Position Paper

AFME feedback on revised draft ESRS

30 January 2026

Introduction

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[1], which co-legislators have endorsed in the final Omnibus I text[2]. 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.

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), restructuring of ESRS 2 and topical standards to reduce duplication, introduction of further reliefs to align with ISSB standards and removal of datapoints which are least important for users.

The Commission's consideration of EFRAG's technical advice provides an opportunity to build on EFRAG's work, informed by the final Omnibus I text. This paper aims to contribute to that exercise by outlining a set of policy recommendations and concrete proposed amendments (detailed in Annex A) from the wholesale banking perspective. Integrating these recommendations into the revised ESRS would significantly enhance usability, promote decision-useful reporting and reinforce coherence across the sustainable finance reporting framework.

Ensure legal certainty for reporting in FY26

The revised ESRS are due to be adopted within six months of the entry into force of the Omnibus I Directive[3]. We emphasise the importance of swift adoption of the revised ESRS and publication in the Official Journal of the EU, which will provide legal certainty to companies. Given the required scrutiny period, **we strongly encourage the adoption of the Delegated Act as soon as possible and no later than H1 2026.** We urge the Commission to provide explicit legal confirmation within the Delegated Act that reporters have the option to apply the revised ESRS for FY2026 reporting, as set out in its mandate letter to EFRAG. Companies and auditors must have sufficient certainty that they can apply the revised ESRS for FY2026, with sufficient notice to provide time for them to prepare under the revised rules.

Deliver on burden reduction in datapoints

We urge the Commission to maintain the simplification ambition and **not add any new datapoints to the revised Delegated Act**, including the new datapoints proposed by

[1] Mandate Letter from Commissioner Albuquerque to EFRAG, March 2025
[2] See Omnibus 1 Recital 12a.
[3] Ibid.

EFRAG.[4] The justification provided for these datapoints does not sufficiently clarify why these additional datapoints are required for users.

Enable meaningful reporting for financial institutions

The co-legislators' mandate for ESRS revision explicitly calls for the revised ESRS to improve consistency with financial services legislation.[5] EFRAG's revised standards make some welcome adjustments for financial institutions which will improve reporting quality and increase coherence with other sector-specific legislation, but should go further in this respect.

We welcome the **targeted exemption for financial institutions' translation of emissions intensity reduction targets into associated absolute values**, improving the accuracy and usefulness of disclosures. Translation of emissions intensity reduction targets into absolute values does not result in meaningful information for stakeholders and conflicts with established methodologies in Pillar 3 reporting. AFME's January 2025 briefing note provides more detailed analysis regarding banks' emission reduction targets.[6] **While we strongly support retaining this exemption, its formulation should be clarified** to ensure that it provides useful contextual information. Please refer to our drafting comments in Annex A, row 12.

We support the recognition in the draft revised ESRS that prudential regulatory frameworks are the appropriate risk management framework for determining financial materiality for banks in the DMA.[7] The Commission should go further to ensure that companies' risk management review contained in the annual report (and not just EU mandated Pillar 3 reports) can be incorporated by reference into the sustainability statement to avoid unnecessary duplication. We include our specific recommendations in Annex A, row 6.

The CSRD still lacks a workable **approach to value chain reporting for financial institutions**, in particular in light of the reduced scope of mandatory reporting and the operation of the value chain cap at Level 1. The final ESRS should contain proportionate measures for value chain reporting, as set out below.

At a minimum, the Commission should **extend the relief for lack of data quality on metrics in ESRS 1 para. 92 to GHG emissions** (at least to scope 3 emissions) to account for situations where no reliable data is available for entities in the value chain. With respect to scope 3 emissions, when this data is not available, reporting estimates would lead to misleading information that does not accurately reflect the emissions performance of companies.

The Commission should also consider including dedicated language in the text of the Delegated Act limiting the value chain for financial institutions. The value chain should be limited to "tier 1" direct business partners or exclude certain parts of value chains where financial institutions have no ownership of assets. If the value chain is not limited to "tier 1", then to ensure consistency between the sustainability due diligence process set out in the amended CSDDD and the impact materiality assessment, it should be **clarified in ESRS 1 that the scope of the impact materiality assessment should be informed by the revised due diligence process set out in the CSDDD**, which allows companies to prioritise the identification and assessment of adverse impacts related to direct business partners. This impact materiality assessment would then form the basis for the reporting of value chain information.

We have included further practical suggestions on the limitations of the value chain for financial institutions in Annex A, rows 2 and 3. If not included in the Delegated Act, members stand ready to work with the Commission and EFRAG on including guidance for financial institutions' value chain reporting in the NMIG.

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[4] See EFRAG Basis for Conclusions paragraph 113.
[5] Ibid.
[6] See AFME, Understanding banks' disclosure of emissions reduction targets, January 2025.
[7] ESRS 1 AR 27 (internal risk management).

Maintain coherence between the revised ESRS, SFDR and Pillar 3 ESG

The co-legislators' mandate for the revised ESRS calls for "as much coherence as possible" with other EU legislation, including financial services legislation.[8] Given that mandatory PAI disclosure has been significantly reduced under the Commission's proposal for a revised SFDR, we call on the Commission to commit to review the datapoints included in the ESRS in light of the streamlined disclosures under the Commission's SFDR proposal, including the removal of entity-level PAIs. We also recommend that the Commission and EFRAG update the illustrative table in ESRS 2 Appendix A to reflect changes to PAIs and Pillar 3 ESG when these take place.

The relevance and decision-usefulness of PAIs should inform the revised ESRS – if a datapoint is included in ESRS merely because it is a PAI[9], this datapoint should be reviewed to ensure it is still worth including in the revised ESRS. As an initial step, we recommend making datapoints corresponding to voluntary PAIs in SFDR 1.0 voluntary and amending ESRS 2 para. 37(f) to note that the datapoints which derive from other EU legislation in Appendix A are for illustrative purposes only and subject to change in line with updates to relevant EU legislation. We acknowledge that due to the timing of Omnibus I, the revised ESRS will be adopted before the completion of the Level 1 review of SFDR. Nevertheless, our proposed changes should be implemented as an immediate measure to improve coherence with the SFDR and Pillar 3 as they are amended.

We hope that these recommendations are duly considered as the Commission works to finalise the revised ESRS. We would be happy to discuss our recommendations further.

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The Association for Financial Markets in Europe (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 no. 65110063986-76.

[8] See Omnibus I Article 2(6)(aa).
[9] See ESRS 2 Appendix A.

Annex A – Amendments to revised ESRS

Number	Topic	Citation (revised ESRS)	Comment
1.	**Entity-specific disclosure requirements**	ESRS 1 para. 5 and AR 3 for para. 11	The cross reference in ESRS 1 para. 5 is not easy for preparers to follow and could be further simplified. Instead of referring to the general areas that disclosures should cover, "(a) governance, (b) strategy including financial effects, (c) impacts, risks and opportunity management, through policies and actions and (d) metrics and targets", it should refer to the exact provisions in the ESRS, for example, "General Disclosure Requirements (GDR) for policies, actions, metrics and targets" and exact additional provisions. ESRS 1 para. 5 and AR 3 for para. 11 should be amended accordingly.
2.	**Value chain – Approach to impact materiality assessment**	ESRS 1 paras. 59-60	The value chain should be limited to "tier 1" direct business partners or exclude certain parts of value chains where financial institutions have no ownership of assets. If the value chain is not limited to "tier 1", then to ensure consistency between the sustainability due diligence process set out in the Corporate Sustainability Due Diligence Directive (CSDDD, as amended) and the impact materiality assessment in ESRS 1 para. 40-43, the Commission should clarify in ESRS 1 para. 59 and 60 that the scope of the impact materiality assessment should be informed by the revised due diligence process set out in the CSDDD, which allows companies to prioritise the identification and assessment of adverse impacts related to direct business partners. This impact materiality assessment would then form the basis for the reporting of material upstream and downstream value chain information, as set out in ESRS 1 para. 63 and 64.
3.	**Value chain - Practical approach to investments**	ESRS 1 paras. 70 and 73-74	ESRS 1 paras. 70 and 73-74 clarify that "investments" and "pension assets" are treated as "business relationships" for the purpose of the value chain. With respect to "investments" this could present challenges within the financial services sector, including for custodians and broker-dealers. Practical limitations should, therefore, be introduced.

	and pension assets		Regarding “pension assets”, it should at least be clarified that the filter of materiality (ESRS 1 para. 24) and metric materiality provisions (ESRS 1 para. 91) apply in this context.
4.	**Relief for lack of data quality in relation to emissions**	ESRS 1 para. 92	The relief for lack of data quality on metrics in ESRS 1 para. 92 should be extended to GHG emissions, or at least to scope 3 emissions, to account for situations where no reliable data is available (see above). With respect to scope 3 emissions, when this data is not available, reporting estimates would lead to misleading information that does not accurately reflect the emissions performance of companies. Estimates often derive from spend-based or global industry average factors, which can diverge significantly. The compounding effect of estimation across complex value chains further exacerbates these inaccuracies. For these reasons, data providers often discard reported scope 3 numbers. The text “Except when reporting ESRS E1-8 metrics,” should, therefore, be removed from the start of ESRS 1 para. 92.
5.	**Omission of information**	ESRS 1 para. 101	The revised text of ESRS 1 para. 101 provides an exemption from disclosing information where Union law prohibits it. In order to maintain a level playing field for reporters not subject to Union law, this exemption should apply to any legislation that applies to a reporter. In ESRS 1 para. 11 “applicable Union law” should be replaced by “applicable law”.
6.	**Incorporation by reference provisions**	ESRS 1 para. 118	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, para. 118(a) 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. Para. 118(a) should be amended accordingly.
7.	**Transitional provisions related to comparative information**	ESRS 1 paras. 123-124	Clarify that first-time reporters, including “wave-one” undertakings, should not be obliged to report comparative data in relation to the previous period in their first year of reporting. Transposition-led issues should not result in “wave-one” undertakings being required to report comparative data in their first year of reporting.

			To avoid any doubt, para. 124 should, therefore, be amended to: "Undertakings that are, or become, subject to CSRD are not required to disclose comparative information as required by Chapter 7.1 for their first reporting period.”
8.	**Reporting on financial effects of material risks and opportunities**	ESRS 2, para. 31(c)	ESRS 2, para. 31(c) should be removed or moved to non-mandatory guidance. Due to the complex and interrelated nature of banking risks, it is not practical or meaningful for banks to provide quantitative information about the combined financial effects of risks or opportunities with other factors.
9.	**Resilience in relation to climate change**	ESRS E1-5 AR 10 for para. 18	Part (b) of AR 10 for para. 18(c) states an undertaking shall consider “its ability to redeploy, repurpose, upgrade or decommission existing assets in response to climate-related changes”. It would be premature to be able to determine this at the time of reporting. This item should, therefore, be removed.
10.	**Actions and resources in relation to climate change mitigation and adaptation**	ESRS E1-5 para. 21(a)-(b)	ESRS E1-5 para. 21(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 possible. Actions related to banks’ financing activities will not result in direct and calculable achieved or expected GHG emissions reductions. Even though achieved emissions reductions can be calculated, it would not be possible to attribute them to specific bank decarbonisation levers as these reductions stem from client activity. Para. 21(a)-(b) should be amended to recognise these challenges. Language such as “where reasonably calculable” should be inserted.
11.	**Targets related to climate change**	ESRS E1-6 AR 11 for para. 22 Annex II	EFRAG’s technical advice reintroduces 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[10]. These reasons remain valid.

[10] See EFRAG July ESRS E1 Exposure Draft Log of Amendments p. 32

			These reintroductions should, therefore, be removed.
12.	**Targets related to climate change – exemption for scope 3 category 15 translation of emissions intensity reduction targets**	ESRS E1-6 AR 13 for para. 23	Whilst we welcome the exemption for financial institutions regarding the disclosure of scope 3 category 15 emissions intensity targets in absolute values introduced by ESRS E1-6 AR 13 for para. 23 (see above), the following drafting amendments should be made. *Part (a)* 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 and current market practice. This requirement should, therefore, be removed. If part (a) is not removed, at the very least, it should be clarified. First, it is unclear what “consistently disclose” means. For example, it should be clarified whether this condition would be satisfied through annual absolute financed emissions reporting in CSRD reports. Additionally, referring to these values as “absolute financed emissions for those [intensity] targets” introduces the risk that the absolute financed emissions values may be misconstrued as being implied by the intensity targets, as opposed to the actual financed emissions for the latest year of the underlying portfolios or exposures that the intensity targets cover. If this provision is not removed, the wording should, be amended to: “Financial institutions are exempted from setting and disclosing absolute values for their Scope 3, Category 15 emission targets, provided they: (a) use physical or financial measures as denominators for their intensity targets and disclose the absolute financed emissions of the sector portfolios covered by those intensity targets (such as for material high-impact sectors)”. *Part (b)* 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. The requirement in part (b) should, therefore, be amended to align with the nature of intensity-based targets. Furthermore, part (b) requires disclosing "observed trends in the past 3 to 5 years". This requirement should be amended to require disclosure of observed trends only where historical data is available, particularly from the third year of reporting onwards.
13.	**Align with ISSB in Emissions Reporting Boundary**	ESRS E1-8 AR 19 for para. 29	ESRS E1-8 AR 19 for para. 29 requires companies to establish GHG reporting boundaries using the GHG Protocol's financial control approach. When the financial control approach does not adequately capture all relevant emissions, ESRS further requires companies to report using the GHG Protocol's operational control boundary. To enhance consistency and reduce reporting complexity, ESRS should provide greater flexibility by fully aligning its emissions boundary requirements with the ISSB, which also references the GHG Protocol for defining emissions boundaries but does not prescribe a specific control approach. Full alignment with the GHG Protocol would strengthen interoperability with ISSB standards and allow companies to continue applying their existing GHG Protocol practices without revising methodologies or maintaining multiple data sets.
14.	**Materiality assessment for disclosure requirements related to own workforce**	ESRS S1-Objective para. 1	Para. 1 of ESRS S1 introduces provisions that intend to result in ESRS S1-5 and S1-6 being treated differently to all other ESRS requirements when determining whether to report against them. The wording is also unclear and makes it difficult to understand whether ESRS S1-5 and S1-6 are mandatory or not or how a reporter should consider materiality in this context, therefore, leaving room for multiple interpretations. The assessment of whether a topic is material should follow the same principles as for all other ESRS topics and, once a topic is deemed material, the information to be reported should be subject to the same universal materiality filter that applies across the ESRS framework. These provisions should, therefore, be removed.

15.	**Threshold for employee metrics at country level**	ESRS S1-5 para. 19 ESRS S1-7 para. 23	The 10% materiality filter for disclosing country-level employee information should remain in place. EFRAG's July 2025 exposure drafts and November 2025 technical advice removed this filter. However, its removal would increase the data gathering burden without adding impactful information.