

Invest Europe’s response to the Open Public Consultation on the European Sustainability Reporting Standards (ESRS)

This document addresses only the consultation questions for which answers have been provided

Part 2: General feedback

Clarifications and simplification of the Double Materiality Assessment (DMA) (ESRS 1 Chapter 3) and materiality of information as the basis for sustainability reporting

11. Do you agree that the proposed amendments have sufficiently simplified the DMA process, reinforced the information materiality filter and have succeeded in striking an acceptable balance between simplification and robustness of the DMA? Do you agree that the wording of Chapter 3 of ESRS 1 is sufficiently simplified?

	Answer
Yes	
Partially agree / Partially disagree	X
No	

Comments:

We support the acknowledgment that qualitative assessments may be sufficient in many cases, the clarification that impacts are a source of risks and opportunities alongside dependencies, and the confirmation that companies only need to refresh conclusions based on relevant changes and judgement. The statement that the current amendments do not trigger a mandatory reassessment for 2024 reporters is particularly welcome for those who have already invested significant time and resources in preparing their first CSRD report.

One area that remains unclear and unresolved, as was already the case prior to the Sustainability Omnibus, is the treatment of value chain information, particularly for private equity and venture capital (PE/VC) fund managers and investors. It remains ambiguous whether value chain disclosures triggered by “investments” apply to all types of investments, regardless of control, intent, structure, or reporting capabilities, or only where a clear causal link exists. PE/VC investor-investee relationships differ fundamentally from supplier-customer models. These investors often have limited or no operational control over investees, yet may be expected to assess and report on their value chains: this is not aligned with the undue-cost-principle.

This lack of clarity risks creating bottlenecks in assurance. This is especially relevant for PE/VC firms who invest in many companies not in CSRD scope, particularly under the potentially revised thresholds. The risk of duplicative disclosures is also high, as multiple investors could report on the same value chain entities, leading to double-counting of impacts, risks, and opportunities.

We recommend a clearer definition and guidance of “value chain” that distinguishes between real-economy supply chains and investment chains, and that focuses reporting on entities within CSRD scope.

We also reiterate our call to clarify the concept of entity-specific disclosures. If retained, structured guidance with examples should be provided to ensure consistent, meaningful application.

New guidance in ESRS 1 on how to consider remediation, mitigation and prevention actions in assessing materiality of negative impacts

12. Do you agree that the new guidelines clarify how to consider remediation, mitigation and prevention implemented actions in the DMA, contributing to more relevant and comparable reporting?

	Answer
Yes	
Partially agree / Partially disagree	X
No	

Comments:

The intention to clarify how to account for remediation, mitigation, and prevention actions is a welcome step. However, the new guidance remains difficult to apply in practice and risks leading to inconsistencies in assurance.

For actual impacts, assessing materiality based on the situation “before” the impact can be challenging, especially if the timing and effectiveness of actions are not clear-cut. This will likely result in diverging interpretations between companies and assurance providers.

For potential impacts, assessing materiality without considering the effect of significant “ongoing” actions introduces similar judgment challenges, as the distinction between when an action reduces impact structurally versus when it merely controls it for now is often a matter of judgment. This will be interpreted differently by preparers and auditors, especially in sectors with high baseline standards (e.g., PE/VC) where continuous risk control is the norm.

More fundamentally, the current approach risks treating a topic as immaterial and therefore non-reportable, simply because it is well-managed, despite its relevance. Investors want transparency on these issues – not only when impacts and risks materialize, but also when strong systems are in place to manage them – because the existence of strong controls is decision-useful information.

We agree that materiality must be subject to business judgment and reflect an undertaking’s context - not every topic warrants reporting. **However, we recommend clarifying that materiality assessments must consider not just residual impacts but also the significance of a topic to investors. Where the impact is low due to prevention/mitigation actions but relevant to investors, this should be disclosed transparently, not excluded. This does not mean treating all well-managed topics as material, but rather encouraging transparency on the management of significant ones, where appropriate.** This nuance would help align reporting with investor expectations without compromising the flexibility or proportionality that preparers need.

Improved readability, conciseness and connectivity of ESRS Sustainability Statements

13. Do you agree that these proposed Amendments, when combined with the other changes in the Amended ESRS, provide an appropriate level of flexibility to support more relevant and concise reporting, as well as to promote better connectivity with corporate reporting as a whole?

	Answer
Yes	X
Partially agree / Partially disagree	
No	

Comments:

N/A

Restructuring of the architecture and interaction between ESRS 2 and Topical Standards

14. Do you agree that these proposed amendments strike an appropriate balance between (1) prescriptiveness of the requirements and preparation effort from the one hand, and (2) need for relevant and comparable information from the other?

	Answer
Yes	X
Partially agree / Partially disagree	
No	

Comments:

N/A

Improved understandability, clarity and accessibility of the Standards

15. Do you agree that these proposed amendments achieve the desired level of clarity and accessibility?

	Answer
Yes	X
Partially agree / Partially disagree	
No	

Comments:

N/A

Usefulness and status of “Non-Mandatory Illustrative Guidance” (NMIG)

16. You are invited to provide your comments on the purpose of the Non-Mandatory Illustrative Guidance, if any

Comments:

We recognize the Non-Mandatory Illustrative Guidance (NMIG) could be a tool to support implementation for less experienced reporters. However, its use – even outside the Delegated Act – presents risks that outweigh the potential benefits.

While the NMIG is presented as non-binding, its content includes deleted datapoints. This makes it highly likely to be perceived as a de facto checklist, not just by preparers, but also by assurance providers. This could lead to confusion, over-reporting, and unintended compliance burdens. If a requirement has been removed from the ESRS, it should not reappear under a different label. Truly voluntary guidance should look and feel fundamentally different, educational in tone and clearly separate. The NMIG does not achieve this. It risks creating soft law pressure, particularly in the early years of CSRD implementation when boundaries between support and obligation are still being established.

In our view, it would be preferable not to publish the NMIG. Rather than repackaging deleted datapoints as guidance, efforts should focus on producing targeted, high-value guidelines, such as, for example, on the DMA in an investment context — where there is real implementation uncertainty and audit risk.

One exception is the mapping of sub-topics to disclosure requirements (NMIG, page 7). This is a valuable tool that supports preparers in understanding the structure of the ESRS. **To ensure consistency in topic scoping, disclosure coverage, and assurance preparation, this mapping should be retained within the ESRS appendices themselves, even with the current caveats (e.g., the absence of a one-to-one relationship for all metrics, and the potential for interdependencies across topics like just transition).**

Burden reliefs and other suggested clarifications

17. Do you agree that these proposed Amendments provide sufficient relief and strike an acceptable balance between (a) responding to the stakeholders’ demands for burden reliefs and (b) preserving the transparency needed to achieve the objectives of the EU Green Deal, as well as interoperability with the ISSB’s IFRS S1 and S2?

	Answer
Yes	X
Partially agree / Partially disagree	
No	

Comments:

We particularly welcome the introduction of the “undue cost or effort” relief, as it reinforces the principle of business judgment. Granting preparers greater regulatory discretion in assessing materiality and data availability will help address defensive over-reporting, while allowing for more meaningful disclosures.

Relief for lack of data quality on metrics (ESRS 1 paragraph 92)

18. Do you agree that the proposed relief for lack of data quality on metrics strikes an acceptable balance between providing the necessary flexibility for preparers and avoiding undue loss of information?

	Answer
Yes	X
Partially agree / Partially disagree	
No	

Comments:

In the PE/VC context, these reliefs are especially important - requiring complete and high-quality data in all instances would impose disproportionate burdens and lead to speculative or unreliable disclosures. We also agree that no fixed time limit should apply, as improvements in data coverage are often outside the preparer’s direct control.

Relief for anticipated financial effects

19. Please select from the alternatives below the one that represents your view (in all cases, provide the rationale for your preference and suggestions for improvements if any):

	Answer
I agree with Option 1	X
I agree with Option 2	
I disagree with both options	

Comments:

Option 1 strikes a more appropriate balance between information needs and the practical limitations currently faced by preparers, especially as the calculation of forward-looking financial effects remains highly complex.

Most importantly, option 1 is aligned with the relief mechanism under IFRS S1/S2. Maintaining this interoperability will ensure that companies subject to both CSRD and IFRS-based reporting do not duplicate disclosures or navigate conflicting expectations.

ESRS E1: Disclosures on Anticipated Financial Effects

20. Do you agree that the amended paragraph 40, 41 and 42 of ESRS E1 strike an acceptable balance between (i) simplification and reporting effort and (ii) users' needs?

	Answer
Yes	
Partially agree / Partially disagree	X
No	

Comments:

We support the intent to simplify “anticipated financial effects”, especially through the removal of the acute/chronic split and the streamlined datapoints.

At the same time, we are concerned about the removal of explicit time horizon references (short, medium, and long term), which creates a misalignment with IFRS S2 (paragraphs 16(c)–(d)). IFRS expects entities to disclose how their financial position, performance, and cash flows are expected to evolve over time, including through capital expenditure, divestments, and financing strategies. Without these time-based anchors, ESRS disclosures risk hindering interoperability for companies subject to both CSRD and global frameworks.

Moreover, the addition of forward-looking information on potential liabilities that do not yet meet accounting recognition criteria goes beyond IFRS S2, which does not explicitly mandate disclosure of such liabilities, and may require further clarification to ensure consistent interpretation and assurance.

We recommend reintroducing time horizon framing (short, medium, and long term) to align with IFRS S2 and improve the clarity and comparability of anticipated financial effects disclosures.

Enhanced interoperability with the ISSB’s Standards IFRS S1 and S2

21. Do you agree that these proposed Amendments achieve an appropriate balance between increasing interoperability and meeting the simplification objectives?

	Answer
Yes	
Partially agree / Partially disagree	X
No	

Comments:

It is encouraging to see efforts aimed at greater interoperability with IFRS S1 and S2. However, full interoperability and equivalence is not yet achieved, and to meet the goal of interoperability, further alignment is needed – as pointed out in other answers within this consultation (namely questions 20 and 26). In this regard, also EFRAG acknowledges in its Basis for Conclusions that "further joint work on interoperability is necessary in the next phase." We fully support this intention, particularly given upcoming IFRS amendments.

We recommend that companies be allowed to substitute disclosures across frameworks where appropriate, including:

- reporting under IFRS S1 should allow omission of overlapping financial materiality disclosures under ESRS 1 and 2.
- reporting under IFRS S2 should allow omission of financial materiality disclosures under ESRS E1.

Reduction in the number of mandatory and voluntary datapoints

22. Do you agree that the proposed reduction in “shall disclose” datapoints (under materiality) strike an acceptable balance between burden reduction and preserving the information that is necessary to fulfil the objectives of the EU Green Deal?

	Answer
Yes	X
Partially agree / Partially disagree	
No	
I believe some of the deleted content should be maintained (please specify in the comments by indicating the relevant paragraph in the standard)	

Comments:

N/A

Six datapoints exceptionally moved from “may” to “shall”

23. Do you agree that these exceptions to the general rule are appropriate and justified?

	Answer
Yes	X
Partially agree / Partially disagree	
No	

Comments:

We have no specific comments on the six identified exceptions. However, we recommend aligning the treatment of transition plans under ESRS E1 (Climate) with that of ESRS E4 (Biodiversity), where disclosure is only required if a transition plan is publicly available. This approach ensures consistency across standards and avoids creating disclosure expectations where no formal plan exists.

Four new mandatory datapoints (exception)

24. Do you agree that these exceptions to the general rule are appropriate and justified?

	Answer
Yes	X
Partially agree / Partially disagree	
No	

Comments:

N/A

Emphasis on ESRS being a “fair presentation” reporting framework

25. Do you agree that explicitly requiring to adopt fair presentation in preparing ESRS sustainability statements will support a more effective functioning of the materiality filter, therefore enabling more relevant reporting and reducing the risk of excessive reported information?

	Answer
Yes	X
Partially agree / Partially disagree	
No	

Comments:

Just like the “undue cost or effort” relief, this clarification reinforces the role of preparer judgment and helps shift the focus away from compliance-driven box-ticking. By enabling companies to apply professional judgment in determining what is relevant, it reduces pressure to report immaterial datapoints simply for legal certainty, and ultimately help improve alignment between preparers and auditors.

Exception for Financial Institutions' Absolute Climate Reduction Targets

26. One of the implementation challenges noted by financial institutions relates to the requirement in ESRS E1 paragraph 26(a). This requires, when the undertaking has adopted GHG emissions intensity targets in conjunction with AR12 (“when only setting intensity targets”), to disclose also the associated absolute values” (refer also to Basis for Conclusions (BfC) Chapter 8). EFRAG SRB and SR TEG discussed whether an exception would be needed for insurance, banking and asset management sectors, but they decided that it would be appropriate to receive specific feedback before concluding. Those that support the exception argue that this information is not useful. They think that while for fossil fuel sectors gradual decommissioning is foreseen, emphasising the role of absolute targets for lenders and investors in all sectors would provide the wrong incentive, as high-emission sectors are those in need of transition financing. They also consider that estimating the absolute targets would require multiple assumptions (such as about the composition of the

portfolios, the production capacity, the market shares and the level of emission intensity), making results unreliable and thus not leading to meaningful disclosures. Those who oppose this exception note that complex estimates are common to all sectors. They also note that both the information types of intensity and absolute targets are needed for a proper understanding of the undertaking's progress on climate and banks are no exception in this case. Intensity targets, while capturing efficiency, may mask rising emission levels. Absolute targets capture the total impact but fail to take into account the effect of business growth. They finally note that an exception only for financial institutions would result in an unlevel playing position for the other sectors.

	Answer
I agree that financial institutions should be exempted from disclosing climate absolute GHG emission values targets when they have only set intensity targets (link to text box)	X
I disagree that financial institutions should be exempted from disclosing climate absolute GHG emission values targets when they have only set intensity targets	

Comments – explain your reasoning and if you agree, elaborate on how financial institutions will give transparency and foresight to investors about their target setting and the evolution of their emissions:

There is growing pressure on PE/VC fund managers and investors to integrate climate ambition/considerations into investment decision-making, and align portfolios with the objectives of the Paris Agreement, all while ensuring financial performance. However, this must be done in a way that reflects the nature of the PE/VC industry: they do not directly emit, but enable emissions (and reductions) through capital allocation.

For PE/VC, intensity targets are more meaningful than absolute targets. These targets show how efficiently capital is allocated over time - even as portfolio companies grow or change. They allow to demonstrate climate ambition in a way that reflects how the industry operates: raising capital into funds, investing in portfolio companies and exiting within a fixed cycle, meaning that decisions made at the fund level directly determine outcomes across those companies.

Requiring the translation of intensity targets into associated absolute emissions values for those targets would require estimations of the future size and composition of portfolios, how big each company will become, what sectors the fund will be exposed to, and how those companies will decarbonize. In PE/VC, where funds have fixed lifespans and investment cycles, companies grow rapidly and portfolios shift constantly, this would not lead to meaningful or decision-useful information.

Intensity targets also involve assumptions about the future, but they are less speculative and more controllable. This makes them more reliable for the PE/VC business model.

In fact, the TCFD, IFRS S2, and SBTi acknowledge the use of absolute or intensity-based targets. **Transparency can still be ensured by adopting approaches such as that in SBTi: intensity targets modeled using an approved 1.5°C sector pathway applicable to companies' business activities. In this context, absolute targets for financial institutions could be kept as a voluntary data point.**

[ESRS S1: New Threshold for Reporting Metrics Disaggregated at Country Level](#)

27. Do you agree with the change to the threshold for country-by-country disclosure for the DRs ESRS S1-5 and ESRS S1-7?

	Answer
Yes	X
Partially agree / Partially disagree	
No	

Comments:

N/A

ESRS S1: Calculation approach to adequate wages outside the European Union (EU)

28. Do you agree with the proposed change to the methodology for the calculation of non-EU adequate wages in ESRS S1?

	Answer
Yes	X
Partially agree / Partially disagree	
No	

Comments:

N/A

SFDR and other EU datapoints in Appendix B of Amended ESRS 2

29. Do you agree with the way the SFDR PAI have been incorporated in the Amended ESRS? You are invited to explain the reason why you agree or disagree and to provide your suggestions for improvements or alternative simplification proposals, if any.

	Answer
Yes	
Partially agree / Partially disagree	X
No	

Comments:

We have concerns that while SFDR PAI indicators are retained in the amended ESRS, they are often reflected only indirectly – meaning they must be inferred from other datapoints rather than reported in a clear, one-to-one manner – undermining their usability for investors. As a result, investors must invest significant time and resources to locate relevant datapoints. For example, disclosures that were previously aligned with specific PAI indicators (such as total GHG emissions or exposure to fossil fuel activities) now often appear in a more flexible form, requiring investors to reconstruct or recalculate the data to meet their own SFDR reporting obligations. **We recommend that the relevant PAI datapoints be more clearly included within the ESRS disclosures, to support alignment between company-reported data and investor disclosures.**

Moreover, the ESRS revisions are advancing ahead of the upcoming SFDR review (expected to start in Q4 2025), which will determine the future structure and scope of PAIs and how they will interact with corporate disclosures. The sequencing risks creating additional confusion, ambiguity, and a transparency gap between company reporting and investor obligations.

We recommend closer coordination between EFRAG and the European Commission on the interaction between the ESRS and the SFDR review. If the revised ESRS is adopted before the SFDR

reform is finalized, then the ESRS should remain open to targeted updates once the future PAI structure is confirmed. This would prevent locking in misalignment and ensure that simplification for companies does not result in greater complexity for PE/VC fund managers and investors down the line.

ESRS E4 DR E4-4

30. Do you agree that EFRAG should review AR 26 in Amended ESRS E4? Please provide suggested wording.

	Answer
Yes	X
Partially agree / Partially disagree	
No	

Comments – you are invited to provide suggestions for improvements, if any:

N/A

ESRS S1 DR15: Gender pay gap

31. Do you agree with the deletion of the voluntary datapoint on adjusted gender pay gap?

	Answer
Yes	X
Partially agree / Partially disagree	
No	

Comments – you are invited to provide suggestions for improvements, if any:

This approach ensures continued alignment with the SFDR PAIs, which require disclosure of the unadjusted gender pay gap (Table 1, indicator 12), which is defined as the difference between average gross hourly earnings of male and female paid employees, expressed as a percentage of average gross hourly earnings of male employees. Ensuring alignment with the existing regulatory framework (SFDR) avoids the introduction of confusion for PE/VC fund managers and investors.

ESRS G1 DR G1-2 and G1-6: Payment practices

32. Is the current replacement/formulation sufficient to meet the objectives of the CSRD in respect to the protection of SMEs?

	Answer
Yes	X
Partially agree / Partially disagree	
No	

Comments – you are invited to provide suggestions for improvements, if any:

N/A

34. Please provide here any other comments on the 12 EDs or on the Glossary

Comments:

We are broadly supportive of the direction the ESRS amendments are taking, the changes show real progress on simplification, interoperability, and usability, and we recognize the effort that has gone into getting here.

That said, we want to stress one important point: PE/VC simply do not operate like corporates, and this difference really matters when it comes to reporting. PE/VC fund managers work through capital allocation into portfolio companies, without direct operational control, and within fund cycles and lifespans that are very different from a corporate's ongoing business model.

If these differences are not acknowledged consistently, there is a real risk that requirements push PE/VC firms to produce disclosures that are burdensome, speculative, or duplicative – without giving investors and other stakeholders the clear, meaningful, decision-useful information they actually need.

We acknowledge that EFRAG has tried to address this in certain areas, but the issue remains broader, and it needs to be kept in view across the board. That was true before the Sustainability Omnibus, and it remains true now. **We encourage EFRAG to integrate this distinction systematically as adjustments are considered.**