

Eurosif consultation response

Eurosif welcomes that the European Commission's (EC) draft ESRS delegated act remains broadly aligned with EFRAG's final advice on simplified standards. However, we see remaining gaps that risk undermining the reliability and comparability of ESRS reports.

We strongly support preserving double materiality as the framework's cornerstone, placing financial and impact materiality on equal footing, and maintaining the ESRS structure while removing duplications in line with EFRAG's advice. Retaining most of the data points proposed by EFRAG is a positive development. The reduction of over 60% of the initial ESRS data points already delivers a significant simplification.

Preserving both qualitative and quantitative disclosures on anticipated financial effects is essential. These disclosures are key for investors to assess sustainability-related risks and opportunities and to inform capital allocation decisions. Maintaining the "fair presentation" principle further ensures that reported information remains material and decision useful.

These elements are essential for credible and usable ESRS disclosures that support investors in assessing risks, opportunities and sustainability performance, and we strongly recommend to maintain them.

Despite these positive aspects, the disclosures are weakened by remaining gaps:

CROSS-CUTTING RELIEFS: Extensive reliefs, including those based on "undue cost or effort", lack sufficient safeguards and time limits, despite recommendations from EU supervisory authorities. This creates risks of systematic overuse, undermining the comparability and credibility of disclosures, while introducing further divergence from international standards such as ISSB. Clear time limits for these reliefs, and requirements for companies to justify their use and establish phase-out plans, should be introduced.

ANTICIPATED FINANCIAL EFFECTS: while their retention is welcome, the phase-in until financial year 2030 and additional reliefs, such as claims of insufficient "skills, capabilities or resources", risk delaying and weakening these disclosures. We also recommend introducing time limits and justification requirements for their use, as well as clear phase out plans.

EXEMPTION OF REPORTING ON ASSETS UNDER MANAGEMENT: removing AuM disclosures for investments managed on behalf of clients creates a significant blind spot in assessing the sustainability performance of financial institutions. These disclosures should be maintained, alongside dedicated guidance to facilitate reporting by asset managers.

DATA POINTS: the changes suggested by EC to key datapoints risk reducing comparability of information and alignment with international standards:

Climate transition plans: mandatory climate scenario analysis is an essential element of risk assessment and should be reinstated. Their deletion would also create significant divergence from the ISSB framework.

GHG reporting boundaries: the methodologies used should accurately reflect companies' emissions. Financial control should be set as the default GHG reporting method; where necessary, companies should be able to use operational control or equity share provided clear justification. This would preserve international interoperability while improving data comparability.

Biodiversity: Additional aggregation provisions risk weakening the usefulness of site-level disclosures, which are essential for assessing physical risk exposure.

Pollutants: removing the datapoint on secondary microplastics would reduce the availability of this important disclosure for investors.

Actions and resources related to own workforce: replacing “direct linkage” with “other connection” would diverge from the UNGPs and OECD Guidelines.

Human rights incidents: limiting reporting to ongoing proceedings and “substantiated instances” would significantly reduce transparency.

Please see the attached document for more details on our recommendations.

Detailed comments on draft revised ESRS

Summary

Eurosif welcomes that the European Commission's (EC) draft ESRS delegated act (DA) remains broadly aligned with EFRAG's final advice on simplified standards. However, we see remaining gaps that risk undermining the reliability and comparability of ESRS reports.

We strongly support preserving double materiality as the framework's cornerstone, placing financial and impact materiality on equal footing, and maintaining the ESRS structure while removing duplications in line with EFRAG's advice. While interoperability with international standards should be encouraged, this should not result in hierarchisation or stricter separation between disclosures which are financially material and those that demonstrate material impacts on environment or society. **Maintaining the “fair presentation” principle** further ensures that reported information remains material and decision useful. This principle acts as a safeguard against overly formalistic compliance and helps ensure that disclosures remain complete, balanced and decision-useful for users.

Preserving both qualitative and quantitative disclosures on anticipated financial effects is essential. These disclosures are key for investors to assess sustainability-related risks and opportunities and to inform capital allocation decisions. However, the **reliefs and phase-ins granted to companies may delay and weaken these key disclosures.** Similarly, extensive horizontal reliefs, including those based on “undue cost or effort”, **lack sufficient safeguards and time limits**, despite recommendations from EU supervisory authorities. This creates risks of

systematic overuse, undermining the comparability and credibility of disclosures, while introducing further divergence from international standards such as ISSB.

The introduction of **exemptions for sustainability reporting on investments managed on behalf of clients** creates a significant transparency gap. Reporting on assets under management should be maintained, supported by dedicated guidance for financial institutions.

Retaining most of the data points proposed by EFRAG is a positive development. The reduction of over 60% of the initial ESRS data points already delivers a significant simplification. However, some of the EC adjustments to specific data points **risk reducing comparability of information and alignment with international standards:**

- **Climate transition plans:** climate scenario analysis should be reinstated as a mandatory element to ensure alignment with investor needs and international standards.
- **GHG emissions boundary:** financial control should be set as the default GHG reporting method. Where necessary, companies should be able to use operational control or equity share provided clear justification. This would preserve international interoperability while improving data comparability.
- **Biodiversity:** additional aggregation provisions should be limited to preserve the granularity of site-level disclosures and ensure effective assessment of risks.
- **Microplastics:** removing the datapoint on secondary microplastics reduces the availability of material information for investors. This disclosure should be reinstated.
- **Human rights and due diligence:** replacing established due diligence concepts and narrowing the scope of reportable human rights incidents reduces transparency and creates divergence from international frameworks.

Identified gaps and suggested solutions:

Establish safeguards for cross-cutting reliefs through mandatory justification and clear phase-out timelines.

Problem:

- Broad reliefs without adequate safeguards risk undermining the comparability and credibility of corporate sustainability disclosures. EFRAG's recommendations already lack sufficient conditions and time limits, and this remains unaddressed in the EC draft delegated act. As a result, companies may come to rely on these reliefs as standard practice rather than using them only in exceptional circumstances.
- In particular, reliefs based on "undue cost or effort" could be overused if companies are not required to explain their application and demonstrate how disclosures will improve over time. This would weaken the reliability of sustainability reporting for investors. European supervisory authorities, including the ECB, ESMA, EIOPA and EBA, have already raised this concern.

Solution:

- Given the significantly narrowed scope of the Corporate Sustainability Reporting Directive (CSRD) following the Omnibus simplification initiative, the companies still in scope are primarily large, listed entities that should be able to dedicate sufficient resources to meet these requirements. Reliefs granted to these companies should be limited in consequence.
- To preserve accountability and reduce long-term reliance on reliefs, the EC should require clear eligibility conditions, a specific justification, and a time-bound phase-out plan whenever a relief is used. Companies should explain each use of a reporting relief and set out a concrete timeline for closing the underlying data gap.
- In addition, the EC should ask EFRAG to provide criteria clarifying when reliefs are justified and how preparers can progressively overcome “undue cost or effort” constraints, either in the application requirements or through EFRAG implementation guidance. Tightening these cross-cutting reliefs would help ensure that their use remains exceptional and that the overall quality and comparability of disclosures is preserved.

Ensure effective disclosures on anticipated financial effects through clear safeguards for related reliefs and dedicated guidance for preparers.

Problem:

- Disclosures on anticipated financial effects are central to decision-useful ESRS reporting, yet the current draft delegated act, in line with EFRAG’s advice, allows broad omissions and extended phase-ins. Companies may omit quantitative AFE disclosures if they claim insufficient “skills, capabilities or resources”, and the draft delegated act adds a further option to withhold information considered seriously prejudicial to commercial interests. It also postpones all quantitative AFE reporting until financial year 2030. Combined with the horizontal reliefs, these provisions risk allowing companies to avoid these disclosures altogether, a concern already raised by [EU supervisors](#).

Solution:

- As with the horizontal reliefs, all AFE-related reliefs should be strictly limited, clearly justified and time-bound. Preparers should be required to explain their use of these reliefs and set out plans and timelines for developing the capabilities needed to report AFE disclosures.
- To support preparers in reporting anticipated financial effects, EFRAG should develop guidance that sets out expectations and best practices, drawing on the guidance already [issued](#) by ISSB on this topic.

Reinstate reporting on assets under management (AuM) and complement it with streamlined SFDR entity-level disclosures.

Problem:

- The draft delegated act would exempt investments managed on behalf of clients from the scope of financial undertakings’ sustainability reporting. This departs materially from

EFRAG's advice. Combined with the parallel removal of most entity-level reporting obligations for financial institutions under the Sustainable Finance Disclosure Regulation (SFDR), it would create a significant transparency gap in financial institutions' sustainability reporting. Exempting AuM disclosures risks creating a structural inconsistency between corporate sustainability reporting and sustainable finance disclosures, at a time when the EU framework aims to improve transparency across the entire investment chain.

Solution:

- The EC should reinstate reporting on assets under management in the final ESRS delegated act and accompany it with specific guidance for financial institutions, building on EFRAG's previous work on sector-specific standards.
- We also recommend maintaining entity-level disclosures as part of the SFDR review. These should provide a clear view of AuM categorised under the SFDR framework, together with the related engagement, exclusion and due diligence policies implemented by financial institutions. These requirements should complement sustainability reporting under the ESRS framework.

Make climate scenario analysis mandatory in transition plan disclosures.

Problem:

- Scenario analysis is a core component of climate risk management and of assessing transition plans from an investor perspective. Although the EC followed EFRAG's advice in making this disclosure voluntary in the draft delegated act, doing so creates a significant divergence from established practice for assessing climate-related financial risks, both physical and transition-related, and from the ISSB framework, which is widely regarded as the global baseline for sustainability reporting. Its removal weakens the forward-looking dimension of ESRS climate disclosures.

Solution:

- We recommend reinstating mandatory climate scenario analysis in the final ESRS delegated act to ensure that related disclosures remain aligned with international frameworks and provide meaningful information to investors.

Ensure clear and credible GHG reporting methodologies that accurately reflect companies' emissions.

Problem:

- The EC draft delegated act makes a significant change to how companies define the boundary of their greenhouse gas (GHG) emissions. EFRAG's technical advice proposed a simplified approach using financial control as the default boundary. By contrast, the EC draft allows companies to choose freely among three GHG Protocol consolidation methods: financial control, operational control, or equity share.

- While this flexibility is in line with international standards, the draft delegated act does not require companies to justify their choice of methodology or explain how it reflects their actual emissions. Without such safeguards, it could weaken the comparability and reliability of a key climate metric and lead to inconsistent disclosures across companies. This would make it harder for investors to assess and compare climate performance, as portfolio decarbonisation strategies depend on consistent and interoperable emissions data across portfolios, sectors and benchmarks.

Solution:

- While maintaining interoperability with international standards, the EC should establish a clear hierarchy of methodologies, with financial control as the baseline for emissions consolidation, in line with EFRAG’s recommendations. Where this approach excludes material emissions, companies should supplement it with operational control or equity share, subject to justification. This would preserve flexibility while supporting comparability and ensuring that material operational responsibilities are reflected.

Restore investment decision-useful biodiversity disclosures and cover value-chain impacts.

Problem:

- The original ESRS E4 standard required companies to identify and disclose all operational sites that negatively affect biodiversity or ecosystems, with a particular focus on those located in biodiversity-sensitive areas. In its advice, EFRAG introduced additional flexibility by allowing companies to prioritise and aggregate disclosures through broader “locations” or clusters of sites within the same sensitive area. While this approach is reasonable, the draft delegated act increases the risk of over-aggregation by adding broad language in the application requirements, including the option to aggregate information based on the “similarity” of impacts, risks, opportunities, and affected sites or areas.
- The EC also does not explicitly incorporate the value-chain dimension into the biodiversity standard. Although the CSRD still requires companies to report material impacts across the value chain, the draft delegated act does not include a specific disclosure requirement for biodiversity impacts in the value chain equivalent to the disclosure required for own operations.

Solution:

- We support the revised draft ESRS delegated act on geographical context and the aggregation of disclosures. However, the EC should restore EFRAG’s wording on the aggregation of biodiversity metrics to preserve decision-useful information for investors, and ensure that material biodiversity impacts in the value chain are explicitly addressed in the final delegated act.

Reinstate disclosures on secondary microplastics.

Problem:

- The EC draft delegated act removes qualitative disclosures on secondary microplastics that were included in EFRAG’s advice, even though they provide material information for investors. This deletion is also inconsistent with the compromise reflected in EFRAG’s advice, which already introduced targeted reliefs for companies facing difficulties in collecting information on specific data points, including microplastics.
- Secondary microplastics are an emerging source of risk across multiple sectors, and their disclosure is increasingly relevant for investors assessing pollution-related transition risks.

Solution:

- The EC should reinstate the data point on secondary microplastics, which Eurosif’s investor network has [identified](#) as key information to retain.

Ensure consistency with international due diligence frameworks and reinstate relevant disclosures on human rights incidents.

Problem:

- EFRAG’s final advice on simplified ESRS required companies to describe their relationship to each material negative impact by distinguishing whether the company caused, contributed to, or is directly linked to the impact through its business relationships, reflecting the established due diligence framework. Removing this disclosure would create divergence from international standards such as the UN Guiding Principles and the OECD Guidelines for Multinational Enterprises, creating confusion for both preparers and users of sustainability information. While alignment with the CSDDD is important, the term “other connection” is not clearly defined and its use in the draft ESRS delegated act could lead to inconsistent interpretation and reduced comparability.
- In addition, limiting disclosure to “ongoing” proceedings and “substantiated instances” of human rights incidents may obscure previously resolved incidents in investee companies, even though such information may still be material for investors.

Solution:

- The EC should reinstate EFRAG’s recommended wording for these data points in order to preserve material information and strengthen consistency with international frameworks.