

Response to EFRAG Consultation on revised ESRS Exposure Drafts

September 2025

The Association for Financial Markets in Europe (AFME) welcomes the opportunity to comment on EFRAG's revised Exposure Drafts of the European Sustainability Reporting Standards (ESRS).

We summarise below our high-level response to the consultation, which is followed by answers to the individual questions raised.

Executive Summary

An overview of AFME's feedback on the simplification of the ESRS is available [here](#).

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

Rationale for the changes

The Amendments have clarified **the requirements in ESRS 1 Chapter 3 about** materiality of information and simplified the DMA process. They are described in Lever 1 of simplification in the Basis for Conclusions (see BfC Chapter 4).

Link here to access the [Log of Amendments](#), ESRS 1, Chapter 3 if you would like to review the detailed Amendments and their rationale.

The [Explanatory Memorandum \(EM\)](#) which accompanies the EC Omnibus proposals (page 5) identified the following objective for this lever: “[the simplification] will provide clearer instructions on how to apply the materiality principle, to ensure that undertakings only report material information and to reduce the risk that assurance service providers inadvertently encourage undertakings to report information that is not necessary or dedicate excessive resources to the materiality assessment process.”

Description of the changes

To meet this objective, EFRAG has introduced the following changes which aim to strike a balance between simplification and the necessary robustness of the Double Materiality Assessment (DMA):

1. A new part presenting practical considerations for the DMA has been drafted, including the option of implementing either a bottom-up or top-down approach (Chapter 3.6 of ESRS 1)
2. More prominence has been given to materiality of information as a general filter and all the requirements are subject to it.
3. The relationship of impacts, risks and opportunities, and topics to be reported has been clarified (ESRS 1, paragraph 2 and 22)
4. It has been explicitly allowed to include information about non-material topics (ESRS 1, paragraph 108) if they are presented in a way that avoids obscuring material information
5. Emphasis is put on ESRS being a fair presentation framework, to reinforce the effectiveness of the materiality principle and avoid excessive documentation effort due to a compliance and checklist approach to the list of datapoints (DP); an explicit statement of compliance with ESRS is included in (ESRS 1, Chapter 2)
6. To avoid excessive detail in reported information, it has been clarified that all the disclosures can be produced either at topical level or at impacts, risks and opportunities (IRO) level, depending on the nature of the IROs and on how they are managed
7. The list of topics in AR 16 (now Appendix A) has been streamlined by eliminating the most detailed sub-sub-topic level and has now an illustrative only and non-mandatory status.
8. More emphasis has been put on the aggregation and disaggregation criteria for reporting information at the right level. Explanations have been provided with respect to the consideration of sites for the DMA and reported information, to avoid long lists of sites being included in the sustainability statement.

Please do not comment here in “Gross versus Net” as it is covered by the next question.

Question

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If you intend to provide feedback also on Part 3 of this questionnaire (at the level of DR or paragraph), please note that by answering this question, you will not be allowed to include comments on Chapter 3 of ESRS 1 in Part 3, to avoid duplication of input. Your comments on Chapter 3 can only be provided here.

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

[COMMENTS – max 300 words]

AFME broadly supports the changes introduced by EFRAG as set out in ESRS 1 – Chapter 3.1 and the new Chapter 3.5, which strike an acceptable balance in simplifying the DMA while still providing a robust framework for entities to work with when conducting their assessments. These changes are expected to improve the process of the DMA and the subsequent reporting. However, there are a few areas where EFRAG can go further to meaningfully simplify the DMA, for example by clarifying that credit institutions may refer to existing methodologies in describing their DMA process and, in ESRS 1, removing the requirements to aggregate disclosures of low-probability, high-impact outcomes. Please see our response to Part 3 for more details.

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

Rationale for the changes

To address a frequent implementation question and an area of divergence in practice, new guidance has been introduced (ESRS 1 paragraphs 34 to 36 and Appendix C; Basis for Conclusions (BfC) Chapter 8) on how to consider implemented remediation, mitigation and prevention actions in the Double Materiality Assessment (DMA) (the so called “gross versus net” issue). The EFRAG Sustainability Reporting Board (SRB) has prioritised the guidance on impacts, as in financial materiality there is already reporting experience which can be leveraged.

Description of the changes

Appendix C, which has the same authority as other parts of the Standard, illustrates how to perform the assessment, i.e. before or after the actions that have been taken and have reduced the severity of the impact. The new guidance specifies how to treat actions in DMA differentiating ‘actual’ from ‘potential’ impacts. It also differentiates the current reporting period from the future reporting periods (the latter is relevant as impacts of previous years that are material are also to be reported in the current period). For impacts that are assessed as material, the respective actions are reported (which also include policies implemented through actions). Actual impacts are assessed for materiality before the remediation actions in the reporting period when they occur, while in future periods they are not reported if fully remediated. For potential impacts, when the undertaking must maintain significant ongoing actions to contain severity and/or likelihood below the materiality level, the impact is assessed before the actions are reported. This provision has been introduced to deal with cases such as health and safety negative impacts in highly regulated industries.

Key discussion points at EFRAG SRB level

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Some of the EFRAG SRB members consider the added guidelines excessively complex. The approach to disregard implemented actions when assessing materiality of potential impacts, if there are significant ongoing actions, has been the source of split views in the EFRAG SRB. The members that supported the inclusion of this provision considered that it would be inappropriate to conclude that due to the high level of prevention and mitigation standards in a sector, a given topic is not reported. On the contrary, other members think that this gross approach to potential impacts will result in excessive reporting.

Question

If you intend to provide feedback also on Part 3 of this questionnaire, please note that by answering this question, you will not be allowed to include comments on Paragraphs 34 to 36 and Appendix C of ESRS 1, in Part 3 to avoid duplication of input. Your comments on Paragraphs 34 to 36 and Appendix C of ESRS 1 can only be provided here.

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

[COMMENTS – max 300 words]

We do not agree that the new guidelines clarify how to consider remediation, mitigation and prevention implemented actions in the DMA. We agree with the EFRAG SRB members that consider the added guidelines excessively complex and overly prescriptive which can limit undertakings from implementing a DMA process to account for entity nuances. We also agree with the view of some EFRAG SRB members that the “gross” approach to reporting could result in excessive reporting and that the complexity of the guidelines risks inconsistent application. This guidance is likely to increase a compliance-driven approach and increase burdens for preparers. We recommend removal of the new guidelines.

Instead of this framework, EFRAG should consider a more flexible approach that focuses on whether impacts, after considering management’s response, remain material to stakeholder decision-making. Management must have the flexibility to use reasonable judgement in determining whether a gross, net or hybrid approach is most appropriate. This would better align with the fundamental materiality principle while reducing implementation complexity and avoiding perverse incentives for effective risk management. A more flexible approach would also better align with the ISSB standards. IFRS S1 does not prescribe how entities should take mitigation activities into account when determining materiality and allows management to apply judgment regarding current and planned mitigation and remediation actions.

In our view, any future guidance on the gross vs. net issue is better placed in the NMIG. It could be helpful to develop guidance on this topic in the NMIG at a later date with further contributions from credit institutions.

[Our response to this question is continued in part 3 as comments on ESRS 1 -34]

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

Rationale for the changes

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Starting with the input gathered from the first-time adopters, EFRAG has introduced several changes to support the production of more readable and concise sustainability statements, that are better connected with corporate reporting as a whole. This corresponds to Lever 2 of simplification in the Basis for Conclusions (BfC) Chapter 4).

Description of the changes EFRAG has clarified the flexibility that preparers have in preparing their statements. The Amendments describe the possibility of including an 'executive summary' at the beginning of the sustainability statement and have put greater emphasis on the use of appendices to separate more detailed information from key messages. The amendments have also clarified the concept of 'connected information, discouraging fragmentation and/or repetition of information (ESRS 1, Chapter 8).

Question

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

[COMMENTS – max 300 words]

AFME supports the changes made to improve the readability, conciseness and connectivity of the sustainability statements.

- We support the changes that introduce greater flexibility in organising the disclosures. In particular, we support the changes in ESRS 1 - 8.3, which provide the option of having an 'executive summary' at the beginning of the sustainability statement and including granular information, such as EU Taxonomy-related information, in detailed sections/appendices. These changes provide the flexibility for reporters to highlight key messages in their sustainability statement, improve the readability of the sustainability statement, and encourage alignment with ISSB requirements.
- We support the changes made to emphasise that items should be disclosed once.

There are, however, additional changes that would further improve readability, conciseness and connectivity of the sustainability statements. The ESRS should provide additional flexibility by allowing cross-referencing via links, and incorporation by reference of other relevant entity or subsidiary reports within the sustainability statement. ESRS 1, paragraph 117 should be amended to ensure that risk management information contained in the company's annual report can be incorporated by reference in relation to CSRD risk disclosures. ESRS 1 already permits incorporation by reference and explicitly mentions Pillar 3. We recommend that ESRS 1 Chapter 3 and the Application Requirements (ARs) make explicit that financial institutions may refer to Pillar 3 disclosures or omit information relevant only to supervisory authorities. This is particularly important for banks that report against Pillar 3 ESG requirements. These institutions already explain impacts, risks and opportunities (IROs) and anticipated financial effects in Pillar 3 ESG reporting.

These changes would also be impactful for firms in scope of the CSRD that have subsidiaries in scope of the CSRD, as it would reduce duplicative content across parent firms' consolidated sustainability reports and subsidiaries' sustainability reports.

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

Rationale for the changes

The Amendments have restructured the architecture of ESRS, focusing on the interaction of ESRS 2 and topical Standards. They have also introduced a more principles-based and less prescriptive approach to the requirements in policies, actions and targets (PAT). These Amendments are described as Lever 3 in the Basis for Conclusions (BfC) (Chapter 4).

The [Explanatory Memorandum \(EM\)](#) (page 5) identified the following objective for this lever: simplify the structure and presentation of the Standards.

Description of the changes

To achieve this objective, EFRAG has implemented the following changes, which aim to strike an appropriate balance between (a) prescriptiveness of the requirements and preparation effort and (b) the users' need for relevant, faithful and comparable information:

1. Minimum Disclosure Requirements in ESRS 2 (renamed "General Disclosure Requirements") have been simplified but retained as 'shall' disclose.
2. A drastic reduction of 'shall' datapoints PAT has been achieved, sometimes reformulating them as Application Requirements ('ARs') to support more consistent application.
3. Topical specifications to GOV, SBM and IRO (Appendix C of ESRS 2) have been deleted, with a few exceptions maintained as separate Disclosure Requirements in topical Standards (e.g. resilience in ESRS E1).
4. The requirement to disclose PAT for material IROs, if adopted, is maintained. But the requirement to disclose whether the undertaking plans to implement a PAT for material topics and timeline has been eliminated. The indication of which material topics are not covered by PAT is maintained.
5. The amendments have improved the connectivity between the disclosure of PAT and the description of IROs (now in ESRS IRO 2) to which they relate. They have also improved the ability to disclose information at a higher aggregation level than the material IROs, if this reflects the way IROs are managed.

Question

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

[COMMENTS – max 300 words]

AFME supports the changes made by EFRAG in this respect. The revised structure of the standards is more readable and removes overlaps. For #4, above, we support the clarification that undertakings do not have a requirement to disclose a timeline for the creation and implementation of PATs. For #5, above, we support the changes improving the ability to disclose information at a higher aggregation level than the material IROs.

We have the following further suggestions to improve the architecture of the standards:

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- Conduct further checks of the drafting as there are still many instances of repetition.
- Clarify the hierarchy of topics, sub-topics and datapoints and ensure that every “shall disclose” requirement sits under the relevant topic/sub-topic. This would make it more intuitive to progress from DMA conclusions to the applicable disclosures.
- Provide a navigable HTML edition of the final standards in which every reference to another section or paragraph in the standards is a live link to the referenced paragraph/AR. This would materially improve accessibility and ease the implementation of the standards.
- We would also welcome the reinstatement and revision of relevant decision trees in ESRS 1, noting that these sorts of visual aids are a useful way of communicating key requirements to the wide and varied range of stakeholders within organisations who are involved in the CSRD process.

15) Improved understandability, clarity and accessibility of the Standards

Rationale for the changes

The Amendments have reorganised the content of the requirements, clearly separating the mandatory from the non-mandatory ones, and eliminating the “may” disclose provisions, which had a status problematic to understand. These Amendments are described as Lever 4 in the Basis for Conclusions (BfC) (Chapter 4). The [Explanatory Memorandum \(EM\)](#) (page 5) identified the following objective for this lever: simplify the structure and presentation of the Standards.

Description of the changes

To achieve this objective, EFRAG has implemented the following changes:

1. “May disclose” datapoints have been all eliminated.
2. All the “shall disclose” datapoints are now in the main body of the standard (no more datapoints in AR) and mandatory application requirements are relocated below the DR to which they belong (and below each Chapter in ESRS 1), covering ‘how to disclose’ guidelines.
3. Language of the Standards has been improved for understandability, conciseness and consistency of ESRS.

Question

Please focus your considerations only on the mandatory content of the Exposure Drafts. The following question covers the Non-mandatory Illustrative Guidance (‘NMIG’).

If you intend also to provide feedback on Part 3, when providing your comments, please refrain from duplicating the comments that you will provide at Standard or DR level.

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

☒ YES

☐ PARTIALLY AGREE/PARTIALLY DISAGREE

☐ NO

[COMMENTS – max 300 words]

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AFME supports the changes made by EFRAG in this respect because they make it easier to read the standards and identify required disclosures. We welcome the inclusion of the ARs in the body of the ESRS and consider that this will make it easier for the broad range of stakeholders involved in the ESRS process to fully understand the nature of the disclosure requirement.

We recommend the following additional improvements to enhance the clarity and accessibility of the standards.

- The ‘may’ datapoints which remain within ARs should only be presentational suggestions (providing a choice between presentation options) and not additional datapoints. With this in mind, we are concerned that some of the remaining ARs do not seem to be ‘how to disclose’ guidelines (e.g., methodological guidance or presentation options).
- Overall, we would suggest that a review of usage of the words “useful”, “material”, “fair” and “faithful” should be performed to ensure internal consistency.
- Among Disclosure Requirements, Application Requirements and the Glossary, there are several definitions of incidents and confirmed/substantiated incidents. We suggest the best approach would be having specific definitions for each case (e.g. human rights incidents, incidents of corruption and bribery, etc.) and presenting them under the related application requirements. In our view, the best path to support simplification would be to focus on incidents that have been confirmed through a final decision issued by a court of law or relevant authorities.
- To improve clarity and accessibility of the standards, we also recommend avoiding clustering multiple datapoints within each paragraph. This will assist with identifying the required datapoints more easily. Additionally, we recommend publishing a revised IG 3 list of updated mandatory datapoints for preparers.
- We would also welcome the inclusion of decision trees for key disclosure requirements, especially where new provisions/reliefs have been introduced, e.g., disclosure of metrics.

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

As a result of the simplification process, part of the mandatory content in the 2023 Delegated Act has been moved to “Non-Mandatory Illustrative Guidance” (**‘NMIG’**). NMIG does not address all the existing implementation questions on each standard. It simply gathers the content that:

- a) was in the Delegated Act
- b) is now deleted; and
- c) contributes to the overall datapoints reduction.

It contains ‘how to report’ guidelines (methodology) and examples of possible items to cover when disclosing in accordance with a mandatory datapoint, mainly for narrative PAT disclosures. Its content should not be understood as a list of items of information requiring justification when not reported, consistent with the fact that the previous datapoints are deleted. The legal status of the NMIG will be considered by the European Commission (EC) in due course. However, EFRAG recommends that the EC not include this content in the Delegated Act. On the one hand, NMIG contains helpful support material that may reduce the implementation questions. On the other hand, it could trigger additional efforts of analysis and/or have an ambiguous role as possible additional disclosure with entity-specific relevance if issued within the Delegated Act.

You are invited to provide your comments on the purpose of NMIG, if any.

You can access the NMIG at this [link](#).

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Select the NMIG from this dropdown menu of NMIG guidelines:

- ☐ ESRS 1
- ☐ ESRS 2
- ☐ ESRS E1
- ☐ ESRS E2
- ☐ ESRS E3
- ☐ ESRS E4
- ☐ ESRS E5
- ☐ ESRS S1
- ☐ ESRS S2
- ☐ ESRS S3
- ☐ ESRS S4
- ☐ ESRS G1
- ☒ All

[COMMENTS – max 300 words]

NMIG should be included in EFRAG's guidance rather than the Delegated Act to clarify that it is for voluntary reference and good practice only. This would also provide greater flexibility to update the guidance in a timely manner. An explicit statement should be added to clarify that the NMIG cannot be used for audit purposes.

We also consider that the NMIG could be used to develop additional guidance to support financial undertakings in applying disclosure requirements designed for real economy companies. The NMIG could provide indications of methodologies to be used in preparing disclosures (complementing the existing ARs) and identifying datapoints which are by nature not applicable for financial undertakings. This guidance could include practical guidance on the limitation of the downstream value chain for financial undertakings and the application of the “undue cost or effort” relief in this context. We welcome EFRAG's efforts to incorporate the key themes from the Q&A platform into the new NMIG – we would welcome further work on this and clarity regarding the status of the FAQ.

Additionally, some parts of the draft ESRS could be moved to the NMIG. For example, ESRS 1 – AR 6 could be moved as the examples do not really add a new perspective to the disclosure requirements.

Finally, we are concerned that the draft NMIG has been used as a “collection basin” for voluntary disclosures, with many “may” ARs having been moved there. The NMIG should maintain its status as optional guidance. We would also welcome work on revising and streamlining the existing guidance (e.g. IG 1 and IG2) with a focus on producing more streamlined/shorter guidance.

17) Burden reliefs and other suggested clarifications

Rationale for the changes

The Amendments introduced several horizontal reliefs (i.e. applicable across different requirements) that were suggested in the input gathered from preparers. They are expected to contribute substantially to the reduction in the overall reporting efforts, beyond the datapoints reduction. These Amendments are described as Lever 5 in the Basis for Conclusions (BfC) (Chapter 4).

The [Explanatory Memorandum](#) did not explicitly mention the reliefs, but the letter of the EC dated 5 May 2025 recommended including those foreseen in the ISSB's IFRS sustainability disclosure

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Standards (IFRS S1 and S2). The Explanatory Memorandum nevertheless included the following objective (page 5): [the simplification] will also make any other modifications that may be considered necessary, considering the experience of the first application of ESRS. The revision will clarify provisions that are deemed unclear. It will improve consistency with other pieces of EU legislation.

Description of the changes

EFRAG has implemented the following changes:

1. The relief “undue cost or effort” has been introduced, including for the calculation of metrics.
2. A relief for lack of data quality has been introduced for metrics (ESRS 1 Paragraph 91), allowing to report a partial scope and disclosing actions to improve the coverage in future periods.
3. The systematic preference for direct data as input to the calculation of value chain metrics has been removed and undertakings may use direct data or estimates depending on practicability and reliability (ESRS 1, Paragraph 91).
4. Undertakings may exclude from the calculation of metrics their activities that are not a significant driver of IROs (ESRS 1, Paragraph 90) and may exclude joint operations on which they do not have operational control when calculating environmental metrics other than climate (ESRS 1, paragraph 92).
5. Disclosure about resilience is now limited to risks only and limited to qualitative information only (ESRS 2, Paragraph 24 and ESRS E1, Paragraph 21).
6. When disclosing financial effects, the information on investments and plans is now limited to those that are already announced (ESRS 2, AR 16 Paragraph 23(b)).
7. A new relief for acquisitions (disposals) of subsidiaries has been introduced (ESRS 2, Paragraph 5(k)) allowing to include (exclude) the subsidiary starting from the subsequent (from the beginning of the) period.
8. Several implementation issues identified in the EFRAG ESRS Q&A implementation platform from October 2024 to February 2025 (Chapter of Basis for Conclusions (BfC)) have been addressed, clarifying the corresponding provisions.

Following the EC representatives’ recommendation, EFRAG did not include additional relief for commercial sensitive information, pending the changes of level 1 regulation, where this issue is being considered.

Question

EFRAG considered how to improve **consistency with other pieces of regulation. Considering what can be achieved in these Amendments (as opposed to what requires modification by the other regulation) EFRAG gave priority to the SFDR regulation. Please refer to question 28 if you intend to comment on this aspect. Other selected changes to enhance consistency are described in the Log of Amendments for each standard.**

Please note that some of the reliefs described above go beyond the ones in IFRS S1 and S2 described in question 21 below. As interoperability with IFRS S1 and S2 is specifically addressed in question 21 should be commented upon there. Please also refrain here from comments on the options proposed for quantitative financial effects, as question 17 is specifically dealing with them.

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

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☐ NO

[COMMENTS – max 300 words]

AFME supports the horizontal reliefs proposed in the revised ESRS, including the IFRS ‘undue cost or effort’ relief (#1). From our members’ experience with this relief in the context of financial reporting, this is still a high bar to meet in the context of the audit which could lead to multiple interpretations in the context of impact materiality. EFRAG should clarify that management has sufficient flexibility to determine “undue cost and effort” with respect to each entity in scope, and the meaning of this relief should also be informed by the value chain cap. EFRAG should clarify that companies subject to the CSRD have no obligation to collect non-publicly available data from companies not subject to the CSRD or have no obligation to estimate this information to close data gaps.

We also support #3 which allows the use of proxies/estimates where appropriate. Reporting entities, especially financial institutions, face ongoing challenges in accessing high-quality Scope 3 emissions data. For global financial institutions, much of this data comes from counterparties in jurisdictions without sustainability reporting mandates, leading to inconsistent, incomplete, or delayed data—often lagging by 12 to 18 months. However, members highlight that proxies are not an automatic solution to data delays and data gaps. Proxies and estimates must still come from reputable third-party providers and be based upon a standardised methodology to provide the required level of transparency.

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

Amended ESRS have introduced the ‘undue cost or effort’ relief for all the elements of the reporting, from the identification of material IROs to the calculation of metrics (paragraph 89 of ESRS 1), in line with IFRS S1 and S2, extending it to all metrics. In addition, paragraph 92 of ESRS 1 has introduced a provision applicable both to metrics in own operations and in upstream and downstream value chain. This allows an undertaking to report metrics with a partial scope of calculation, when there are no reliable direct or estimated data to be used in the calculation. This relief does not exempt an undertaking from providing a disclosure, but it allows to disclose a calculation that includes only a partial scope. When using this relief, the undertaking shall disclose actions undertaken to improve the coverage of its calculation in next periods. This transparency is expected to provide sufficient incentive to improve the data quality and achieve a more complete scope in the calculation of the metrics. Accordingly, no time limit is included for the use of the relief. On this point, some EFRAG SRB members, while supporting the relief, considered it essential to include a time limit.

If you intend to provide feedback also on Part 3 of this questionnaire, please note that by answering this question, you will not be allowed to include comments on paragraph 92 of ESRS 1 in Part 3 to avoid duplication of input. Your comments on paragraph 92 of ESRS 1 can only be provided here.

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

[COMMENTS – max 300 words]

AFME supports the relief proposed in amended ESRS 1 paragraphs 87-89 and 90-92. This relief is critical for financial institutions which are reliant upon the reporting of their counterparties. If, for example, a counterparty reports using transitional reliefs under the ESRS, the burden reliefs provided here would allow corresponding relief for financial institutions’ value chain reporting. These horizontal burden reliefs also address reporters’ limited access to primary data through the operation of the value chain cap.

We support extending the relief for lack of data quality on metrics to E1-6 GHG emissions (at least to scope 3 emissions). There are cases where data on certain types of GHG emissions or certain categories

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of scope 3 emissions is not available with sufficient coverage or adequate quality. Publication of such data is not consistent with the ESRS (e.g., ESRS 1 paragraph 18 on the qualitative characteristics of information). The revision of the data hierarchy which allows use of proxies/estimates could supplement data gaps where only low-quality emissions data is available.

19) Relief for anticipated financial effects

Rationale for the changes

Preparers' feedback to the public call for input indicated that disclosing quantitative information for financial effects is particularly challenging. **This includes issues of lack of mature methodologies and being commercially sensitive (refer to Basis for Conclusions (BfC) Chapter 4 Lever 5). Suggested solutions included the IFRS corresponding relief (IFRS S1 paragraph 37), the deletion of the requirement to report quantitative information, or to report them only on a voluntary basis. The EFRAG SRB is specifically seeking input that would support the determination of the most appropriate relief.**

Description of the changes

The Amended ESRS currently includes two possible options, which would apply to all topics, including climate (DR E1-11):

- a) Option 1 requires an undertaking to disclose both qualitative and quantitative information but allows omission of quantitative information under certain conditions. Option 1 is substantially aligned with the IFRS relief, despite the fact that it includes some differences compared to it: under Option 1, as in the IFRS relief, the undertaking need not provide quantitative information when it is not able to measure separately the financial effect of a specific topic (or IRO) or when the level of uncertainty is so high that the resulting information would not be useful. Differently from the IFRS relief, Option 1 specifies that the undertaking may use the relief when there is no reasonable and supportable information derived from its business plans to be used as input in the calculation of anticipated long-term financial effects. Different from the IFRS relief, the undertaking cannot omit quantitative information when it does not have the skills, capabilities or resources to provide that quantitative information, as this part of the relief was considered not compatible with the entities that are expected to be in scope of the Amended ESRS.
- b) Option 2 limits the requirement to qualitative information only, and leaves companies to choose to report quantitative information on a voluntary basis, without having to meet any conditions. This option is not aligned with the treatment in IFRS S1 and S2.

Some of the EFRAG SRB members noted that Option 2 would result in undue loss of information important for investors and would fail to provide the correct incentive to build more mature methodologies and reporting practices. Other members, on the contrary, supported the inclusion of Option 2.

Question

If you intend to provide feedback also on Part 3 of this questionnaire, please note that by answering this question, you will not be allowed to include comments on paragraph 23 of ESRS 2 in Part 3 to avoid duplication of input. Your comments on that paragraph can only be provided here.

Please select from the alternatives below the one that represents your view:

☐ I agree with Option

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☐ I agree with Option 2

☒ I disagree with both Options

[IN ALL CASES, PROVIDE THE RATIONALE FOR YOUR PREFERENCE AND SUGGESTIONS FOR IMPROVEMENTS IF ANY]

[COMMENTS – max 300 words]

It is essential to provide effective relief to address challenges with disclosing anticipated financial effects.

At a minimum, EFRAG should go beyond Option 1 and align the relief for anticipated financial effects with the reliefs provided in the ISSB standards. The Basis for Conclusions notes that Option 1 is substantively the same as the ISSB relief, but Option 1 introduces new language which is not aligned with the corresponding ISSB standard. The language allowing relief “when there is no reasonable and supportable information derived from its business plans to be used as input in the calculation of anticipated long-term financial effects” is highly likely to increase costs and confusion with assurance providers. The process of “proving” to auditors that this threshold is met is anticipated to be highly burdensome.

While all members support going beyond Option 1, at a minimum fully aligning the relief with ISSB, members have differing views on the benefits of moving to Option 2. Some members have noted that reporting qualitative financial effects only in perpetuity would provide less decision-useful information to the market since there would be less consistency and comparability in disclosures.

However, a number of members support Option 2, which offers greater flexibility in cases where the underlying data may be confidential or subject to significant uncertainty. Option 2 would allow preparers to omit disclosure of anticipated financial effects which are based on projections/assumptions that would potentially render them unverifiable, irrelevant or incomparable (and thus in violation of the Qualitative Characteristics of Information requirements of the ESRS). Option 2 would allow room for preparers to continually improve quantification mechanisms and risk management, improving the quality of disclosure over time: this approach would reflect the challenges in data collection and unreliable estimates and could still provide meaningful information to investors and stakeholders.

20) ESRS E1: Disclosures on Anticipated Financial Effects

The content of the disclosure requirements on anticipated financial effects (formerly E1-9 now E1-11) has been significantly reduced. Several datapoints are still included, which are considered necessary for investors and lenders to be able to assess the undertaking’s exposure to transition and physical risk, including for lenders to be able to meet either supervisory expectations or sector specific disclosure requirements. This question focuses on paragraphs 40 (a) to (d), 41 (a) to (f) and 42 of ESRS E1 and aims at collecting feedback on the feasibility of the remaining datapoints.

If you intend to provide feedback also on Part 3 of this questionnaire, please note that by answering this question, you will not be allowed to include comments on DR E1-11 or paragraphs 40, 41 and 42 of ESRS E1 in Part 3 to avoid duplication of input. Your comments on those provisions can only be provided here.

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]:

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- () 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.

[COMMENTS – max 300 words] – AVAILABLE IN ALL CASES

EFRAG 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, EFRAG 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 are very complex to report and do not provide precise information for users. The disclosures in E1-11, paragraphs 41-42 should be made optional to relieve burdens on reporters.

Greater alignment should also be provided between the disclosures in E1-11 paragraph 40 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. The EDs note that revised Appendix A of ESRS 2 does not consider changes to Pillar 3 potentially arising from the ongoing Pillar 3 revision. We strongly urge EFRAG 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.

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

Rationale for the changes

EFRAG has implemented several changes to enhance the level of interoperability with the ISSB's Standards IFRS S1 and S2. These amendments are described in Lever 6 of simplification in the Basis for Conclusions (BfC) (see Chapter 4, Lever 6). At the same time, however, the Amendments implemented for simplification reasons affect the level of interoperability with IFRS S1 and S2, as resulting from the joint EFRAG IFRS interoperability guidelines (May 2024). For example, reliefs beyond those in IFRS S1 and S2, described above, negatively affect interoperability.

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One of the [Explanatory Memorandum](#) (page 5) objectives is to further enhance the already very high degree of interoperability with global sustainability reporting Standards. EFRAG prioritised the interoperability with IFRS S1 and S2, following the majority input gathered in the public call for input and outreach.

Description of the changes

To achieve this objective, EFRAG implemented the following changes, which aim to achieve a higher level of interoperability while being compatible with the objectives of the Amendments.

1. In line with IFRS S1, emphasis has been put on ESRS being a fair presentation framework; materiality of information is now as general filter for the reported information.
2. To remove one of the main interoperability differences, the ESRS E1 GHG emission boundary has been replaced by the financial consolidation approach (ESRS E1 AR 19), aligned with the financial control approach in the GHG Protocol, while a separate disclosure based on operational control is now required (and aligned with the corresponding disclosure in the GHG protocol) only for entities with more complex ownership structures (ESRS E1, AR 20).
3. The IFRS reliefs (undue cost or effort, disclosure of ranges for quantitative financial effects) have been implemented, with the exception of the one on omitting commercially sensitive information about opportunities (pending the outcome of Level 1 discussions), the one allowing to omit Scope 3 GHG emissions when impracticable and the one allowing to omit quantitative financial effects when the undertaking does not have the necessary skills (please note that the relief on anticipated financial effects is treated in question 20).
4. The implementation of reliefs that go beyond the ones in IFRS S1 and S2 results in new interoperability differences (see question 16).
5. Language for requirements that are common to ESRS and IFRS S1 and S2 has been aligned whenever possible with the one in IFRS S1 and S2, in ESRS 1, 2 and E1.
6. The reference to IFRS industry-based guidance and SASB Standards as a source of possible (“may consider”) disclosure when reporting entity-specific sector information is now a permanent feature (before it was temporary, i.e. until the issuance of ESRS sector standards).
7. The datapoint reduction resulted in the elimination of 7 “shall” datapoints described in Basis for Conclusions (BfC) (Chapter 4, Lever 6).
8. Several changes have been introduced to further advance interoperability in ESRS E1 (Basis for Conclusions (BfC), Chapter 4, Lever 6).

Question

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

[COMMENTS – max 300 words]

AFME strongly supports maximising alignment of ESRS with global standards; interoperability and common datapoints must be maintained as the ESRS are streamlined. 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 improve. It is also essential

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that EFRAG works with the ISSB and takes the opportunity of the ESRS Review to improve interoperability.

AFME supports changes 1, 5 and 6 above. Aligning the wording of disclosure requirements where possible and allowing reporters to refer to IFRS guidance are welcome changes. EFRAG should clarify that IFRS industry-based guidance and SASB standards are not mandatory, to avoid additional audit complexity, and make entity-specific disclosures voluntary. We also welcome the introduction of the “undue cost or effort” relief and the option to include an “executive summary”. For further information, see our responses to Q11, Q13, Q17 and Q25.

However, we strongly urge EFRAG to go further with ISSB alignment, in line with the Commission’s letter to EFRAG on 5 May 2025. We have provided examples of such opportunities throughout this response. In Q19 and Q20, we explain how the ESRS should align disclosures and reliefs for anticipated financial effects with ISSB. In Q26, we explain how the disclosure of absolute emissions reduction targets, translated from financial institutions’ intensity targets, does not provide useful information. We also strongly encourage EFRAG to align with the ISSB on reliefs for commercial sensitivity, value chain guidance and metrics preparation.

22) Reduction in the number of mandatory and voluntary datapoints

The Amendments have realised a substantial reduction in the number of mandatory (-57%) and voluntary (-100%) datapoints, described in the Basis for Conclusions (BfC), Appendix 3.

The [Explanatory Memorandum](#) (page 6) specified that “the revision of the Delegated Act will substantially reduce the number of mandatory ESRS datapoints by (i) removing those deemed least important for general purpose sustainability reporting, (ii) prioritising quantitative datapoints over narrative text and (iii) further distinguishing between mandatory and voluntary datapoints, without undermining interoperability with global reporting standards and without prejudice to the materiality assessment of each undertaking.”

To achieve this objective, EFRAG undertook a systematic review of the datapoints, to eliminate the least relevant, i.e. those that are not strictly necessary to meet the disclosure objectives. Most of the deleted datapoints stem from the narrative PAT disclosures, where a less prescriptive and more principles-based approach has been implemented. Therefore, most of the deletions refer to narrative datapoints. In the context of such a systematic review, merging two distinct datapoints was not considered as a reduction.

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)

[COMMENTS – max 300 words]

While AFME supports the overall reduction of mandatory datapoints to reduce the reporting burden, further consideration is needed to ensure that all remaining datapoints are decision useful. In our responses to Q19, Q20 and Q32, we set out specific suggestions for datapoints which could be removed to simplify the ESRS without compromising on transparency.

In AFME’s response to EFRAG’s Call for Evidence on the revision of the ESRS, we suggested key areas where the ESRS could better consider financial undertakings’ business models by providing flexibility

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on reporting metrics which are by their nature relevant for financial undertakings. We note that this is not the approach taken in the revised ESRS, although there could be an opportunity to provide some of this flexibility within the NMIG (see our response to Q16 above).

AFME notes that the removal of datapoints which are directly derived from other datapoints, while removing duplication, does not constitute a true burden reduction. We agree with the points raised in EFRAG outreach events that reduction of datapoints does not necessarily translate into a lighter reporting burden for undertakings. The real benefit lies instead in streamlining disclosure requirements, ensuring consistency, and avoiding unnecessary repetition of information across different standards or even within the same standard. For this reason, the elimination of datapoints should not be seen as directly proportional to a reduction in the effort required to prepare disclosures.

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

In accordance with the simplification mandate received, EFRAG has adopted a general rule of not increasing the reporting obligations. Accordingly, “may disclose” datapoints have not been transformed into mandatory ones (subject to materiality). In the context of the comprehensive revision of some of the DRs, to provide for more focused and relevant information, 6 datapoints have been moved from “may” to “shall” subject to materiality. These exceptions are in the opinion of EFRAG justified. It is important to note that they do not add new obligations, as they refer to an already existing disclosure objective, but they make explicit a separate element of required information. In consideration of their very low number when compared to the overall datapoint reduction, they are not considered to jeopardise the achieved substantial simplification. On the contrary, their change of status improves the clarity of the reporting requirements. More details on these datapoints can be found in the Basis for Conclusions (BfC), Appendix 3).

Datapoint	Rationale for moving from “may” to “shall”
ESRS E3 Water - Own operations total withdrawal (Amended ESRS E3 paragraph 28 (c))	This requirement should not create an additional burden, as reporting water consumption already relies on understanding the water balance, including both withdrawals and discharges. Given this, the change from optional ('may') to mandatory ('shall') reflects the importance of these metrics in completing the water balance equation and ensuring fair presentation of material IROs. Water withdrawal—defined as the volume of water removed from ecosystems—is a key indicator for assessing pressure on local water resources, particularly in water-stressed regions.
ESRS E3 Water – Own operations total discharges (Amended ESRS E3 paragraph 17)	This requirement should not impose an additional burden, as reporting water consumption already depends on understanding the water balance, including both withdrawals and discharges. Accordingly, the change from optional ('may') to mandatory ('shall') reflects the importance of these metrics in completing the water balance equation and supporting the fair presentation of material IROs. Water discharges, in particular, serve as a complementary indicator

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	to water withdrawals, providing a fuller picture of pressure on water resources.
ESRS E4 Biodiversity and ecosystems- Disclosure of transition plan for biodiversity and ecosystems	Changed to mandatory as this disclosure is considered highly decision-useful for users in relation to undertakings operating in certain sectors. Disclosing information on a transition plan (TP) is conditional to have one that is publicly released. This does not add burden as the plan is already public and the information normally available. Implementing TPs, and disclosing on them, is an area that is normalizing and expected to become increasingly important in future years.
ESRS G1 Business conduct– Training of procurement team (Amended ESRS G1 paragraph 10 (c))	The revision G1 has consolidated previous scattered datapoints on training in one generic provision, while specifying the target audience considered critical in sustainability (such as the procurement team). This DP is an important information related to management of suppliers' relationship for which several other DPs have been deleted.
ESRS G1 Business conduct confirmed incidents (Amended ESRS G1 paragraph 14) (1) Nature of incidents (2) Number of incidents	ESRS G1 did not include any mandatory metric on incidents of corruption and bribery, except for the SFDR indicators. This provision replaces narrative information about corruption and bribery with a quantitative metric. The definition of confirmed incidents is well provided in the Glossary. The required disclosure does not include names or persons involved nor other recognisable characteristics, so that it does not interfere with any legal process.

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

☐ YES

☐ PARTIALLY AGREE/PARTIALLY DISAGREE

☒ NO

[COMMENTS – max 300 words]

Please see our response to Part 3 for AFME's comments on these datapoints.

25) Emphasis on ESRS being a “fair presentation” reporting framework

The Amendments clarify that ESRS is a fair presentation reporting framework, as it is for IFRS S1 and S2, with the expectation that this will support a more effective functioning of the materiality filter and reduce the check list mentality associated to the adoption of a compliance approach. Adopting fair presentation is expected to support a reduction in the unnecessary reported information and of the documentation needed to show that omitted datapoints are not material. The majority of the EFRAG SRB members consider that ESRS was already conceived as a fair presentation framework and interpret the CSRD as requiring it. A minority of the EFRAG SRB members think that the CSRD does not require

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fair presentation. They think that adopting fair presentation is not a simplification, due to the difficulty of exercising judgement of what is needed to fulfil the requirement, in particular for impact materiality where there are less established reporting practices. They think that the Amendments may result in increased legal risks and audit costs.

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

[COMMENTS – max 300 words]

The majority of AFME members support the emphasis on the ESRS being a “fair presentation” system, as this should create a principles-based disclosure environment which is more aligned with ISSB and improve the relevance of disclosures. “Fair presentation” should allow entities to move away from checklist-style compliance towards a more coherent and meaningful disclosure framework. However, in the absence of limited assurance standards for CSRD reporting, a few members have concerns over potential divergence in assurance practices under a “fair presentation” framework, due to a different and more cumbersome definition in IAASB sustainability auditing standard ISSA 5000. EFRAG should clearly establish in ESRS 1 what “fair presentation” means to ensure that it achieves its intended simplification objective and avoids creating (i) extensive burdens for preparers in proving that the report presents a “true and fair view” for users of general-purpose sustainability statements, and (ii) different auditing approaches across geographies.

It is also crucial to ensure that the application of “fair presentation” as a concept does not impact preparers’ ability to use the horizontal reliefs proposed as part of the ESRS simplification. See response to Q17. ESRS 1 should explicitly state that the “fair presentation” concept does not preclude the use of the horizontal reliefs and of the materiality of information filter set out in ESRS 1.

26) Exception for Financial Institutions' Absolute Climate Reduction Targets

One of the implementation challenges noted by financial institutions relates to the requirement in ESRS E1 paragraph 26(a). This requires, when the undertaking has adopted GHG emissions intensity targets in conjunction with AR12 (“when only setting intensity targets”), to disclose also the associated absolute values” (refer also to Basis for Conclusions (BfC) Chapter 8). EFRAG SRB and SR TEG discussed whether an exception would be needed for insurance, banking and asset management sectors, but they decided that it would be appropriate to receive specific feedback before concluding. Those that support the exception argue that this information is not useful. They think that while for fossil fuel sectors gradual de-commissioning is foreseen, emphasising the role of absolute targets for lenders and investors in all sectors would provide the wrong incentive, as high-emission sectors are those in need of transition financing. They also consider that estimating the absolute targets would require multiple assumptions (such as about the composition of the portfolios, the production capacity, the market shares and the level of emission intensity), making results unreliable and thus not leading to meaningful disclosures. Those who oppose this exception note that complex estimates are common to all sectors. They also note also that both the information types of intensity and absolute targets are needed for a proper understanding of the undertaking’s progress on climate and banks are no exception in this case. Intensity targets, while capturing efficiency, may mask rising emission levels. Absolute targets capture the total impact but fail to take into account the effect of business growth. They finally note that an exception only for financial institutions would result in an unlevel playing position for the other sectors.

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☒) 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

Explain your reasoning and if you agree, elaborate on how financial institutions will give transparency and foresight to investors about their target setting and the evolution of their emissions [max 300 words]

We strongly support the inclusion of a relief for banks not to disclose emissions reduction targets in absolute terms when they have only set intensity-based targets. The greatest need for transition financing is in the most emissions-intensive sectors, which means absolute targets may be deceptive and discourage investment in such sectors.

Financed (Scope 3 Category 15) emissions make up the bulk of a financial institution's GHG inventory, and given the ties to client activity, targets are typically set at the sectoral level for this category. For certain sectors, intensity targets are used as they take production values into account (e.g., mt CO₂e/mt cement produced). It does not make sense to develop absolute targets for sectors for which there are already nearer-term, interim intensity targets.

Because financed emissions footprints are an aggregate of corporate emissions footprints, the translation of a portfolio intensity target to an absolute target requires significant assumptions. Banks would have to make hypotheses on portfolio composition, clients' future production/sales mix and volumes, future enterprise value etc. The outcome of such calculations would not meet the qualitative requirements of ESRS disclosures and would not be comparable.

Under the ESRS disclosure requirements, banks will in any event need to disclose absolute financed emissions; therefore, stakeholders will have transparency on the scale of a financial institution's absolute emissions. Given the unique role of banks in the value chain, and that the disclosure of their absolute financed emissions is already a requirement, a bespoke approach for banks' target disclosure is essential.

We note that for financial institutions, the EBA recognises the relevance of intensity-based targets in both its Pillar 3 ITS and its ESG Risk Management Guidelines.

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

Amended ESRS S1 changes the threshold for the requirement to disaggregate the metrics for Characteristics of the undertaking's employees, collective bargaining coverage and social dialogue in the European Economic Area (S1-5 and S1-7 of Amended ESRS S1). Refer also to Basis for Conclusions (BFC) Chapter 8). Instead of being defined based on at least 50 employees by head count representing at least 10% of the total number of employees, the requirement is now to disaggregate the metrics for the top 10 largest countries by employee headcount, to the extent that there are more than 50 employees in those countries. A minority of EFRAG SRB members noted that this change could trigger, in some cases, an increase in the number of countries to report on for these two disclosures, and so an increased burden to prepare the information. The majority of EFRAG SRB members supported the change because the current requirement has led to limited information available by country. In addition, the information is usually easily accessible, so the burden to prepare the information per the new requirement is estimated to be limited.

If you intend to provide feedback also on Part 3 of this questionnaire, please note that by answering this question, to avoid duplication of input, you will not be allowed to include comments on DR ESRS S1-5 and ESRS S1-7 in Part 3. Your comments on those provisions will only be provided here.

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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

[COMMENTS – max 300 words]

AFME does not support the new thresholds proposed for reporting metrics disaggregated at country level in S1-5 and S1-7 (S1-23(a), S1-27(b) and S1-28(a)).

The new thresholds add reporting burdens and dilute the principle of only reporting material information by removing the 10% materiality threshold, thereby contradicting the simplification objectives of this exercise. We recommend maintaining the current thresholds as set out in the existing ESRS. The updated definition expands the data gathering efforts for the disclosure, with minimal value added: countries with low headcount above 50 employees were formerly excluded because they were low percentages of the total workforce of the undertaking. However, countries above 50 but with a low relative number of employees will now need to be disclosed (having relatively little impact to the undertaking). This change in threshold should be indicated in the list of new mandatory datapoints in Q24 as it will result in new reporting requirements which were not in the previous ESRS.

The new thresholds applied to collective bargaining agreements also increase the risks of disclosing legally and commercially sensitive information when disclosed at country level.

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

The Amended ESRS S1 reflects an amended methodology for the calculation of non-EU adequate wages set out in the Application Requirements (ESRS S1 AR 22). This change draws on language from different parts of the agreement on the issue of wage policies, including living wages, adopted by the ILO Governing Body in 2024, after the ESRS Delegated Act was adopted. A minority of EFRAG SRB members flagged three interrelated concerns: (1) the reference to wage-setting principles risks disclosures of minimum wages that fall well-below an adequate wage standard, (2) the hierarchy requires companies to only assess relevant living wage data sets as a last resort, and (3) the DR/AR does not require companies to disclose which prong of the methodology is used, which leads to lack of comparability. In consideration of the complexity of this issue, EFRAG is running a targeted field test and is interested in involving a diversified sample of companies. This entails participating in dedicated working sessions with EFRAG Secretariat where the company is expected to present how the revised methodology is feasible and relevant in practice (refer to the non-EU hierarchy described in ESRS S1 paragraph AR 22 b) i) to iii) to ensure transparency and comparability on this issue.

A dedicated questionnaire will be sent directly to the companies participating in the test to allow for their preparation. The working sessions will take place between 8 and 26 September. To confirm your interest in participating in the field test on adequate wages, please send an email to fieldtestadeqwages@efrag.org by August 18, 2025.

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

[COMMENTS – max 300 words]

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AFME considers that the creation of a distinction between EU and non-EU countries creates additional complexity and would like to understand the reasons for this. If retained, it would be necessary to clarify how to apply the ILO principles and provide examples of benchmarks which would qualify, such as those provided by the Fair Wage Network. An exception in AR 22 for companies already using a relevant homogenous benchmark for all countries could also be added to reduce complexity.

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

The Omnibus proposals have not changed the general objective of supporting the creation of the data infrastructure necessary for implementing the Sustainable Finance Disclosure Regulation (SFDR). Input from investors confirms the need to implement the correct flow of information from their investee. However evidence also suggests some of the Principal Adverse Indicators (PAI) are not considered relevant in practice. As part of the systematic review of the datapoints for their reduction, EFRAG has assessed the relevance of the SFDR PAIs, as well as the level of coverage of them resulting from the general datapoint reduction.

Appendix 4 in the Basis for Conclusions (BfC) illustrates how the EU datapoints in Appendix B of ESRS 2 (now Appendix A of Amended ESRS 2) have been modified.

The key changes for Environmental standards (ESRS E1-E5) are :

- (a) 8 SFDR PAI sensitive DPs have been deleted but they were either overlapping with other DPs or can be derived from other information (E1-5, para.38, 40-43; E1-6 para44, 53-55; E3-1, para 14; E3-4, para 29; E5-5 para 37 (d) and 39);
- (b) 1 SFDR PAI sensitive DPs in Appendix B (indicator number 12 Table #2 of Annex) was removed, following EFRAG's approach of reducing the content provisions related to PAT under topical standards. This refers to the topic of marine resources, which is not in scope of ESRS E3.

The key changes for Social Standards (ESRS S1-S4) are:

- a) this was a consolidation exercise. Firstly, for the policies related to human rights and for the alignment with UNGP and OECD MNE Guidelines (two SFDR PAI number 9 Table #3 and Indicator number 11 Table #1 of Annex 1), eight datapoints from the four Social Standards have been merged into a "human rights policy" in ESRS 2 GDPR-P, for the four affected stakeholder groups. Secondly, the indicator in relation to severe human rights cases (SFDR PAI number 14 of Table #3 and number 10 of Table #1 of Annex 1) have been merged into one and it is maintained across the four Social Standards.
- b) a small number of amendments on the scope has taken place for SFDR PAI Indicator 3 of Table #3 in relation to days lost. Fatalities (ESRS S1-13) has been deleted from its scope. The scope of revised human rights incidents datapoint (ESRS S1-16, S2-3, S3-3, S4-3) is now clarified.

There were no changes in the ESRS G1.

In conclusion, despite the general significant reduction in DPs, the coverage of SFDR PAI has been only marginally reduced and thanks to a limited number of amendments, the relevance of the corresponding information is increased.

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

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☒ NO

[COMMENTS – max 300 words]

AFME supports EFRAG's approach to maintaining the information pipeline for reporting under the SFDR and other financial services legislation, but the inclusion of datapoints in ESRS should not be driven by the existence of PAIs in the SFDR. The relevance and decision-usefulness of PAIs should inform the concurrent revision of the SFDR and ESRS. The ESRS' current approach to include mandatory DPs that correspond to both mandatory and voluntary SFDR PAIs creates unnecessary burdens for all reporting entities, especially given that voluntary PAIs tend to be sector specific. For this reason, we recommend making datapoints corresponding to voluntary PAIs voluntary. Voluntary PAIs are not widely used in the market beyond their mandatory inclusion in SFDR entity-level disclosures. The PAI entity-level disclosure requirements under Articles 3-5 of the SFDR should ultimately be removed through the SFDR Review in light of the revised ESRS. If entity-level disclosure requirements are retained, they should be aligned with the revised ESRS, not the other way around.

We acknowledge that due to the timing of the Omnibus I proposal, the revised ESRS are likely to be adopted before the completion of the Level 1 review of SFDR. However, it is our view that the review of SFDR should be conducted in conjunction with the review of the ESRS. If not done at the same time, the ESRS will need to be further revised after the completion of the SFDR review to further align the data required from investees for the revised PAIs, increasing uncertainty and undermining the simplification objectives of the Omnibus. Nevertheless, our proposed change to make voluntary PAIs voluntary under the ESRS should be implemented as an immediate measure.

30) ESRS E4 DR E4-4

ESRS E4: Application requirement to guide undertakings in setting biodiversity- and ecosystems-related targets

As part of the simplification process, E4-4 (targets) disclosure specifications and application requirements have been mostly removed. In this context, methodological guidance for companies to what biodiversity and ecosystems-related targets can cover would be helpful. ESRS Set 1, E4 AR 26 outlines aspects that targets can address, including in relation to the size of areas protected or restored, the recreation of natural surfaces or the number of company sites whose ecological integrity has been approved. While this AR could be kept in the revised ESRS E4, some stakeholders highlighted that it could be further reviewed to better reflect latest trends in the evolving methodological landscape related to biodiversity and a stronger alignment with relevant content from science-based frameworks such as SBTN.

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

☐ YES

☐ PARTIALLY AGREE/PARTIALLY DISAGREE

☒ NO

You are invited to provide suggestions for improvements, if any. [TEXT BOX – 300 words]

No, EFRAG should not review AR26 for the Amended ESRS E4. The existing ESRS 2 GDR-T provides comprehensive guidance for target-setting disclosures, and additional prescriptive application requirements would create implementation complexity without proportional benefits.

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31) ESRS S1 DR15: Gender pay gap

Some of the feedback obtained during the public outreach on the Remuneration metrics (ESRS S1-15), which are derived from the SFDR PAI, was to revisit the gender pay gap ratios and consider replacing it by the adjusted gender pay by employee category or, in some cases, by country. The gender pay gap metric in set 1 is aligned with the Pay Transparency Directive, (EU) 2023/970, where the unadjusted ratio is required as a global percentage and the adjusted gender pay gap by employee category is a voluntary (“may”) datapoint.

The voluntary datapoint on adjusted gender pay gap by employee ratio has not been included in Amended ESRS S1, following careful analysis and consideration of the EFRAG SRB where the pros and cons of changing the basis for gender pay gap were weighted. The conclusion reached was to maintain the global unadjusted pay gap and delete the adjusted gender pay gap by employee ratio that is a voluntary datapoint in ESRS Set 1. The deletion of the voluntary datapoint aligns with the general approach in the revised architecture.

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

☒ YES

☐ PARTIALLY AGREE/PARTIALLY DISAGREE

☐ NO

The adjusted gender pay gap can be included as part of the NMIG as some preparers may wish to report this metric on a voluntary basis.

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

The revision of ESRS G1 have led - amongst others - to the deletion of former paragraphs 14 and 33(a), addressing "payment practices" (within the context of management of relationship with suppliers). These datapoints have been replaced by the PAT provisions and an additional specification for SMEs in paragraph 33(b). However, this deletion may still reduce visibility on how undertakings engage with and support SMEs.

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

[COMMENTS – max 300 words]

AFME supports the deletion of these datapoints and replacement with PAT provisions. Financial institutions are subject to strict rules as to how payments to clients and financial market intermediaries are governed. To calculate specific “payment practices” metrics defined under the ESRS (construed for real-economy companies), many assumptions are required. These include the systematic categorisation of financial market intermediaries vs. traditional suppliers and the consideration of whether contracting and payments are performed by other group entities to ultimately present information which is of low value for regulated financial institutions.

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However, members have raised concerns that the new G1-6 12(a) does not represent a true simplification. G1-6 12(a) represents an additional quantitative datapoint which should be noted in the list of new mandatory datapoints. Amending a narrative disclosure about payment practices (former G1-6 paragraph 31) with respect to SMEs to a quantitative disclosure about payment practices for SME suppliers (current G1-6 paragraph 12(a)) does not represent a simplification and is unlikely to result in meaningful or comparable information.

The disclosure of standard payment terms does not bring much added value for the users of the statement and the distinction between SMEs and non-SMEs does not have significant relevance. If an undertaking applies specific conditions to SMEs, it should be described in the PAT sections.

Where EFRAG considers it critical to define a metric related to the management of suppliers, we suggest focusing only on the overall percentage of payments aligned with contractual terms.

We suggest including any optional methodological guidance on G1-6 in the NMIG.

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.

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