AFME Recommendations on European Commission Draft Revised ESRS

3 June 2026

The review of the ESRS is a critical element of the Commission's Sustainability Omnibus initiative and a vital lever for delivering simplification. AFME strongly supports the orientations set out by the Commission for the revision of the ESRS, which co-legislators have endorsed in the final Omnibus I text. Simplification of the ESRS is essential to reduce burdens on preparers while maintaining meaningful information for investors and banks as users of sustainability-related information.

Overall Feedback on Simplified ESRS

EFRAG's final technical advice integrates key feedback from stakeholders and significantly advances simplification. We strongly support the changes made under EFRAG's six levers of simplification, including the simplification of the Double Materiality Assessment (DMA), the restructuring of ESRS 2 and topical standards to reduce duplication, the introduction of further reliefs to align with ISSB standards and the removal of datapoints which are least important for users. AFME strongly supports maximising alignment of ESRS with global standards; the focus should move from interoperability with ISSB to comparability, as investors can best use disclosures if they can consistently read across ESRS sustainability statements and ISSB reports. We therefore support EFRAG's amendments to increase interoperability with ISSB, but there are areas to further increase alignment, such as in disclosures of anticipated financial effects.

We support the Commission's retention of the key elements of EFRAG's work, and the additional changes set out in the explanatory memorandum which clarify requirements and provide further proportionality. Retaining certain elements of the European Commission draft revised ESRS (Simplified ESRS) is particularly important in light of the continued challenges our members experience with limited assurance in practice. In particular, the express articulation that non material information shall not be disclosed (ESRS 1, para 24) and the clearer application of 'fair presentation' at the level of the sustainability statement as a whole, rather than on an individual data point basis (ESRS 1, AR 6, paras 19–20), provide important clarity for both preparers and assurers. These elements support more consistent and proportionate assurance outcomes by reducing the scope for divergent interpretation. We continue to support the swift adoption of limited assurance guidelines as set out in the Omnibus directive.

We also welcome the Delegated Act's optionality for reporters to use the Simplified ESRS for FY26. This intended optionality is strongly dependent upon the timely adoption of the revised ESRS and their publication in the Official Journal of the EU. Given the required scrutiny period, we strongly encourage the adoption of the Delegated Act as soon as possible.

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Adjust transitional provisions to work for first-time wave-one reporters

The transitional provisions in ESRS 1, Chapter 10 (paras. 121–127) should work for all first-time reporters, including first-time wave-one reporters. While EFRAG's technical advice included transitional provisions in ESRS 10.3 for wave-one reporters, these have not been adjusted to consider the situation of wave-one reporters reporting for the first time in FY2026.

The transitional provisions in ESRS 1 should clarify that the ESRS "quick fix" provisions apply when undertakings chose to use the revised ESRS for FY 2026 reporting. For example, the "quick fix" Delegated Act allows wave-one undertakings to omit E1 anticipated financial effects disclosures until (and including) FY26[1]. However, ESRS paragraph 125(b) requires wave-one undertakings to report anticipated financial effects disclosures under ESRS E1 paragraphs 38(a)–(b) and 39(a)–(b). This creates an inconsistency between the "quick fix" DA and the Simplified ESRS if "wave one" undertakings use the Simplified ESRS for FY26 reporting; this should be remedied in the final Delegated Act.

The transitional provisions (para. 124) should also confirm that first-time reporters, including "wave-one" undertakings, should not be obliged to report any comparative information in relation to the previous period in their first year of reporting.[2] Uneven transposition of the CSRD should not result in "wave-one" undertakings being required to report comparative information in their first year of reporting. To avoid any ambiguity and legal uncertainty, ESRS 1, para. 124 should be amended to confirm that all first-time reporters, including wave-one undertakings, should not have to disclose comparative information as set out in ESRS 1, Chapter 7.1 for their first reporting period.

Enable meaningful reporting for financial institutions: Priority recommendations

From the perspective of bank preparers, we suggest priority clarifications below which are essential to enable meaningful reporting for financial institutions. Listed in order of priority, these recommendations are focused on areas where financial institutions have experienced operational/assurance complexity, where requirements have not produced decision-useful reporting for banks or where unnecessary divergences from prudential frameworks have led to an increase in reporting burden. We have included specific drafting amendments for consideration.

We have also included a list of further suggested amends from members which are impactful for all preparers of CSRD reports.

[1] Commission Delegated Regulation (EU) 2025/1416.

[2] ESRS 1 para. 83 requires the reporting of comparative information with respect to metrics and, if relevant for understanding the current period's sustainability statement, comparative information for narrative disclosures. ESRS 1, paragraph 87(b) provides limited first-year relief by allowing certain topic- or IRO-specific disclosures to be omitted when they are reported for the first time. However, this does not fully address the burden of first-time reporting for first-time reporters who are "wave-one" undertakings – particularly, some metric disclosures (e.g., employee headcount, including breakdowns by country and gender) are required regardless of the materiality assessment. Additionally, paragraph 87(b) also does not provide relief from presenting comparative information for narrative disclosures.

Number	Topic	Citation	AFME Recommendation
1.	**Actions and resources in relation to climate change mitigation and adaptation: financed emissions**	ESRS E1-5 para. 22(a)-(b)	ESRS E1-5 para. 22(a)-(b) expects the disclosure of climate change mitigation actions by decarbonisation lever and their achieved and expected GHG emissions reductions. For banks' scope 3 category 15 financed emissions, these disclosures are not technically possible, nor do they align with the PCAF standard, which is the dominant standard for "financed emissions" for financial institutions as referenced in ESRS 1 AR 24 (f). Banks' financing activities cannot be directly and reliably linked to specific and calculable GHG emissions reductions of their underlying clients' economic activities. The PCAF standard explicitly avoids the language of direct causation. Instead, it uses attribution: a bank is assigned a share of a borrower's emissions proportional to its share of the borrower's enterprise value or outstanding financing. These are reported as the bank's scope 3, category 15 (investments) emissions, not as underlying clients' scope 1 and 2 emissions being "caused" by the bank. Even where actual emissions reductions can be calculated, it would not be possible to attribute them to specific bank decarbonisation levers as these GHG emissions reductions stem directly from underlying client activities – there is not a direct causal relationship. Emissions reductions associated with financing activities depend mainly on strategic and operational decisions of the underlying clients, sectoral developments, technology and regulation, rather than isolated bank actions. Requiring attribution of achieved or expected reductions to specific financing actions risks being in direct conflict with the concept of "financed emissions", and creating artificial metrics and inconsistent methodologies between institutions. **Preferred option:** If the provisions in ESRS E1-5 para. 22(a)-(b) are retained, we propose excluding financial institutions' scope 3 category 15 financed emissions. As an alternative, para. 22(a)-(b) should be amended to recognise the limited relevance of this reporting requirement for the banking sector. Language such as "where demonstrably caused by current and planned actions and reasonably calculable" should be inserted, allowing banks to provide qualitative or contribution-based explanations where direct attribution is not reasonably demonstrable. Banks' decarbonisation levers are often qualitative long-term engagement with clients. This would also be more aligned with principles-based approaches and ISSB interoperability.
2.	**Internal risk assessment: consistency with prudential regulation**	ESRS 1 AR 29 for para. 48	The draft revised ESRS state that for credit institutions and insurance undertakings' DMA, "consistency is expected with the applicable prudential regulatory frameworks". We support the recognition in the draft revised ESRS that prudential regulatory frameworks are the appropriate risk management framework as an input in determining financial materiality for banks in the DMA.

			However, the DMA (particularly the financial materiality assessment) for the purpose of CSRD reporting has a different purpose, scope and methodological components to risk materiality assessments required by the prudential regulatory frameworks. A broadly stated expectation of "consistency" (or the use of the phrase "consistency is expected") is likely to create ambiguity, particularly in circumstances where differences in outcomes between DMA and prudential materiality are appropriate and well-justified. Instead, when engaging in the materiality assessment for the purpose of CSRD reporting, credit institutions should be allowed to "leverage" the internal risk identification, quantification, materiality assessment and management processes for applicable prudential regulatory frameworks as an input to the DMA, but it should be clarified that consistency of outcomes is not a requirement or expectation. We propose that ESRS 1, AR 29 for para. 48 be amended as follows: "The internal risk management framework is a valuable input to the materiality assessment of risks and opportunities. **For credit institutions and insurance undertakings, the applicable prudential regulatory frameworks can be leveraged as the appropriate risk management framework as input in determining financial materiality**."
3.	**Targets related to climate change**	ESRS E1-6 AR 11 for para. 23 Annex II	EFRAG's final technical advice reintroduced the requirement for an undertaking to disclose how it will "permanently neutralise any residual GHG emissions" in the case where it discloses a net-zero target separately to any emissions reduction targets. It also reintroduces a definition for "net-zero target". These were previously removed in the July Exposure Drafts because stakeholders considered metrics related to GHG emissions to be neutralised by 2050 to be unrealistic given the significant uncertainty surrounding future technology and decarbonisation pathways. These reasons remain valid. These reintroductions should, therefore, be removed. If these provisions are retained, we propose excluding financial institutions' Scope 3 targets from the "residual emissions neutralisation" disclosure requirements, as financial institutions' progress is highly dependent on the availability of technology and credible decarbonisation pathways in the real economy, as well as client actions and demand. While Scope 1-2 residual emissions responsibility is clear for net-zero targets, responsibility for Scope 3 residual emissions is both complex and nuanced. Given current methodological and data limitations, current reporting on Scope 3 residual emissions for 2050 end state net-zero targets will yield little useful information and should not be required until these methodologies are more mature. These issues apply to all undertakings but can be seen particularly acutely in the case of residual portfolio level Scope 3 financed emissions for financial institutions. While financial institutions can work to address portfolio-level financed emissions in line with decarbonisation pathways, a key component is clients reducing their emissions. Therefore, a subset of clients that contribute to a FI's scope 3 financed emissions footprint may have net-zero targets and neutralize residual emissions for their

			own footprint as they approach target year. Given current data limitations on credit accounting, more granular data and assessment methodologies will be needed to accurately understand residual emissions for an FI financing portfolio. Disclosure should be limited to areas where sufficiently mature and verifiable methodologies exist. We propose the following amendment: "If the undertaking discloses a net-zero target **for its Scope 1 and Scope 2 emissions** separately to any GHG emission reduction targets it has set, as per ESRS 2 GDR-T, it shall explain how it intends to permanently neutralise any residual GHG emissions. **Where a net zero target includes scope 3, this disclosure will only be required at such time that value chain residual emissions are reasonably estimable for the target end date based on industry-developed or other internationally recognized attribution methodologies**."
4.	**Value chain reporting for financial institutions**	ESRS 1 paras. 58-59, 62-63, 69, 72-73	As highlighted in our previous submissions to EFRAG[3], the ESRS still do not adequately account for the complexity and scale of financial institutions' value chains. In many cases, financial institutions may hold investments on behalf of clients without ever acquiring economic (beneficial) ownership. New AR 17 for para. 37 and AR 37 for paras. 62-63 only considers the specific case of asset management institutions, yet there are parallel situations in credit institutions where banks may manage investments off-balance sheet and do not retain the risks and rewards of ownership (e.g. custody, securities servicing, execution-only services, collateral agent, escrow agent, and certain IBIPs). AR 37, as written, too narrowly focuses on the standard of care rather than beneficial ownership of investments. Businesses like traditional custody and broker-dealer services are not subject to fiduciary duty. Like investment managers, however, **financial institutions that hold and administer investment securities on behalf of clients in traditional custody arrangements or act for clients in the capacity of a broker-dealer providing trade execution are not beneficial owners of client investments**. Moreover, they are not making investment decisions over those assets. While client securities may be registered in the name of the bank or broker-dealer to facilitate administration and transactions, the assets are always beneficially owned by the client who carries all related risks and rewards. For avoidance of doubt, these changes would clarify that financial institutions engaged in these activities should not be expected to provide data on such client investments or include them in their value chain. We propose the following amendments to **AR 17 for para. 37 and AR 37 paras. 62-63**.

[3] AFME Overall Feedback on EFRAG Exposure Drafts; AFME response to Call for Input on EFRAG Exposure Drafts.

			AR 17 for para. 37 should be amended as follows: "Where the undertaking manages, **administers, safeguards, or otherwise acts in** a fiduciary or **agency capacity in respect of investments** on behalf of clients **or beneficiaries**, and does not retain risks or rewards of ownership of those investments, the undertaking is not expected to assess the impacts, risks and opportunities related to those investments." AR 37 for paras. 62-63 should be amended as follows: "Where the undertaking manages, **administers, safeguards, or otherwise acts in** a fiduciary or **agency capacity in respect of investments** on behalf of clients **or beneficiaries**, and does not retain risks or rewards of ownership of those investments, the undertaking is not expected to provide disclosures on those investments."
5.	**Impact materiality assessment on financial institutions' value chain**	ESRS 1, para. 57	It is recognized in ESRS 1, para. 57 that: "ESRS do not impose any conduct requirements in relation to due diligence, nor do they extend or modify the role of the administrative, management and supervisory bodies of the undertaking with regard to the conduct of due diligence. The provisions of ESRS are without prejudice to the provisions of the Corporate Sustainability Due Diligence Directive for undertakings in the scope of that directive." ESRS 1, para. 58 further explains that: "The outcome of the undertaking's sustainability due diligence process informs the assessment of its material negative impacts." Taken together, this means that financial institutions subject to due diligence regulations (e.g., the CSDDD) should (i) conduct due diligence in line with the respective due diligence requirements of those regulations, and (ii) use the outcomes to inform the DMA and related disclosures under the CSRD/ESRS. The CSRD/ESRS should not be interpreted as expanding or altering due diligence obligations – such as scope, value-chain coverage, or governance responsibilities – beyond what is required by the underlying due diligence legislation. Instead, ESRS should require transparent disclosure of the due diligence scope and processes actually performed, where relevant. Therefore, it is proposed to clarify ESRS 1, para. 57 as follows: "ESRS do not impose any conduct requirements in relation to due diligence, nor do they extend or modify **the scope of any due diligence obligations**, or the role of the administrative, management and supervisory bodies of the undertaking with regard to the conduct of due diligence. The provisions of ESRS are without prejudice to, **and do not extend or modify**, the provisions of the Corporate Sustainability Due Diligence Directive for undertakings in the scope of that directive. **ESRS require disclosure of the undertaking's due diligence scope and the due diligence processes conducted, where relevant and in accordance with the ESRS disclosure requirements**."

6.	**Employee pension funds**	**ESRS 1 para. 72**	ESRS 1, para. 72 states that: "The impacts, risks or opportunities arising from assets that are held by the undertaking's long-term employee benefit schemes are connected with the undertaking through its business relationships in the value chain." EFRAG clarified that IROs associated with assets held by long-term employee benefit funds are connected to the undertaking's value chain, and they are not part of own operations. Para. 72, as currently drafted, is likely to create unnecessary ambiguity and legal uncertainty by implying that undertakings must assess materiality and disclose IROs linked to the underlying holdings of long-term employee benefit schemes - even where the undertaking has no practical ability to direct, prevent, or mitigate those impacts, and may not be able to observe them reliably. In practice, occupational pension schemes that are separate legal entities commonly operate under this fiduciary model (e.g., trustee and/or independent governance structures and legal constraints that limit sponsor direction). Meanwhile, ESRS 1 AR 17 and AR 37 already acknowledge that, where investments are managed under fiduciary duties and the reporting undertaking does not retain the associated risks and rewards, it is not expected to assess or report IROs and related information on those investments. We propose to amend ESRS 1, para. 72 as follows: "**Subject to the provisions in ESRS 1, AR 17 for para. 37 and AR 37 for paras. 62-63**, the impacts, risks or opportunities arising from assets that are held by the undertaking's long-term employee benefit schemes are connected with the undertaking through its business relationships in the value chain."
7.	**Anticipated financial effects**	**E1-11 paras. 38-42**	The Commission should re-think disclosure requirements on anticipated financial effects throughout the ESRS and align these with ISSB, Pillar 3, and banks' internal risk management processes. ESRS disclosures on quantitative financial effects go beyond the corresponding ISSB requirements, do not align with Pillar 3 disclosures, and raise significant concerns about the accuracy and verifiability of forward-looking disclosures. Rather than maintaining datapoints in E1 for the sake of Pillar 3, the Commission should coordinate with the EBA to holistically consider which datapoints are necessary for users and streamline the reporting requirements horizontally across legislation. We recommend to significantly simplify E1 anticipated financial effects and align them with ISSB. For example, the ESRS DRs for anticipated financial effects include disaggregation, specific time horizons which do not align with ISSB (see e.g. FN 3-4, ESRS/ISSB standards interoperability guidance), and impacted revenue which is very complex to report and does not provide precise information for users. The disclosures in E1-11, paras. 39-41 should be made optional to relieve burdens on reporters. The transitional provisions in ESRS 1 para. 125(b)

			should also be amended in line with the "quick-fix" Delegated Act, which allows for omission of E1-9 (now E1-11)[4] anticipated financial effects for the first three years of reporting. Additionally, we strongly urge the Commission and the EBA to ensure alignment between the disclosures on anticipated financial effects in ESRS E1 and the disclosures required by financial institutions for Pillar 3 reporting. For example, greater alignment should also be provided between the disclosures in E1-11 para. 39 and Pillar 3, including aligning the methodology for E1 with the revised Pillar 3 ESG disclosures (e.g. in Pillar 3, the bank's own assets are not considered). While Pillar 3 requires disclosure of the exposure value of assets at material physical and transition risk, the revised draft E1 still goes beyond Pillar 3 requirements and asks for quantification of anticipated financial effects, which are not required.
8.	**Emissions Reduction Targets**	**E1-6 AR 13 for para. 24**	Whilst we welcome the exemption for financial institutions regarding the disclosure of scope 3 category 15 emissions intensity targets in absolute values introduced by E1-6 AR 13 for para. 24, the following drafting amendments should be made. Part (a) would require the disclosure of absolute financed emissions for intensity targets, including sector-specific targets. ESRS E1 mandates the reporting of Scope 3 Category 15 emissions in line with the GHG Protocol and with consideration of PCAF Part A, both of which do not require disclosure at the granular level of each sector target. The retention of part (a) would, therefore, impose an additional reporting burden that goes beyond established methodologies. This requirement should, therefore, be removed. Additionally, the requirement in part (b) should be amended to require financial institutions to disclose only the key factors influencing expected changes in their intensity-based targets, rather than the drivers of absolute financed emissions. Part (b) currently requires disclosure of "key factors influencing expected changes in absolute financed emissions over time", which is incongruous with the purpose of intensity target disclosure. Requiring disclosure of factors influencing absolute emissions when financial institutions are setting intensity-based targets would, therefore, result in disclosures that are not relevant to the targets being reported. This amendment would also avoid additional reporting requirements and burden, since other provisions (GDR-T para 50; AR 45 for para 50; and GDR-M para 49(d)) already require entities to disclose progress toward and the effectiveness of their adopted targets.

[4] See EFRAG Log of Amendments for a detailed comparison of former E1-9 and Simplified ESRS E1-11 (mapped to EFRAG's final technical advice).

			Part (b) also requires disclosing "observed trends in the past 3 to 5 years". This requirement should be clarified to require disclosure of observed trends **only where historical data is available**, particularly from the third year of reporting onwards.
9.	**"Substantiated" Incidents of discrimination and other human rights incidents**	**S1-16 para 43, and ARs 36-37**	S1-16 para 43(a)-(b) disclosures have been revised to require only the disclosure of "substantiated" incidents, which ARs 36-37 clarify are understood as substantiated instances registered by the undertaking of "*ongoing judicial and non-judicial proceedings*". An instance is defined as substantiated "when it is evidenced by objective, factual and verifiable information". We suggest the deletion of limb (a) of ARs 36 and 37 as this is inconsistent with the definition of substantiation, given that whether the facts/incidents are substantiated will ultimately be determined by the relevant proceedings (e.g., court/regulator), not by the reporting undertaking itself.
10.	**Defining the short-term time horizon for financial institutions**	**ESRS 1 paras. 79 and 81**	ESRS 1 para. 79 defines the time horizons as follows: short term is the length of the period adopted for the undertaking's financial statements; medium term runs from the end of the short-term period up to five years; and long term is more than five years. ESRS 1 para. 81 allows an undertaking to adopt a different definition for the medium- or long-term horizons, but it does not allow changes to the short-term horizon. In parallel, under applicable prudential frameworks, banks commonly use a three-year horizon as "short term" when assessing risk materiality. The lack of flexibility for the short-term horizon under ESRS 1 conflict with prudential practice and creates practical difficulty for banks when incorporating prudential risk materiality assessments into the DMA. To address this issue, para. 81 should be amended to explicitly allow financial institutions to align the short-term ESRS horizon with applicable prudential regulatory time horizons. Proposed amendment to ESRS 1 paragraph 81 (revised text): *The undertaking may adopt a different definition for medium- or long-term time horizons if the use of the medium- or long-term horizons defined in paragraph 80 results in non-relevant information. This may happen if the undertaking uses a different definition for (a) its processes of identification and management of material impacts, risks and opportunities or (b) its actions and targets. These circumstances may be due to industry-specific characteristics, such as cash flows and business cycles or planning horizons typically used in the sector for decision-making, the expected duration of capital investments, or the time horizons over which users conduct their assessments.* ***For financial institutions, the undertaking may also adopt a different definition for the***

			short-term time horizon where this is necessary to align with applicable prudential regulatory frameworks.
11.	**Assessment of Potential Negative Impacts**	**ESRS 1 para. 43**	We welcome the clarification in paragraph 43(b) that potential negative impacts may be assessed on a net or residual basis where implemented policies and actions can reasonably be expected to reduce severity or likelihood. However, paragraph 43(c) introduces a broader, user-oriented consideration which appears to contradict the position in (b), by reintroducing gross impact reporting obligations irrespective of the effectiveness of those measures. Paragraph 43(c) should be removed to maintain consistency with the approach set out in paragraph 43(b). At the very least, the last sentence of paragraph 43(c) "In these cases, the materiality assessment needs to take this into account." should be removed to maintain consistency with the approach set out in paragraph 43(b).
12.	**Presentation of supplementary information**	**ESRS 1 paras. 107-109**	The presentation of supplementary information in paras. 107-109 has been a source of administrative burden and operational risk during CSRD implementation, with varying interpretations shared by auditors. The criteria that would allow the inclusion in the sustainability statement of non-material information are not sufficiently clear. The circumstances that allow an undertaking to include non-material information stem from three drivers of different natures (obligations deriving from national legislation, voluntary reporting or requests from specific users) that may generate different interpretations among undertakings. It should be possible to meet the requirement by stating that a section/DR contains disclosures not strictly required by the DMA without providing further details. This would lead to more legible, user-friendly reports while reducing the burden on preparers who will not have to argue every sentence in the disclosure. Avoiding extensive and detailed conversations with auditors about whether information is mandatory contextual information or voluntary information would free up time for preparers to focus on the actual value of the disclosures they make. Para. 109 (a) should, therefore, be removed. Alternatively, paras. 107-108 should be revised to clarify the circumstances when non-material information can be included. ESRS 2 - Para 37 (e) already provides sufficient transparency with less operational risk and administrative burden.

Additional Recommendations

In addition to the priority recommendations above, members have the following additional recommendations, organised in order of the ESRS. As with the priority recommendations, these additional recommendations reflect expert feedback from preparers, noting where the simplified ESRS may lead to confusion with assurers or additional complexity and suggesting solutions.

Number	Topic	Citation	AFME Recommendation
1.	**Users of the sustainability statement**	**ESRS 1 paras. 3-4**	The references to the categories of users within the scope of the sustainability statement are not sufficiently clear and may give rise to different interpretations among undertakings and auditors, particularly in relation to the assessment of the fair presentation principle. ESRS 1 para. 3 refers to the disclosure of decision-useful information "for the users of general-purpose sustainability statements" without further specification, while para. 4 defines two categories of users: a. "primary users of general-purpose financial reports"; b. "other users of general-purpose sustainability statements". This lack of clarity with respect to ESRS 1 paras. 3 and 4 may lead to different interpretations by undertakings. A comprehensive revision is therefore requested in order to improve clarity, for example by defining all categories of users concerned and by removing the expressions "such as". It is recommended to more clearly acknowledge the existence of two categories of users of sustainability statements (users referred to in paragraph 4), specifying that the assessment of the fair presentation principle is limited only to primary users identified as the user described in paragraph 4 (a).
2.	**Frequency of the double materiality assessment**	**ESRS 1 para. 34**	We request that the European Commission make the following adjustment, so that it is clear that if there are changes, the whole DMA does not need to be reperformed, but only the affected sections of the DMA: *34. At each reporting date, the undertaking shall consider whether significant changes have occurred that could affect the conclusions of the materiality assessment conducted in previous reporting periods. If such changes are identified, the undertaking shall review and update the assessment* ***for the relevant changes****. Changes may relate to the undertaking's activities, structure, business relationships, understanding of impacts, risks or opportunities, assessment methodologies, or the external environment.*

3.	**Consistency and Errors in Cross Referencing**	**ESRS 1 para 82; ESRS 2 AR 2(a), (c), and (e) for para. 6; ESRS 2 para. 35 and 39; E1-3 AR 7 for para. 19; S1-5 para. 20 (d)**	There are a number of inconsistencies and errors in cross-referencing in the draft ESRS. Below are a few examples:
			
			• ESRS 1 para. 82 refers to para. 80-82 instead of 79-81.
			• ESRS 2 AR 2 (a) refers to ESRS para. 76, (c) refers to ESRS 1 paras. 85 and 86, and (e) refers to ESRS 1 para. 90.
			• ESRS 2, para. 35 (b) addition reads “bring to end, minimize and remede”, while in all other instances the term remediate is used.
			• ESRS 2, para. 39 does not refer to metrics contrary to the other paragraphs in this section.
			• E1-3 AR 7 for para. 19 refers to para. 18 instead of 19
			• S1-5 para. 20 (d) now refers to the rate of turnover of permanent employees in the reporting period. However:
			  o S1-5 AR 11 reads AR 11 for para. 20 (c) instead of referring to para. 20 (d),
			  o S1-5 AR 11 refers to (Calculation employee turnover), missing the addition of permanent, and
			  o S1-5 AR 11 states: For the employee turnover calculation, the undertaking shall divide the number of employees …by the average employee headcount instead of replacing the term employee in all instances by permanent employees.

4.	**Financial resources allocated for transition plan**	**ESRS E1 - AR 2(c)**	The disclosure requirements concerning the quantification, even as an indicative range, of the financial resources supporting transition plans defined by the undertaking are difficult to apply to financial institutions, and potentially complex to interpret for users of the Sustainability Statement, because actions typically do not consist in significant investments but are connected to relationships with clients in the undertakings' portfolio. We therefore disagree with the mandatory nature of these requirements and suggest to maintain only a qualitative description of the resources allocated for implementation of action plans or other key actions.
5.	**1.5°C-aligned transition scenario**	**E1-11 para. 40(a)**	E1 para. 17(a)(ii) provides an optional disclosure requirement that if the undertaking uses climate-related scenario analysis, it must disclose *whether* it used (for transition risks) at least one scenario aligned with limiting global warming to 1.5°C with no or limited overshooting. In other words, paragraph 17(a)(ii) requires transparency about whether a 1.5°C-aligned scenario was used, but it does not, by itself, mandate that such a scenario must be used. By contrast, E1 para. 40(a) requires the undertaking to disclose the anticipated financial effects from material transition risks, including the carrying amount of assets at material transition risk and a range of estimated potential stranded assets “based on a scenario aligned with limiting climate change to 1.5°C.” This language

			implies that the stranded-assets estimation must be produced using a 1.5°C-aligned scenario, i.e., it is mandatory. To align para. 40(a) with the approach in para. 17(a)(ii), it is proposed to amend paragraph 40(a) so that it requires disclosure of the basis used and whether a 1.5°C-aligned scenario was used, rather than prescribing that such a scenario must be used. Proposed amendment to E1-11 para. 40(a): *(a) the carrying amount of assets at material transition risk, including the relevant time horizons, and a range of estimated potential stranded assets from the reporting year until the mid-term and long-term time horizons,* ***and disclose whether at least one scenario aligned with limiting climate change to 1.5°C was used as the basis for this estimation****.*
6.	**Fines related to convictions and sanctions related to corruption and bribery**	ESRS G1-4 para. 12	ESRS G1-4 para. 12 requires the disclosure of “the number of convictions and sanctions, including the total amount of fines, for violation of anti-corruption and anti-bribery laws during the reporting period”. To align with the definition of "conviction" under the European Criminal Courts Records Information System, fines to be reported should be those that are definitive (i.e. not subject to appeal judicially). Additionally, it should be clarified that an administrative sanction or fine is only considered “final” once judicial appeal proceedings have been completed. This would be consistent with the concept of fair presentation in the revised ESRS.

About AFME

AFME represents a broad array of European and global participants in the wholesale financial markets. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. We advocate stable, competitive, sustainable European financial markets that support economic growth and benefit society. AFME is registered on the EU Transparency Register, registration number 65110063986-76.

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