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EACB comments on the European Commission's consultation on its draft amending regulation as regards the simplification of the European Sustainability Reporting Standards (ESRS)

European Association of Co-operative Banks (EACB) welcomes the European Commission's efforts to revise the European Sustainability Reporting Standards (ESRS) with the objective of creating a more targeted, proportionate and practical sustainability reporting framework under the Corporate Sustainability Reporting Directive (CSRD). Compared with earlier drafts, the revised text contains several important improvements, including clearer drafting, simplifications regarding data collection and useful transitional reliefs. These changes are an important step towards a more workable framework. However, further targeted adjustments remain necessary to ensure that the revised ESRS effectively deliver simplification in practice, strengthen legal certainty and remain proportionate for reporting companies.

A key concern in the EACB comments is the consistent and operational application of the materiality principle. Sustainability reporting should remain focused on decision-useful information for a relevant group of reasonably informed users and should not be expanded through broad stakeholder expectations, overly extensive fair presentation concepts, entity-specific disclosure demands or assurance-driven interpretations. Undertakings should be able to perform materiality assessments based on reasonable and supportable information available at the reporting date, without undue cost or effort and without the risk of reassessments based on hindsight.

In this context, the revised ESRS should provide clearer safeguards against checklist-style reporting and confirm that undertakings are not required to disclose immaterial information, justify every omitted datapoint or conduct exhaustive information searches beyond their usual information sources.

The EACB also considers it essential that the concepts of proportionality, "undue cost or effort" and "reasonable and supportable information" become more operational and provide effective relief in practice. Without further clarification, these concepts risk creating recurring documentation and audit burdens rather than reducing complexity. Clear criteria should therefore specify when information is not reasonably obtainable, including situations involving disproportionate IT adjustments, extensive primary data collection across the value chain or substantial external verification efforts. Undertakings should also be able to rely on prior period assessments unless material circumstances have changed.

From the perspective of banks and other financial institutions, additional clarifications are particularly important regarding the treatment of financed emissions, climate targets, value chain reporting and the interaction between sustainability reporting requirements and prudential supervisory expectations. Reporting obligations should remain proportionate to the actual influence and data access capabilities of financial institutions. Regarding GHG emissions, the financial control approach should generally be prioritised to ensure consistency with financial reporting boundaries, while maintaining sufficient

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flexibility for the operational control approach. Furthermore, given that the vast majority of greenhouse gas emissions from financial institutions are attributable to financing activities where direct influence is limited, Scope 3 reduction targets should allow for physical or economic intensity metrics and sectoral pathways rather than misleading absolute targets. In particular, value chain reporting should be limited to information that can reasonably be obtained from direct counterparties, and voluntary standards such as the VSME must not become indirectly mandatory in practice.

The EACB further emphasises that simplification efforts will only be fully effective if sustainability reporting requirements, supervisory expectations and underlying data availability are better aligned. Prudential frameworks, Pillar 3 disclosures and ESG risk management requirements continue to create significant ESG data needs for financial institutions, including for counterparties outside the revised CSRD scope. Against this background, the revised ESRS should be finalised swiftly and accompanied at an early stage by practical implementation support, including a comprehensive ESRS data field list. Overall, our recommendations aim to preserve the decision-usefulness of sustainability reporting while ensuring that the revised ESRS framework becomes more proportionate, legally certain and operationally workable for reporting undertakings.

Finally, according to the revised ESRS, so-called “supplementary information” is to be presented in a separate section of the report. From a user perspective, we are concerned that such an approach could reduce readability and make it more difficult to understand the overall narrative. In addition, from a preparer’s perspective, it may be challenging if related information is required to be disclosed outside its original context, potentially weakening the coherence and connectivity of the disclosures. We therefore prefer the former approach, namely to have an identified ESRS data point that needs to be used for such information, rather than requiring a separate section within the report.

ESRS 1 – General Requirements

The operative user perspective should be narrowed

(ESRS 1, paragraph 4 / AR 1 – Users of sustainability statements)

ESRS 1 para. 4 still refers to a broad range of users. Without a clearer operational boundary, any conceivable stakeholder expectation could become a reporting driver. This would undermine the objective of simplification and increase the risk of defensive reporting.

We therefore recommend adding the following clarification: For the purpose of assessing information materiality, the undertaking shall consider only information needs that are common to a relevant group of reasonably knowledgeable users of general-purpose sustainability statements. Specific information requests, expectations or advocacy positions of individual users, stakeholders or stakeholder organisations shall not be determinative.



This would ensure that sustainability reporting remains focused on common, decision-useful information needs and would prevent individual or advocacy-driven information requests from becoming de facto reporting obligations.

Information materiality should be assessed ex ante and from a user-group perspective

(ESRS 1, paragraph 23 / AR 8 – Information materiality and informed assessments)

ESRS 1 para. 23 still uses the threshold “could reasonably be expected to influence”. Although AR 8 defines “informed assessments”, the wording does not yet provide a sufficiently clear safeguard against hindsight-based challenges by auditors, supervisors or stakeholders.

We therefore recommend adding the following clarification: The assessment shall be made from the perspective of a relevant group of reasonably knowledgeable users, and on the basis of reasonable and supportable information available to the undertaking at that date without undue cost or effort. Subsequent developments or information obtained after the reporting date shall not, by themselves, render a prior materiality assessment inappropriate, unless they provide evidence of conditions that existed at the reporting date and were reasonably available to the undertaking.

This would reduce ex-post disputes and shift the focus from hindsight-based outcome challenges to a reasonable assessment.

All first-time ESRS reporters should be exempt from prior-year comparatives

(ESRS 1, paragraph 122 / paragraph 124 – Transitional provision related to Chapter 7.1 Comparative information)

Undertakings that have not previously published an ESRS sustainability statement should not be required to reconstruct comparative information for a prior year. This should apply irrespective of whether they are technically classified as “wave-one undertakings” or “other undertakings” or have already reported voluntarily in accordance with the ESRS to some extent. In Member States where CSRD reporting obligations were not implemented in time, undertakings should not be penalised for the absence of prior ESRS reporting. It avoids an artificial obligation to produce prior-year ESRS comparatives where no ESRS reporting was required or performed in practice. Reduces implementation burden, prevents pseudo-comparability.

(ESRS 1, para. 124) provides that undertakings reporting for the first time under the revised ESRS are not required to disclose comparative information where the relevant metrics differ from those under the previous ESRS (Set 1). However, as a consequence undertakings must perform a detailed analysis to determine which metrics remain unchanged compared to ESRS Set 1 and therefore continue to be subject to comparative disclosure requirements. This analysis would need to be complemented by an assessment of the applicable phase-in provisions, including a determination of which disclosures and datapoints are excluded during the transition period. Taken together, this mapping exercise is expected to be complex and resource-intensive.



Reassessment of undue cost or effort

(ESRS 1, paras. 94–96 / AR – Reasonable and supportable information without undue cost or effort)

ESRS 1, para. 94 requires that the assessment of what constitutes undue cost or effort be based on the specific circumstances of the undertaking and involve a balanced consideration of the costs incurred by the undertaking and the benefits of the resulting information for users. In practice, this would require undertakings to develop a very detailed understanding of stakeholders' information needs in order to assess whether data collection is warranted given the associated costs. This balancing exercise is difficult for undertakings to operationalise in practice. In addition, when applied in conjunction with the materiality of information filter, there is a risk that the resulting disclosures may remain not very informative.

Without clear operational criteria, this assessment may lead to recurring discussions with auditors and may turn the relief into an additional documentation burden. We therefore recommend adding the following clarification: Obtaining or preparing information shall in any event be considered to involve undue cost or effort where it, for example, would require any of the following:

- (a) new IT systems or material modifications to existing IT systems;
- (b) new contractual data access rights or renegotiation of existing contracts with value-chain actors;
- (c) supplier-by-supplier or customer-by-customer primary data collection beyond information already available to the undertaking; or
- (d) the involvement of external experts, assurance procedures or evidence-gathering efforts that are disproportionate to the expected decision-usefulness of the information.

In these cases, no further cost-benefit assessment shall be required.

This would make proportionality operational, avoid a built-in escalation mechanism and reduce implementation costs, in particular for value-chain data collection.

Reassessment of availability of information

(ESRS 1, paragraph 95, 96 – Reassessment of reasonable and supportable information)

The requirement in ESRS 1, para. 95 to reassess the availability of reasonable and supportable information in each reporting period effectively turns the "undue cost or effort" relief into a recurring documentation obligation rather than a genuine simplification mechanism. To ensure that the undue cost or effort principle delivers effective relief in practice, we recommend clarifying that undertakings may rely on a prior-period assessment unless there is evidence of material changes in business activities, value chains or data availability that would reasonably require reassessment.

This would ensure that the relief remains effective in practice and does not lead to repetitive annual documentation exercises where the underlying circumstances have not materially changed.



Indirect reporting obligation

(ESRS 1, paras. 63–67 and paras. 94–96 – Value-chain information and undue cost or effort)

For companies subject to the CSRD, it is unclear whether the collection of VSME/VS reports could become a de facto requirement through reference to the “undue cost or effort” principle. It could be argued that VSME/VS reporting does not fall under this principle, even though in practice its processing involves considerable effort. The VSME/VS is a voluntary standard and cannot become indirectly mandatory. Reporting undertakings shall not be required, directly or indirectly, to request, obtain, process or verify VSME/VS reports from value-chain actors in order to demonstrate that information was not available without undue cost or effort. The absence of a VSME report from a value-chain actor shall not, by itself, require additional data collection.

Financial consolidation scope

(ESRS 1 paragraph 61; ESRS 2 BP-1; 4a – clarification of financial consolidation scope)

An unrestricted clarification is necessary that the financial consolidation scope serves as the basis for sustainability reporting. We recommend, that the term “usually” and the “unless”-exception should be removed in ESRS 1 paragraph 61. Otherwise ESRS 1 paragraph 61 would require ongoing reviews to determine whether material impacts, risks, or opportunities arise in non-consolidated subsidiaries.

Entity-specific information and fair presentation should not undermine the materiality filter

(ESRS 1, paragraph 11 / paragraph. 21 / AR 6)

We welcome the opportunity to disclose entity-specific information if the IROs are material. The interplay between entity-specific information and the fair presentation principle at the overall report level remains still somewhat unclear, resulting in a tendency towards overly extensive and defensive disclosures in order to mitigate the risk of ex-post challenges regarding “obscuring” of material information. The reference to drawing on sector peer reports from previous years and to information based on other standards could lead to a significant expansion of mandatory entity-specific disclosures.

We highly welcome the Commission’s clarification that undertakings are not expected to report immaterial information. To ensure legal certainty and support the concept of fair presentation, we recommend explicitly mirroring this principle by clarifying that fair presentation is achieved through material disclosures alone, and does not require the inclusion of individual Disclosure Requirements, Application Requirements, datapoints, or entity-specific information that have been assessed as not material.

The top-down materiality assessment should operate as a practical safe harbour

(ESRS 1, paragraph 27 / AR 9, supported by Paragraph 32(b))

The revised ESRS 1 usefully recognises a top-down approach to materiality assessment. However, the current wording may still leave room for auditors to request defensive bottom-up checks whenever a theoretical alternative view is conceivable.



We therefore recommend adding the following clarification to AR 9: "An additional bottom-up assessment is not mandatory, unless specific and substantiated evidence available to the undertaking at the materiality assessment date, without undue cost or effort, clearly indicates that a more granular assessment would be necessary and could reasonably be expected to change the materiality conclusion."

This would remove the need to test every possible impact, risk or opportunity and would create a practical safe harbour for reasonable top-down screening.

No exhaustive search for information beyond usual internal and external sources should be required

(ESRS 1, para. 32 / AR 13 – Reasonable and supportable information)

The revised ESRS 1 states that an undertaking is not required to perform an exhaustive search. This is welcomed, but should be made more operational to prevent assurance-driven expansion of the materiality assessment process.

We therefore recommend adding the following clarification to AR 13: The undertaking is not required to search for information beyond its usual internal and external sources, unless specific and substantiated evidence available at the reporting date indicates that additional information is necessary to identify material impacts, risks or opportunities.

This would reduce excessive documentation and investigation work and would strengthen process compliance.

A material topic should not trigger checklist-style datapoint reporting

(ESRS 1, paras. 29–30 – Disclosure Requirements and datapoints within material topics)

A material topic or sub-topic should not automatically make all related Disclosure Requirements, Application Requirements or datapoints material. Without clarification, undertakings may feel compelled to apply ESRS as a checklist once a topic has been identified as material.

We therefore recommend adding the following clarification: The fact that a topic or sub-topic is material does not create a presumption that all Disclosure Requirements, Application Requirements or datapoints related to that topic or sub-topic are material. The undertaking is not required to disclose, or to explain the omission of, individual non-material datapoints, unless an ESRS explicitly requires such explanation.

This would avoid checklist-style reporting and reduce reporting burden and assurance effort at datapoint level.

Assets under management

(ESRS 1 paragraph 37 AR 17)

We welcome the clarification that companies providing asset management services should not be required to report information for assets under management. However, we note that there is no definition of "risks or rewards of ownership" which could result in different



interpretations and additional complexity in documentation. We would prefer the usage of the term “assets under management”.

Partial scope metrics

(ESRS 1 paragraph 91)

On the one hand it is questionable whether partial scope metrics are meaningful and relevant for decision-making by users of the sustainability report. Therefore, it is important to consider the potential for qualitative fulfilment, as qualitative insights can provide additional context and depth that enhance the understanding of the reported information. On the other hand, it should be considered that after having accomplished a fundamental review if and how reliable direct data is available, companies should be permitted to use estimates on a permanent basis without an obligation to further assess data availability in subsequent reporting periods. Mandating a regular review would not constitute a facilitation.

ESRS 2 – General Disclosures

Anticipated financial effects

(ESRS 2 SBM-3; 27 ff.)

We recommend that the disclosure of quantitative information regarding the anticipated financial effects of opportunities should not be required.

Quantifying the financial impacts of sustainability-related opportunities is inherently tied to high uncertainty and speculative assumptions. Forcing undertakings to provide monetary figures does not result in reliable or decision-useful data but rather introduces significant measurement noise. To align this with established financial reporting principles, we suggest that quantitative disclosures for opportunities should remain strictly voluntary, thereby preventing disproportionate administrative burdens and ensuring that reports focus on verifiable facts.

Process description of Double Materiality Assessment (DMA)

(ESRS 2 IRO-1; 34 ff.)

The description of the process of the DMA in the sustainability statement is not critical for the report's users. Therefore, it is suggested to remove the corresponding data points.

Negative statements

(ESRS 2 GDR; 39)

The reporting on General Disclosure Requirements still requires disclosures of negative statements relating to policies or objectives that the undertaking has not implemented. These requirements unnecessarily expand the scope of reporting and do not contribute to the clarity or relevance of the information provided. It is proposed that all requirements demanding the disclosure of non-existent items be eliminated. Additionally, a clarification should be included stating that what is not reported is considered not to exist.



ESRS E1 – Climate Change

Scope of consolidation

(ESRS E1 AR 19 for paragraph 30 – choice for scope of consolidation)

We welcome the provision that scope of consolidation applies equally to financial and sustainability reporting.

We welcome efforts to align sustainability reporting boundaries with financial reporting as a general principle to ensure consistency. However, regarding GHG emissions, ESRS E1 should provide sufficient flexibility by allowing undertakings to apply either the financial control or the operational control approach, provided the chosen method delivers decision-useful information and is consistently applied. To avoid undue administrative burden, ESRS E1 should prescribe a single selected default approach per undertaking and strictly avoid requiring the calculation, disclosure, or reconciliation of emission figures under multiple alternative consolidation approaches.

Target year

(ESRS E1-1; 11, 12)

The addition of the EU's target year of achieving climate neutrality within the ESRS does not seem useful, as the year might change in the future and will be specified within other regulations. In addition, it is hard for internationally operating undertakings (especially financial institutions) to adhere to such a year, when international ambitions outside the EU might differ. Therefore, we would welcome the option to set different target years for transition plans.

Climate-related risks and opportunities

(ESRS E1-2; 14 – preventing double reporting)

There are overlaps with the DMA that may cause double reporting without ensuring the E1-2 focus on climate risks and scenarios. These overlaps should be deleted and ensured that there is no need for double reporting by including clear and if necessary detailed references within the connected DRs.

GHG emission reduction targets

(ESRS E1-6; 24a – choosing a realistic and comparable basis)

ESRS E1-6;24a still requires disclosure of absolute reduction targets for scopes 1–3. For own operations, disclosure in absolute terms remains appropriate. For financial institutions, indirect emissions, particularly financed Scope 3 emissions, are the largest emission drivers. The direct influence on the emissions of counterparties and their value chains is limited which can make absolute targets potentially misleading. Additionally, the heterogeneity of portfolios complicates meaningful comparisons of absolute target values. Physical or economic intensity targets and sectoral reduction pathways are considered more suitable for aligning with EU climate goals and transparently presenting developments. Since over 90% of greenhouse gas emissions from financial institutions are attributable to financing activities, intensity targets offer a realistic and comparable basis



for assessing progress towards net-zero. Therefore, a comprehensive disclosure framework should include both intensity developments and the long-term net-zero strategy along with relevant interim targets.

Biogenic CO2 emissions

(ESRS E1-8; 31 – no additional value)

It is questionable whether data point 'biogenic CO2 emissions from the combustion or biodegradation of biomass separately from the emission scopes' is sufficiently widespread to justify inclusion in a generally applicable standard. Especially for financial institutions, the data point adds no value, as it is usually not a large source of emissions compared to finance emissions.

Carbon credits

(ESRS E1-9; 34 - clarification needed)

It should be possible to report on certificates that derive from projects financed by a financial institution (i.e., are within their value chain) if these certificates are used by the financial institution as part of their decarbonisation strategy and the reduction of emissions that is connected to these certificates is not included in any other emissions calculations (= as part of the own actions on climate change that the financial institution reports on as part of E1-5 (former: E1-3)). Therefore, the requirement "outside the upstream and downstream" value chain should be removed or clarified for financial institutions.

ESRS E4 – Biodiversity and ecosystems

Transition plan for biodiversity

(ESRS E4-1; 11-12 – opening reference framework)

Reporting on a biodiversity transition plan, if already in place and made public, should be mandatory as suggested, as it is assumed to provide the most relevant information regarding an undertaking's biodiversity measures. Furthermore, it should be possible to report on such a plan even if it differs from the Global Biodiversity Framework. As this represents an additional requirement compared to ESRS Set 1 rather than a simplification, we recommend including the Global Biodiversity Framework merely as an example".

ESRS S1 – Own workforce

Elimination of inconsistencies following the latest revision

(ESRS S1-5, paragraph 20(d), ESRS S1-5 / AR 11 – calculation of overall employees)

Given the latest changes to the ESRS, certain inconsistencies have emerged. For example, ESRS S1-5, paragraph 20(d), now refers to the turnover rate of permanent employees during the reporting period. However, ESRS S1-5, AR 11 still incorrectly refers to paragraph 20(c) instead of 20(d) and continues to describe the calculation of overall



employee turnover, without incorporating the specification of “permanent” employees. In addition, AR 11 states that the undertaking should divide the number of employees by the average employee headcount, without consistently replacing the term “employee” with “permanent employee,” which leads to a lack of alignment with the revised requirement.

Adequate wages

(ESRS S1-9 – additional guidance needed)

It is generally positive that the initial focus is on the “minimum wage” rather than requiring alignment with collective bargaining agreements. However, several topics are still open:

A specific list of providers should be available for the requirement “living wage estimate produced by an institution mandated by the public authorities of the country.” Alternatively, the publication of a corresponding list by the International Labor Organisation (ILO) would be helpful.

It is necessary to clarify which verification steps are required to ensure compliance with ILO standards regarding the consideration of minimum wages.

Additional guidance is needed on what to do if no such benchmarks incorporating ILO standards are available, including whether independent calculations could be used in this case.

Persons with disabilities

(S1-11; 33)

To ensure the confidentiality of sensitive personal information relating to employees at small sized sites of an undertaking, we recommend introducing a minimum employee threshold (e.g. >20) for site-level disclosure requirements

Glossary

(S1-12 – specification needed)

We recommend specifying the term “training” as to whether it includes mandatory corporate trainings such as compliance, IT security or data protection training and onboarding training, such as training on corporate values and policies.

Calculation of recordable work-related accidents

(S1-13 AR 25 – clarification needed)

We recommend clarifying whether “normal hours” refer to internal standard working hours or to statutory working hours applicable at national level. Furthermore, periods of paid leave of absence should, in our view, not be taken into account when calculating working hours.

Family-related leave

(S1-14 AR 30 – taking national laws into account)



We recommend clarifying whether carers' leave also encompasses leave arrangements that may generally be used for the provision of personal care, including cases where, due to applicable data protection requirements, the undertaking is unable to verify the degree of medical seriousness or care required. In this context, it should be taken into account that, under German law and applicable collective bargaining agreements, certain forms of carers' leave may be granted for a broad range of medical reasons extending beyond cases classified as serious medical conditions.

Calculation of gender pay gap

(S1-15 AR 32 – clarification needed)

We recommend clarifying whether the basic salary refers to the same salary as in base salary according to AR 35 for paragraph 41(b) (Annual total remuneration calculation) and whether remunerations refer to all components listed in AR 35 for para. 41(b).

Annual remuneration calculation

(S1-15 AR 35)

The term "annual remuneration" may refer both to full-time as well as part-time employees. Practice shows that undertakings apply different approaches, both extrapolation as well as non-extrapolation which reduces the comparability of the results. We understand that the purpose of this metric is to encapsulate the reason for the difference in annual remuneration, which includes the difference arising out of the distinguishment between part-time and full-time remuneration. We recommend specifying whether it refers either to the extrapolated annual remuneration or the non-extrapolated annual remuneration of part-time employees.

Collective bargaining coverage

(S1-7 AR 15 – proportionality should be applied)

With the requirement to report the metric for all employees of all Non-European Economic Area (EEA) countries, undertakings with numerous small sized (e.g. <20) non-EEA sites need to collect regulatory data for all sites which would cause an immense workload contradicting the purpose of the Omnibus simplification package. We are of the opinion that the number of non-EEA sites should be limited.

General observations

Risk of increased audit requirements

Many requirements have been merely summarised rather than simplified, leading to greater complexity and less clarity in discussions with external auditors. If application is to be possible for the 2026 financial year, a list of data points is required as soon as possible in order to enable the mapping and integration of these data points.

Interaction between the Sustainable Finance Disclosure Regulation (SFDR) and the ESRS



Furthermore, the interaction between the SFDR and the European Sustainability Reporting Standards (ESRS) should be taken into account: the ESRS currently include disclosure requirements derived from the SFDR as currently in force. To ensure close alignment, a dynamic reference from the ESRS to the SFDR could be introduced. Alternatively, amendments to SFDR indicators would subsequently need to be reflected in the simplified ESRS through a new delegated act.

ESRS data field list

With the publication of the revised ESRS as a delegated regulation, an Excel-based data field list should be made available. The list should contain a complete overview of the data points required by the revised ESRS (qualitative and quantitative) as well as the information necessary for implementation (e.g., EFRAG ID, data field name, data type, conditional data field, optional data field, etc.).

Value-chain cap for financial institutions

Value-chain reporting must remain feasible and proportionate. For financial institutions, requirements should be limited to direct relationships, as banks generally cannot access or verify information beyond direct counterparties.

Competitiveness, regulatory alignment and data availability

The proposed simplification will not fully achieve its objective if banks' disclosure obligations, supervisory expectations and underlying data availability remain misaligned. Prudential frameworks, supervisory reporting, Pillar 3 disclosures and ESG risk management expectations will continue to require banks to collect ESG data from counterparties, including from companies no longer subject to CSRD reporting obligations. Supervisory expectations should be proportionate and consistent with the data that institutions can reasonably obtain under the revised framework.