated in the Amended ESRS? You are invited to explain the reason why you agree or disagree and to provide your suggestions for improvements or alternative simplification proposals, if any.

YES

PARTIALLY AGREE/PARTIALLY DISAGREE

NO

Not responding to this question.

**30) ESRS E4 DR E4-4**

Do you agree that EFRAG should review AR 26 in Amended ESRS E4? Please provide suggested wording.

YES

PARTIALLY AGREE/PARTIALLY DISAGREE

NO

Not responding to this question.

**31) ESRS S1 DR15: Gender pay gap**

Do you agree with the deletion of the voluntary datapoint on adjusted gender pay gap?

**YES**

PARTIALLY AGREE/PARTIALLY DISAGREE

NO

We agree with the principle of not retaining voluntary data points in ESRS unless there is a specific reason. If an undertaking uses an adjusted metric in its management, it would be possible to disclose this as entity-specific information, if material.

**32) ESRS G1 DR G1-2 and G1-6: Payment practices**

Is the current replacement/formulation sufficient to meet the objectives of the CSRD in respect to the protection of SMEs?

YES

PARTIALLY AGREE/PARTIALLY DISAGREE

NO

Not responding to this question.



### 33) Overall feedback per standard

Do you agree that the proposed Amended ESRS strikes an appropriate balance between the need for significant simplification and meeting the core objectives of the European Green Deal?

|                | I agree | I PARTIALLY<br>AGREE/PARTIALLY<br>DISAGREE agree | I disagree |
|----------------|---------|--------------------------------------------------|------------|
| <b>ESRS 1</b>  |         | <b>X</b>                                         |            |
| ESRS 2         |         |                                                  |            |
| <b>ESRS E1</b> |         | <b>X</b>                                         |            |
| ESRS E2        |         |                                                  |            |
| ESRS E3        |         |                                                  |            |
| ESRS E4        |         |                                                  |            |
| ESRS E5        |         |                                                  |            |
| <b>ESRS S1</b> |         | <b>X</b>                                         |            |
| ESRS S2        |         |                                                  |            |
| ESRS S3        |         |                                                  |            |
| ESRS S4        |         |                                                  |            |
| ESRS G1        |         |                                                  |            |
| Glossary       |         |                                                  |            |

#### COMMENTS ON ESRS 1

Further to our comments in Q11, we recommend that ESRS 1:AR17 explicitly permits an undertaking to start its assessment at the level of the IROs it already addresses when applying the top-down approach.

In respect of the proposal to permit the inclusion of non-material information, we think the focus of the sustainability statement should be on disclosure of material information. If an undertaking wishes to disclose non-material information, this could be made outside the sustainability statement. If retaining this provision, we recommend undertakings are required to ensure that the information is not unduly prominent and the rationale for its inclusion is disclosed.

Investors emphasise the importance of connections with financial information. While we agree with the simplification of the requirements on connectivity with financial statements, including the removal of detailed requirements such as cross-references to specific line items or notes in the financial statements, we disagree with the proposal to make this entirely optional (ESRS1:114). We believe a high-level requirement to explain connections between sustainability information and the related financial statements should be retained (IFRS S1:21 uses a principles-based approach).

We are not clear how ESRS 1:53 and AR24 are meant to interact - it is not clear how 'materiality at group level' and 'material at the subsidiary level but not the group' is meant to be applied in practice, and more importantly where to draw the line. This is inconsistent with the approach in financial reporting where group

materiality is assessed at group level. If this is intended as a trade-off for subsidiaries to use an exemption from reporting, it should be made clear (and presumably then should only apply to subsidiaries that otherwise would be in scope of CSRD).

#### *COMMENTS ON ESRS E1*

In addition to our response to Q21, we do not agree with the revised approach proposed for measurement and disclosure of GHG emissions in ESRS E1. It introduces additional complexities and, as the BC acknowledges, the proposals would lead to differences with disclosure of GHG emissions under the ISSB Standards and the GHGP– e.g., with respect to the control approaches and the treatment of leases and joint ventures. As we stated in our earlier feedback to EFRAG, global consistency and comparability of GHG emissions measurement and disclosure is of particular importance to users. We note that GRI would now accept GHG emissions disclosure under the ISSB Standards as equivalent to the requirements under its new climate standard. There should therefore be no need for a difference between a ‘risk and opportunity’ or an ‘impact’ perspective on GHG emissions disclosure. We strongly recommend that EFRAG incorporates the ISSB requirements in full as far as possible (allowing for addition of EU-specific disclosures on, for example EU ETS and not permitting carbon offset in setting targets). We note that the GHGP is going to be revised significantly in the near future. This will likely resolve some of the issues that lead to the need for differences between ESRS and GHGP. We encourage EFRAG to contribute to this process in its capacity as an observing entity of the Independent Standards Board of the GHGP, and to leverage the potential for further alignment with the aim to remove deviations. We further note the recent announcement by the GHGP and ISO to harmonise their standards, which should serve further to align global practices in measurement of GHG emissions and allow EFRAG to reference global approaches without unnecessary deviations. Further consideration will be needed in the future on sources of guidance for measurement of financed emissions.

#### *COMMENTS ON ESRS S1*

The use of both ‘pay’ and ‘remuneration’ in the proposals have different definitions but in practice seem to cover the same item. We recommend that EFRAG adopts uniform terminology in this regard.

### **34) Any other comments**

Please provide here any other comments on the 12 EDs or on the Glossary

Acknowledging the reduction in datapoints, we caution this will not lead to a corresponding percentage reduction in the cost or effort required to prepare disclosures.

While EFRAG has responded to address feedback provided by stakeholders following its earlier call for input, there has been little time for the SRB to think through all aspects of the structure and drafting, and the rationale for mandatory v. voluntary datapoints moved to NMIG. Without more time to follow due process in full, we are concerned that the revisions could lead to lack of clarity in some instances and unintended consequences (e.g., application of new requirements and reliefs), which in turn could lead to implementation challenges when undertakings start to apply the revised standards. There is very short time available to consider and provide feedback on extensive proposed revisions to 12 standards – significantly more time would normally be given under due process for smaller revisions, let alone an entire set of standards. It is therefore not possible for us to conclude whether the revised standards are capable of practical application in a consistent and comparable way by undertakings. This also applies to the excel template for providing comments on specific paragraphs of the EDs, which is not an exhaustive list, and where we have set all responses to partially agree/disagree, pending time for a more comprehensive assessment.

Separately, it is important that ESRS can be revised to reflect the outcome of the expected SFDR review to ensure alignment between EU legislation, including allowing the potential for removing any data points no longer included in SFDR considered not necessary to meet disclosure objectives under CSRD/ESRS; and aligning any changes to metrics or disclosures in revised SFDR.