



Joint Association Response to the Commission Consultation on the Draft Delegated Act on the Revised European Sustainability Reporting Standards (ESRS)

The undersigned associations represent financial institutions headquartered outside of the EU, but with significant operations in, and commitment to the European Union. Accordingly, our members fall within the scope of the EU's sustainability reporting regime under the Corporate Sustainability Reporting Directive (CSRD), either by way of their EU subsidiaries or as a result of the CSRD's extra-territorial application.

We strongly support the Commission's stated objective of simplifying the European Sustainability Reporting Standards (ESRS) and reducing the compliance burden for preparers. The revision should maintain this simplification objective, focus on decision-useful information for banks, investors and other users and provide a workable approach to sustainability reporting for all companies operating in the EU. We would also like to take this opportunity to urge EFRAG and the Commission to ensure that the simplification objective is also clearly embedded within the forthcoming standards for non-EU groups (NESRS).

Against this backdrop, we remain of the view that interoperability with internationally recognised sustainability reporting standards, in particular those of the International Sustainability Standards Board (ISSB), constitutes an important way to reduce reporting complexity and duplication for firms operating globally with multi-jurisdictional value chains. We therefore strongly support the aim of taking account of and enhancing the ESRS' interoperability with global sustainability reporting standards, such as those of the ISSB and the Global Reporting Initiative (GRI).

This consultation response sets out our recommendations for targeted modifications to the revised ESRS that would ease the reporting burden for internationally operating companies by further aligning sustainability reporting frameworks and preventing duplicative reporting efforts. In addition to this, we have set out additional technical recommendations in the Annex of this document that should improve the effectiveness of the ESRS framework.

I. Provide flexibility in the EU reporting structure to enable the leveraging of parent-level reports

The draft Delegated Act on the revised ESRS proposes retaining the prescribed structure of the sustainability statement under ESRS 1 paragraph 105. In practice, a highly prescriptive presentation structure may limit the ability of multinational groups to leverage existing group sustainability reporting processes and disclosures prepared in line with the requirements of their home jurisdictions or internationally recognised sustainability reporting standards, while incorporating the disclosures necessary to meet the EU's sustainability reporting requirements. The absence of flexibility in the reporting structure would result in an unnecessary duplication of reporting efforts and redundant administrative burden without any additional benefits in terms of the scope or quality of disclosed information. We further believe that providing flexibility in the reporting structure does not in any way affect the comparability or understanding of sustainability reporting, given the required compliance with ESRS disclosure requirements and data points and the increasing availability of digital tools that render a strict structure obsolete. Instead, a degree of flexibility would foster market-driven convergence in reporting practices, which would increase the global comparability of sustainability disclosures. For these reasons, **we urge the Commission to remove the strict structural requirements under ESRS 1 paragraph 105.**

II. Ensure flexibility in the reporting location remains applicable for third-country parents

The CSRD foresees that third-country parent undertakings reporting under the ESRS (or equivalent sustainability reporting standards) at parent undertaking level may exempt their EU subsidiaries under Articles 19a(9) and 29a(8) of the Accounting Directive, provided those subsidiaries are included in the

consolidated sustainability reporting. Such parent undertakings are therefore not subject to the obligation to include the required information on sustainability matters in the (consolidated) management report and may publish the consolidated sustainability statement in a separate document¹ or outside the management report, appropriately reflecting the fact that non-EU companies may be subject to divergent local reporting requirements and filing rules in their home jurisdictions. However, ESRS 1 paragraph 103 does not reflect this important distinction, instead requiring all reporting entities to present “*all the disclosures required by ESRS within a dedicated section of the management report identified as the undertaking’s sustainability statement*” – a formulation that applies without distinction to third-country parent undertakings for whom this obligation does not arise at Level 1. This may be read as a divergence from the Level 1 text as well as from well-established reporting practices in non-EU jurisdictions whereby companies comply with domestic or international sustainability reporting frameworks through a separate sustainability report or include sustainability matters outside the management report. Accordingly, we call on the Commission to **maintain the flexibility in reporting location within the revised ESRS and ensure that ESRS 1 paragraph 103 cannot be read as requiring third-country parents to present ESRS disclosures within a dedicated section of a management report**. This is also consistent with what is envisaged within the Commission FAQs wherein “*consolidated management report*” or “*consolidated sustainability reporting*” are used which suggests both options are available.

Similarly, Article 40a of the Accounting Directive does not prescribe a specific location for the reporting requirements applicable to in-scope third-country parent undertakings. With a view to the **forthcoming NESRS that will further specify the framework for compliance with Article 40a, we call on the Commission and EFRAG to ensure that these standards also reflect this distinction and do not diverge from the approach taken at Level 1**.

III. Align on the approach to disclosures on anticipated financial effects

We note that the draft Delegated Act retains provisions whereby the revised ESRS set out more granular disclosure requirements in ESRS E1-11 that go beyond the requirements of IFRS S2 on climate-related disclosures. The quantification of anticipated financial effects of climate-related risks and opportunities is a technically challenging area in which current methodologies remain immature across most industries. Requiring disclosures that exceed the IFRS S2 standard creates divergence without producing reliably decision-useful information and imposes disproportionate compliance costs for EU subsidiaries and their parent companies. This is further exacerbated in the case of financial institutions given the limited suitability of such disclosures for the financial sector and the substantial overlap with other sectoral disclosure frameworks. For these reasons and in line with the overall policy ask of enhancing interoperability, the **European Commission should reassess the alignment of the Disclosure Requirement (DR) ESRS E1-11 and IFRS S2 and remove those disclosure requirements that go beyond ISSB standards**.

IV. Ensure the timely update of the ESRS–ISSB Standards Interoperability Guidance

To support interoperability between globally recognised sustainability reporting standards and the ESRS, we strongly support EFRAG’s commitment in its 2026 Work Programme to the updating of interoperability mappings on the basis of the adopted Delegated Act containing the revised ESRS. In this context, **we call on EFRAG and the ISSB to provide these updates well ahead of the first reporting deadline under the streamlined ESRS**. Similarly, EFRAG and GRI should update their GRI-ESRS interoperability index in a timely manner.

¹ see Commission [FAQs](#) No.25: “*An undertaking that must report sustainability information and that is not required to prepare and publish an individual or a consolidated management report may publish the individual or consolidated sustainability statement in a separate document. This principle also applies to the consolidated sustainability reporting of a third-country parent undertaking for its subsidiaries to be exempted under Articles 19a(9) and 29a(8) of the Accounting Directive. However, that separate document – which includes the individual or consolidated sustainability statement – must comply with the format and the mark-up requirements set out in Article 29d of the Accounting Directive*”.

Annex – Technical Recommendations

The following section is comprised of technical recommendations that do not directly pertain to the interoperability of the ESRS with globally recognised sustainability reporting standards but would in our view improve the effectiveness of the framework for all companies in scope of the CSRD.

Against this backdrop, we would like to note, however, that a four-week timeframe is inadequate for providing comprehensive feedback on such extensive standards, regardless of previous consultation activities conducted by EFRAG. As a result, our comments are restricted to the areas that our experts could analyse within this tight timeframe.

- **Retain key improvements in the draft Delegated Act:** Building on our strong support of simplifying the ESRS and reducing the compliance burden for preparers, we urge the Commission to retain in particular the following simplification measures when finalising the Delegated Act:
 - The **treatment of emissions-intensity targets for banks** should be preserved, recognising the specific nature of banks' climate-related exposures and the challenges of applying absolute emissions reduction targets to financed emissions portfolios.
 - The **'undue cost or effort' relief** should be retained and, where appropriate, strengthened. This relief is an important safeguard for proportionality and its removal or narrowing would disproportionately increase the burden on reporting entities, particularly for smaller entities within scope and for novel disclosure areas.
 - The express articulation that **non-material information shall not be disclosed** (ESRS 1, paragraph 24) and the **clearer application of 'fair presentation'** at the level of the sustainability statement as a whole rather than on an individual data point basis (ESRS 1, Application Requirement (AR) 6, paragraphs 19–20) provide important clarity for both preparers and assurers. These elements support more consistent and proportionate assurance outcomes by reducing the scope for divergent interpretation.
 - We also welcome the **incorporation of many of the transitional (phase-in) provisions into the revised ESRS** (ESRS 1, section 10.3), but consider that these should be extended to cover all the phase-in provisions contained in the “*quick fix*” Delegated Regulation (EU) 2025/1416, including in relation to anticipated financial effects, where the current drafting does not fully reflect the scope of those provisions.
- **Retain the proposed scope-out of Assets under Management (AuM):** We welcome the Commission's recognition of the distinct nature of the asset management sector introduced in AR 37 for paragraphs 62-63 (in conjunction with AR 17 for paragraph 37) and strongly support the proposed scope-out of AuM from CSRD/ESRS value chain reporting requirements. It rightfully acknowledges the fact that the relationship between an asset manager and the companies in which it invests on behalf of its clients is fundamentally different from a commercial value chain relationship. Since asset managers act as agents rather than principals, including the AuM would lead to double-counting issues, create unworkable disclosure obligations, and duplicate SFDR product-level reporting.
- **Clarify and strengthen ESRS S1-16 - Incidents of discrimination and other human rights incidents:** The draft requirements under DR ESRS S1-16 refer to “*substantiated incidents*”. However, limbs (a) of AR 36 for paragraph 43(b) and AR 37 for paragraph 43(a) refer to “*ongoing judicial and non-judicial proceedings*”, which appear to be contradictory as any incidents will not be substantiated if they are still in progress. Accordingly, we recommend removing limbs (a) of AR 36 and AR 37.
- **Provide transitional provision for FY2026:** A transition year for FY2026 would provide meaningful implementation support, allowing preparers to benefit from the proposed reliefs (incl. transitional provisions) while minimising disruption to the current reporting cycle. We appreciate the Commission's intention to provide relief as soon as possible by allowing preparers to choose to apply the revised ESRS as of FY2026. However, given the operational and methodological effort required to incorporate revised requirements into reporting processes, systems, and controls, companies are unlikely to be able to fully operationalise the updated ESRS framework within the FY2026 reporting cycle. Yet preparers would greatly benefit from the proposed reliefs. Preparers should therefore be allowed to report under the current ESRS framework while applying the proposed reliefs (incl. transitional provisions), which would provide meaningful implementation support while minimising disruption to the current reporting cycle.

- **Ensure coherent scope of ESRS E1-2:** DR ESRS E1-2 – “*Identification of climate-related risks and scenario analysis*” only refers to risks, not opportunities. The following change should therefore be made to paragraph 14:

14. *The objective of this DR is to enable an understanding of how the undertaking identifies and assesses climate-related risks ~~and opportunities~~ for financial materiality.*

- **Exclude credit institutions from ESRS E1-11:** In addition to our recommendation that the ESRS align more closely with the ISSB on the approach to disclosures on anticipated financial effects, we invite the Commission to consider excluding credit institutions from DR ESRS E1-11 since these requirements have been drafted for the non-financial economy, limiting their suitability for the financial sector. For example, paragraph 39(b) requires disclosure of how climate change adaptation actions address the assets. However, this is not a required disclosure across clients, industries, and countries, so banks would not have the information to meet this requirement. Similarly, paragraph 39(a) requires consideration of climate change adaptation actions, although banks may not be privy to this information for all of their clients. In addition, banks are already subject to specific disclosures on transition and physical risk as well as mitigation under the prudential framework, rendering the ESRS E1-11 disclosures for banks not fit-for-purpose and disproportionate.
- **Ensure coherent cross-referencing with respect to ESRS E1-11:** Notwithstanding our comments on the re-consideration of the approach to the disclosures on anticipated financial effects, we are of the view that the referencing to ESRS E1-11 paragraphs 38(a)(b) and 39(a)(b) under ESRS 1 paragraph 125(b)(c) needs revisiting. We believe it should reference paragraphs 39(a)(b) and 40(a)(b) instead as paragraph 38 does not have any sub-points. Moreover, the interaction between paragraphs 125(b)(c) should be clarified as (b) covers all information about anticipated financial effects and (c) covers quantitative information about financial aspects. However, they have different transitional dates with (b) being prior to financial year 2027 and (c) being prior to financial year 2030. Given that “*all information*” on anticipated financial effects includes both qualitative and quantitative information, we suspect paragraph 125 (b) should refer to qualitative information rather than all information.
- **Improve structuring of Disclosure Requirements SBM-3:** The arrangement of the paragraphs in relation to providing quantitative and not providing quantitative information about financial effects could be clearer as currently paragraphs are jumping between the two. It will be more useful if all the relevant paragraphs in relation to quantitative information were presented in a sequential manner. Similarly, this also holds true with respect to qualitative information. As such, paragraphs 30 and 32 (as relating generally to disclosures on financial effects) should follow each other, while paragraphs 28, 29 and 31 should follow each other (as all relating to not providing quantitative information). Accordingly aggregated, we are of the view that the most appropriate sequence of paragraphs would be 30, 32 and 28, 29 and 31.
- **Clarify the approach to disclosures on insurance-associated emissions:** It is difficult to calculate insurance-associated emissions with a high level of precision. Both the current text of the ESRS and the new proposed text are not clear on whether disclosing insurance-associated emissions is strictly compulsory or optional, or anything in between. However, given that the revised ESRS only reference the Partnership for Carbon Accounting Financials (PCAF) Global GHG Accounting and Reporting Standard Part A: Financed Emissions, it is our view that facilitated emissions and insurance-associated emissions are not required to be disclosed, consistent with the decision taken by the ISSB in relation to these emissions. This is not a carve out for insurance as insurers will still be under the same expectations for all the Scope 3 emissions that any other company will report on. However, this pragmatic proposal means that insurers will not be obliged to attribute a specific metric to the carbon intensity of the activities that they provide insurance cover for.
- **Clarify that first-time reporters, including “wave-one” undertakings, should not be obliged to report any comparative information in relation to the previous period in their first year of reporting:** Uneven transposition of the CSRD should not result in “wave-one” undertakings being required to report comparative information in their first year of reporting. ESRS 1 paragraph 83 requires the reporting of comparative information with respect to metrics and, if relevant for understanding the current period’s sustainability statement, comparative information for narrative disclosures. ESRS 1 paragraph 87(b) allows undertakings reporting for the first time not to report comparative information for metrics and monetary amounts. In principle, we interpret the reference

to “where relevant to an understanding of the current period’s sustainability statement” as instructive that an entity also does not need to include comparative narratives in instances where it will not be relevant for understanding the statement, which would apply if an undertaking is reporting information for the first time. However, to avoid any doubt, we invite the Commission to either clarify that ESRS 1 paragraph 87(b) also applies to narrative information or amend ESRS 1 paragraph 124 to: “Undertakings that are, or become, subject to CSRD are not required to disclose comparative information as required by Chapter 7.1 for their first reporting period.”

- **Clarify the Delegated Act’s drafting related to the reporting standard optionality:** In Recital 9 of the draft Delegated Act, the Commission articulates that reporters “subject to sustainability reporting requirements for financial year 2026 under the existing sustainability reporting regime may choose to apply Delegated Regulation (EU) 2023/2772 as amended by this delegated act for that financial year instead of applying the existing Delegated Regulation (EU) 2023/2772”. This outlines clear optionality for reporters who will report for FY2026 and will subsequently remain in-scope for FY2027 reporting going forward. However, the wording of Recital (9) creates minor uncertainty over this optionality for reporters that may only begin reporting under the CSRD from FY2026 onwards, by intimating that only reporters which had previously reported on the ESRS can avail of this optionality (“to reduce the reporting burden for undertakings already subject to sustainability reporting standards under the version of Commission Delegated Regulation (EU) 2023/2772 currently in force, those undertakings should be allowed to apply this Regulation to the financial years beginning between 1 January 2026 and 31 December 2026 if they wish to.”) Whilst recitals are not binding legal text, given their interpretive weight, it is still important to ensure the recital reflects the Commission’s intentions so as to ensure there is no interpretation which could affect any reporter availing of this optionality for FY2026 reporting. We suggest the following change to Recital (9):

“(9) In addition, ~~to reduce the reporting burden for undertakings already subject to sustainability reporting standards under the version of Commission Delegated Regulation (EU) 2023/2772 currently in force, those~~ undertakings should be allowed to apply this Regulation to the financial years beginning between 1 January 2026 and 31 December 2026 if they wish to.”