

## **Avoiding a missed opportunity: civil society will only support ambitious ESRS**

**NGOs, civil society groups will only support an ambitious first set of sector-agnostic ESRS that closely builds on the EFRAG drafts [adopted](#) last November.**

ESRS are a milestone in corporate reporting towards more consistent and comparable sustainability disclosures. EFRAG's technical advice to the European Commission provides a sound, holistic and coherent framework to achieve this objective. It was adopted without dissent by the EFRAG Sustainability Reporting Board, following an extensive multistakeholder process that drew on the expertise of all stakeholders.

Some organisations are now calling on the Commission to reduce the scope of the standards. We believe this would be a mistake since any further reduction in the scope, content or coverage of the ESRS would undermine the credibility of the process, the support of civil society and the development of sector-specific standards. The compromise reached by EFRAG after lengthy and sometimes difficult discussions represents a careful balance between different views and stakeholder interests.

**We therefore urge the Commission to follow EFRAG's technical advice alongside [60+ companies and investors worth 651bn USD](#), and we caution against making significant changes at this stage, as this would risk discrediting the process so far and undoing a good compromise.** Worse still, it would result in a missed opportunity for sustainability goals and undermine the development of the EU regulatory framework for sustainable finance.

In this spirit, we would like to state that :

- **The consensus reached by EFRAG is the right one:** The diversity of sustainability topics and stakeholders requires striking a compromise between what is critical to address sustainability challenges and practical issues for preparers. We have [expressed](#) concerns in the past about the lower level of ambition of the final draft standards compared to the exposure drafts, but we accept the compromise reached by the experts and stakeholders represented in the EFRAG Sustainability Reporting Board and Technical Expert Group. Indeed, the total number of datapoints was reduced by more than 40% compared to the exposure drafts, so the proposed draft standards should not be further reduced.
- **ESRS must follow the mandate of the CSRD:** The text of the CSRD is clear: "When defining such standards, it is essential to give due consideration, to the greatest extent possible, to the main sustainability reporting standards used worldwide, while not lowering the ambition of this amending Directive and delegated acts adopted pursuant thereto." The draft ESRS are based on existing reporting frameworks and international standards, in particular the Task Force on Climate-Related Financial Disclosures (TCFD). As a result, they are built to be aligned with the forthcoming IFRS Standards on climate on financial materiality and compatible with the GRI standards for impact materiality. In addition, the draft ESRS structure and disclosure requirements cover topics required by the CSRD, including

the framework for reporting on climate transition plans, biodiversity and sustainability due diligence.

- **ESRS are proportionate:** EFRAG's technical advice strikes the right balance between ambition and proportionality in defining a limited set of mandatory disclosures that are necessary to comply with other legal requirements of the EU regulatory framework, in particular to meet the information needs of investors and banks. The remaining disclosures are also based on EU law and international standards, but their application is subject to the reporting companies' assessment of materiality. Together with the phasing in of disclosure requirements for newly covered companies in 2025, the development of simplified standards for listed SMEs, and the three-year grace period for obtaining information from companies in the value chain, the proposed framework is proportionate and balanced.
- **European supervisors support EFRAG's technical advice:** The European Supervisory Authorities have expressed broad support for the outcome of the EFRAG process, including the materiality approach, in their opinions to the European Commission. They also make suggestions for improving the standards, but these can be addressed in the sector-specific standards. These related to requests for clarification of the materiality methodology and thresholds, consistency with the Corporate Sustainability Due Diligence Directive currently under consideration in the European Parliament, and the coverage of the value chain by financial institutions, for which a sector standard will be developed in due course. We believe that the ESA's opinions on the ESRS should be taken as an additional reason to submit the draft standards as untouched as possible for public consultation.



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