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3 June 2026

Dear Mr. Berrigan,

European Commission's draft Delegated Regulation amending Delegated Regulation (EU) 2023/2772 as regards the simplification of certain sustainability reporting standards

We welcome the opportunity to provide feedback on the European Commission's (EC) draft Delegated Regulation amending Delegated Regulation (EU) 2023/2772 as regards the simplification of certain sustainability reporting standards.

Significant changes have been made to the European Sustainability Reporting Standards (ESRS) with the objective of simplification and with the ambition of contributing to EU competitiveness. We consider that the process of revision after only one year of application of the ESRS has introduced uncertainty for preparers, investors and other stakeholders. As a result, there is now a strong demand for stability in the EU sustainability reporting landscape. If finalised, the revised ESRS could form part of a stable platform for undertakings to apply, enabling practice to establish over time.

We generally support the changes made by the EC to the technical advice submitted by EFRAG in December 2025. However, we have identified important aspects that have not been addressed in the draft regulation, where we believe there is a need for further change. We set out our views and recommendations below.

Materiality and fair presentation
The focus on materiality of information is essential to achieving proportionate, decision-useful disclosures and a fair presentation of an undertaking's material impacts, risks and opportunities (IROs). In that regard, we support the clarification that the ESRS are a fair presentation framework. This is a well-understood concept for preparers and users of financial reporting, supports compatibility with the IFRS Sustainability Disclosure Standards (the ISSB Standards), and has the potential to help make reporting more relevant and concise, relying on the application of judgement by undertakings. However, the concept of fair presentation in the context of impact materiality, which is based on a stakeholder perspective, is new and untested. Time will therefore be needed for practice to develop and become fully settled.

We agree with the clarification that fair presentation requires an undertaking to consider the overall picture, and that this can result in the addition of entity-specific information.

However, ESRS 1:AR6 states that undertakings should 'not consider individual disclosures in isolation'. This could be read that it is not necessary to consider the significance of individual IROs within the disclosures (e.g., a major accident or human rights impact during the reporting year could be so significant that it requires particular consideration when looking at the whole picture). One solution would be to delete 'and not individual disclosures in isolation'.

The EC's additions to EFRAG's technical advice to emphasise that a 'top-down approach' can help avoid unnecessary work to assess the materiality of each individual IRO, and that an undertaking is not expected to meet the specific information needs of each individual user, are helpful. However, notwithstanding these clarifications, we consider that the application of a 'top down' approach on its own may not always be sufficient to identify all material impacts, risks and opportunities – especially in the case of matters that are location-specific. To address this, we recommend that it is explicitly stated that regardless of the approach applied by the undertaking, it should be sufficient to meet the objective set out in ESRS 1:3 to disclose all the undertaking's material IROs, which would also facilitate the assurance process.

Alignment with the ISSB Standards and passporting arrangements

We support the further alignment that has been achieved between the ESRS and the ISSB Standards, including on areas such as fair presentation, greater emphasis on materiality of information, and on disclosure requirements and guidance in specific areas. However, we continue to believe that to reduce complexity and cost for the corporate reporting ecosystem, and support consistent global reporting, the same requirements in both the ESRS and the ISSB Standards should use the same language, with adaptations only where necessary for impacts and EU-specific matters. For example, further alignment could be achieved in relation to reliefs (see section below), core content in ESRS 2, and on GHG emissions disclosure (see section below).

Lack of alignment in standards leads to undertakings having to prepare multiple reports to satisfy many different mandatory sustainability reporting requirements, creating significant unnecessary cost and effort for undertakings (including for assurance) with, in our view, limited benefit. It is important for undertakings to be able to report once when required to comply both with the ESRS and sustainability reporting requirements in other jurisdictions (specifically in jurisdictions where requirements adopt or are based on the ISSB Standards).

One way to enable this approach is to include an appropriate reporting architecture in the ESRS, facilitating clear disclosure of information to investors as required under many regimes in the same report as information intended for broader stakeholders.

Alternatively, global passporting arrangements should be introduced without delay to permit non-EU undertakings to use the ISSB Standards instead of the ESRS and make additional disclosures as necessary to meet double materiality requirements, i.e., as specified in the Corporate Sustainability Reporting Directive (CSRD). If this path is chosen, we believe this is a matter of high priority in order to achieve an efficient reporting outcome for undertakings that operate globally and the process should be started as soon as possible, noting that the CSRD already envisages such arrangements.

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General reliefs
The inclusion of reliefs in the ESRS is appropriate given the implementation challenges faced by undertakings, especially on data sources and measurement. We support the inclusion of 'undue cost or effort' as a general relief that reflects the many uncertainties in drawing boundaries and measuring IROs.

We note that the ESRS would now require an undertaking to provide more explanation of the progress it has made and its plans to improve coverage and quality of data, with an expectation that the coverage of reported information should increase over time, particularly for metrics in own operations. However, as assurance providers, we believe permission to provide partial data can lead to selective reporting that could bring systemic risk and undermine users' confidence in the information provided. We therefore consider it essential that there is a clearer time-bound limit for the use of this relief in specific circumstances (such as an inability to implement data collection processes in full within the timeframe required) and that the overall approach is aligned to the use of reliefs in the ISSB Standards.

We also acknowledge the introduction of relief for undertakings managing investments. However, the conditions are currently not sufficiently clear to support consistent application. For example, it would be important to define 'fiduciary duty' in this context and clarify whether 'retaining risks or rewards of ownership' should be linked to the underlying accounting treatment (i.e., whether the assets are recognised or not on the balance sheet of the undertaking). Furthermore, we note that this relief is not consistent with the approach taken in the ISSB Standards.

Anticipated financial effects
We support the retention of the requirements to disclose quantitative and qualitative information about anticipated financial effects, which is valuable to investors. The overall alignment in the requirements and guidance with the ISSB Standards supports consistent and comparable information globally. This is a complex and difficult area for preparers, and practice is largely emerging. Hence, we recognise that the inclusion of a range of reliefs is appropriate.

Climate-related disclosures

- *Transition plans and compatibility of targets:* Users emphasise the importance of transparency on the actions undertakings are taking to change or adapt in the face of climate-related IROs, including insight into an undertaking's targets, strategic planning, investment and performance management. In this regard, we consider it is helpful that the EC has clarified that disclosure of how an undertaking's strategy and business plan are or will be *'compatible [...] with the limiting of global warming to 1.5°C'* could include transition plans that are aligned to different targets, as long as the undertaking is transparent about how those targets relate to the Paris Agreement. This is more consistent with the approach taken in the ISSB Standards. However, we consider that criteria are needed to allow a consistent assessment of how a transition plan is compatible with the 1.5°C objective. We note that the current draft revision of the Sustainable Finance Disclosure Regulation (SFDR) also refers to transition plans and believe that a common definition of transition plans across the relevant EU regulation is needed to support consistency between the regulations and reduce complexity for undertakings.

- *Greenhouse gas (GHG) emissions:* We support the amendments on reporting boundaries for the measurement of GHG emissions, which simplify the requirements by aligning more closely with the guidance in the Greenhouse Gas Protocol (GHG Protocol) and facilitate additional interoperability with the ISSB Standards. However, while ESRS E1 references the GHG Protocol for defining the measurement approach to be used, this is not consistently applied (e.g., ESRS E1:AR 20(a) provides additional options). We therefore recommend that the references to use of the GHG Protocol are consistently and clearly set out in ESRS E1 (applying the approach in the ISSB Standards as set out at IFRS S2:29(a)(ii) and S2:B23). Furthermore, global consistency and comparability of GHG emissions measurement and disclosure are of particular importance to users. We therefore encourage the EC to use the same language as the ISSB for GHG emissions disclosure as far as possible.

  As a point of detail, we support the reintroduction of the disaggregation requirement at ESRS E1:30(c), but we recommend that for clarity the EC use the same language as IFRS S2:29(a)(iv). Additionally, the reference in ESRS E1 is to the GHG Protocol standards as issued in 2004, 2011 and 2015. The EC will need to consider updating the regulation in the future when revised GHG Protocol standards, currently in development, are issued.

Looking forward
The draft revised ESRS have been developed under a compressed timeframe. There has been very little time for consideration of all aspects of the drafting of revisions and for a robust analysis of costs and benefits of the proposed changes. We caution that reduction of disclosure requirements does not necessarily lead to a corresponding reduction in cost or effort by preparers, especially to perform a thorough double materiality assessment, which could create an expectation gap.

A robust and thorough due process, supported by cost-benefit analysis, will continue to be important in EFRAG's development of any further technical advice and guidance, as this offers the highest potential for standards to gain acceptance with all stakeholders. In particular, we consider it essential that any non-mandatory guidance on application of the revised ESRS developed in due course by EFRAG is proportionate, aligned to global standards and content as far as possible, and subject to full transparency and consultation.

Thank you for considering our comments. Should you have any questions regarding our response or wish to explore any recommendations further, please contact Pablo Zalba at pzalba@deloitte.es or Jens Berger at jensberger@deloitte.de.

Yours sincerely,

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