

ESRS Set 1 revision: Questionnaire for public feedback

1.

Following a public call for contributions from EFRAG, this survey has been prepared by the EFRAG Secretariat to support the collection of written input that will inform the revision of ESRS Set 1.

The contributions will be anonymized and leveraged only in aggregate form, however name of contributors will be made available following your consent.

For viewing purposes, a pdf version of the questionnaire is available [here](#).

Questionnaire for public input on simplification of ESRS

EFRAG wishes to collect input from all the stakeholder categories on how to simplify ESRS, following the [Omnibus proposals](#) issued by the European Commission on 26 February 2025 and the [mandate](#) that EFRAG received on 27 March 2025.

SECTION 1 – PARTICIPANT GENERAL INFORMATION

1.1 Guidance for respondents

Where not specifically indicated, EFRAG welcomes input on question from all stakeholder categories.

Comments are most helpful when they:

- answer questions as stated;
- state the DR or paragraph(s) of ESRS Set 1 to which they relate;
- explained the cause of the identified issue; and
- describe practical example(s) relevant to the questions;
- include clear suggestions of amendments, if appropriate.

Please note the following elements for the compilation of the questionnaire:

Respondents can save the draft questionnaire and return to it at a later time. EFRAG will only consider submitted surveys.

Respondents can select and focus on the areas that are most impactful, thus do not have to consider all questions

For the questions requiring inclusion of a reference to IG3, and for consistency among the different replies, please indicate specific DPs that require consideration in your view by copy pasting the code defined in [IG3 – List of ESRS Data Points](#) (see column ID).

1.2 Respondent profile

Where not specifically indicated, questions refer to all stakeholder categories.

First Name:

Rachel

Last Name:

Sumption

Email address:

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Telephone number:

Name of organisation:

Association for Financial Markets in Europe

Do you consent to make publicly available only the name of your organisation as contributor to this questionnaire, while the content of your contribution will be anonymized and leveraged only in aggregate form?

Yes

Type of organisation (Drop down menu with the following categories):

Business Association

User (subcategories to open):**Other (please specify)****Function in the organisation:**

Manager, Sustainable Finance Policy

Country (principal location):

Belgium

Sector(s) (if applicable)

Financial Institutions

If preparer, please specify whether you prepared an ESRS sustainability statement for your 2024 year end:

If yes

Please specify whether it was a voluntary or mandatory application

Please indicate if the ESRS sustainability statement was assured (limited/reasonable)

Please add an hyperlink to the report [add box for including hyperlink]

If preparer, please specify your size in terms of employee number:

2. (untitled)

SECTION 2 – GENERAL ASSESSMENT (OPTIONAL)

As preparer/user/other stakeholder, could you share your overall assessment about the implementation challenges and benefits that you have experienced or observed?

AFME's initial feedback is based upon extensive feedback from our members in their capacity as preparers and their experience with reporting under the ESRS to date. Members have highlighted significant challenges with reporting and have identified opportunities for simplification of the ESRS in line with the European Commission's objectives. We strongly support the initiative to simplify the ESRS, reflecting upon input from both non-financial corporates and financial institutions.

Key areas where members have experienced challenges include the materiality assessment process, the granularity and volume of datapoints, the application of certain datapoints which are not applicable to financial institutions and the lack of limited assurance standards. We expand upon these further below and see section 5 for an overview of our recommendations.

3. (untitled)

SECTION 3 – QUESTIONS

1. PART 1 – HOW TO IMPROVE THE MATERIALITY ASSESSMENT

The Materiality Assessment process is critical to establish the perimeter of the sustainability statement and pivotal to ensure that undertakings only report material information, that they do not report unnecessary information nor dedicate excessive resources to the materiality assessment process.

Initial feedback seems to suggest that required disclosures on the process may be too detailed and the outcome of the process may lead to disclose too many/too detailed IROs. The Omnibus proposals have identified this area as to be clarified.

1.1. From your perspective (preparer/user/others), please share your suggestions on how to improve the ESRS provisions on materiality indicating the most critical and the most useful elements, in relation to

How to improve the ESRS provisions on materiality, in relation to:

- the process to determine material matters, including how to factor implemented mitigation and prevention actions in the materiality assessment and how to define thresholds striking the right balance between completeness and decision-usefulness of information.

Please detail ESRS provisions on materiality improvements:

AFME welcomes EFRAG's commitment to provide clearer requirements on how to apply the materiality principle to ensure that undertakings are only reporting decision-useful, material information. We support efforts to integrate "lessons learned" from Wave 1 reporters' experience undertaking a DMA.

The materiality assessment process should be made more flexible to allow for greater management judgment in determining which metrics are material for each sector and business. For instance, financial institutions are experienced in developing materiality frameworks commensurate to their business model and activities, risk profile and capital requirements and should be able to leverage their own processes and approaches. It should be clarified that the level of granularity (topic / sub-topic / sub-sub-topics) at which an institution carries out their Double Materiality Assessment should be decided by the institution, based on its characteristics and the scope of the assessment (e.g. own operations vs value chain).

It should also be clarified that the materiality assessment is a positive test and companies should not be required to justify the omission of each datapoint assessed as not material. Due to their business model, it would not be a feasible or appropriate solution to assume the materiality of all CSRD topics for a bank. Banks are connected to various sectors of the real economy yet involved in an indirect manner only through the provision of financing.

The materiality assessment framework should also be sufficiently flexible to enable financial institutions to leverage internal materiality approaches.

Our detailed suggestions on simplifying narrative and quantitative information in Parts 2 and 3 highlight a number of metrics which are by their nature immaterial for financial institutions and which, if retained, should be made voluntary.

The ESRS should provide greater flexibility regarding stakeholder engagement, clarifying that management bodies have discretion when assessing stakeholder feedback because feedback from different stakeholders may conflict, or some stakeholders may regard everything as material.

We also suggest the following specific amendments to the process for determining materiality:

- ESRS 1, Paragraph 24: Allow flexibility in the process for stakeholder engagement to ensure that it can occur after an initial materiality assessment is complete. Only after impacts are identified and assessed over the required time horizons can stakeholders be addressed. Stakeholders are usually consulted based upon an overall decarbonisation strategy rather than on individual actions and targets.
- Stakeholder engagement should also be limited to impact materiality, as banks' financial risk assessments are based on mature frameworks that have been used for some time.
- The level of granularity currently set by the ESRS requires substantial simplification. The sub-sub-topic level is too detailed and does not result in valuable disclosures. Flexibility should be granted for aggregating the analysis on at least a sub-topic level, or even at a topic-level.
- It is fundamental to ensure that financial institutions are not required by auditors to assess at the highest level of granularity value chain impacts that are irrelevant or cannot be assessed at portfolio level (e.g. impact of the portfolio of an institution on desertification, or on Resource outflows related to products and services).

How to improve the ESRS provisions on materiality, in relation to:

- the disclosures related to the process according to IRO-1

Please detail ESRS provisions on materiality improvements:

Remove the requirement for detailed disclosure of the Double Materiality Assessment approach/process itself. Focusing disclosure mainly on the DMA's outcomes would enable preparers to focus on providing decision-useful information and context for the reported ESRS topics/sub-topics. EFRAG should remove detailed, prescriptive and formulaic requirements within IRO-1 to disclose the DMA approach/process.

Currently in order to comply with the DMA process disclosure requirements there are a set of detailed requirements within not only ESRS 2 IRO-1, but also applicable across each of the ESRS to separately describe processes performed to assess materiality of every single ESRS cross-cutting topic. For example, ESRS 2 IRO-1, 53b requires an overview of the process to identify, assess, prioritise and monitor the undertaking's potential and actual impacts on people and the environment, including (ii) the impacts with which the undertaking is involved through its own operations or as a result of its business relationships.

If not removed, EFRAG should ensure that disclosures are not prescriptive and only require a high-level overview of the process.

How to improve the ESRS provisions on materiality, in relation to:

- the process to determine material information to be reported (information materiality, ESRS 1 – paragraph 31 and 34)

Please detail ESRS provisions on materiality improvements:

The materiality of information assessment process applicable to metrics should extend to all disclosures, including those relating to policies, actions and targets. Currently companies can omit metric disclosure if the information is not material. This should be applicable to all disclosure requirements.

How to improve the ESRS provisions on materiality, in relation to:

- the inclusion of material information based on entity-specific disclosures

Please detail ESRS provisions on materiality improvements:

Greater flexibility should be provided in relation to entity-specific disclosures. Ideally, the inclusion of material information based on entity-specific disclosures should be voluntary. The addition of material information (other than qualitative) that is entity-specific would be of very little benefit to investors, since they would not have comparable data points disclosed by peers.

The transitional provision in ESRS 1, section 10.1, para. 131b does not provide adequate relief to reporters because it is subject to conditions which are unclear and unlikely to be practicable to implement.

How to improve the ESRS provisions on materiality, in relation to:

- the challenges related to the audit of the double materiality assessment (process and outcome)

Please detail ESRS provisions on materiality improvements:

The audit process for the double materiality assessment has proved challenging and very resource-intensive. Firms have faced a significant workload in documenting the DMA and explaining each decision made. The process for collecting and providing evidence to auditors has been complex.

As discussed above, currently in order to comply with the DMA process disclosure requirements there are a set of detailed requirements within not only ESRS 2 IRO-1, but also applicable across each of the ESRS to separately describe processes performed to assess materiality of every single ESRS cross-cutting topic. Some members have been presented with these ESRS topic lists as a detailed "audit checklist" of hundreds of individual datapoints required to be fulfilled. It can be challenging to engage with auditors to document immaterial IROs when this "checklist" approach is taken.

We believe it is essential that the assurance guidelines are delivered in a timely manner for auditors to be able to adopt them as soon as possible.

How to improve the ESRS provisions on materiality, in relation to:

- the value chain

Please detail ESRS provisions on materiality improvements:

The scope of the value chain for the double materiality assessment needs to be practical and proportionate for financial institutions.

We recommend clarifying the reporting boundaries for financial institutions by defining "value chain" for financial institutions as "direct first-tier relationships, excluding individuals" as this is the level of information financial institutions are reasonably able to obtain from their counterparties.

Currently, CSRD lacks a principles-based, proportionate, and practical framework for financial institutions to determine the boundaries of their value chain. The ESRS define value chain as "as extending beyond immediate contractual relationships" and does not consider the complexity of financial sector value chains and business activities. The value chain for financial institutions is extremely broad and differs significantly based on the business model, activities, product and services offerings, as well as the geographical and sectoral diversification of a given financial institution. The downstream value chain of financial institutions can be made up of many thousands of companies and counterparties, operating across different sectors and jurisdictions. We therefore propose that EFRAG limit the value chain definition to direct counterparties. Where a specific recognised methodology for value chain information is available, for example for GHG emissions, and the necessary data is available, then it could apply as a specific exception.

In addition, greater flexibility should be introduced to enable companies to focus on the most relevant disclosures. Financial institutions have different degrees of proximity to counterparties in the value chain and hence different degrees of ability to assess the tangible impacts that clients/investees/counterparties have on sustainability matters. For example, lending directly to a company is materially different from managing passive/non-discretionary portfolios on behalf of clients (Assets under Management, Assets under Custody). Reflecting this, the materiality assessment should allow for, but not require, the use of "proximity factors" for financial institutions. These distinctions would help financial institutions determine what is decision-useful and meaningful to disclose.

We recommend adding language in the ESRS to clarify that reporting entities may consider proximity in the impact assessment of their value chains.

How to improve the ESRS provisions on materiality, in relation to:

- the aggregation/disaggregation of information

Please detail ESRS provisions on materiality improvements:

Align time horizons and sustainability topics aggregation in materiality assessment requirements to those generally applied by financial institutions. ESRS requires sustainability topics aggregation to be at ESRS sub-topic level whereas, for example, regulators/supervisors (e.g. ECB, EBA) expect identification, assessment, and management of risks to be performed effectively at main sustainability topic level (e.g. Climate, Environment etc.) To align with financial institutions' other regulatory obligations, we suggest that sustainability topics aggregation be made voluntary.

1.2. OPTIONAL: If possible, and if not specified already under point 1.1 above, please identify the narrative disclosure requirements (DRs) or datapoints (DPs) that raised the most critical challenges in determining the material information to be reported and share your suggestions.

Disclosure requirements (DR)

Datapoints (DP)

Comment on challenge:

Suggestion:

4. (untitled)

PART 2: HOW TO STREAMLINE NARRATIVE INFORMATION

Narrative information is a key part of sustainability reporting, in particular with respect to governance, strategy, business model, as well as policies, actions and targets (PATs). It is a key factor to meet the quality characteristics of relevance of information and fair presentation^[LS1] of the situation of the undertaking with respect to its sustainability matters. However, narrative information is difficult to compare. In determining the content of narrative information to be reported per disclosure requirements, ESRS combine a principles-based disclosure objective with a list of "shall" datapoints.

Initial feedback seems to suggest that the "shall disclose" datapoints in ESRS Set 1 may be too detailed and too prescriptive in that regard and that a proper balance between relevance/fair presentation, comparability and preparation effort has been difficult to achieve. The Omnibus proposals suggest to consider this point carefully for burden reduction purposes.

2.1. From your perspective (preparer/user/other), please share your suggestions on how to simplify narrative information, in relation to:

The options to reduce the number of “shall” datapoints (DPs):

Merging datapoints (with an indication of its effectiveness for burden reduction purposes)

Suggestions:

Consolidate GOV-1_4, GOV-1_16, G1.GOV-1_02 as they similarly pertain to administrative, management and supervisory body's (AMSB's) experience and expertise.

The options to reduce the number of “shall” datapoints (DPs):

Merging datapoints (with an indication of its effectiveness for burden reduction purposes)

Suggestions:

Consolidate S2.SBM-3_01, S2.SBM-3_02, S2.SBM-3_03 as they similarly pertain to descriptions of value chain workers subject to material impacts.

The options to reduce the number of “shall” datapoints (DPs):

Merging datapoints (with an indication of its effectiveness for burden reduction purposes)

Suggestions:

ESRS requires disclosing achieved and expected GHG emission reductions when describing climate change mitigation actions. Estimates, particularly for scope 3, depend on factors outside of the undertaking's control. This requirement forces companies to list anticipated decarbonization levers in a diverging public policy landscape, potentially introducing legal risks. We suggest consolidating E1-3_01 and E1-1_03, given they similarly address decarbonisation lever type, its key actions, and the scope/time horizon of these key actions, and make it voluntary to enhance interoperability with ISSB, which does not mandate detailed disclosures on decarbonization levers.

The options to reduce the number of “shall” datapoints (DPs):

Merging datapoints (with an indication of its effectiveness for burden reduction purposes)

Suggestions:

"[DR: S1-17; DPs: S1-17_06, S1-17_12]

No need to distinguish between discrimination penalties and others. Change to one metric only. "

The options to reduce the number of “shall” datapoints (DPs):

Merging datapoints (with an indication of its effectiveness for burden reduction purposes)

Suggestions:

We do consider qualitative datapoints to be necessary; however, they should be defined at a high level rather than in a granular manner. This would provide entities with the flexibility to tailor their reporting to investor needs while reducing the complexity associated with tracking highly specific datapoints and their corresponding digital tagging — a process that introduces significant operational burdens and constrains the freedom to structure and develop the sustainability report effectively.

The options to reduce the number of “shall” datapoints (DPs):

Merging datapoints (with an indication of its effectiveness for burden reduction purposes)

Suggestions:

Consolidate all datapoints under S4-4, S4.MDR-A_01-12 as they similarly pertain to disclosures of action and approaches to manage material impacts, risks and opportunities.

The options to reduce the number of “shall” datapoints (DPs):

Merging datapoints (with an indication of its effectiveness for burden reduction purposes)

Suggestions:

"MDR-P_04: "Disclosure of third-party standards or initiatives that are respected through implementation of policy"":

This datapoint could be merged with similar requests related to universally recognised standards or initiatives (e.g. UN, ILO, etc.) that are already envisaged by specific datapoints in the social standards, such as: S2-1_08 / S3-1_06 / S4-1_06: "Disclosure/Description of whether and how policies are aligned with relevant internationally recognised instruments""

The options to reduce the number of "shall" datapoints (DPs):

Merging datapoints (with an indication of its effectiveness for burden reduction purposes)

Suggestions:

"Datapoints on targets that are included in the social standards could be merged with MDR-T_11 and made voluntary. Such datapoints include:

S1-5_01, S1-5_02, S1-5_03
S2-5_01, S2-5_02, S2-5_03
S3-5_01, S3-5_02, S3-5_03
S4-5_01, S4-5_02, S4-5_03"

The options to reduce the number of "shall" datapoints (DPs):

Transferring "shall" datapoints to non-mandatory material ("May", guidance, illustrative examples)

Suggestions:

ESRS 2 GOV-2, para. 26 assumes companies are managed by reference to IROs, requiring a list of IROs addressed by AMSB. Make voluntary.

The options to reduce the number of "shall" datapoints (DPs):

Transferring "shall" datapoints to non-mandatory material ("May", guidance, illustrative examples)

Suggestions:

[DR: E1-4; DP: E1-4_01, E1-4_02, E1-4_23]

The effects of a bank's actions on the decarbonisation of companies within its portfolio are indirect. Therefore, it is not possible to quantify the contribution to decarbonisation generated by each lever or action identified by the bank, as required by the ESRS.

Therefore, eliminate the requirement to describe expected decarbonisation levers and overall quantitative contributions with respect to the value chain.

The options to reduce the number of "shall" datapoints (DPs):

Transferring "shall" datapoints to non-mandatory material ("May", guidance, illustrative examples)

Suggestions:

Due to the divergence in regulatory requirements for targets for social topics, where some jurisdictions mandate them and others prohibit them, we encourage ESRS to allow flexibility in disclosing targets for social topics, even if social topics related to our own workforce is deemed to be material through the double materiality assessments. Currently, undertakings must disclose whether they have set such targets. E.g., We suggest making S1-5_01, S1-5_02, S1-5_03 and S2-5_01, S2-5_02, S2-5_03 (targets for social topics related to own workforce and value chain workers) voluntary.

The options to reduce the number of "shall" datapoints (DPs):

Transferring "shall" datapoints to non-mandatory material ("May", guidance, illustrative examples)

Suggestions:

G1-5 Political engagement and lobbying: Financial institutions assist with their expertise in the development of appropriate and risk-based regulations for financial services. Typically, FI's political engagement efforts focus on public policy issues most relevant to the long-term interests of the institution, clients, and shareholders through direct engagement with relevant EU institutions and responding to EC policy & regulatory consultations. Lobbying activities are publicly disclosed in the EU Transparency Register - Remove or n/a for FIs

Regardless, board members previously and currently in public administration (DR: G1-5; DP: G1-5_11) is too difficult to define. So, remove this at the very least.

The options to reduce the number of “shall” datapoints (DPs):

Transferring “shall” datapoints to non-mandatory material (“May“, guidance, illustrative examples)

Suggestions:

DR: E1-1; DPs: E1-1_04, E1-1_07, E1-1_08, E1-1_12

These datapoints should be made voluntary for financial institutions as they are not relevant for such entities.

The options to reduce the number of “shall” datapoints (DPs):

Transferring “shall” datapoints to non-mandatory material (“May“, guidance, illustrative examples)

Suggestions:

DRs: E1-1, para. 16c; E1-3, para. 29c

The actions defined within the transition plans pertain to the bank's portfolio, and in this context, the financial resources allocated cannot be interpreted in conjunction with the disclosure published under Commission Delegated Regulation (EU) 2021/2178, as required by the ESRS.

Disclosure requirements not applicable to financial institutions (FIs) should be removed or characterize/tagged as such

The options to reduce the number of “shall” datapoints (DPs):

Transferring “shall” datapoints to non-mandatory material (“May“, guidance, illustrative examples)

Suggestions:

ESRS 2; MDR-A

The informational requirements regarding the explanation and quantification of a company's investments and financing that support the implementation of its transition plan, as well as the financial resources allocated to its action plans, are difficult to apply to financial institutions. Moreover, they may be complex for users of the Sustainability Statement to interpret, unlike in the case of industrial companies.

Disclosure requirements not applicable to financial institutions (FIs) should be removed, made voluntary or characterize/tagged as such

The options to reduce the number of “shall” datapoints (DPs):

Transferring “shall” datapoints to non-mandatory material (“May“, guidance, illustrative examples)

Suggestions:

DR: E1-1. para. 16(d); DP: E1-1_07

The concept of locked-in emissions does not appear to be applicable to financial sector companies, as it is linked to high emission industrial installations.

Disclosure requirements not applicable to financial institutions (FIs) should be removed or characterize/tagged as such

The options to reduce the number of “shall” datapoints (DPs):

Transferring “shall” datapoints to non-mandatory material (“May“, guidance, illustrative examples)

Suggestions:

[DR: S1-11; DP: S1-11_06]

Countries split not relevant for social protection because not comparable (eg unemployment coverage)

The options to reduce the number of “shall” datapoints (DPs):

Transferring “shall” datapoints to non-mandatory material (“May“, guidance, illustrative examples)

Suggestions:

Make voluntary for FIs all narrative DPs related to E1-7 (GHG removals and GHG mitigation projects financed through carbon credits). Disclosure requirements not applicable to financial institutions (FIs) should be removed or characterize/tagged as such

The options to reduce the number of “shall” datapoints (DPs):

Transferring “shall” datapoints to non-mandatory material (“May“, guidance, illustrative examples)

Suggestions:

Make voluntary for FIs all narrative DPs related to E1-8 (Internal carbon pricing). Disclosure requirements not applicable to financial institutions (FIs) should be removed or characterize/tagged as such

The options to reduce the number of “shall” datapoints (DPs):

Transferring “shall” datapoints to non-mandatory material (“May“, guidance, illustrative examples)

Suggestions:

S1-12:

Given data privacy rules and regulations and GDPR, European institutions are unable to disclose information as to the numbers of days lost to work-related ill health and fatalities. In ESRS, sensitive nature of data required to meet prescribed disclosure requirements with consideration to GDPR and Self ID limitations (e.g. employees need to either self-identify as a person with disability or obtain medical / occupational health assessment which are intrusive and possibly in certain jurisdictions illegal requirements)

The options to reduce the number of “shall” datapoints (DPs):

Transferring “shall” datapoints to non-mandatory material (“May“, guidance, illustrative examples)

Suggestions:

Payment practices: financial institutions are highly regulated 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 to be taken with specific reporting setup, including systematic categorization of financial market intermediaries vs. traditional suppliers and considering whether contracting and payments are performed by other group entities to ultimately present information which is of low value for regulated FIs – hence this results in "metric immateriality" and such should be characterized as not applicable for FIs.

The options to reduce the number of “shall” datapoints (DPs):

Transferring “shall” datapoints to non-mandatory material (“May“, guidance, illustrative examples)

Suggestions:

E1-9, AR 69b: Disclosure of whether and how assessment of assets and business activities considered to be at material physical risk relies on or is part of process to determine material physical risk and to determine climate scenarios - Remove for FIs or make voluntary

The options to reduce the number of “shall” datapoints (DPs):

Transferring “shall” datapoints to non-mandatory material (“May“, guidance, illustrative examples)

Suggestions:

DR: E1-3; DPs: E1-3_06, E1-3_07, E1-3_08

These datapoints should be made voluntary for financial institutions as they are not relevant for such entities.

The options to reduce the number of “shall” datapoints (DPs):

Transferring “shall” datapoints to non-mandatory material (“May“, guidance, illustrative examples)

Suggestions:

DR: E1-5; DPs: E1-5_20, E1-5_21

These datapoints should be made voluntary for financial institutions as they are not relevant for such entities.

The options to reduce the number of “shall” datapoints (DPs):

Transferring “shall” datapoints to non-mandatory material (“May“, guidance, illustrative examples)

Suggestions:

Statements on the absence of PATs should be "may" disclosures and requirements to disclose reasons for the absence of PATs should be removed.

The options to reduce the number of “shall” datapoints (DPs):

Transferring “shall” datapoints to non-mandatory material (“May“, guidance, illustrative examples)

Suggestions:

ESRS 2 SBM-3 74b: All employees in own workforce are covered by social protection, through public programs or through benefits offered, against loss of income due to unemployment starting from when own worker is working for undertaking - Remove for FIs or make voluntary

The options to reduce the number of “shall” datapoints (DPs):

Transferring “shall” datapoints to non-mandatory material (“May“, guidance, illustrative examples)

Suggestions:

SBM-3_08 and _09:

Reporters should be allowed to apply a lens of materiality (in the traditional financial reporting sense, not the DMA sense) to any dollar amounts being requested to be reported in the Sustainability Statement. Requiring companies to disclose financial effects which are either quantitatively de minimis, qualitatively insignificant, and/or are "anticipated" and therefore based on projections/assumptions that would potentially render them unverifiable, irrelevant or incomparable (and thus in violation of the Qualitative Characteristics of Information requirements established by Appendix B of ESRS 1) would not provide decision-useful information to the users of the Sustainability Statement. Management should be allowed to apply professional judgment in exercising disclosure decisions and determining when it is appropriate to measure and report current/anticipated financial effects.

The potential overlaps between minimum disclosures requirements (MDRs) on Policies Actions and Targets (PATs) that are located in ESRS 2 and PAT “shall” datapoints located in topical standards:**Please select:**

Merging MDR of ESRS 2 with “shall” PAT datapoints of topical standards

Comments

EFRAG should identify opportunities to streamline MDRs which are currently addressed in both ESRS 2 and topical standards. Currently there is repetition of disclosures between cross-cutting and topical standards and the process is too complex to implement and to audit. This needs to be simplified or datapoints need to be deleted. Potential approaches EFRAG could take include the following:

Move all policy disclosures to ESRS 2 and move all actions, metrics, and targets disclosures to topical standards.

OR

MDRs on PATs should only be located in ESRS 2 and any PAT MDR requirements in topical standards should be deleted. If implemented, the second sentence in para. 60, ESRS 2, referring to topical ESRS, should be deleted.

Please select:

Other – please specify

Comments

It is not necessary to have an intro section for policies and actions, which would allow to delete ESRS 2 Par. 60 to 62, or an intro section for metrics and targets, which would allow to delete ESRS 2 Par. 70 to 72. Alternatively combine what is specified in those paragraphs at the very beginning and avoid any redundancies.

If paras. 60 to 62 and 70 to 72 are retained:

The wording in Par. 60 appears to be inaccurate: "... when the undertaking discloses information on its policies and actions to prevent, mitigate and remediate actual and potential material impacts...". The use of the terms "prevent, mitigate and remediate" makes sense in the context of material negative impacts, but these terms do not really fit in the context of material positive impacts.

Delete any redundant paragraphs or sentences within paragraphs. For example, ESRS 2 para. 63, 64, and 66 are redundant to para. 60.

Please select:

Other – please specify

Comments

he ESRS in general should apply a substance-over-form approach which would give greater flexibility to undertakings how to structure their disclosures.

Examples:

Avoid the necessity to allocate/assign information to one topical ESRS and then cross-reference (see ESRS 2 Par. 61 and Par. 71). The need of spelling out the cross-references under ESRS makes the Sustainability Statement not user-friendly and well-legible.

ESRS 2 para. 65 should be turned into a principles-based, substance-over-form requirement. 65 (a) should be limited to "a description of the key contents of the policy" (i.e., delete everything after the first comma). 65(b) should be limited to "a description of the scope of the policy" (i.e., delete everything after the first comma). 65 (c) should be deleted as it does not appear to be relevant for stakeholders. 65 (d) to (f) should be deleted and be replaced by a more principles-based sub-paragraph like "to disclose any other relevant policy-related information".

ESRS 2 para. 68 should be turned into a principles-based, substance-over-form requirement, e.g., "The undertaking shall disclose those aspects (e.g., timing, scope, outcomes,) of key current and future actions that are relevant to understand how material sustainability matters are managed."

ESRS 2 para. 69 should also be turned into a principles-based requirement, e.g., "The undertaking shall disclose any relevant information about current and future resources to manage material sustainability matters."

ESRS 2 par. 80 should be streamlined. Sub-paragraph (a) seems to be dispensable or it should perhaps read "a definition of the target". In sub-paragraph (f) any specifications after the first comma should be deleted. Sub-paragraph (i) should be deleted here because it is sufficiently covered in ESRS 1, Par. 95 and ESRS 2, Par. 13. Sub-paragraph (j) should be rephrased: "...the performance against its disclosed targets and any relevant contextualization.". Also delete para. 79 because the objective is clear when reading para. 80.

Please select:

Transferring "shall" PAT datapoints in topical standards to non-mandatory material ("May", guidance, illustrative examples)

Comments

The ESRS assumes undertakings have PATs, where relevant, with regard to each material sustainability matter. This is unrealistic. More flexibility should be provided.

Please select:

Merging MDR of ESRS 2 with "shall" PAT datapoints of topical standards

Comments

[DR: G1-5, paras. 27-30; ESRS 2, 4.2 (policies and actions)]

Subject to the above on removing G1-5:

Despite having a dedicated metric datapoint, the ESRS require disclosure of policies and actions in a qualitative way. This might cause an overlapping mix of qualitative and quantitative disclosures on this topic of political influence to the extent that dedicated institutional and supervisory relation policies are in place.

The disclosures required proved to be burdensome and repetitive, without concrete added value. This overlapping is thus not considered necessary.

Please select:

Simplifying MDRs on policies in ESRS 2

Comments

The following two datapoints could be aggregated and generically refer to the involvement of key stakeholders in relation to the definition and communication of the policy's contents.

MDR-P_05 "Description of consideration given to interests of key stakeholders in setting policy"

MDR-P_06 "Explanation of how policy is made available to potentially affected stakeholders and stakeholders who need to help implement it"

Please select:

Merging MDR of ESRS 2 with “shall” PAT datapoints of topical standards

Comments

The following datapoint could be merged with topical standards requirements in most cases:

MDR-P_04: "Disclosure of third-party standards or initiatives that are respected through implementation of policy".

Please select:

Simplifying MDRs on actions in ESRS 2

Comments

Mandatory disclosure on actions should focus on actions carried out during the year. Information on planned actions could be considered optional in order to avoid the potential risk of reporting something still uncertain.

MDR-A_01 "Disclosure of key action"

Please select:

Simplifying MDRs on actions in ESRS 2

Comments

MDR-A datapoints related to Capex and Opex are not viewed as applicable to financial undertakings. Therefore, they should not be mandatory for financial undertakings.

MDR-A_06: "Disclosure of the type of current and future financial and other resources allocated to the action plan (Capex and Opex)"

MDR-A_07: "Explanation of how current financial resources relate to most relevant amounts presented in financial statements"

MDR-A_09: "Current financial resources allocated to action plan (Capex)"

MDR-A_10: "Current financial resources allocated to action plan (Opex)"

MDR-A_11: "Future financial resources allocated to action plan (Capex)"

MDR-A_12: "Future financial resources allocated to action plan (Opex)"

Forward-looking information

E1-9: Within the Pillar 3 disclosure, in accordance with the provisions of the CRR, banks disclose information on potential transition risks and potential physical risks related to climate change.

This information overlaps with certain ESRS requirements regarding the disclosure of anticipated financial effects from physical and transition risks; however, the content of the Pillar 3 disclosure differs from the ESRS requirements (e.g. in Pillar 3, the bank's own assets are not considered).

Disclosure requirements relating to any forward-looking datapoints ("anticipated financial effects") should be removed. For banks, this information is already required in pillar 3.

If they are retained:

They should be fully aligned with accounting principles on "forward-looking information" and should not go further than these. Accounting standards already provide sufficient principles-based guidance as to how provisions and contingent liabilities should be disclosed.

Another option could be to align with the provisions of other relevant regulations for the financial sector (i.e. Pillar 3) to avoid overlap in the published information.

DR 66-68: Commenting for these in general terms, there is a significant amount of requirements here that will require time and additional resources to quantify. As the main goal is to reduce the burden, it would be simpler to require anticipated financial effects of physical and transition risks without asking for disaggregation (for the former), specific time horizons (can be bucketed into over the next 10 years for example) and impacted revenue as it is very complex to pinpoint given how it varies from year to year.

Moreover, the request for reconciliations for DR 68 should be reconsidered as this will necessitate their disclosure in our SEC filings which will require further complexities as the risk is maturing.

E4-6: For DR 45, the financial effects of biodiversity, it will be helpful to limit it to industrial and agricultural locations (i.e. exclude offices). Moreover, qualitative instead of quantitative disclosures will be helpful as this risk is still emerging and continues to be understood, along with its financial effects.

SBM-3, 48b and 48e, AR18: Remove "anticipated effects" disclosure requirements for financial institutions

Disclosure requirements relating to any forward-looking datapoints ("anticipated financial effects") should be removed or be fully aligned with accounting principles on "forward-looking information" and should not go further than these.

Accounting standards already provide sufficient principles-based guidance as to how provisions and contingent liabilities should be disclosed.

Remove or n/a for FIs

Information that is highly dependent on estimate and subject to a high degree of uncertainty should not be considered of real interest to investors and should not be disclosed be removed, given the significant variability such information may present and the possible legal risk to disclosures.

On the other hand, please indicate the most critical and the most useful elements to be retained

ESRS 1, section 10.2 - Transitional provisions related to chapter 5 Value chain, para. 133 should be maintained

2.2. OPTIONAL – If possible, and if not specified already under point 2.1 Please identify the most critical narrative disclosure requirements and/or datapoints that require clarification, and share your suggestions

Please organise your comments and suggestions according to the sequence of the standards (cross-cutting, E topical, S topical, G topical:

Disclosure requirements (DR)

MDR – A

Datapoints (DP)

69B, 69C

Comment:

Suggestions:

Align the word "significant" with "material" in this AR

Disclosure requirements (DR)

GOV – 4

Datapoints (DP)

GOV-4_01

Comment:**Suggestions:**

Clarify the type of disclosure required

Disclosure requirements (DR)

SBM – 1

Datapoints (DP)

SBM-1_26 and SBM-1_27

Comment:**Suggestions:**

Clarify the disclosure requirements needed to meet the expectations of the regulatory request within the financial sector.

Disclosure requirements (DR)

S1 – 17

Datapoints (DP)

S1-17_06, S1-17_07, S1-17_10, S1-17_12

Comment:

Disclosure requirement is overly broad, ambiguous, and difficult to apply especially within a large global company

Disclosure appears to be required even if concerns are not substantiated, which means that companies that encourage the reporting and tracking of concerns look worse than those that do not. The vagueness of these topics also will lead to a risk of either double counting – as a single complaint could fit into different buckets – or firms taking different approaches to how they categorise particular complaints, which serves to defeat the purpose of the CSRD to bring consistency to ESG reporting.

"Complaint" is not defined in 103(b), so it is unclear when something an employee says becomes reportable. On a more general point, the use of defined terms throughout the ESRS is inconsistent, for example, with 103(a) "incidents" being defined and some key terms, like "complaints" in 103(b), not being defined. This issue is not just limited to 103, and it is pervasive throughout the ESRS and will lead to different interpretations of the same reporting standards.

Even when matters are tracked, reportable matters under 103(b) are not easy to identify because of the breadth and vagueness of the topics (e.g., "work-life balance", "working time"), particularly since some of these topics may not be commonly used outside of the EU (e.g., secure employment)

103(c) does not clearly carve out settlements for commercial purposes, where liability is disputed

Suggestions:

Shift the focus of disclosure to founded incidents.

Disclosure requirements (DR)

E1 – 1

Datapoints (DP)

E1-1_01

Comment:**Suggestions:**

Clarify the minimum disclosure requirements for the disclosure of the transition plan by financial institutions (e.g. disclosure should be limited to sectors where a target has been set)

Disclosure requirements (DR)

SBM – 2

Datapoints (DP)

SBM-2_01, SBM-2_12

Comment:**Suggestions:**

Clarify the procedures and timing for involving Workers' Representatives in the DMA process.

Disclosure requirements (DR)

MDR – T

Datapoints (DP)

MDR-T_10

Comment:**Suggestions:**

Clarify what constitutes "conclusive scientific evidence" as basis for targets

Disclosure requirements (DR)

SBM – 3

Datapoints (DP)

E1.SBM-3_02 to _07

Comment:**Suggestions:**

This disclosure requirement has a lot of information to digest with certain elements that are not well defined or understood. Simplifying wording or clearer meanings would help in minimizing its complexity. For example, AR 6 brings in elements of upstream and downstream value chain which are very broad for a firm with global operations. A more targeted definition taking into account the FI sector would be welcomed.

This AR also asks to consider material physical risks and transition risks that may have been excluded from the analysis; inclusion of these risks would be more useful when answering.

AR 8 brings in the component of areas of uncertainties which is odd wording in the context of resilience analysis and also not clear on what this means; suggest excluding this wording.

Disclosure requirements (DR)

E1 – 2

Datapoints (DP)

E1-2_01

Comment:

Not clear what "other" is meant to mean in the context of this disclosure when the purpose of the DR is to disclose policies in place related to CCM/CCA material IROs (i.e., disclosure of "other" may not be relevant and conflict with the ESRS principle to disclose understandable information)

Suggestions:

2.3. OPTIONAL If possible, and if not specified already under point 2.1 above, please beyond the need for clarification, identify the 10 most challenging narrative disclosure requirements (DRs) with an indication of the least important or most problematic datapoints (DPs) to prepare and share your suggestions:

Please organise your comments and suggestions according to the sequence of the standards (cross-cutting, E topical, S topical, G topical):

Disclosure requirements (DR)

Datapoints (DP)

Comment on the challenge:

Suggestions:

5. (untitled)

PART 3: HOW TO IMPROVE QUANTITATIVE INFORMATION AND EU REGULATION RELATED INFORMATION

Quantitative information (metrics) is in principle comparable (over time and between undertakings). Initial feedback seems to suggest that some required metrics may be too granular and/or not decision useful or may be difficult to prepare (due to difficulty to collect basic data or lack of maturity of the matter).

Furthermore, EU Regulations related information (SFDR, Climate Law, Pillar 3, Benchmark) was included in ESRS Set 1 to facilitate the appropriate flows of information between the various actors, in order to create consistency in reporting. In this context, its relevance with respect to general purpose sustainability reporting was not assessed by EFRAG. Initial feedback seems to suggest that certain datapoints may not meet the criteria to be included in the general-purpose sustainability reporting.

In addition, with respect to Article 8 of the Environmental Taxonomy Regulation 2020/852, it was decided to offer a placeholder in the sustainability statement for the information required under this regulation. In this context, its relevance with respect to general purpose sustainability reporting was not assessed by EFRAG. Initial feedback seems to suggest that this information has increased significantly the volume of information reported in the sustainability statement.

3.1. Please identify the most challenging quantitative DRs/DPs and share your suggestion on how to address the issue, in terms of:

- The relevance (least important, critical)
- The difficulty to prepare
- The need for clarification

Please organise your comments and suggestions according to the sequence of the standards (cross-cutting, E topical, S topical, G topical):

Disclosure requirements (DR)

E1 – 1

Datapoints (DP)

E1-1_05: Financial resources allocated to action plan (OpEx) E1-1_06: Financial resources allocated to action plan (CapEx)

Comment on the challenge:

The actions defined within the transition plans pertain to the bank's portfolio, and in this context, the financial resources allocated cannot be interpreted in conjunction with the disclosure published under the Taxonomy Regulation, as required by the ESRS.

Formally establish the non-applicability of these informational requirements to financial institutions.

Suggestion:

Remove or n/a for FIs

Disclosure requirements (DR)

E1 – 1

Datapoints (DP)

E1-1_09: Significant CapEx for coal-related economic activities E1-1_10: Significant CapEx for oil-related economic activities E1-1_11: Significant CapEx for gas-related economic activities

Comment on the challenge:

These are not relevant for banks.

Suggestion:

Remove or n/a for FIs

Disclosure requirements (DR)

E1 – 3

Datapoints (DP)

E1-3_03: Achieved GHG emission reductions E1-3_04: Expected GHG emission reductions

Comment on the challenge:

These are not relevant for banks.

Suggestion:

Remove or n/a for FIs

Disclosure requirements (DR)

E1 – 4

Datapoints (DP)

E1-4_15: Absolute value of Scope 3 Greenhouse gas emissions reduction

Comment on the challenge:

ESRS requires undertakings to report intensity-based emissions targets in absolute terms. However, as AFME outlined in their Jan. 2025 briefing note, banks find absolute financed emissions reduction targets inappropriate, misleading, and misaligned with their overall strategy for undertakings with intensity-based targets. Intensity-based targets better reflect decision-making processes and are more usable for supporting clients' transitions and comparing companies of different sizes.

Suggestion:

Make voluntary for FIs

Disclosure requirements (DR)

E1 – 4

Datapoints (DP)

E1-4_03: Absolute value of total Greenhouse gas emissions reduction E1-4_06: Absolute value of Scope 1 Greenhouse gas emissions reduction E1-4_09: Absolute value of location-based Scope 2 Greenhouse gas emissions reduction E1-4_12: Absolute value of market-based Scope 2 Greenhouse gas emissions reduction

Comment on the challenge:**Suggestion:**

Make voluntary for FIs

Disclosure requirements (DR)

E1 – 4

Datapoints (DP)

E1-4 §30-34, AR 23-31; ESRS 2 MDR-T §78-81, AR 24-26

Comment on the challenge:

Generally, detailed E1-4/MDR-T requirements create issues when seeking to disclose 2050 Net Zero financed emissions target and are more suited to 2030 Interim Targets. Net Zero targets are many years out so details required in MDR-T and E1-4 DRs and ARs not all available or obtainable

Suggestion:

Make voluntary

Disclosure requirements (DR)

E1 – 4

Datapoints (DP)

E1-4 §34(b)

Comment on the challenge:

Para. 34(b) requires that disclosed GHG reduction targets be gross targets not including removal, credits or avoided emissions. But Net Zero targets assume a certain amount of residual emissions will be neutralized by these means—as recognized in E1-7 para. 60.

Are Net Zero targets NOT subject E1-4 and only MDR-Ts?

Suggestion:

This should be clarified and para. 34(b) and para. 60 should reconcile better.

Disclosure requirements (DR)

E1 – 4

Datapoints (DP)

E1-4 §34(f)

Comment on the challenge:

Requires quantitative contributions to achieving targets from decarbonization levers. As with E1-3 above, this is not feasible for bank financed emissions where actions will be indirect.

Suggestion:

Make voluntary for FIs

Disclosure requirements (DR)

E1 – 5

Datapoints (DP)

E1-5_10: Fuel consumption from coal and coal products E1-5_11: Fuel consumption from crude oil and petroleum products E1-5_12: Fuel consumption from natural gas E1-5_13: Fuel consumption from other fossil sources E1-5_14: Consumption of purchased or acquired electricity, heat, steam, or cooling from fossil sources E1-5_18: Energy intensity from activities in high climate impact sectors (total energy consumption per net revenue) E1-5_19: Total energy consumption from activities in high climate impact sectors

Comment on the challenge:

High climate impact sectors not relevant for banking industries

Suggestion:

Make voluntary for FIs

Disclosure requirements (DR)

E1 – 6

Datapoints (DP)

E1-6 §§44-55; AR 39-55

Comment on the challenge:

§46 and §50 requirement to include GHG emissions of associates, JVs, unconsolidated subsidiaries and contractual arrangements not structured through an entity to extent of operational control is an extremely burdensome undertaking for a complex global organization, especially for global FIs that can have many non-operating entities for financial and/or legal reasons.

Suggestion:

Make voluntary for FIs or streamline

Disclosure requirements (DR)

E1 – 6

Datapoints (DP)

E1-6_11: Gross Scope 3 greenhouse gas emissions

Comment on the challenge:

The only regulatory reference for financial institutions regarding Scope 3 emissions, category 15, refers to the Partnership for Carbon Accounting Financial (PCAF) calculation methodology.

However, at the sector level, there are concerns about the reliability of financed emissions estimates for certain asset classes covered by PCAF (e.g. sovereign exposures).

Suggestion:

Clarify which asset classes under PCAF must be reported by financial institutions to ensure that the disclosed information is both comprehensive and accurate.

Disclosure requirements (DR)

E1 – 6

Datapoints (DP)

E1-6_11: Gross Scope 3 greenhouse gas emissions

Comment on the challenge:

Banks disclose financed GHG emissions (Scope 1, 2, and 3 emissions of the counterpart) for positions that most significantly contribute to climate change within Pillar 3 disclosure. The scope of this disclosure differs from the provisions of the ESRS.

Financial market participants subject to SFDR 2019/2088 (e.g. asset managers, insurance companies) disclose financed GHG emissions (Scope 1, 2, and 3 emissions of the counterpart) for the exposures in their portfolios. The scope and methodology of this disclosure may differ from the requirements of the ESRS.

We also need to have reliable data from our counterparties, especially on their scope 3 emissions.

Suggestion:

Align the disclosure requirements for financed emissions expressed by the ESRS with those established by other mandatory reporting frameworks to which financial institutions are subject.

In the absence of methodological consistency between different regulations requiring the same information, the following issues could arise:

- Incomplete disclosures
- Informational asymmetries that are not understandable for users interested in the information
- Development costs for methodologies that are partially overlapping

Also, when information is not sufficiently reliable (eg data for GHG calculation) then this information should be allowed not to be disclosed in the GHG emission inventory.

Disclosure requirements (DR)

E1 – 6

Datapoints (DP)

E1-6_07: Gross Scope 1 greenhouse gas emissions E1-6_09: Gross location-based Scope 2 greenhouse gas emissions E1-6_10: Gross market-based Scope 2 greenhouse gas emissions

Comment on the challenge:

Disclosing emissions from owned assets leased to third parties (operating leases) within the Scope 1 and Scope 2 categories, according to the financial control principle outlined by the ESRS, poses challenges in obtaining data from lessees.

Moreover, including this scenario in Scope 1 and 2 emissions may impact the achievement of related emissions reduction targets, as the limited levers available to reduce consumption are generally influenced by activities carried out by the lessee.

Suggestion:

We welcome further discussions with EFRAG.

At least, clarify how financial sector undertakings should account for leased assets within their GHG emissions reporting framework.

Disclosure requirements (DR)

E1 – 6

Datapoints (DP)

E1-6_12: Total GHG emissions location based E1-6_13: Total GHG emissions market based

Comment on the challenge:

Given the importance of category 15 Scope 3 (financed emissions), the disclosure of total GHG emissions by a financial institution does not add value to the information available to users, as over 99% of the emissions would be attributable solely to the category of financed emissions.

Suggestion:

Eliminate the requirement to disclose the total GHG emissions for Scope 1, 2, and 3 for the financial sector, while maintaining separate disclosure for Scope 1 and 2 emissions.

Disclosure requirements (DR)

E1 – 6

Datapoints (DP)

E1-6_08: Percentage of Scope 1 GHG emissions from regulated emission trading schemes

Comment on the challenge:

The regulated emission trading schemes applies only to specific industrial sectors, and it is not applicable to the financial sector.

Suggestion:

Formally establish the non-applicability of this informational requirement to financial institutions.

Disclosure requirements (DR)

E1 – 6

Datapoints (DP)

E1-6_30: GHG emissions intensity, location-based (total GHG emissions per net revenue) E1-6_31: GHG emissions intensity, market-based (total GHG emissions per net revenue) E1-6_32: Disclosure of reconciliation to financial statements of net revenue used for calculation of GHG emissions intensity E1-6_33: Net revenue E1-6_34: Net revenue used to calculate GHG intensity E1-6_35: Net revenue other than used to calculate GHG intensity

Comment on the challenge:

Requires GHG emissions intensity (Total emissions per net revenue)

Suggestion:

Remove or n/a for FIs

Disclosure requirements (DR)

E1 – 7

Datapoints (DP)

Quantitative DPs related to E1-7 (GHG removals and GHG mitigation projects financed through carbon credits)

Comment on the challenge:

Not relevant for financial institutions

Suggestion:

Make voluntary only for FIs.

If not made voluntary, clarify that disclosures are about the undertaking's own project development or direct investments in/contributions to projects and not facilitation activities by financial players.

Disclosure requirements (DR)

E1 – 7

Datapoints (DP)

§60

Comment on the challenge:

§60: Requirement to disclose how residual GHGs will be neutralized for 2050 NZ target is not realistic for actions to be taken in 25 years.

Suggestion:

Delete

Disclosure requirements (DR)

E1 – 8

Datapoints (DP)

All quantitative DPs related to E1-8 (Internal Carbon pricing)

Comment on the challenge:**Suggestion:**

Remove or n/a for FIs

Disclosure requirements (DR)

E2 – 6

Datapoints (DP)

E2-6_01 Disclosure of quantitative information about anticipated financial effects of material risks and opportunities arising from pollution-related impacts

Comment on the challenge:**Suggestion:**

Clarify whether metrics on expected financial effects should also be applied at portfolio level for financial institutions.

Disclosure requirements (DR)

E3 – 5

Datapoints (DP)

E3-5_01: Disclosure of quantitative information about anticipated financial effects of material risks and opportunities arising from water and marine resources-related impacts

Comment on the challenge:**Suggestion:**

Clarify whether metrics on expected financial effects should also be applied at portfolio level for financial institutions.

Disclosure requirements (DR)

E4 - 6

Datapoints (DP)

E4-6_01: Disclosure of quantitative information about anticipated financial effects of material risks and opportunities arising from biodiversity- and ecosystem-related impacts and dependencies

Comment on the challenge:**Suggestion:**

Clarify whether metrics on expected financial effects should also be applied at portfolio level for financial institutions.

Disclosure requirements (DR)

E5 -6

Datapoints (DP)

E5-6_01: Disclosure of quantitative information about anticipated financial effects of material risks and opportunities arising from resource use and circular economy-related impacts

Comment on the challenge:**Suggestion:**

Clarify whether metrics on expected financial effects should also be applied at portfolio level for financial institutions.

Disclosure requirements (DR)

G1 – 5

Datapoints (DP)

G1-5_04: Amount of internal and external lobbying expenses

Comment on the challenge:

Misleading information

Suggestion:

Remove

Disclosure requirements (DR)

G1 – 5

Datapoints (DP)

G1-5_05: Amount paid for membership to lobbying associations

Comment on the challenge:

Cannot be properly accounted. Results in misleading information

Suggestion:

Remove

Disclosure requirements (DR)

G1 – 6

Datapoints (DP)

G1-6_01: Average number of days to pay invoice from date when contractual or statutory term of payment starts to be calculated
G1-6_03: Percentage of payments aligned with standard payment terms

Comment on the challenge:

Payment practices: financial institutions are highly regulated 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 to be taken with specific reporting setup, including systematic categorization of financial market intermediaries vs. traditional suppliers and considering whether contracting and payments are performed by other group entities to ultimately present information which is of low value for regulated FIs – hence this results in "metric immateriality" and such should be characterized as not applicable for FIs.

Additionally, the calculation formula for determining the average number of days of delay in the payment of suppliers is unclear and raises doubts about which date should be applied to calculate the days.

Furthermore, the calculation of indicators and the presence of homogeneous clusters of standard payment terms may vary depending on the sector (financial vs. industrial), making the information less relevant for users.

Suggestion:

Remove or n/a for FIs.

Disclosure requirements (DR)

S1 – 12

Datapoints (DP)

S1-12_01: Percentage of persons with disabilities amongst employees, subject to legal restrictions on collection of data
S1-12_02: Percentage of employees with disabilities in own workforce breakdown by gender [table]

Comment on the challenge:

Given data privacy rules and regulations and GDPR, European institutions are unable to disclose information as to the numbers of days lost to work-related ill health and fatalities. In ESRS, sensitive nature of data required to meet prescribed disclosure requirements with consideration to GDPR and Self ID limitations (e.g. employees need to either self-identify as a person with disability or obtain medical / occupational health assessment which are intrusive and possibly in certain jurisdictions illegal requirements).

The decision-usefulness of this information in the market is also unclear.

Suggestion:

Make voluntary only for FIs

Disclosure requirements (DR)

S1 – 13

Datapoints (DP)

S1-13_01: Training and skills development indicators gender [table]
S1-13_02: Percentage of employees that participated in regular performance and career development reviews
S1-13_03: Average number of training hours by gender [table]
S1-13_04: Average number of training hours per person for employees

Comment on the challenge:

Metrics required such as para 83a the percentage of employees that participated in regular performance and career development reviews by gender, and para 83b as the number of hours of training completed per employee and by gender, do not clearly and substantively represent the extent to which training and skills development is provided to financial institution's employees.

Suggestion:

Make voluntary only for FIs

Disclosure requirements (DR)

S1 – 14

Datapoints (DP)

S1-14_01: Percentage of people in its own workforce who are covered by health and safety management system based on legal requirements and (or) recognised standards or guidelines S1-14_02: Number of fatalities in own workforce as result of work-related injuries and work-related ill health S1-14_03: Number of fatalities as result of work-related injuries and work-related ill health of other workers working on undertaking's sites S1-14_04: Number of recordable work-related accidents for own workforce S1-14_05: Rate of recordable work-related accidents for own workforce S1-14_06: Number of cases of recordable work-related ill health of employees S1-14_07: Number of days lost to work-related injuries and fatalities from work-related accidents, work-related ill health and fatalities from ill health related to employees

Comment on the challenge:

Whilst FIs have health and safety policies covering their workforce and specific initiatives that contribute towards positive impacts, reporting on the number of physical health and safety injuries, fatalities etc. in reality are not a useful datapoint for financial institutions disclosures.

The definition of a work accident is also not precise enough.

Suggestion:

Make voluntary only for FIs

Disclosure requirements (DR)

S1 – 15

Datapoints (DP)

S1-15_01: Coverage of social protection for own workforce S1-15_02: Percentage of entitled employees that took family-related leave S1-15_03: Percentage of entitled employees that took family-related leave by gender [table] S1-15_04: All employees are entitled to family-related leaves through social policy and (or) collective bargaining agreements

Comment on the challenge:

Definitions are not precise

Suggestion:

Consider removal. If retained, need a more precise definition

Disclosure requirements (DR)

S1 – 16

Datapoints (DP)

S1-16_02: Annual total remuneration ratio

Comment on the challenge:

Annual global remuneration ratio not relevant as a global ratio. It is not homogeneous nor comparable across companies, as it depends greatly on the geographical location of each company.

Suggestion:

This ratio would be more meaningful if presented by region

Disclosure requirements (DR)

S1 – 17

Datapoints (DP)

S1-17_01: Number of incidents of discrimination [table] S1-17_02: Number of incidents of discrimination S1-17_03: Number of complaints filed through channels for people in own workforce to raise concerns S1-17_04: Number of complaints filed to National Contact Points for OECD Multinational Enterprises S1-17_05: Amount of fines, penalties, and compensation for damages as result of incidents of discrimination, including harassment and complaints filed S1-17_06: Information about reconciliation of fines, penalties, and compensation for damages as result of violations regarding work-related discrimination and harassment with most relevant amount presented in financial statements S1-17_07: Disclosure of contextual information necessary to understand data and how data has been compiled (work-related grievances, incidents and complaints related to social and human rights matters) S1-17_08: Number of severe human rights issues and incidents connected to own workforce S1-17_09: Number of severe human rights issues and incidents connected to own workforce that are cases of non respect of UN Guiding Principles and OECD Guidelines for Multinational Enterprises S1-17_11: Amount of fines, penalties, and compensation for severe human rights issues and incidents connected to own workforce S1-17_12: Information about reconciliation of amount of fines, penalties, and compensation for severe human rights issues and incidents connected to own workforce with most relevant amount presented in financial statements

Comment on the challenge:

Disclosure requirement is overly broad, ambiguous, and difficult to apply especially within a large global company

Disclosure appears to be required even if concerns are not substantiated, which means that companies that encourage the reporting and tracking of concerns look worse than those that do not. The vagueness of these topics also will lead to a risk of either double counting – as a single complaint could fit into different buckets – or firms taking different approaches to how they categorise particular complaints, which serves to defeat the purpose of the CSRD to bring consistency to ESG reporting.

"Complaint" is not defined in 103(b), so it is unclear when something an employee says becomes reportable. On a more general point, the use of defined terms throughout the ESRS is inconsistent, for example, with 103(a) "incidents" being defined and some key terms, like "complaints" in 103(b), not being defined. This issue is not just limited to 103, and it is pervasive throughout the ESRS and will lead to different interpretations of the same reporting standards.

Even when matters are tracked, reportable matters under 103(b) are not easy to identify because of the breadth and vagueness of the topics (e.g., "work-life balance", "working time"), particularly since some of these topics may not be commonly used outside of the EU (e.g., secure employment)

103(c) does not clearly carve out settlements for commercial purposes, where liability is disputed

Suggestion:

Address usability challenges.

Shift the focus of disclosure to founded incidents.

Disclosure requirements (DR)

S1 – 17

Datapoints (DP)

S1-17_05: Amount of fines, penalties, and compensation for damages as result of incidents of discrimination, including harassment and complaints filed S1-17_11: Amount of fines, penalties, and compensation for severe human rights issues and incidents connected to own workforce

Comment on the challenge:

No need to distinguish between discrimination penalties and others

Suggestion:

Change to one metric only

Disclosure requirements (DR)

S1 – 7

Datapoints (DP)

S1-7_01: Number of non-employees in own workforce S1-7_02: Number of non-employees in own workforce - self-employed people S1-7_03: Number of non-employees in own workforce - people provided by undertakings primarily engaged in employment activities

Comment on the challenge:

Suggestion:

Remove or make voluntary only for financial institutions only where assessed as decision-useful

Disclosure requirements (DR)

SBM – 1

Datapoints (DP)

SBM-1_06: Total revenue SBM-1_07: Revenue by significant ESRS Sectors

Comment on the challenge:

The definition of revenue is not relevant for banks. The commonly accepted KPI is NBI.

Suggestion:

Make voluntary for FIs

Disclosure requirements (DR)

SBM – 1

Datapoints (DP)

SBM-1_06: Total revenue SBM-1_07: Revenue by significant ESRS Sectors

Comment on the challenge:

The definition of revenue is not relevant for banks. The commonly accepted KPI is NBI.

Suggestion:

Make voluntary for FIs

Disclosure requirements (DR)

SBM – 1

Datapoints (DP)

Comment on the challenge:

Datapoints with sectoral breakdowns based on EFRAG's ESRS sector classification — e.g. certain disclosures under reference SBM 1, para. 40, which are not meaningful in a financial context.

Suggestion:

Make voluntary for FIs

Disclosure requirements (DR)

MDR – A

Datapoints (DP)

MDR-A_09: Current financial resources allocated to action plan (Capex) MDR-A_10: Current financial resources allocated to action plan (Opex) MDR-A_11: Future financial resources allocated to action plan (Capex) MDR-A_12: Future financial resources allocated to action plan (Opex)

Comment on the challenge:

These are not aligned with how financial entities manage their resources

Suggestion:

Make voluntary for FIs

3.2. Do you have suggestions regarding EU regulation related datapoints (DPs)?

It is essential to provide coherence between CSRD reporting and the information needed by financial institutions to comply with regulatory requirements. The ESRS should require parties subject to other relevant EU legislation to either point to the location of the disclosure or include that same disclosure in the CSRD Sustainability Statement. This would allow financial institutions to more efficiently locate and utilise the data reported by counterparties for the purposes of regulatory reporting. Duplicating the same information across multiple reports should be avoided. This approach preserves transparency and completeness, while reducing the reporting burden and minimising the risk of inconsistencies across disclosures.

In the absence of cross-referencing, it would be important to receive clarifications on how the reporting of datapoints linked to the SFDR (Appendix B ESRS 2) should account for downstream value chain information disclosed by other undertakings under ESRS, taking into consideration the specific characteristics of a bank's downstream value chain. As AFME has highlighted to the European Commission, it is essential to review sustainability reporting requirements and relevant financial regulation holistically in light of the Omnibus objectives. Simplification through the review of SFDR, the review of Taxonomy reporting for financial institutions, the review of Pillar 3 ESG disclosures, for example, should be done in conjunction with the review of the ESRS. Rather than including a list of additional datapoints required by EU regulation in the CSRD, there is a need to substantively align these EU regulations with the reporting requirements in the CSRD to reduce burdens on reporters, identifying opportunities for streamlining, taking into account which datapoints are driven solely by regulation and which are really needed for financial institutions' sound risk management.

3.3. Do you have suggestions regarding Article 8 of the Environmental Taxonomy Regulation 2020/852 related information and its inclusion in the sustainability statement under a placeholder approach?

AFME has provided feedback on banks' reporting under Article 8 of the Taxonomy Regulation including on the reporting templates under Article 8. Please see AFME's position paper on the Omnibus proposals, our response to the European Commission's consultation on proposed amendments to taxonomy reporting and our previous paper on the review of the Green Asset Ratio.

We continue to strongly believe that the Green Asset Ratio does not provide meaningful information. GAR reporting entails a very significant operational exercise for banks, requiring detailed information from clients, counterparties and investee companies. In addition to requiring very substantial resources for banks, it also creates burdens for their clients in providing the required information. In the future, due to the reduction in companies in scope for Taxonomy reporting through the Omnibus, the burden for clients may lessen - but this will entail an even less pertinent GAR. Even if the GAR calculation methodology is improved, this KPI will always remain sensitive to each company's business model and therefore not be comparable across the economy. If the GAR is not removed, it is essential to streamline the disclosure templates very significantly to reduce burdens for banks. The inclusion of extensive EU Taxonomy GAR templates disproportionately affects the readability of the sustainability statement. In all cases, EU Taxonomy the templates should be capable of disclosure separately as an annex to the sustainability statement rather than the current position where they take up a significant proportion of the sustainability statement disclosures with information that is not meaningful for stakeholders.

6. (untitled)

PART 4: HOW TO ADDRESS THE SIMPLIFICATION OF THE STANDARDS (STRUCTURE AND PRESENTATION) AND THE NEED FOR INTEROPERABILITY

Initial feedback seems to suggest that the current structure and presentation of reporting requirements in the standards may be difficult to understand and use and may have contributed to the inclusion of repetitive and duplicated content within the sustainability statement.

In addition, to avoid unnecessary regulatory fragmentation that could have negative consequences for undertakings operating globally, ESRS Set 1 has been drafted with the objective to contribute to the process of convergence of sustainability reporting standards at global level. The Omnibus proposals suggest to further enhance the already very high degree of interoperability with global sustainability reporting standards.

5.1. Please share your suggestions on how to improve and simplify the current structure and presentation of the standards, in relation to:

Please select:

The relationship between cross-cutting and topical standards

Suggestions:

ARs entailing the mandatory disclosure of datapoints should be integrated into the DRs. This would make the ESRS more efficient as it would enable them to get straight to the point.

ARs describing methodology should be moved to separate Implementation Guidance. Methodological guidance is found in both ESRS and EFRAG implementation guidance. Current guidance in application requirements often uses terminology outlining that the "undertaking shall consider" specific methodological approaches, often introducing new disclosures. For example, AR E1-6 prescribes significantly more detail and breakdown for emissions reporting than originally outlined within DR E1-6 (Gross Scopes 1, 2, 3 and Total GHG emissions). This language causes confusion as it suggests an approach for undertakings and third-party limited assurance providers to consider, but does not clearly state if alternative approaches are permitted. If this change is not made, we suggest replacing "shall use" with "may use" in the Application Requirements, which will enable entities with specific nuances or global operations to adopt the most suitable methodologies for their business. E.g., We suggest replacing "shall use" with "may use" in AR 98 in S1 regarding gender pay gap methodology, to remove the mandatory requirement to apply a specific methodology.

Please select:

The relationship between cross-cutting and topical standards

Suggestions:

EFRAG should identify opportunities to streamline disclosure requirement which are currently addressed in both cross-cutting and topical standards. Currently there is repetition of disclosures between cross-cutting and topical standards and the process is too complex.

Our proposed principle of aggregation to provide flexibility for companies to report aggregated information at a higher level would also help address overlaps between cross-cutting standards and topical standards.

For example, there are opportunities to streamline GOV, SBM, and IRO requirements, which are currently addressed in both ESRS 2 and topical standards. This needs to be simplified or datapoints need to be deleted. Potential approaches EFRAG could take include the following:

1. Delete all GOV, SBM, and IRO requirements in topical standards as these are addressed well in ESRS 2. Then, if the requirements in ESRS 2 are not considered to contain sufficient detail, consider how to address this in a streamlined manner.

OR

2. Integrate all topical GOV, SBM, and IRO requirements into ESRS 2 and remove them from the topical standards.

In addition to either of these potential options, EFRAG should consider deleting GOV-1 to 4 requirements, leaving only GOV-5, since these requirements are already addressed by the corporate governance statement. ESRS 1, Section 9.1 Incorporation by reference, includes provisions to ensure that information is only reported once.

EFRAG should also consider allowing undertakings to choose whether to disclose GOV, SBM, and IRO disclosures in either the general chapter or the topical chapters.

Please select:

The relationship between the main body of the standards and the application requirements

Suggestions:

The split of narrative DR by topics does not allow for the proper introduction of the general framework. The final structure does not facilitate the understanding of entities' operational framework. More balance is needed between a transversal approach and a topical one. Undertakings are not organised by topics but by processes.

Please select:

Any other matter

Suggestions:

We need to have more flexibility to organise the information in general and topical chapters.

The architecture of social and environmental are not aligned, with environmental by topic and social by position in value chain.

There is too much repetition/redundancy. An alternative structure could consist of generic DRs on the E (including transition plan to be aligned for instance with EBA guidelines approach), S and G side and metrics organised by topic.

Please select:

Any other matter

Suggestions:

We recommend bundling the topical non-climate environmental ESRS (i.e. ESRS E2 Pollution; ESRS E3 Water and marine resources; ESRS E4 Biodiversity and ecosystems; and ESRS E5 Resource use and circular economy) into an overall Nature standard for both materiality assessment purposes and for disclosure purposes (i.e. single disclosure block on nature) for the following reasons:

1. Most financial institutions have single frameworks, policies, and processes to manage these non-climate environmental issues (e.g., a single Environmental Risk Framework, rather than separate ones for Pollution, Water, Biodiversity, and Resource use & Circular Economy).
2. Prudential regulators (such as FINMA, ECB) and organisations such as the NGFS are also approaching non-financial risks according to the categories of "climate" and "nature".

Financial institutions should be permitted to structure their topical environmental ESRS reporting into the two main blocks of "Climate" and "Nature", ensuring consistency with existing environmental reporting, such as under TCFD and TNFD. Should the DMA obligation be maintained, financial institutions should be also allowed to perform materiality assessment at the "nature level" (covering ESRS E2 to E5).

5.2. Regarding interoperability, please:

If you are a preparer, indicate if you are reporting under another framework and which one:

If you are not reporting under another framework, indicate if you intend to do so and use which one:

Please share any suggestion you may have to enhance the already high level of interoperability of ESRS with other frameworks (ISSB, GRI, TCFD, TNFD, CDP). Please indicate DR/DPs if relevant.

If you are a user/other type of stakeholder.

Share your views on the importance and usefulness of interoperability from your perspective:

AFME members, as globally active financial institutions, are subject to sustainability reporting requirements in multiple jurisdictions alongside the ESRS, many of which are based on ISSB standards. AFME welcomes the continued dialogue between EFRAG and the ISSB and continues to support efforts to maximise alignment and ensure interoperability of EU and international standards to minimise fragmentation and duplication of reporting. While interoperability can help ease implementation for firms, it does not necessarily allow investors to easily read across various reports. The focus should move from interoperability to usability, as investors can best use disclosures if there is some degree of consistency and ability to read across different reports. AFME strongly supports maximising alignment of ESRS with global standards; interoperability and common datapoints must be maintained as the ESRS are streamlined. We support the joint ESRS-ISSB Standards Interoperability Guidance, which aims to reduce complexity, fragmentation, and duplication for companies applying both ISSB and ESRS. EFRAG should utilise the Interoperability Guidance as it reviews the ESRS to identify opportunities for further convergence and whether there are opportunities to reduce datapoints that are listed in Table 4.2.2 "ESRS E1 Requirements not covered by IFRS S2" which would facilitate further improved interoperability of ESRS and ISSB. In addition, we believe that it is important for EFRAG and the ISSB to continue to work together to increase alignment and interoperability as EFRAG reviews the ESRS and the ISSB continues its work. This should be with a view to EU companies reporting under the ESRS being able to easily satisfy requirements to comply with ISSB standards and minimising additional disclosures under ESRS for non-EU companies disclosing in accordance with ISSB. Furthermore, these interoperability efforts must persist as the work on future standards under the ISSB continues to evolve.

7. (untitled)

PART 6 – ANY OTHER COMMENT OR SUGGESTION

For instance, among others, in relation to format and presentation of the sustainability statement and its relationship with other parts of the management report, the communication of the company, the reporting boundaries, etc.

Overview of key challenges and recommendations

Key areas where members have experienced challenges include:

- The materiality assessment process: the double materiality assessment process has proved very resource-intensive for banks and merits review with the aim of streamlining the process, allowing for greater flexibility and reducing

disclosures regarding the process itself.

- Granularity and volume of datapoints: as has been acknowledged by the Commission, the review of the ESRS presents significant opportunities for streamlining the number of datapoints. We believe that EFRAG should review the datapoints required across the ESRS with a focus on which datapoints are decision-useful for relevant stakeholders. In addition to reducing the number of datapoints, EFRAG should consider whether some datapoints can be made voluntary to reduce burdens on reporters and facilitate reporters focusing on the most relevant information for their business. The ESRS framework includes a very large number of datapoints, many of which could be multiplied across dimensions such as IROs (Impacts, Risks, Opportunities), subsidiaries, business segments etc. This results in substantial complexity for data systems, traceability and internal governance.
- Lack of limited assurance standards: the lack of established and commonly accepted limited assurance standards for sustainability reporting has been a significant challenge during ESRS implementation. Unlike financial reporting, where audit expectations are well defined, sustainability assurance remains fragmented and evolving. This creates uncertainty around the scope of assurance, the level of evidence required, and the roles of different assurance providers. For preparers, this complicates internal control processes.

We set out in our responses to the questionnaire below key areas where we believe revisions to the ESRS are required. These include:

- 1) Streamlining the materiality assessment process, increasing flexibility and reducing reporting requirements on the process itself.
- 2) Substantially reducing the number of datapoints, focusing on datapoints which are most decision-useful for relevant stakeholders.
- 3) Introducing a general aggregation principle providing reporters with flexibility to aggregate data at a higher level, enabling companies to aggregate information without having to disclose all granular information at a sub-topic level. This would improve readability and usability of sustainability reports for investors and reduce burdens for companies.
- 4) Limiting the scope of value chain reporting, taking particular account of the nature of financial institutions' value chains.
- 5) Simplifying the structure of the standards and increasing flexibility for preparers to structure their reports and organise disclosures in topical groupings. In particular, we recommend allowing financial institutions to bundle the topical non-climate environmental ESRS into an overall Nature standard for both materiality assessment purposes and for disclosure purposes.
- 6) Supporting interoperability and increasing alignment with ISSB standards to minimise duplication and fragmentation for companies reporting under both ESRS and ISSB standards.
- 7) Acknowledging that where the quality of available data is insufficient, data may not be reported. This is needed to ensure accuracy of disclosures and avoid legal risks.
- 8) Providing sufficient flexibility to ensure that disclosures work for financial institutions, recognising that certain disclosures are not relevant/applicable to them.
- 9) Ensuring no repetition or overlap of datapoints between the topical standards and the cross-cutting standards, for example removing datapoints from topical standards where they are already sufficiently covered by the general requirements.
- 10) Incorporating the 'undue cost or effort' principle of the ISSB standards, whereby information requests on companies should be bearable and reasonable, without implying an undue cost or effort to retrieve.

A "bottom-up" approach to removing datapoints deemed least important for sustainability reporting

In determining its approach for the revision of the ESRS, EFRAG should consider a "bottom-up" approach to selecting decision-useful datapoints like the process used to create the VSME standard, which relied upon industry feedback to identify a "core" set of datapoints to be reported for the provision of financing. AFME supports initiatives to create a core set of datapoints that are most decision-useful for financial institutions in line with existing global reporting requirements rather than an approach which aims for a numerical datapoint reduction target. Reportable data needs to reflect information that is decision useful as well as that which makes sense from a cost / benefit perspective, factoring in the cost of production, build of systems and processes, capacity & capability expansion and assurance.

Proportional Approach to Value Chain

We consider that the scope of value chain (VC) reporting should be limited to Tier 1. The ESRS define value chain as "as extending beyond immediate contractual relationships" and do not consider the complexity of financial sector value chains and business activities. The downstream value chain of financial institutions can be made up of many thousands of companies and counterparties, operating across different sectors and jurisdictions (given the global and largely dematerialized nature of the current economic order).

Financial institutions have different degrees of proximity to counterparties in the value chain and hence different degrees of ability to assess the tangible impacts that clients/investees/counterparties have on sustainability matters. For example, "workers in the value chain" could give rise to extremely broad disclosures because global banks lend to all sectors across jurisdictions and these sectors make use of products of various sub-sectors. If the value chain was not limited to direct counterparties, a global bank would potentially have to assess the entire workforce worldwide. Clarification should be provided regarding the reporting boundaries for financial institutions, which should encompass only the sustainability-related risks and opportunities associated with their direct first-tier relationships, excluding individuals. This limitation should apply with specific exceptions where a recognised methodology is in place, for example for GHG emissions where a methodology is in place for scope 3 emissions.

Streamline Transition Plan Disclosures

It is important that transition plan disclosure requirements are not overly prescriptive and enable companies to set a strategy for their transition, remaining a strategic exercise and avoiding a "tick the box" compliance exercise. The ESRS should remain disclosure requirements and should not mandate companies to take particular action.

Companies face uncertainty regarding the requirements for transition plans to "ensure that its strategy and business model are compatible with the transition to a sustainable economy, and with the limiting of global warming to 1.5 °C in line with the Paris Agreement and with the objective of achieving climate neutrality by 2050 and, where relevant, the undertaking's exposure to coal, oil and gas-related activities" (E1-1 15) and to explain how GHG emissions targets are "compatible with 1.5C" (E1-1 16). Given the dependencies for companies' transition including actions outside their control, and uncertainties as to what "compatible with 1.5C" entails, we consider that it would be better to provide for companies to disclose how their climate mitigation plan compares to a Paris Agreement-aligned pathway. This should also be addressed in the review of the level 1 directive.

Omit Confidential, Classified and Legally Protected Information from Disclosure

Firms should be explicitly allowed to omit all kinds of confidential, commercially sensitive, classified and legally protected information. Existing sector-agnostic ESRS contain datapoints which, in some instances, are illegal to obtain in certain jurisdictions. ESRS 1.7 on the 'Preparation and presentation of sustainability information' provides that firms are not required to disclose classified or sensitive information; however, this provision appears limited to information corresponding to intellectual property. To provide an example, firms are unable to provide data to fulfil datapoints in S1-12 given data privacy rules and regulations and GDPR, but it is unclear whether ESRS 1.7 applies in this context. In addition, this capacity to omit information should also extend to instances where disclosing certain data can put a company at a disadvantage vis à vis another party with whom it may be legal proceedings. This is already the case for financial information (eg provisions related to a court case).

Undue Cost or Effort Principle

We consider that the EFRAG standards should incorporate the "undue cost or effort" principle of the ISSB standards, whereby information requests on companies should be bearable and reasonable, without implying undue cost or effort to retrieve. We believe this principle is a positive element that recognises the challenges that companies face when working to compile and prepare all the necessary information in order to comply with the reporting standards. Although the EFRAG standards integrate this principle to a certain extent, it does not apply throughout the standards as it is the case in the ISSB ones.

Phase in of data points

It is essential that the European Commission suspends the application of disclosure requirements subject to a phase-in regime under the CSRD (ESRS 1 General Requirements, Appendix C) until the whole Omnibus process has been completed. These phase-ins, if kept after the review, should be implemented taking into account the application dates of the simplified ESRS. If left unaddressed, the current situation would set companies that have already disclosed under CSRD for FY 2024 at a further disadvantage vis à vis companies that have not reported yet, as the former would be due to report on the phased-in elements (such as data on non-workforce or financial effects) for the second year of reporting under CSRD. In addition, the publication of the phased-in elements would mean that companies would incur a significant implementation effort and reporting cost regarding data that could be eliminated or minimized as a result of the outcome of the Omnibus review.

Subsidiary Reporting

Reports prepared by subsidiaries are usually duplicative and do not enhance transparency for investors. Reporting obligations on subsidiaries increase the costs to comply with CSRD with no real benefit.

We therefore suggest exempting from CSRD reporting all undertakings, listed and unlisted, that are already included in the consolidated Sustainability Statement of the parent company. Additionally, reporting boundaries for a parent company's consolidated Sustainability Statement should be the same as for the financial statements. A group's subsidiaries that are deemed immaterial for the scope of financial statements should be excluded from sustainability reporting without the need for any additional assessment.

8. Thank You!

Thank you for taking our survey. Your response is very important to us.

You will receive a copy of your submitted questionnaire in your email.

The EFRAG Secretariat will anonymise contributions and leverage them only in aggregate form.