

This paper has been prepared by the EFRAG Secretariat for discussion at a public meeting of EFRAG SRB & SR TEG. The paper forms part of an early stage of the development of a potential EFRAG position. Consequently, the paper does not represent the official views of EFRAG or any individual member of the EFRAG SRB or EFRAG SR TEG. The paper is made available to enable the public to follow the discussions in the meeting. Tentative decisions are made in public and reported in the EFRAG Update. EFRAG positions, as approved by the EFRAG SRB, are published as comment letters, discussion or position papers, or in any other form considered appropriate in the circumstances.

Summary of Outreach Events: Comments and suggestions

Background

Statistics:

This report collects feedback gathered from 3193 participants across 21 outreach events¹ held in between August and October 2025.

	Date	Outreach Event	Attendees
EFRAG Events			
1	10 Sep	Business Associations / Preparers	640
2	17 Sep	Financial Institutions	434
3	18 Sep	Civil Society Organisations	87
4	24 Sep	Friends of EFRAG and All Stakeholders	225
National Events			
5	1 Sep	Denmark – Confederation of Danish Industries	83
6	12 Sep	France – Autorité des Normes Comptables	159
7	15 Sep	Spain – Instituto de Contabilidad y Auditoría de Cuentas	60

¹ An additional event was held jointly with DASB (NL) but receipt of statics and summarised feedback are still pending.

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	Date	Outreach Event	Attendees
8	18 Sep	Germany – Deutsches Rechnungslegungs Standards Committee	250
9	22 Sep	Sweden – Swedish Corporate Reporting Board	46
10	23 Sep	Ireland – Chartered Accountants Ireland	130
11	24 Sep	Italy – Organismo Italiano di Contabilita'	520
12	25 Sep	Netherlands - VNO/Confederation Dutch Industry	35
13	30 Sep	Luxembourg – House of Sustainability/ Chambre de Commerce, FEDIL, Luxconfederation, ABBL, ACA	150
Other Events			
14	26 Aug	Financial Executives International	53
15	17 Sep	World Business Council for Sustainable Development	26
16	24 Sep	European Accounting Association	130
17	25 Sep	VDMA (German Mechanical Engineering Industry Association)	16
18	26 Sep	European Issuers	70
19	26 Sep	Business Europe	27
20	2 Oct	European Round Table for Industry	35
21	2 Oct	Association for Financial Markets in Europe	17

The content is based on unapproved summaries prepared by EFRAG Secretariat and not validated by the speakers/organisers of the individual sessions.

The suggestions heard in the events are all reported, irrespective of their suitability to be accepted in the next phase. The EFRAG Secretariat will prepare a paper supporting the SRB Directions on the 14 October with Secretariat recommendations on which of the suggestions could be taken onboard.

When relevant, the stakeholder group that provided a specific view is mentioned in parenthesis. EFRAG events were public, the others closed.



Recurring General Messages:

- General feedback was supportive of the Exposure Drafts (EDs), with appreciation for the delivery of the simplifications in the restricted timeframe.
- Preference is for the amended ESRS vs the Delegated Act as the current EDs include helpful and positive changes. Unfortunate for Wave 1 reporting companies, as there was investment in the Delegated Act version, conversion to the amended ESRS will be challenging and, as some participants expressed, also costly and burdensome.
- Praise for improved readability of the standards and greater flexibility in the structure of the sustainability reports was welcomed, including use of appendices and executive summaries.
- The reduction of qualitative disclosures and duplicated requirements is welcomed, in particular by preparers who expressed their contentment about having their voice and experience as practitioners heard. On the elements of removing duplications and reduction of datapoints, representatives from financial users mentioned their satisfaction with the amendments, which overall manage to preserve the disclosure of relevant data. However, they also conveyed the message, along with CSOs, that the limit of what could be reduced in terms of DPs has been reached and going beyond will impair the overall objective of the ESRS.
- Some preparers considered that more cuts are needed; CSO and responsible investors flagged that if the standards are reduced further, reports would no longer be meaningful. Preparers: no new datapoints.
- Majority of feedback recommend the NMIGs be kept out of the Delegated Act, but certain stakeholder groups, such as CSOs and auditors, called upon EFRAG to transform NMIG into more comprehensive topical guidance at a later stage, following a proper due process.
- The objective of Sustainability Reporting and the objective of the use of Sustainability Information, as stated in ESRS 1, should be more specific and precise, to support judgement on materiality of information
- Feedback from the different outreach events so far show opposing views on the emphasis added to fair presentation in the [draft] amended ESRS. While from the perspective of many stakeholders, the now explicit reference to the fair presentation concept is welcomed, concerns were raised, and there were requests for further guidance to make it operational. Remaining concerns refer to:
 - o Its application to the DMA guidance and potential for an increased reliance on entity-specific disclosures in the context of fair presentation, which may go against burden reduction efforts, unless it is accompanied by clear guidance on auditing to avoid excesses in the audit process. Suggestions include transition provisions allowing practice to develop (e.g. few years before the explicit fair presentation is to be applied)
 - o Increased legal risk due to undetermined nature of impact materiality and less level of precision of the estimates compared to financial information
 - o Potential incompatibility with current burden reliefs



- The 57% reduction in mandatory datapoints is questioned in terms of its effective translation into a corresponding reduction in the reporting burden for preparers. For some, this is not necessarily an issue per se, but for others it is as this was the task given to EFRAG. In any case, EFRAG communication should be clear and properly linked to the wider reliefs included in the draft EDs.
- Double materiality assessment (DMA): guidance has improved, but the need for further progress remains, need for more examples, templates and sector specific materiality maps. For instance, in events for financial institutions (FIs), along with strong support for the top-down materiality assessment, there was need for additional targeted AR clarifications in the materiality section for the financial institutions. Clarifications around the concept of information materiality are also welcome, but some participants raised profound concerns in relation to the users' categories mentioned in the revised text (para 21(a) (b)).
- Gross vs net guidance is helpful but complex and interpretation of the new concepts could be challenging, also questioned why similar guidance was not provided for risks. General preference for deleting appendix C and to adopt a more principles-based approach for the provision in ESRS 1. Mixed views by preparers on net versus gross, likely deriving from different understandings on how the two work in practice, as well as from the fact that the EDs are considered not clear enough on the underlying approach.
- Welcomed new horizontal reliefs but questions on the practical implementation remain, which may require further clarification (e.g. what precisely is undue cost and effort?). In addition, notable difference between the views of financial institutions in their users' capacity and as preparers on such matters as extension of metrics relief to GHG emissions and reporting of anticipated financial effects. Lastly, CSO representatives called for safeguards and time limits for these new reliefs. Some noted reliefs are contrary to fair presentation.
- Need to align with ISSB standards: mixed views. For some, more alignment is needed, and reliefs should not go beyond IFRS. For others, no alignment if this means less simplification. If option 1 is adopted for AFE, go for the IFRS relief without differences.
- Strong call for full alignment with SFDR
- Revision of the topical standards is moving in the right direction:
 - o For GHG boundaries, elimination of the E1-1 peculiar boundary is supported, but we also heard requests to grant same flexibility as in GHGP.
 - o In relation to E1, questions were raised on the usefulness of the locked-in GHG emissions and breakdowns of energy consumption. Additionally, questions were raised on the base years and GHG inventory.
 - o In relation to E2-E5: welcomed removal of topical specification for anticipated financial effects, welcomed alignment with other regulations such as REACH and asked for more clarity on several E5 datapoints
 - o Overall feedback on S1: simplification is positive; feedback on the three specific topics of thresholds, adequate wage and gender pay gap show mixed views and suggested enhancements to be considered together with S1-16 on human rights incidents.
 - o S2-S4: Limited feedback obtained and minority comments on the narrative disclosures on engagement or actions.
 - o G1 causes the lowest number of concerns, however practical challenges remain in relation to reporting payment practices (in particular differentiation in terms of size (SME)). In addition, reluctance of preparers to disclose confirmed incidents of corruption and/or bribery.



- Across Social and Governance standards, investors stressed the need to retain key metrics (e.g. SFDR PAI's) and breakdowns (e.g., gender pay, training by gender), and ensure any merged or relocated requirements remain visible and enforceable.
- In one specific event, where participants included a high number of preparers from outside Europe, there were a few questions on the status of the Non-European Sustainability Reporting Standards (NESRS).

Comments and suggestions from all events

Comments and suggestions below are from the stakeholder attendees of the outreach events, not from EFRAG Secretariat.

Issue	Comments	Suggestions for further changes
HORIZONTAL ISSUES		
Understandability, clarity, and accessibility of Standards. [Q 15]	<ul style="list-style-type: none"> Noted improvement in readability Noted inconsistencies across ESRS due to tight drafting deadlines AR are still a mix of guidance and examples Simplification was mainly driven by preparers 	<ul style="list-style-type: none"> Clarify the term “significant” which is used throughout the standards, incl. in ESRS 1 para. 21b, ESRS 1 para 35 and E1 para 14b, as well terms such as “key”, “relevant” or “major” Thorough editorial review is required across all standards (DK) Examples and guidance should be clearly separated in ARs from methodology Clarify status of Appendix A with regards to ESRS 1. The qualification that it “provides nonbinding guidance” is confusing, since it is an integral part of ESRS 1 Clarify the objective of sustainability reporting, as stated in ESRS 1, paras. 3 & 4. It is not precise or clear enough – also linked to suggestions of changes to para. 21 (b). Make sure that disclosure objectives are crystal clear Publish list of datapoints shortly after deliver of final standards.
ESRS Sustainability Statements: improvement in flexibility on the presentation / readability / connectivity [Q 13]	<ul style="list-style-type: none"> Changes are supported The ability of users to understand the connection between financial and sustainability information has weakened as reconciliations are now not mandatory anymore An ‘Executive Summary’ is not equivalent to primary statements Disappointment about deletion of the connectivity datapoint from ESRS 1 as it was understood that it was not possible to do the connectivity anymore Presenting DRs and ARs together is an improvement 	<ul style="list-style-type: none"> Clarify if the appendices can sit at the end of the annual report, instead of at the end of the management report Clarify that the amendments on connectivity (reconciliations is now voluntary) did not mean to eliminate the requirement, but to adopt a principles-based approach Align auditors in different countries on presentation and readability requirements of a sustainability report, as interpretations are currently very different and result in significant differences in report length / detail across different countries Create a true primary statements equivalent, containing metrics including financial ones, presented in the relevant sections and referenced to within the executive summary, along with a clearly defined minimum set of required information Clarify if and how consolidated joint ventures should be included in the group sustainability statement



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		<ul style="list-style-type: none"> • Restore cross-references to financial statements in ESRS 1 as making them voluntary impairs connectivity • EFRAG to issue illustrative examples of an ESRS report
6 datapoints moved from “may” to “shall” [Q 23]	<ul style="list-style-type: none"> • Support, as prominence of water and biodiversity is likely to increase due to climate change • Support making these datapoints explicit, they were already required implicitly • DP on confirmed incidents is not relevant or reliable, and dangerous given that 3rd party countries (e.g., the US) might use the disclosures against companies • Any addition of shall datapoints contradicts the EC’s mandate on simplification 	<ul style="list-style-type: none"> • Opposing views. Preparers oppose their introduction. Other stakeholder categories support it.
4 new datapoints [Q 24]	<ul style="list-style-type: none"> • Any expansion of datapoints contradicts EC’s March 2025 simplification mandate and should be avoided • Do not support the new datapoints / opposite views from CSO / opposite views from CSO: EFRAG is making it more transparent rather than adding new datapoints • If some datapoints are already implemented there is no need to change the wording, in particular relating to disaggregation, AR 24 of ESRS 1 	<ul style="list-style-type: none"> • Opposing views. Preparers oppose their introduction and suggest deleting them . Other stakeholder categories support it and suggest keeping them.
Datapoint reduction [Q 22]	<ul style="list-style-type: none"> • Welcomed substantial reduction of the datapoints • If the standards are reduced further, they would not be meaningful anymore • 57% of reduction in DPs does not correspond to the same % reduction of reported information, or % of preparation costs <ul style="list-style-type: none"> ◦ Some Wave 1 companies will continue to report the deleted DPs for which they have already done the implementation work. ◦ The explicit clarification of “fair presentation” will likely result in the same level of audit costs, to demonstrate that deleted DPs are not to be reported as entity-specific information. 	<ul style="list-style-type: none"> • EFRAG should be clearer in communication and focus more on the burden reduction rather than datapoints to avoid false expectations • Reassess reductions to restore critical mandatory disclosures and maintain sufficient granularity for investor comparability and confidence • Additional cuts should not be made to ensure that users benefit from decision useful information • Some preparers claim reductions do not go far enough • Assess if there is scope for more reduction particularly for less decision useful information through re-wording / clarification of paragraph 21 of ESRS 1 • From the CSO perspective too many deletions in social datapoints, reinstate some



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	<ul style="list-style-type: none"> ○ For narrative disclosure, if the granular DPs are eliminated, the substance of the information disclosure still needs to be there, even if it is at a high level. ○ The real burden reduction is estimated to be only 10 to 15 or 20%. ○ Request for additional reduction ● From the Trade Unions point of view overshoot on the number of cuts in social standards 	
NMIG status [Q 16]	<ul style="list-style-type: none"> ● Support for this to be outside the delegated act ● Concerns that auditors will still require justification for the non-materiality of this content, also if outside the Delegated Act 	<ul style="list-style-type: none"> ● More work is needed to address discrepancies in guidance between EDs and NMIG – ensure alignment with Standards ● Non mandatory guidance should be avoided ● Avoid moving requirements to NMIG if operational burden persists; ensure true simplification ● Carefully consider the need and status of NMIG as it may lead to discussion with auditors, even if non-mandatory. Make explicit NMIG's non-mandatory status or postpone issuance to a later stage as comprehensive guidance ● Concerned that ID 177² (mapping of sustainability matters with DRs) was downgraded to NMIG, and would welcome it to be mandatory
Undue cost or effort, burden reliefs and other suggested clarifications. [Q 17]	<ul style="list-style-type: none"> ● Welcomed the reliefs ● Unclear what “undue cost or effort” means in practice ● Application of reliefs might impact comparability and transparency ● How does the EC's report on <i>reasonable effort</i>³ relate to undue cost or effort? ● Methodologies on data collection vary significantly across geographies, which is challenging for internationally active preparers. Reliefs for undue cost or effort should allow for this to be addressed ● Judgement / DMA/ reliefs: too many reliefs and too much flexibility go in the wrong direction. Reporting 	<ul style="list-style-type: none"> ● Clarify/illustrate undue cost and effort concept: <ul style="list-style-type: none"> ○ How it works in case of DMA and in case of metrics ○ Does it allow for the complete omission of a metric? And of an IRO? ○ Can it still be used if the information is available? ○ Can you use undue cost and effort as an escape clause to avoid disclosing sensitive information incurring legal risks? And if not how to avoid that this happens? ○ Illustrate the different dimensions of the analysis, e.g. consideration of the loss of information not only of the costs, proportionality; take inspiration from the reasonable effort guidance of the EC ○ explain that this is linked to strategy/risk management and available information

² <https://www.efrag.org/en/news-and-calendar/news/efrag-esrs-qa-platform-64-new-explanations-available-updating-the-compilation-of-explanations-to-a>

³ https://finance.ec.europa.eu/document/download/c4e40e92-8633-4bda-97cf-0af13e70bc3f_en?filename=240807-faqs-corporate-sustainability-reporting_en.pdf

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	<p>should measure performance and not define the strategy; we still see too many differences in what is material, for different peers. Would prefer a compliance system, with an identified sub-set of KPIs to be always reported, giving the right timing to get to the necessary quality. Definition of what is material cannot be delegated to preparers. Timing is too tight. Undue cost or effort is a quick fix that does not solve the issue.</p> <ul style="list-style-type: none"> • Removing preference for direct data for value chain is a good change • Undue costs or effort principle and potential scope reporting significantly undermine data quality, availability and comparability in the long term 	<ul style="list-style-type: none"> ○ bring IFRS accompanying guidance into the standards without amendments • Clarify interaction with fair presentation • Clarify interaction with other burden reliefs/ is there a hierarchy between the reliefs • Reliefs should be limited in timing (opposing view: support for them without limits) • Concern regarding possible abuse of reliefs: <ul style="list-style-type: none"> ○ Clarify how to avoid that undue cost or effort is used to avoid efforts ○ Relief may allow preparers to strategically avoid the disclosure of material sustainability information. See ESRS 1, paras. 47, 87, 87(d), and 89 <ul style="list-style-type: none"> ▪ 47 & 87: re-word as “available with reasonable cost or effort” ▪ 87d & 89: delete • The new reliefs should be subject to strict conditions, such as clear timeline and transparency on the effort to improve the data provided, restrict its use: it is so broad that will permanently impair efforts still necessary to achieve necessary data quality • To ensure that reliefs are temporary rather than permanent: introduce sunset clauses or require periodic review of justifications • Examples of undue cost or effort add complexity to the Standards. It is better to simply provide a definition of what is good practice and emphasise that principle-based decisions should be considered. Opposite view – auditor: incorporate IFRS guide on undue cost or effort. • Clarify that the capacity of a company to influence the value chain plays a role in the undue cost or effort relief • Seek explicit exclusion of Assets under Management from CSRD reporting obligations; grant flexibility to asset managers to avoid lengthy auditor discussions • Apply the undue cost or effort relief consistently across all disclosure types, not solely GHG emissions • On Scope 3 emissions, partial estimations should be permitted under relief provisions. While the importance of Scope 3 was acknowledged, a pragmatic approach to data quality was advocated
Transition		<ul style="list-style-type: none"> • Override level 1 and request implementation of ESRS 1, ESRS 2, E1, and G1 in year one, but a phased-in approach for ESRS E2-E5, and S1-S4
Interoperability [Q 21]	<ul style="list-style-type: none"> • Global investors would prefer full alignment with ISSB • Some simplification has removed interoperability with international standards - problematic for investors and companies reporting against both sets 	<ul style="list-style-type: none"> • Provide interoperability with SEC requirements • It is important to align with GRI not only IFRS • IFRS are global baseline, ensure that ESRS do not go below it as a result of reliefs • Complete harmonization (use concept of equivalents) with ISSB, at least for what S1 and S2 already cover

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	<ul style="list-style-type: none"> • EFRAG's view has shifted towards more alignment with ISSB. Question to enhance this trend to more interoperability to avoid compliance costs and achieve a common baseline • Interoperability should not be seen as a one-way road, ISSB should also change and eg incorporate the relief for acquisitions • Improvements made on interoperability, including referencing IFRS industry-specific guidelines 	<ul style="list-style-type: none"> • If not possible to copy paste, the EC should reconsider the concept of alignment with ISSB • Interoperability is desirable, but should be secondary to EU standards
CROSS-CUTTING ISSUES		
DMA: clarification and simplification (process / threshold) [Q 11]	<ul style="list-style-type: none"> • Clarifications and additional guidance on the DMA (chapter 3) – ESRS 1, are welcomed and appreciated but with reservations and need for clarifications on certain aspects • Simplification of DMA may enable users to get truly relevant information • Ensure that the filter of materiality works properly, so that only relevant information is reported: materiality should not encompass all the impacts that are “important” for people or the environment, but only those that are important given the company's strategy and business model • Minority view: The new practical considerations on how to assess severity create confusion with auditors. Reconsider if the assessment of criteria is needed or not • Concerns on how DMA aligns with financial materiality under IFRS and SEC • Allowing a top-down approach is the single most impactful change that EFRAG could make • Welcome better language on engagement of worker representatives • Welcome clarification on positive impacts, para 36 	<ul style="list-style-type: none"> • Emphasise the materiality concept to allow undertakings to focus their sustainability reporting on material matters • In practice, nearly all companies considered E1, S1 and G1 to be material. Lightening the disclosure on why these three topics were considered to be material could simplify the reporting for most companies without losing important information. For those companies which concluded these three topics to be <u>not material</u>, more detailed information could be required. • According to the final decision on CSRD scope (e.g., 750 employees), a rebuttable presumption could be included for companies to have to always report on S1 (and maybe also S2) as we will assume that all the topics and sub-topics in S1 are material for the companies falling under the (new) scope as they will be considered a ‘big employer. Same reasoning could be applied for climate, which will also be likely to be considered always material as only large companies will be in scope • Clarify the threshold for materiality pointing to what is strategic/relevant based on business model • Review the practical consideration for severity, in particular content in AR 17 as it may contradict general principle and create discussion with auditors • Clarify AR 17: top down is now presented as an option, it seems that the bottom up is still the main approach; the statement that the results are expected to be the same triggers the need to document that this is the case, thus no simplification • Revise required level of disaggregation: level of disaggregation is done based on DMA and this contradicts the practical considerations, as to be able to properly disaggregate, you need to perform DMA at disaggregated level • To support proper functioning of principles-based standards, give more emphasis to the objectives of DMA and the objective of each DR

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		<ul style="list-style-type: none"> • Clarify the scope of value chain assessment for DMA: companies are expected to start from their position in the value chain. E.g. an equipment provider for a mining company sits only in certain aspects of the mining business model, so not all the impacts in mining are relevant to analyse • Clarify what good enough documentation for audit should look like • Guidance, examples, templates would be welcome, including further guidance on mitigation actions • Some elements in the text seem to contradict practical considerations, e.g., very detailed description of process, DMA process needs to be re-done, some terms need to be clarified to ease process with auditors. • Update of the DMA: (1) Clarify that re-performing the DMA is only required for major transactions and done every 3-5 years and (2) reinforce wording in ESRS 1 para 29 to remark that refreshing of DMA is a sanity check and is not a full reassessment; only material circumstances to be considered • Stakeholder usefulness should not be linked to materiality – this was a source of many discussions with auditors • Suggestion to simplify stakeholder engagement process in a pragmatic way such as by using publicly available information • Clarify application of financial materiality: <ul style="list-style-type: none"> ○ Interpretation and application given that companies have existing guidelines on the topic such as SEC and IFRS, which already differ ○ Aligning with existing definitions (e.g., IFRS) would improve interoperability ○ Allow entities to apply the definition of financial materiality as defined by the framework or jurisdiction applicable ○ Clarify relationship between materiality of information and financial materiality ○ Treat financial materiality and impact materiality as equally important • To make sure that the sector agnostic standards work for the financial sector, recommend recognising in ESRS 1 and ESRS 2 the existing processes of the financial sector • Revert to previous wording on the difference between group and subsidiaries unchanged as it was already implemented - AR 24 • Additional guidance needed in the standards on the interaction between due diligence and materiality as there is an understanding gap in practice • Define minimum criteria for choosing a top-down vs. bottom-up approach



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		<ul style="list-style-type: none"> Material IROs must not be left out; unit of account should remain the IRO IRO aggregation related to the business model should be more flexible so it can be more understandable Develop in the future sector references / guidance / NMIG for sectors – this could simplify the DMA and also help with the gross vs net discussions Need sectoral guidance for banks and financial institutions
Materiality of information filter [Q 11]	<ul style="list-style-type: none"> Concerns that the changes are not effective and will not result in excluding non-useful information Current text (22(b)) potentially undermines the importance of the usage of sustainability information by stakeholders that are not primary users. E.g., “to understand” is vague. What is end goal of the understanding? Clarified guidance of materiality of information is useful Clarity of materiality of information also to be applied to ESRS 2 is welcomed The direction of the Omnibus in terms of scope for the CSRD should be kept in mind as the changes make the DMA easier but effectiveness in practice will depend on the size of the company 	<ul style="list-style-type: none"> Paragraph 21(b) received opposing suggestions on the way forward: <ul style="list-style-type: none"> Clarify the term “necessary” as it is subjective and should be re-worded to avoid auditors (and users) not understanding the meaning / Clarify the filter in 21 (b) e.g. what is indispensable for a depiction of IROs and to cover essential/strategic issues. It may be clear for investors but not for other users / EFRAG should consult with auditors to understand how they would interpret the “necessary to understand” element in 21 (b), i.e. who needs to provide evidence that users need certain type of information Para. 21 (b) could be mis-interpreted and difficult to prove as providing a very low materiality threshold: it should be deleted in its current form. Emphasise the concept of <i>decision usefulness</i> to determine when information is material Keep ESRS 1 p21(b) despite pressure from preparers, if removed there would be no meaningful information for users on impacts ESRS 1, para 21(b) potentially undermines the importance of the usage of sustainability information by stakeholders that are not primary users. To preserve the primacy of decision-usefulness in 21(a) by ensuring the purpose of disclosure does not stop at “understanding” as an end in itself, amend as follows: “...to understand the undertaking’s material impacts...in order to make relevant decisions and/or to take relevant action”. See also relevance to ESRS 1, paras. 3 & 4. 21(b) defines stakeholders too broadly and may pose legal risks Treat all users as equally important and promote both the purpose of decision-usefulness and accountability
Entity-specific information / disclosures	<ul style="list-style-type: none"> We miss a “threshold” for entity-specific information. Concern that reduction in datapoints will be neutralised by the need to provide entity specific information 	<ul style="list-style-type: none"> Clarify that / whether entity-specific (topics and information) are restricted to specific cases and what those disclosures are Include also GRI topical and sector standards as a source of entity specific disclosure (Friends of EFRAG, Business Europe)



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Relief for lack of data quality on metrics [Q 18]	<ul style="list-style-type: none"> Not clear how this will work in practice Conflicting views on this point include on one side the full support to the relief and to the fact that there is no time limit, and on the other that this relief does not create a level playing field and would be better to include a phase-in element 	<ul style="list-style-type: none"> Limit in time for 3-5 years and ask companies to justify on a regular basis why not reported in full / opposing view from preparers Relief for missing GHG emissions data is necessary given value-chain reporting challenges for banks
Fair presentation [Q 25]	<ul style="list-style-type: none"> Welcomed explicit reference to fair presentation It is not clear what this clarification of “fair presentation” framework means, which changes it will entail for the preparers and for the auditors: it will be key to make it operational. Stakeholders fear divergence of interpretation and a potential increase in burden / audit costs. It is not clear if the concept is meant to be the same as in the Accounting Directive from a legal point of view. <u>Opposite view</u>: clarify that this is not meant to be the same concept that we know in the Accounting Directive as sustainability and financial reporting are at very different stages of maturity. While EFRAG intention is to reduce the audit effort (and internal costs to prepare documents needed by auditors) until there will be clear and uniform audit guidelines clarifying what is and what is not expected from the audit profession, this change may trigger additional cost or limit largely the savings expected from the simplification. If fair presentation is maintained, we would need clear limit for this concept. There are too many reliefs, at a point that fair presentation is questionable. Arguments against fair presentation <ul style="list-style-type: none"> it goes in an opposite direction than simplification as it increases responsibility it creates a false impression of increased interoperability (in fact it was not mentioned in 	<ul style="list-style-type: none"> Preserve fair presentation Clarify what fair presentation means and how the company needs to prepare internally to document what done (i.e. what is material and what is not material). Clear guidelines and the right anchor points should be provided linking the DMA and fair presentation. Examples of additional support: <ul style="list-style-type: none"> Clarity in the legal framework and responsibilities at governance level for achieving it (level 1); changes to CSRD text for reporting and assurance requirements, including clarity on roles of all stakeholders including management and auditors Exercise caution in every change related to fair presentation in the context of impacts, as in financial materiality it is ‘easier’ as also more mature Review the relevant wording to clarify versus existing legal concepts Engage with audit profession to understand how they will read it. Audit guidelines are needed clarifying what the auditor is expected to do differently compared to a compliance approach. Clarify how fair presentation interacts with the materiality judgement: are the identified material IROs to be fairly represented? Or the DMA should aim at fairly identifying the material IROs? And in the latter case how to be sure that the audit trail is not disproportionate? Clarify the interaction between reliefs and fair presentation (e.g. clarify that applying ESRS including reliefs is not expected to impair fair presentation) Consider a phase-in approach for 3-5 years not to increase legal risks and to allow time for all parties to learn how to apply it in practice Be clear in the final standards that it is not expected that judgement is different from last year Review the definition for consistency with the one in IAS 15.17 (accounting IFRS): is the difference intentional? Is this meant to be different from fair presentation for accounting purposes?

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	<p>the 2024 joint guidance) as fair presentation in double materiality is a different concept than in investor materiality</p> <ul style="list-style-type: none"> ○ for sustainability information the degree of precision/measurability/reliability and comparability is not the same as for financial information. Lack of necessary precision in metrics: time horizons are too long, lack time-series for reliable estimation, methodologies are not mature, too many possible scenarios ○ double materiality and fair presentation are incompatible, the combination of the two creates a disproportionate ambition ○ Purpose of reporting is undetermined (differently to decision making where it is the protection of investors and lenders) ○ Scope of reporting is too broad (decision making of investors as opposed to undefined use of information by other stakeholders) ○ How can we be sure that the information provided is fair to satisfy other stakeholders? ○ it is incompatible with the excessive use of reliefs (undue cost or effort, metrics, etc.) ○ it is contradicted by the limited assurance ○ level of judgement resulting from flexibility and DMA is contrary to fair presentation ○ If you can omit 2/3 of the datapoints as not material, it means that the information in the standards does not support fair presentation. ○ entity specific information is too broad, in financial reporting is less pervasive ○ for banks: missing a correlation of profitability and sustainability (cost of risk/capital absorption) we cannot integrate sustainability in business model 	<ul style="list-style-type: none"> • Emphasise in main body the intent of fair presentation: it is to reduce the workload and avoid a compliance exercise • Clarify the fair presentation definition as aligned with IFRS • Consider true and fair override to fully align with IFRS • Clarify that fair presentation is already entrenched in the ESRS, as well as the Accounting Directive, NFRD, and CSRD • Suggestion: two step approach: start without fair presentation and after 3 years fair presentation becomes effective. In the meanwhile, clarify the audit standards



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<p><u>Gross versus Net:</u> New guidance in ESRS 1 on how to consider remediation, mitigation and prevention actions in assessing materiality of negative impacts [Q 12]</p>	<ul style="list-style-type: none"> • New guidance is very difficult to understand (in particular the principles on potential impacts). • Significant ongoing prevention: this requirement may result in a lot of insignificant disclosure. E.g. anti-money laundering processes in a bank: there are obviously significant ongoing processes and there would be material incidents if they are not in place. It is prone to capturing too hypothetical fact patterns (and too broad scope of material topics). • Appendix C is too complex • An impact can move from negative to positive if one accounts for net, so it is confusing how to approach it. • Some financial institutions do not have a gross vs net perspective on financial risk (only on impacts), which creates challenges. • Whether a system was in place prior to an impact occurring, or it was put in place following the impact is irrelevant to the present obligation of the impact • Gross versus net: asking to adopt a gross approach is conceptually flawed, as mitigation is integral part of the business strategy • Preparer: Preference for gross approach is justified by alignment with due diligence concept (e.g. devoir de vigilance in France). Concerns that net approach creates a new stream of auditing costs, due to auditing the effectiveness of the actions and the materiality of the net approach, this justifies the preference for gross <p>Greater importance is given to negative impacts than to positive ones. When it comes to understanding the standard, this undermines the significance of positive impacts within the company's performance framework.</p>	<ul style="list-style-type: none"> • Mixed message from preparers: Preparers prefer gross approach to avoid audit work on effectiveness of actions; auditors view gross approach to be the norm and net approach the exception. Preparers prefer net approach, as business models and operations already incorporate actions, so gross is only a theoretical dimension. • Comparison with material issues in the sectors / SASB disclosure would help to clarify what to report beyond gross/net. • Merge assessment procedures for actual and potential impacts. In para 34 of ESRS 1: eliminate the word "actual" from "actual negative impacts" and remove the second sentence completely • Delete para. 35 of ESRS 1 • Delete paras. 34 & 35 and maintain gross with option for net • Appendix C: delete or move it to NMIG, while moving necessary information to the main text of the Standard <ul style="list-style-type: none"> ◦ Examples are not needed, and they contradict ESRS 1, para 34f. • Minority view: guidance in paras. 34 and 35 and Appendix C as drafted in the amended ESRS is useful and enables preparers to efficiently assess materiality of actual and negative impacts. Moreover, additional requirements could be included for preparers to disclose relevant past prevention actions when an actual impact materialises to provide sufficient context (not to restate all prior disclosures) • Additional clarification could be useful, including providing a decision tree with step-by-step guidance and clear statement that material information must not be omitted. • Make reporting positive impacts and opportunities voluntary • Provide further clarification for terms "supportable evidence", "significant mitigating actions" • Clarify what to do with financial risks and opportunities; clarify that this includes also indirect long-term impacts • Allow for flexibility, with an element of likelihood specific to the company • Avoid bright lines: consideration of actions should be weighed in the DMA • Recommend using alternative wording for gross vs net as use of these terms could lead to misunderstanding • Review the treatment of potential impacts when significant ongoing measures are in place, as they may result in penalizing companies with modern active/proactive safeguards (ending up reporting more than companies with reactive safeguards) • Review how the new guidelines work for business conduct, where we risk lowering excessively the materiality of net impacts

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		<ul style="list-style-type: none"> Go for a more principles-based approach: state the objective of this judgement call clearly, i.e. that material information must not be omitted but at the same time no over-reporting; to fairly present both impacts and actions. Ensure standards and guidance work together to support core objective Provide illustrative examples of positive impact versus mitigation metrics (e.g. S, G) to guide preparers in distinguishing policy actions from outcomes Guidance should provide help finding the appropriate balance between gross and net and emphasise the importance that companies talk about what they are doing
Boundaries (chapter 5 - ESRS 1)	<ul style="list-style-type: none"> See content under E1 section 	<ul style="list-style-type: none"> See content under E1 section
Anticipated financial effects [Q 19]	<p>General</p> <ul style="list-style-type: none"> Support for option 1: auditors, investors and civil society organisations Support for option 2: preparers Reporting on anticipated financial effects is considered burdensome, in particular in relation to significant auditability challenges and sensitivities around such disclosures <p>Detailed comments</p> <p>Arguments supporting Option 1:</p> <ul style="list-style-type: none"> Absence of quantitative information can prevent effective capital allocation Will help break barrier between ESG teams and strategic decisions makers Disclosing AFE is one of the most critical elements to connect sustainability to finance. It is crucial for investors and proper risk management. <p>Arguments supporting option 2:</p> <ul style="list-style-type: none"> Sensitivity issue (e.g. market abuse regulation, that would trigger to issue a profit warning when the assumptions used for the quantification change along the year). 	<ul style="list-style-type: none"> Prefer Option 2: Compare approach and process instead of quantitative figures Keep option 1 and ensure that it is fully aligned with the IFRS equivalent relief Option 1 is a good long-term goal. Important to provide guidance on how to get to Option 1 eventually. Adopt Option 1 for climate (more mature) and option 2 for other topics and/or phasing in Option 1 If primary concern for users is for the short term (1-5 years), undertakings could try to report 5-year quantifications. But for long term (>5 years), they disclose qualitative information. Preparers: None of the options is good. Also, qualitative information is problematic. Qualitative information about risks and opportunities is sufficient. Delete the entire DR ISSB Interoperability: <ul style="list-style-type: none"> Further dialogue with ISSB needed to harmonise qualitative vs quantitative disclosures. To support interoperability, make it voluntary (since ISSB is only for E). Align completely with ISSB. Clarify interplay with the MAR regulation Extend qualitative approach to future and current financial resources Implementation issues of anticipated financial effects should be resolved through guidance that ensures reliable and comparable information. Should be made voluntary to report quantitative. Reservations on both option 1 and 2 were expressed and a potential "Option 3" was suggested, which would imply: removal of these requirements or their treatment as optional and primarily qualitative.

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	<ul style="list-style-type: none"> Quantitative (forward looking) figures give a false sense of precision, qualitative information easier to report Poses legal risks Poses a challenge in terms of interoperability, but forward-looking business statements are business sensitive and extremely hard to audit Lack of coherence in methodology due to immature reporting may lead to results that are not comparable across entities Less costly Before requiring quantification in sustainability reporting, first we should work on an accounting principle for financial effects of sustainability issues in financial reporting. We lack connectivity elements here. We never reported on this in financial reporting. Investors need trust on expected profitability. We are not ready to quantify this. Unclear what is required to be reported on top of the strategy, business plan and targets that are already disclosed. Those elements have a 3 year time horizon. How can we quantify longer than this? Lack of common methodologies and various scenarios, contrary to comparability. How to make sure that the difference is due to reality or to methodology? For a bank: if time horizon of business plans is 3 years, how can we appreciate longer term financial effects of lending more green loans? 	
Restructuring of relationship between ESRS 2 and Topical Standards [Q 14]	<ul style="list-style-type: none"> Welcomed the restructuring Support centralisation of requirements, however lost specificity, especially in E standards, particularly through the deletion of the references to the LEAP approach in DMA; AR22 partially compensates this but uses weak wording 	<ul style="list-style-type: none"> Make screening of sites mandatory in AR 22 / Opposing view: eliminate the 'by site' disclosures Make value chain more visible Clearer guidance or visual mapping between ERSR 2 and topical standards would be helpful.

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	<ul style="list-style-type: none"> Centralisation of requirements on the value chain in ESRS 2 made value chain less visible, especially for the E standards, while most of the environmental impacts arise in the value chain 	<ul style="list-style-type: none"> Review language for the unit of account/disclosure: in ESRS 2 is either topical or IRO depending on what is more relevant, while in topical it is still all IROs
SFDR and other EU datapoints in Appendix B [Q 29]	<ul style="list-style-type: none"> Support maintenance of <u>mandatory</u> SFDR PAIs in ESRS SFDR disclosures crucial for asset managers; some PAI indicators may be burdensome but remain important for DNSH assessment 	<ul style="list-style-type: none"> EFRAG should not amend them, it should simply include a dynamic link to the future changes in regulation Make voluntary SFDR PAI Table 2 and 3 voluntary Retain some adverse impact indicators as SFDR review is starting - warn against changes that could impair availability for investors
ESRS 1 – other feedback	<ul style="list-style-type: none"> The “mixed approach” in the Appendix A of ED ESRS 1 (i.e. not having sub-sub-topics but having an “additional layer of topics” in brackets for social) is not considered an improvement but raises additional questions. Welcomed allowing inclusion of non-material information Reporting on the value chain for financial institutions is still complex SFDR disclosures crucial for asset managers; some PAI indicators may be burdensome but remain important for DNSH assessment 	<ul style="list-style-type: none"> Clarify what is required to be reported if only part (an aspect of) of the sub-topic is material – in particular for social Override CSRD and limit the scope of impact materiality assessment to entities that have a direct contractual relationship with the reporting entity Para. 30: eliminate 'not' from last sentence and add a sentence that makes it voluntary to consider 'already known potential impacts from the value chain' Financial institutions need clarity on value chain. In case current uncertainty persists, there should be explicit flexibility in which way financial institutions report assets under management at least for the fund management industry Limit value chain for financial institutions to level 1 Clarify that the ESRS 1 leased assets guidance applies to the reporting of GHG emissions and overrides E1 Sector guidance references are not necessary Adopt climate first, or similarly staggered, approach whereby certain topics, such as Climate and Governance, would come first and the rest later; expand the phase-in options Scope 3 should be included in the reliefs Para84(c): Eliminate the requirement to adjust base year for targets after acquisitions and disposals.
ESRS 2 – other feedback GOV		<ul style="list-style-type: none"> Add auditor independence disclosures to strengthen governance transparency; explore inclusion of auditor-related requirements or guidance to ensure assurance perspectives are explicitly addressed In GOV, consider reducing or even removing certain qualitative datapoints that duplicate annual report content to streamline mandatory requirements, in terms of roles of the governing bodies, due diligence, risk management

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Issue	Comments	Suggestions for further changes
ENVIRONMENTAL ISSUES		
E1: Disclosures on anticipated financial effects (paras. 40-42) [Q 20]	<ul style="list-style-type: none"> Opposing views: preparers are strongly in favour of option 2 while investors are strongly in favour of option 1 	<ul style="list-style-type: none"> Keep option 2: Anticipated financial effects should not be subject to compulsory disclosures. Report quantitative information on a voluntary basis without having to meet any conditions Keep option 1: if companies don't provide quantitative information investors will acquire it from data providers; companies may be better served by disclosing their own information to have proper conversations with their investors Make E1 paras. 40-42 optional
Exception for FIs Absolute Climate Reduction Targets [Q 26]	<ul style="list-style-type: none"> Absolute targets are not feasible for financial institutions. Absolute targets would provide wrong incentive, because high emission sectors are in need of transition financing. Exempt financial sector from the requirement to disclose absolute emission targets, because intensity targets reflect how banks track portfolio emissions and it provides better incentive to decarbonise portfolio <p>Assuming absolute targets are more relevant in all industries is not appropriate. Need a clarification on how intensity metrics are designed and how assumptions are used.</p>	<ul style="list-style-type: none"> Consider a phase-in to delay the DP disclosures / limit the obligation to some sectors Support exempting financial sector from the requirement to disclose absolute targets with a limitation in time and review of this clause in a couple of years to assess developed practices Allow banks to report intensity targets without requiring conversion to absolute targets; permit absolute targets only if voluntarily set Operational control better aligns with emissions accountability and decarbonisation goals
Boundaries	<ul style="list-style-type: none"> Simplification and clarification on GHG boundary is welcome Reliefs (e.g. acquisitions) will contradict the general rule on boundary. The E1 AR 18 (para E1.32) defining organisational GHG boundaries is overly prescriptive and does not reflect what companies are doing 	<ul style="list-style-type: none"> Clarify interaction between reliefs and general rule on boundary Align boundary with IFRS S2 and California Law (which align with GHG protocol giving optionality) Align boundary with ISSB on GHG boundaries Do not codify specific years to the GHG protocol within ESRS [provide dynamic references] Seek explicit exclusion of Assets under Management from CSRD reporting obligations to avoid lengthy audit discussions
E1 – other comments	<ul style="list-style-type: none"> E1-1: The requirement to disclose how the plan is compatible with 1.5°C feels challenging given the world economy isn't aligned to a 1.5°C pathway 	<ul style="list-style-type: none"> Restore definition of net zero Clarify the difference between transition plan and action plan Avoid codifying specific years related to the GHG Protocol guidance within the ESRS. (e.g., do not refer to a specific GHG protocol)



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	<ul style="list-style-type: none"> • Welcome retaining key elements of the transition plans (FI-investors, CSO). <u>Opposing view</u>: Despite simplification transition plan requirements are still quite heavy • Definitions of 'stranded assets' and 'lock-in emissions' are still unclear. Questioned usefulness of locked-in emissions datapoint • E1 lacks standardized climate scenario data sets, increasing preparer burden • E1-5: disclosing Capex & Opex figures related to actions taken could be considered commercially sensitive • Questioned whether E1-6 target requirements align with SBTi Guidelines on carbon removals and base years • Elimination of net zero definition was a loss • Regret that revenue intensity indicators were removed as they could provide greater understanding and comparability and make SFDR reporting easier for investors <u>Opposing view</u>: Welcomed deletion of intensity metrics • E1-7: regret no distinction between renewable sources • E1-7: Breakdown of energy consumption is not always available and maybe an allocation in practice not useful to users • Noted misalignment between E1-8 p33 and AR21 – not clear how to report biogenic emissions • Concerns that some companies will now need to do both financial and operational control approach for GHG reporting • E1-8: Scope 3 calculations across complex value chains remain challenging – preparers rely on non-EU emission factors, lack of a European authoritative dataset complicates reporting 	<ul style="list-style-type: none"> • Scenario analysis: <ul style="list-style-type: none"> ○ Should not be <u>required</u> by ESRS, and ESRS E1 should be explicit in this regard. <u>Opposing view</u>: recall importance of scenarios ○ Clarification: is scenario analysis mandatory? • E1 should focus on principles-based content and not define a specific scenario to use. <u>Opposing view</u>: Define a set of eligible baseline public scenarios as it will provide more comparable results • Reporting boundary should be very specific to allow for objective comparisons across entities. <u>Opposing view 1</u>: Align more closely with GHGP on boundary, as mandatory financial control would be overly burdensome. <u>Opposing view 2</u>: Keep the reporting boundary as proposed in the exposure draft • Clear guidance on locked-in emissions could make disclosures more consistent and useful • For stranded assets suggestion to have a link with the financial statements • Push for quantitative assessment of locked-in emissions • Need guidance on “key changes” that trigger change of the base year • Base year should not only be recent but also representative • Consider removing GHG exception in metrics relief [ESRS 1.91] • Need more visibility on the climate change adaptation, given that climate change issues are expected to become more prominent • In the finalisation process do not reduce the transition plans disclosure as the most important disclosure. <u>Opposing view</u>: further simplification is needed • Reflect in E1 the dependency of bank transition plans on broader economic decarbonization • ‘Transition events.’ require further guidance, including on transition risk events and whether this also encapsulates transition opportunities • Clarification on compatibility with 1.5°C needed • Rather than prescribing how a transition plan must be compatible with a particular temperature increase, plans should explain how an entity will contribute to decarbonisation objectives • Clarification on disaggregation of financed emissions (financial institutions) • Permit exclusion of certain Scope 3 categories and allow estimates or modelling when necessary • Encourage development or endorsement of EU-level emission factor datasets for energy and product categories

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	<ul style="list-style-type: none"> • Support continued requirement for gross risk reporting in E1 to uphold ambition • Regret reduced ISSB alignment 	<ul style="list-style-type: none"> • On materiality assessment (E1): provide guidance on clear thresholds, sector-specific examples, and minimum topic list or presumption of materiality for high-risk topics to ensure consistency • Develop additional guidance tailored for financial institutions on financed emissions methodologies and insurance claims emissions • E1-1. E1-5. Actions, targets, etc. This becomes repetitive and then must be repeated again. Add a reference to “when information is not included” to make the reading more user-friendly.
E2 – other comments	<ul style="list-style-type: none"> • CSOs are concerned about deletion of topical provisions related to the DMA-process and particularly the deletion of references to the LEAP approach (for E2, E3, E4). • Suggested to check alignment of the definitions of ‘manufacturer’, ‘importer’ and ‘user’ with REACH • CSOs regret that the requirements on PAT sub-themes were moved to NMIG • Centralisation of value chain requirements in ESRS 2 made value chain less visible • Noted good clarifications on pollution metrics but also that the disclosure on pollutant emissions is still based on EU law. • While okay to report on Substances of Very High Concern (SVHC), reporting on Substances of Concerns (SoC) is challenging in terms of definition and criteria (too many different categories requested that are not feasible/meaningful to track): • Location-specific requirements have increased in granularity and complexity instead of simplifying • [connected to Q24] Potentially high data collection costs, downstream VC information increases burden (contradicting simplification mandate & will become subject to assurance/regulation) • Need to understand if boundary flexibility and fair presentation apply also to E2-E5. Can this be reported also under operational control? 	<ul style="list-style-type: none"> • Location-specific considerations could be further specified • Value chain requirements need to be made more visible • Microplastics requirements are much clearer but still miss clear methodological rules for calculation to allow for comparable results. • Consider deleting new DP on microplastics • Consider deleting SoC reporting, or consider harmonizing definition through ESPR reference • Fully align with REACH regulation • Specify AR 4 applicability in relation to transfer of pollutants to external parties to avoid the risk of double counting

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Issue	Comments	Suggestions for further changes
	<ul style="list-style-type: none"> No publicly available methodologies for calculation of 'secondary microplastics' Microplastics is too immature a topic to be reported on. The main burden here comes from auditor discussions. 	
E3 – other comments	<ul style="list-style-type: none"> CSOs are concerned about deletion of topical provisions related to the DMA-process and particularly the deletion of references to the LEAP approach (for E2, E3, E4). No clear focus on value chain dimension, while a lot of the water impacts tend to be concentrated in the value chain The marine resources had more visibility in set 1, noted effort to include in E2 and E4, but regret that not made more visible in E3 and E5 Split views: change to mandatory of metrics on water withdrawals and discharges (in favour: investors and CSO; against: preparers). [see also Q24] Welcome introduction of additional tools for 'high-water risk' and 'high-water stress' in NMIG, but would prefer to have them in the standard, e.g. in Glossary 	<ul style="list-style-type: none"> Location-specific considerations could be further specified Value chain requirements need to be made more visible For metrics miss clear rules for calculation, e.g. for the new metric on water withdrawals not clear which water sources to include - should marine water be included? Include in the glossary references to the tools for 'high-water risk' and 'high-water stress'
Review of AR 26 in ESRS E4 [Q 30]		<ul style="list-style-type: none"> Location-specific biodiversity disclosures may be overly burdensome Buffer zones need clearer guidance.
E4 – other comments	<ul style="list-style-type: none"> CSOs are concerned about deletion of topical provisions related to the DMA-process and particularly the deletion of references to the LEAP approach (for E2, E3, E4). The revision has intensely undermined the E4 standard Concerns about removals of provisions on metrics and lack of specific biodiversity/ecosystem metrics which will hinder transparency and comparability Centralisation of value chain requirements in ESRS 2 made value chain less visible in E2, E3 and E4 	<ul style="list-style-type: none"> Value chain requirements need to be made more visible Need to have standardised metrics – suggest having at least one metric for each sub-topic: <ul style="list-style-type: none"> impact drivers; impacts on species; and impacts on ecosystems Disclosure related to proximity to biodiversity sensitive areas should not be conditional on the materiality analysis Ask companies to disclose at a minimum: <ul style="list-style-type: none"> Where they conduct material activities (separate from the biodiversity sensitive areas disclosure)

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	<ul style="list-style-type: none"> Motivation for including “location-specific considerations” in the environmental standards is not clear as this will likely lead to additional efforts and complexity. Although the intention was simplification, they feel this was not the result. <u>Opposing view:</u> Reference to site level is now too weak Support disclosure of biodiversity transition plans, however noted lack of guidance Questioned meaning of ‘if made public’ transition plan and concerned with audit interpretation Welcome transition plan being a ‘shall’ disclosure, but concerned about ‘if made public’ condition Companies misunderstand E4’s purpose, often thinking it covers only endangered species Matching IROs to locations. It is challenging to have a disclosure that is direct to site-matching 	<ul style="list-style-type: none"> The number of sites where they have material biodiversity impacts The nature of activities at these sites Impact of these activities on ecosystems and species The types of ecosystems that are affected by these activities Strengthen references to the LEAP approach Need guidance on how a biodiversity transition plan shall look like Need to disclose whether a recognised framework was used in developing transition plan, such as TNFD, SBTN, WWF, WEF Transition plans should be clear on the role of restoration and offsetting Transition plan DR: Suggest deleting the ‘publicly available’ condition as it doesn’t set the right incentives about transparency Clarify E4 scope: define biodiversity impacts beyond species protection (ecosystem services, land use) and maintain CACF ecosystem classification backbone For nature disclosures, align with widely adopted frameworks such as SBTN and TNFD to address lack of prescriptive requirements and support preparers in double materiality assessments, adoption of meaningful metrics and robust target setting. Clarify that by “location” it is not necessarily a specific site, rather could be on a broader geographic scale – as defined as appropriate in the materiality process.
E5 – other comments	<ul style="list-style-type: none"> Not clear whether durability and repairability can be described only qualitatively without quantification The rate of recycled materials [E5-5 p17(d)] is included in resource outflows, in practice this is tracked as part of resource inflows It is positive that a concept of key material was added, but the definition is not so good, it will open a new set of questions and additional burden Inflow metrics have improved, however, looking only at mass flows may not be the most meaningful information 	<ul style="list-style-type: none"> Ask for more guidance on product durability and repairability Requirements unclear. Terms such as “key products” and treatment of inflows/outflows remain vague. More practical guidance is needed for consistent implementation. Propose to base the definition on the EU definition from the EU Industrial Portal – based on the list of raw materials by sector that is considered relevant plus add those that are based on specific facts and circumstances of the undertaking, such twofold approach will result in more comparable information For inflows, might be better to ask for <ul style="list-style-type: none"> a list of the key materials that are used if these key materials are critical or strategic have one mass related data point for the percentage of the secondary sourced key materials <p>This would be easier to implement and provide more meaningful information</p>
SOCIAL ISSUES		



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New threshold for reporting metrics disaggregated at country level for S1-5 and S1-7. [Q 27]	<ul style="list-style-type: none"> Mixed feedback – no concern for some as the data is available, more efforts for others especially for social dialogue Those who did not support the change said that it may result in reporting on non-material countries and significantly increase the burden due to the increase in the number of countries to be reported Those who supported the change, cited that in wave 1 under the old threshold some companies only reported one country with as little as 20% of the workforce 	<ul style="list-style-type: none"> Keep the current threshold Make a variation of the current threshold <p>Potentially considering a threshold based on headcount coverage (e.g. 80%)</p>
Calculation of adequate wages for non-EU employees [Q 28]	<ul style="list-style-type: none"> Most companies simply report that they pay at least minimum wage and it's lacking transparency Companies are allowed to use statutory minimum wages if they take into account ILO wage setting principles, however those principles have nothing to do with adequate wages The new requirements represent a new reporting burden, including checking that statutory minimum wage set on ILO principles. Estimates regarding living wages are complex to collect and, in practice, difficult to carry out without external service providers. One NL preparer found provision about ILO alignment in level iii too vague. However, there was also support for the reference to ILO principles, despite concerns over auditability and feasibility. Estimates of living wages vary depending on the source and it's effectively outsourced to third-party providers Complaints that change would cause a lot of work. 	<ul style="list-style-type: none"> Need to encourage companies to report on living wage From the CSO perspective a disclosure about adequate wages should not include an option to apply legal minimum wages Simply reporting minimum wage would be easier Simplify the DR and or make it voluntary To reduce burden and increase comparability: provide authoritative list of adequate wage benchmarks for all countries in the world (almost a consensus request) Should not rely on legal minimum wage in those countries where minimum wage is not providing adequate standard of living
Gender pay gap [Q 31]	<ul style="list-style-type: none"> Global gender pay gap is not informative, more granular analysis is needed to develop actions; adjusted gender pay gap is more informative French preparers divided; some support proposed change, others would like to have both options. 	<ul style="list-style-type: none"> Rely on SFDR and wait for evolution of SFDR Consider adding language that gives the possibility to report on gender pay gap as of another date if you are requested to do by your local legislation Request for more methodological clarity and different methodological options (e.g. total average annual compensation instead of hourly wages)

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	<ul style="list-style-type: none"> From the CSO perspective gender pay gap requirement was weakened by the deletion of the adjusted gender pay gap datapoint Local legislation may already require reporting of the gender pay gap and it should be reconciled to ESRS metrics. Unadjusted gender pay gap meaningless, but alternative may not be straightforward when defining what the adjustments are 	
S1 – other comments	<ul style="list-style-type: none"> Support centralisation of human rights requirements S1-16: Removal of the term “severe” for human rights incidents will create uncertainty and likely lead to more reporting rather than focusing on the most severe cases. Also, it created a gap with SFDR PAI S1-6: Mixed views: Support for AR14, however remaining concerns with interpretation of the non-employee definition. One speaker argued that disclosure is cumbersome because the company needs to contact third parties. S1-11: Not many companies would be able to report on persons with disabilities due to conflict with GDPR S1-13: Concerned with deletion of requirement to report fatalities for non-employees, it is unlikely to be a sticking point with industry this would be pre-existing good practice in reputable organisations S1-15: Calculating median for the total remuneration ratio is burdensome S1 is still too comprehensive and often the most resource intensive to report on 	<ul style="list-style-type: none"> Suggestion to remove the word ‘severe’ in Human Rights Consider US context, i.e. risk of lawsuits in a hostile environment, when drafting diversity/DEI disclosures S1-16: Clarify how to address the removal of the term “severe” for human rights incidents. At what level of granularity is this to be applied? Need further guidance for the definition of human rights incidents Support restoring full alignment with SFDR as it is the originator and should precisely define the metrics in ESRS; create a dynamic link between SFDR and ESRS Deleted datapoints – S15, S1-8 and S1-15: preference to keep the deleted datapoints, including the one on who took family related leave. Would prefer to keep age distribution in S1 S1-11: Call on EFRAG to continue guaranteeing consideration of IROs related to persons with disabilities in the context of the European Accessibility Act S1-6: further guidance would be appreciated in what constitutes nonemployees, especially for a reporting entity that is part of a larger group, given the often irregular and informal working arrangements and difficulty to gather data in supply chain and with suppliers Monitor and address omitted social disclosures through follow-up requests or future ESRS amendments S1-11 and S1-12: Retain breakdown of training hours and other metrics by gender and disability to align with upcoming gender pay transparency legislation and ensure continued monitoring of disparities
S2 – other comments	<ul style="list-style-type: none"> Potential duplication with G1 on supply chain management 	<ul style="list-style-type: none"> S2-3: Need more guidance on how the undertaking might confirm if an incident that is reported is genuine or not if it relates to undertakings in its value chain

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	<ul style="list-style-type: none"> Concerned the number of grievances and the number of incidents identified through independent audits are no longer requirements Concerned it is now only required to disclose whether a company has grievance mechanisms in place, it is no longer required to disclose how the grievances are recorded and how the insights are collected S2-3: The disclosure requirement in para 19, will still be challenging to disclose – an undertaking would need to define an incident being ‘reported’ and the threshold 	
S3 – other comments	<ul style="list-style-type: none"> An ongoing concern around the need to report on human rights incidents connected to affected communities – this raises confidentiality and reputational sensitivities 	<ul style="list-style-type: none"> Provide further guidance around thresholds for reporting of human rights incidents connected to affected communities
S4 – other comments	<ul style="list-style-type: none"> Lack of metrics in S4 led to non-comparable entity specific metrics in wave 1 Clarification sought as to how to apply S4 to B2B companies Regret moving clarification on engagement with end users to NMIG, i.e. making it non-mandatory Regret the disclosure of how entities assess the effectiveness of engagement with consumers and end users and where relevant any agreements and outcomes that result from such engagement and credible proxies, who have knowledge of the interest, experience and perspective of consumers and end users is no longer mandatory 	<ul style="list-style-type: none"> S4 is falling short of what was drafted by the FIP group; would like it being extended.
GOVERNANCE ISSUES		
Payment practices (Q32)	<ul style="list-style-type: none"> Challenges cited: <ul style="list-style-type: none"> Undertakings do not usually have “standard payment practices’, rather they are provided by the supplier. 	<ul style="list-style-type: none"> Specify a consistent calculation method for average invoice payment time to ensure comparability across jurisdictions instead of deletion of DP Provide feedback to EC that this level 1 requirement is not achievable / should be deleted in the Omnibus initiative Allow undertakings to disclose information related to payment terms for size of suppliers, if they have it

Amended ESRS Exposure Drafts - Results of the Outreach events

Issue	Comments	Suggestions for further changes
	<ul style="list-style-type: none"> ○ Undertakings may categorise their suppliers by risk or region, but not by the size of the suppliers. ○ Impractical for companies with large suppliers' base, and doubts about usefulness of the reported information ○ Investor doesn't see much value in assessing governance risk in payment terms • Preparers argued that "a description of the undertaking's standard payment terms in number of days by main category of suppliers and the percentage of its payments aligned with these standard terms;" is commercially sensitive information • On the datapoints for payment practices in the delegated act: given that payments to SMEs remain a significant issue in some EU countries, and although they understand the complexity of calculating the average time to pay an invoice, they wouldn't have removed that indicator but rather specified the calculation method 	<ul style="list-style-type: none"> • Instead of the existing requirement request disclosure of whether national legislation exists on payment terms and whether the company is compliant



Amended ESRS Exposure Drafts - Results of the Outreach events

Issue	Comments	Suggestions for further changes
Incidents of corruption and bribery (Q23)	<ul style="list-style-type: none"> • Questionable whether companies will be willing to report (confirmed) incidents of corruption and bribery in practice • Concerned that the following datapoints were moved to NMIG <ul style="list-style-type: none"> ○ the number of confirmed incidents relating to contracts with business partners that were terminated or not renewed due to violations related to corruption or bribery. ○ details of public legal cases regarding corruption or bribery brought against the undertaking and its own workers ○ The title is not consistent with the content of the Disclosure Requirement, which requires or invites reporting only on "confirmed incidents" 	<ul style="list-style-type: none"> • Delete the paragraphs requesting the disclosure on information on the number of confirmed incidents of corruption or bribery as it poses the risk of self-incrimination for the undertaking • Clarification needed on how to measure the materiality of confirmed incidents as well as on the nature of incidents
G1 – other comments	<ul style="list-style-type: none"> • G1-1: Concerned that the explicit requirement to disclose policy for training on business conduct, including target audience, frequency and depth of coverage has been deleted • G1-2: Training on prevention of corruption and bribery is often done as part of general business conduct training for all staff not specifically for functions at risk • Welcome retaining animal welfare as a subtopic • The current governance KPIs (e.g., political contributions, director conflicts) is appreciated for enhanced transparency • The request to verify data on suppliers is redundant as this is already addressed in other sections. • Questioned the need for additional G1 requirements on policies, actions and targets on top of the ESRS 2 GDR 	<ul style="list-style-type: none"> • G1-2 <ul style="list-style-type: none"> ○ Allow disclosing training practices (e.g. remove references to differences in functions), rather than training hours for functions at risk ○ Training datapoints in G1-2 should be in the metrics section and not under actions • G1-5: <ul style="list-style-type: none"> ○ Suggest adding guidance on the scope of lobbying activities ○ Lobby activities vis-a-vis material impacts needs to be preserved • Difference between requirement and guidance should be a temporary measure, something should return to requirements in due course • Proposal to delete subtopic of animal welfare as there are no specific DRs

