ESRS Set 1 revision: Questionnaire for public feedback

1.

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

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

For viewing purposes, a pdf version of the questionnaire is available here.

Questionnaire for public input on simplification of ESRS

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

SECTION 1 – PARTICIPANT GENERAL INFORMATION

1.1 Guidance for respondents

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

Comments are most helpful when they:

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

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

Respondents can save the draft questionnaire and return to it at a later time. EFRAG will only consider submitted surveys.
Respondents can select and focus on the areas that are most impactful, thus do not have to consider all questions
For the questions requiring inclusion of a reference to IG3, and for consistency among the different replies, please indicate specific DPs that require consideration in your view by copy pasting the code defined in IG3 – List of ESRS Data Points (see column ID).

1.2 Respondent profile

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

First Name:

Maryia

Last Name:

Sulik

Email address:

maryia.sulik@eacb.coop

Telephone number:

Name of organisation:

European Association of Co-operative Banks (EACB)

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

Yes

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

Business Association

User (subcategories to open):

Other (please specify)

Function in the organisation:

Director Sustainability Reporting

Country (principal location):

Belgium

Sector(s) (if applicable)

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

If yes

Please specify whether it was a voluntary or mandatory application

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

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

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

2. (untitled)

SECTION 2 – GENERAL ASSESSMENT (OPTIONAL)

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

Overall, CSRD has acted as a catalyst in further structuring the sustainability approach of EACB member banks, fostering a concerted effort to align both existing and new initiatives within the sustainability statements. A key challenge in implementation lies in the sector-agnostic nature of the standards. While many matters in the topical standards are relevant for banks, actually applying them has proven challenging. The most notable issue is that for a bank most IROs relate to Scope 3 (lending to clients), whereas the standards place a greater emphasis on Scope 1 (own operations). The double MA has contributed to the development of strategy, sustainability policies and internal processes. However, implementation has proven to be very resource-intensive, and the requirements are not well suited to a financial sector. Additionally, the amount of data points and interpretation needed to adapt them to the profile of a bank adds considerable complexity, both in preparation and assurance.

3. (untitled)

SECTION 3 – QUESTIONS

1. PART 1 – HOW TO IMPROVE THE MATERIALITY ASSESSMENT

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

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

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

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

- the definition of material impacts, risks and opportunities (IROs) under double materiality assessment

Please detail ESRS provisions on materiality improvements:

- During the first reporting cycle, the ESRS were applied differently among peers. This was largely driven by different implementation of the materiality concept including discussions with relevant external auditors. In practice, the number of and extent of disclosures therefore differ considerably. This negatively impacts standardisation of material reporting contents and comparability. Increased thresholds to be used in the report's drafting should be permitted in order to focus final reports on topics with particular high materiality.
- Within material IROs, not every associated DR should be mandated. Instead, reporting should focus on those DRs that are of material importance for the reporting entity and its specific industry / sector.
- Currently, the definitions of impact, risk and opportunities and the extent to which they should be presented are unclear. Describing them in more details (e.g. sentences), results in a higher number of IROs.
- Example text passages as well as illustrative IROs should be provided. It should be possible to condense the description of IROs at a single location within the CSRD-report
- It should be clarified that the strategies adopted by a corporate do not necessarily have an impact on the materiality assessment. One example is the endeavour to achieve climate-friendly banking operations, although this is not a core area of action for a bank's operating business.
- Explicit authorisation of the use of existing, internal models, methodologies and procedures. As of now, this authorisation is not explicitly provided within the ESRS.
- It is not always possible to identify a positive impact, a negative impact, a risk, and an opportunity for every topic, sub-topic, or sub-sub-topic. There should be no – even implicit – requirement to assess IROs across all dimensions to demonstrate that an aspect has been considered in the DMA.

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

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

Please detail ESRS provisions on materiality improvements:

- Conditions and requirements concerning the DMA should be regulated at a singular chapter in the ESRS, e.g. ESRS 2.
- In addition to reducing the reporting content, the processes must also be simplified, particular regarding assessments based on the double materiality perspective. A cycle of three years (valid for 3 financial years) should be allowed for the double materiality analysis. Validations and adaptations should be possible in each reporting period.
- Furthermore, the mandatory involvement of employee representatives could be limited to ESRS S1 content only.
- Disclosure of DMA process is not particularly helpful. A DMA process lasting months is condensed in a few pages, that are still too much for external readers and unable clarify why certain items are material and others not. More appropriate should be declaration of material topics and their links to the strategy. In addition, comprehensive descriptions as to how the materiality analysis was implemented are not essential for the addressees of the report – not least because the materiality analysis is subject to audit. Simplifications should be made here too. The process of DMA is a part of audited information, so there is no need in extensive descriptions in the report. It has less value for decision making than information on risks and KPIs.
- Relevance of human rights should also be clearly defined to ensure comparability. The due diligence reporting requirements of the ESRS differ from those of the CSDDD and the Taxonomy Regulation. They are all based on the same international guidelines but differ in certain definitions. It should be possible to report only on one's own dd process.
- The option to use (materiality) thresholds should be expanded. Corporates should be offered more room to bilaterally defined materiality thresholds in corporation with the external auditor.
- Furthermore, the CSRD requirements for the materiality analysis should be aligned with those of the CSDDD risk assessment. Both obligations should be consistent to allow for a harmonised reporting of the outcomes of CSDDD risk analyses in CSRD reports.
- Conditions and requirements concerning the DMA should be regulated in a singular chapter, in ESRS 2.

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

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

Please detail ESRS provisions on materiality improvements:

For a large financial institution group, implementing the outcomes of the materiality analysis presents significant challenges. A sustainability matter – such as climate change mitigation – may be deemed material overall, yet fulfilling the specific requirements of the relevant topical standard can prove difficult in practice, particularly in achieving complete portfolio coverage. For instance, one of EACB's member bank's climate targets currently apply to 19 sector-region combinations, covering 63% of its portfolio. The remaining portion is composed of numerous smaller sector-region combinations where setting individual targets is neither feasible nor material.
Decisions related to informational materiality also require careful consideration. For instance, some subsidiaries may be immaterial in relation to a specific sustainability matter, certain metrics focused on own operations may not be relevant when assessing a financial institution's portfolio-level impact.
- The process of determining material information on a granular level – particularly ESRS Appendix E – is not well understood, even though its right application could drastically reduce datapoints! This often results in the inclusion of unnecessary information and overly lengthy reports. Companies should be enabled to assess which information is most relevant to their stakeholders.
- Decision tree should be adjusted. For example, Appendix E Flowchart does not explain what to do if information is material but not available.
- On E1-6 AR 46(d): Significant Scope 3 categories should be identified / disclosed based on magnitude of emissions. However, in practice, materiality can be assessed differently for own operations. For instance, even if low in absolute terms, GHG emissions from own operations are significant in that they can be related to a strong commitment for employees, and are directly actionable.

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

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

Please detail ESRS provisions on materiality improvements:

- The description of the process for determining materiality required by IRO-1 Description of the processes to identify and assess material impacts, risks and opportunities can be streamlined. The requirement that the relevant IRO-1 disclosures must also be reported in the Topical ESRS for the individual IROs identified as material leads to thematic duplication. It is therefore considered expedient to limit the relevant disclosures in accordance with IRO-1 to the overarching sections to be reported in accordance with ESRS 2. IRO-1 requirements are located in ESRS 2 as well as in the topical standards. The ESRS should be approached from both a procedural and organizational perspective. Everything related to the materiality assessment should precede the thematic standards.
- We would propose switching the order of IRO-1 and SBM 3, so that the description of the process for identifying and assessing material impacts, risks, and opportunities (IRO-1) is presented first, before reporting on results of the material impacts, risks, and opportunities themselves and their interaction with strategy and the business model (SBM-3).
Distinction between documentation for the audit and relevant information for reporting should be sharpened.
The ESRS should be approached from both a procedural and organizational perspective. Everything related to the materiality assessment should precede the thematic standards.

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

- the disclosures related to the outcome of the process (SBM 3)

Please detail ESRS provisions on materiality improvements:

• First of all, the content of the SBM3 needs clarification as it is not clear what exactly is to be reported under ESRS 2 and in which format and what can be reported in topical standards. Peer review and external auditor request differ and therefore simplification and clarification is needed.
• The requirements of SBM 3 - Material impacts, risks and opportunities and their interaction with strategy and business model result in a duplication of the content to be reported between the overarching disclosures of ESRS 2 and the Topical ESRS. Due to the necessary strong focus of the SBM 3 disclosures along the topics of the Topical ESRS, the corresponding requirements should be limited exclusively to the Topical ESRS. Generally, reporting should focus on essential points (less description of processes and results of the DMA)
• We would propose switching the order of IRO-1 and SBM 3, so that the description of the process for identifying and assessing material impacts, risks, and opportunities (IRO-1) is presented first, before reporting on results of the material impacts, risks, and opportunities themselves and their interaction with strategy and the business model (SBM-3).
• SBM-3 is often perceived as an instruction on how to conduct the materiality assessment. However, the information referenced in SBM-3 should already be known during the materiality assessment itself. Rather, SBM-3 should be understood as a clear documentation of the DMA process.

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

- the inclusion of material information based onentity-specific disclosures

Please detail ESRS provisions on materiality improvements:

Entity-specific disclosures should be excluded as much as possible. It should be clarified that company-specific disclosures should only be required in exceptional cases. Otherwise, the intended deletion of data points within the framework of omnibus efforts could be counteracted by the requirement for company-specific disclosures.

Since sector-specific standards have been removed, there is a need for unbinding sector guidance to ensure a common baseline between peers in the same sector and to indicate what is appropriate when sector-agnostic standards are not relevant/applicable in specific sectors – eg for banking, Capex/Opex, revenue (banks use NBI), high climate impact sectors.

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

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

Please detail ESRS provisions on materiality improvements:

- Clear audit guidelines for the DMA would help.
- Difficulties to document non-material IROs (difficulties with auditors).

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

- the value chain

Please detail ESRS provisions on materiality improvements:

• Guidelines for defining the value chain are needed. Defining the value chain is particularly challenging for the financial sector.
• Quantifying risks in order to determine materiality is difficult and requires further support.
• Clarification is needed to differentiate between risks and negative impact.
• It would be highly beneficial for the financial sector to be able to rely on the EBA Guidelines and to harmonise approaches to materiality analyses.
• A clear definition of „own operations" in binding legal acts (not just FAQ) in particular regarding the own operations of credit institutions, to bring clarity e.g. on issues where economic ownership and financial control over an asset diverge from its actual use. We recommend that the definition of corporate boundaries should be based on the financial annual report or consolidated financial statements in relation to sustainability reporting. Additionally, the definition of 'own operations' should include clear rules for dealing with subsidiaries that are not included in the consolidated financial reporting. EFRAG has, so far, only addressed subsidiaries that are excluded from consolidated financial reporting due to financial immateriality (see EFRAG IG 2 (para.35) and ID 148). The rules should specify that immaterial subsidiaries should also only be considered within the value chain in the consolidated sustainability report, so that the overall scope of the group in the consolidated financial statements and management report also applies to the consolidated sustainability report.
For this EFRAG have to change chapter 7 in ESRS 1 and suspend the operational control concept in the ESRS E1 (-> GHG protocol), E2 and E4.
• Adjustments to standards for credit institutions: The five environmental standards in particular include data points that are not clearly defined for financial institutions or not suitable for their business model.
• Simplification of the ESRS Structure: Mandatory disclosures should only be included in the main part of the respective standards and not additionally in the appendix of the standards.
• A clearer guidance is needed on which data points are to be reported when an IRO is material only for the downstream value chain, for example.

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

- the aggregation/disaggregation of information

Please detail ESRS provisions on materiality improvements:

• Please refer to point C.

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

- other (open a box to specify).

Please detail ESRS provisions on materiality improvements:

• CSRD scope to be considered as part of the own operations of the group should be equal to the undertakings included into the financial consolidated / group reporting.
• The concept of operational control should be dropped off.
• The materiality assessment should be limited to subsidiaries which are "control-relevant units". This means only subsidiaries that have a certain (financial) relevance for the group should be considered in the DMA.
• Clarification: Uniform Consolidation Scope in line with Financial Reporting: The scope of consolidation applicable to financial reporting must equally apply to sustainability reporting. A divergent approach would not only contradict the provisions of the Accounting Directive but also undermine consistency, comparability, and legal certainty.
• Pursuant to Directive 2013/34/EU, the consolidated sustainability reporting forms is an integral part of the consolidated management report (Article 29 and 29a). Articles 22 and 23 of the Directive set out the undertakings to be included in the scope of consolidation, without distinction between financial and sustainability reporting. The CSRD builds on this legal structure and does not amend the logic of consolidation.
• Rationale (1) Legal coherence: The Accounting Directive defines who must report. The ESRS define what must be reported. The delineation of responsibilities must remain clear and binding. (2) Operational efficiency: A uniform consolidation scope avoids duplication and ensures consistency across reporting streams. (3) stakeholder confidence: Harmonised information supports reliable decision-making for investors, creditors, and regulators. (4) Risk consistency: Financial and sustainability risks affect the same legal entities — hence they must be reported within the same consolidation perimeter.

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

Please detail ESRS provisions on materiality improvements:

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

Disclosure requirements (DR)

Datapoints (DP)

Comment on challenge:

Suggestion:

4. (untitled)

PART 2: HOW TO STREAMLINE NARRATIVE INFORMATION

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

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

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

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

Deleting datapoints that are not critical

Suggestions:

• The "shall disclose" datapoints in ESRS Set 1 should be simplified by deleting datapoints that are not critical. This would increase comparability across different companies.

• The following points are illustrative and individual examples. Generally, a fundamental review of the ESRS's datapoints is necessary in order to better align reports with the expectations of users of sustainability reports. This includes the identification of critical datapoints prior to the deletion of individual datapoints.
• Fundamentally, CSRD reports are intended to provide only material information on essential sustainability issues (no "hiding" of material information by reporting irrelevant information). The rigid structure of a wide range of mandatory quantitative and qualitative disclosures contradicts that focus. This is aggravated, as many of those KPIs are not relevant for steering purposes and offer little informative value (e.g. existence of workers councils (S1-8 63b), existence of grievance mechanisms for value chain workers (S2-3 29), processes for engaging with affected communities (S3-2 24)).
The description of internal processes (e.g. ESRS 2 IRO-1) results in disproportionate effort with limited informational benefit for users of the sustainability statement. Such requirements should be deleted. Process descriptions that do not generate external added value (e.g. internal decision-making procedures) should, at most, be documented internally but not be mandatorily disclosed (e.g. ESRS 2 IRO-1, S1-4_05).
ESRS 2, IRO-1 requires extensive description of the processes to identify and assess material impacts, risks and opportunities. Topical ESRSs (E1–E5, G1) request separate IRO disclosures in addition to those provided under the general ESRS, regardless of the outcome of the materiality assessment. This redundancy should be avoided through consolidated and cross-cutting disclosures.
Additional datapoints that could be deleted or made voluntary: S2-1 02 and S2-1 03 (can both be answered with S2-1 01), S3-3 29, S4-2 22, S4-3 27, G1-1 10b, ESRS 2 BP-1 5d and 5e, E1 IRO-1 AR15, ESRS 2 MDR-P 65c, E1-9, E2-6, E3-5, E4-6, E5-6, data on CapEx and Opex (e.g. E1-3 29c), SBM-2, SBM-3 48d and e, IRO-1 53 b iii, IRO 2 56, GOV-4.
Narrative information around S1 is very extensive and could in our opinion be reduced (e.g. S1-4) or summarised with G1 (Grievance mechanism and Whistleblowing S1-3_05 & G1-1_05)
Narrative information in G1 is very extensive and could be reduced (G1-1 Corporate culture) or summarised (G1-3, G1-4 related to bribery and corruption).

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

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

Suggestions:

• Note that merging datapoints may also involve simply deleting duplicate entries.
• During the preparation and audit process of the sustainability statements, it became evident that the list of datapoints is treated as a checklist by auditors. In other words, each chapter related to a standard is held next to that list for a step by step assessment. This approach makes it valuable to merge similar datapoints that appear in different parts of the sustainability statements to avoid repetition and prevent different audit team members from checking the same information multiple times.

For example:
• ESRS 2 GOV 3 (29 a, b, c, e) requires an entity to present narrative information on how sustainability-related targets and impacts are used to assess the performance of members of the administrative, management and supervisory bodies, and how these are integrated into incentive schemes, performance benchmarks and remuneration policies.
• E1.GOV-3 13 requires an entity to disclose:
- how climate-related considerations are factored into the remuneration of members of the administrative, management and supervisory bodies; and
- to provide an explanation of the specific climate-related considerations that are factored into remuneration of members of administrative, management and supervisory bodies.
• The specification in E1.GOV-3 should, if material, already be covered under the general disclosures, as climate-related considerations are a subset of broader sustainability-related targets and impacts.
• Merging such requirements would centralize this type of narrative information within the sustainability statements, reducing the need for excessive cross-references to other chapters and minimizing duplication in checklist-based audit work.

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

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

Suggestions:

• This is a good alternative to removal of points that were previously mandatory, as it allows undertakings that have previously disclosed to continue doing so, enabling comparison. Voluntary disclosures could be provided through "if applicable to the industry" or "if relevant to the entity" qualifications. Sector-specific disclosures within sector-agnostic standards should however be avoided. Alternatively, "comply or explain" approaches for datapoints that are not relevant / do not make sense for individual corporates or industries could be provided.
• Specific Points:
- For financial undertakings: information on Capex/Opex expenditures (ESRS 2 MDR-T Art. 69), E-Standard: (Negative) impacts on desertification, land degradation for banks (E4 SBM-3) should be deleted or transferred to a "may" disclosure. - Information on qualitative objectives (ESRS 2 MDR-T) can be transferred to may-disclosure.
- Generally, on social matters: Focus should be put on KPIs and quantitative targets rather than qualitative disclosures.

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

Other – please specify.

Suggestions:

• Overall, the CSRD revision should focus on lean, consistent and auditable requirements for all sustainability laws that regulate similar or identical topics from different regulatory perspectives, including EBA Guidelines and Standards. A mapping of ESRS DP with EBA requirements on disclosure and supervisory reporting should be part of the EBA ESG mandates
- Some datapoints contain several sub-datapoints, which makes their application unnecessarily complicated. For example: E1-4 34e („the company shall disclose whether the GHG emission reduction targets are science-based and consistent with the 1.5°C objective"). The company also discloses the guidance and frameworks used in setting these targets, including whether they were derived using a sector-specific decarbonisation pathway, the underlying climate and policy scenarios, and whether the targets were externally assured. As part of the critical assumptions for setting GHG emission reduction targets, the company briefly explains how it has taken future developments into account (e.g. changes in sales volumes, shifts in customer preferences and demand, regulatory factors and new technologies) and how these may affect both its GHG emissions and reduction targets.
• The example clearly shows that the datapoint contains several sub-datapoints. These should be separated in order to a) make the requirements clearer and b) avoid partial datapoints being overlooked and consequently not reported.
- The narrative should support the description of key points, policies and decisions taken. Systematic description of internal organisation should be avoided.

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

Suggestions:

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

Please select:

Simplifying MDRs on policies in ESRS 2

Comments

• Current disclosures are not particularly effective and results in bloated reports. It should be more limited, but at the same time more prescriptive. For example, it is of limited value to know who is in charge of implementing (in many cases the board itself), more effective would be to have clarity on the policy impacts and exceptions. For external stakeholder it is more important (and sufficient) to know which IROs are not covered by any policy and which exclusions are in their applicability. Similarly, the policy scope can differ from policy results because of the fine details of the policy itself. A simplified approach can be as stated above to force declaring the IRO addressed and at least a metric connected to a policy. External reader can then evaluate the coherence of the metric and its path over time.

Please select:

Simplifying MDRs on actions in ESRS 2

Comments

• When disclosing on actions and resources under MDR-A, banks face a specific complexity. The definitions of financial resources for the action plan, such as CapEx and OpEx, do not typically align with how banks perform their actions. Most of bank's actions relate to their Scope 3 impacts, whether related to emissions or other sustainability impacts. These actions often involve supporting clients, optimizing portfolios, or enabling systemic change. Such interventions generally do not involve significant expenditures that would fit within the traditional definitions of CapEx or OpEx.
• Additionally, the actions defined may not always follow the SMART criteria in their execution. Actions aimed at driving systemic change – such as participating in roundtables, engaging in discussions, or contributing to the development of frameworks - are not easily linked to tangible results/outcomes or deadlines, which is typically what auditors look for. As such, it would be helpful to introduce a clarification or allow more flexibility to disclose such actions without requiring strict adherence to SMART principles.
• Mark the following information as voluntary or let it out for banks: information on Capex/Opex expenditures (ESRS 2 MDR-T Art. 69).
• Deleting MDR-A_04; MDR-A_05; MDR-A_06; MDR-A_07; MDR-A_08; MDR-A_09; MDR-A_10; MDR-A_11; MDR-A_12

Please select:

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

Comments

• Generically speaking, the PAT structure is a key framework for conveying how an entity addresses sustainability matters, and it is therefore critical to the overall structure of the sustainability statements.
For banks, most E-related topical disclosures are material primarily from a Scope 3 perspective. As a result, many of the preset metrics do not apply directly, and these chapters are, for a large part, PAT related. In particular, in the policy areas there is a risk of overlap between the ESRS 2 policy requirements and the topical standards. For example, at our member banks, there is a number of overarching policies that apply to each topical E-standard in scope, leading to repetitive reporting.
Having policy disclosures merged centrally into ESRS 2 offers a clear benefit: it would consolidate all policy information in one place within the report. Specific references to the relevant sustainability matters covered by the policies (e.g., ESRS 2-1, 15 a, b, c) could be included there, avoiding duplication. The topical sections could then build upon these overarching policy objectives, as well as the related actions, resources and targets.
Key example of this is S1-4.

Please select:

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

Comments

• Application of ESRS 2 minimum disclosure requirements (MDR) in combination with the policy, actions and targets (PAT) disclosures in topical standards is too complex to implement and to audit: needs to be simplified or deleted. Only actions, metrics and targets (and their linked MDR in ESRS 2) should be included in topical ESRS and reported in the topical chapter. Similarly, application of ESRS 2 in combination with the GOV, SMB, IRO disclosures in topical standards is over-complex. GOV, SMB, IRO datapoints should be included in ESRS 2, and the undertaking should have the choice between organising and disclosing the information in the general chapter or in the topical chapter
• Policies should be included in the general information chapter.

Please select:

Comments

Forward-looking information

- We recommend that internal time horizons for short, medium and long-term planning should always take precedence over the time horizons specified by the ESRS. This is particularly relevant in cases where specific internal methods and plans already exist.

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

• Please find an illustrative list of some of the most critical and useful elements below. Generally, quantitative data usually offers better standardisation potential
• Some MDR-T and MDR-A information from ESRS 2 for quantitative matters is useful and provide the users with clear, structured information on sustainability topics. Particularly important quantitative elements should be presented in standardised tables in order to allow for easy comparison and readability.
• Specific data points with high relevance (illustrative list):
- Clear structure (Top-down approach) with DR, AR, QC – common wording "shall" and "may"
- information on and relation between policies, actions and targets (MDR-T Par 80a)
- data on a company's Capex/Opex, as they are often not identified as actions embedded in the business.
- transition plan disclosures along a standardised framework, insofar as reporting entities have developed such a plan. These must be compatible with other regulatory requirements (e.g. EBA Guidelines).
- Scope 1-3 GHG emissions
- data on employees (gender, country distribution)
- data on remuneration
- information on accuracy of KPIs

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

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

Disclosure requirements (DR)

Datapoints (DP)

Comment:

• For all the DRs above, there may be overlap between the different topical standards and the policy disclosures under ESRS-2. Therefore, it would be beneficial to consider having a section dedicated to policies, that would cover which sustainability matters are included across the board. This approach would help prevent duplication.

Suggestions:

Disclosure requirements (DR)

Datapoints (DP)

Comment:

Suggestions:

Disclosure requirements (DR)

Datapoints (DP)

Comment:

Suggestions:

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

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

topical, S topical, G topical:

Disclosure requirements (DR)

Datapoints (DP)

Comment on the challenge:

- Please indicate the specific DRs and DPs to make it possible to consolidate.

Suggestions:

Disclosure requirements (DR)

Datapoints (DP)

Comment on the challenge:

Suggestions:

5. (untitled)

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

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

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

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

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

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

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

Disclosure requirements (DR)

Datapoints (DP)

Comment on the challenge:

- E1-6, E1-9, examples of DRs that refer to net revenue. Climate Risks and Scope 3 category 15 emissions are related to assets, and this drives the usual reporting. This, for example, is also reflected in Pillar 3, where all 10 ESG risk templates relate to assets. However, linking these metrics to revenue reduces their relevance and adds complexity for banks.
- E1-3, E1-4, Decarbonisation levers and their impact, as well as absolute targets. While these values are important for predicting and tracking progress, they are complex for banks to report. The majority of emissions originate from Scope 3 Category 15 and are thus indirect. The actions banks take typically involve interventions in business relationships aimed at reducing the intensity of financed activities. Moreover, actual levers will always have to be a cluster of levers used by clients, as going on a several levers per sector basis is not feasible. Clarification on how to define levers for indirect activities would be useful.
Absolute emissions and their impact are dependent on both the development of emissions in our relationships and the level of financing kept by our relationships. This will carry forward to all other topics as well, where metrics related to targets will be required, as banks, by nature, will need to define their targets in terms of client-level activity. Therefore, it is suggested to allow some flexibility in applying absolute emissions, not necessarily requiring fixed absolute values for targets but allowing for a more adaptable approach to the absolute value of intensity targets.
Regarding MDR-A and action plan related items, the reference is made to CapEx and OpEx is problematic. Specifically, linking these to actions, activities and the taxonomy do not yield relevant or material results. Banks' actions do not translate to the ESRS definition of capital expenditures or, often, to operational expenses, especially at a material level.

Suggestion:

• Please use the structure indicated previously so that it would be possible to consolidate.

Disclosure requirements (DR)

Datapoints (DP)

Comment on the challenge:

Suggestion:

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

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

For banks specifically, Template 0 and the qualitative information from Annex XII are relevant and can serve as indicative metrics for the E-standards. The relevance of this information is directly connected to the use of the taxonomy by the clients of a bank (mainly for business banking, as mortgages are assessed differently), If the Omnibus 1 addresses the issues identified with the taxonomy (such as the complexity of screening criteria and DNSH, the sheer amount of templates required for banks, and the imbalance between numerator and denominator), the taxonomy could become a more accepted as a metric for banks to demonstrate efforts in greening their portfolios.
Note that independent of this matter, most taxonomy-related datapoints are aimed at non-financial corporations, where metrics like CapEx, CapEx plans, turnover and OpEx serve as indicators of economic activities transitioning to greener practices. This does not apply to banks as they a) do not use the OpEx metric and b) do not have a strong connection between the CapEx and turnover KPIs (e.g., a high CapEx KPI does not necessarily indicate that the bank is driving efforts to move economic activities that accrue turnover to become greener).

6. (untitled)

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

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

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

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

Please select:

The relationship between cross-cutting and topical standards

Suggestions:

- Reading flow of sustainability reports is currently disrupted by confusing and complex structure of the ESRS. Separation between cross-cutting / topical standards can create overlaps / confusions. E.g. disclosures on governance, strategy and materiality appear both in ESRS 2 and topical standards. Clear definition on where to report what information and an acceptance of a reporting of information "referred to" rather than "repeated" information could help. GOV3-E1, IRO1-E1, SBM2-S1, SBM3-E1, SBM3-S1, SBM3-S4 all need simplification. Specific datapoints should be reintegrated into ESRS 2 as necessary or otherwise be removed. Where relevant, mapping tables allowing cross-standard detailing of the topical standards should also be provided to improve readability.
- Any mandatory DRs, if they must be reported regardless of materiality, should be integrated into the overarching standard (ESRS 2) and not in the thematic standards.
- GOV 5 / E1 SBM-3 / E1 IRO-1: In the disclosure requirements mentioned, there are always duplications with regard to disclosure requirements for risk measurement
- E4 IRO-1: The disclosure requirement is already partially covered by the SBM-3 disclosures.
- G1 GOV1 / GOV1 from ESRS 2: Duplication of disclosure requirements

Please select:

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

Suggestions:

In terms of structure and ease of application and interpretation, the complexity is increased by the fact that the application requirements contain not only guidance on application but also DPs that are required. It would be beneficial to separate the mandatory DPs into the main body of the standards, reserving the AR section exclusively for explanations, clarifications, and any specific formatting or structural requirements.

Examples:
E2 E2.IRO-1 AR 9
E2 E2-2 AR 13

Please select:

Any other matter

Suggestions:

- Reporting could be simplified by introducing comparable sector-specific table templates. This would make it easier to search for information presented in a consistent format across different companies.
- Labeling of data points is generally very helpful for the reporting process and its technical implementation support. IG 3 should be consistent with the ESRS text and every datapoint (also MDRs (incl. Metrics)) should be included.
- It should be easier to distinguish between new information to gather and already existing information within a company , e.g. due to other legal obligation. A centralised 1:1 mapping table of ESRS requirements with current obligations in other European ESG legislation could simplify decisions on interpretation considerably.
- The ESRS currently exhibit too much repetition/redundancy. An alternative structure could consist of a generic DR on E, with S and G and metrics designated by topic. This would alleviate the current discrepancies among the standards (E is organised by topics, S by value chain). Generally, preparers should have more flexibility to organise the information between general and topical chapters. This includes flexibility in structuring material IROs, strategies, targets and actions
- In general, the number of "may" vs "shall" DPs should be greatly expanded. This allows market participants to evaluate the report in terms of their effectiveness rather than an encyclopaedic list of items.

Please select:

Suggestions:

5.2. Regarding interoperability, please:

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

TCFD, TNFD, GRI, UNEP FI – Principles of Responsible banking, UNPSI, UNPRI, Global Compact, CDP
Credit institutions are subject to CRR Pillar 3 disclosure obligations on ESG-risks and the foreseen regulatory reporting on ESG-risks.
Mapping between ESRS Set 1 and the revised Set 1 could be quite helpful. Above that a mapping between the final VSME and final ESRS Set 1 would help preparers moving from one to another framework.

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

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

In addition, the TNFD framework should be taken into account in the E4 standard in such a way that fulfilment of one of the frameworks is also considered fulfilment of the other.
he interactions with SFDR / PAI should be taken into account, as investors are dependent on SFDR-relevant data.
There should be a clear list of DP's for closing the gap between different standards and a kind of a binding adequacy decision for the other DP's.

If you are a <u>user/other type of stakeholder.</u>
Share your views on the importance and usefulness of interoperability from your perspective:

7. (untitled)

PART 6 – ANY OTHER COMMENT OR SUGGESTION

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

• Among the standards, Business Conduct (G1) is the least developed, at least from the perspective of the financial industry. It is questionable that G1 is not made mandatory for reporting, similar to E1.

• Data points are sometimes duplicated, leading to duplication of content. E.g., parts of ESRS2 MDR requirements pop up again in the topical standards in exactly the same or a slightly amended way.
• For the PATs the IRO relation has to be mentioned for every single PAT (also requested by external auditors) which makes the reports longer then necessary and also leads to duplication of content. This should be streamlined to make the statement more consistent and less repetitive.
• The ESRS reference numbers are missing a proper split into a) pure information points, b) qualitative data points and c) quantitative data points. The way the application requirements (ARs) are set up makes it even more confusing. The ARs should contain no data points only additional information. A clearer structure would improve the proper implementation and the related fulfillment of reporting expectations. International Standards as GRI or ISSB follow a more structured format and make it easier for reporting entities to work with the standards.
• The deletion of the preparation of the sectoral standards lead to an additional burden and a harmonization gap within each industry. EFRAG guidelines for sectoral industries are needed to safeguard a single European market.

8. Thank You!

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

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

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