



EFRAG consultation on ESRS simplification linked with the Omnibus

Explanatory note

EFRAG published on the end of July the **revised and simplified Exposure Drafts** of the European Sustainability Reporting Standards (ESRS), launching to gather feedback from stakeholders across the EU corporate reporting ecosystem.

This major step follows the European Commission's **Omnibus** initiative and its formal request to EFRAG in March 2025 to deliver a critical simplification to the ESRS adopted in 2023. The objective: make sustainability reporting under the **Corporate Sustainability Reporting Directive (CSRD)** more manageable while preserving its relevance and alignment with the European Green Deal.

Following extensive feedback from companies already reporting under the CSRD as well as those preparing to do so, EFRAG focused on cutting complexity and improving usability. Drawing upon over 800 survey responses and stakeholder engagements, EFRAG applied top-down simplification strategies and levers together with a bottom-up detailed review of all datapoints. This includes **streamlining the double materiality assessment, reducing overlaps across standards, clarifying language and structure, and removing all voluntary disclosures**. New relief mechanisms have also been introduced, such as exemptions where reporting would cause undue cost or effort.

In total, **mandatory datapoints (to be reported if material) have been cut by 57%, and the full set of disclosures—mandatory and voluntary—reduced by 68%**. The overall **length of the standards has been shortened by over 55%**, making **ESRS more accessible and implementable**, especially for companies that will be in the scope of the CSRD beyond the ones that reported already on financial year 2024.

The ambition is to **provide technical advice to the European Commission on revised and simplified European Sustainability Reporting Standards (ESRS) by 31 October 2025**. The work is carried out on the basis of the Omnibus proposals as tabled by the European Commission on 26 February 2025.

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

Rationale for the changes

The Amendments have clarified the requirements in ESRS 1 Chapter 3 about materiality of information and simplified the DMA process. They are described in Lever 1 of simplification in the Basis for Conclusions (see BfC Chapter 4).

Link here to access the [Log of Amendments](#), ESRS 1, Chapter 3 if you would like to review the detailed Amendments and their rationale.

Description of the changes

To meet this objective, EFRAG has introduced the following changes which aim to strike a balance between simplification and the necessary robustness of the Double Materiality Assessment (DMA):

- A new section presenting practical considerations for the DMA has been drafted, including the option of implementing either a bottom-up or top-down approach (Chapter 3.6 of ESRS 1)
- More prominence has been given to materiality of information as a general filter and all the requirements are subject to it.
- The relationship of impacts, risks and opportunities, and topics to be reported has been clarified (ESRS 1, paragraph 2 and 22)
- It has been explicitly allowed to include information about non-material topics (ESRS 1, paragraph 108) if they are presented in a way that avoids obscuring material information
- Emphasis is put on ESRS being a fair presentation framework, to reinforce the effectiveness of the materiality principle and avoid excessive documentation effort due to a compliance and checklist approach to the list of datapoints (DP); an explicit statement of compliance with ESRS is included in (ESRS 1, Chapter 2)
- To avoid excessive detail in reported information, it has been clarified that all the disclosures can be produced either at topical level or at impacts, risks and opportunities (IRO) level, depending on the nature of the IROs and on how they are managed
- The list of topics in AR 16 (now Appendix A) has been streamlined by eliminating the most detailed sub-sub-topic level and has now an illustrative only and non-mandatory status.
- More emphasis has been put on the aggregation and disaggregation criteria for reporting information at the right level. Explanations have been provided with respect to the consideration of sites for the DMA and reported information, so as to avoid long lists of sites being included in the sustainability statement.

Please do not comment here in “Gross versus Net” as it is covered by the next question.

Question: If you intend to provide feedback also on Part 3 of this questionnaire (at level of DR or paragraph), please note that by answering this question, you will not be allowed to include comments on Chapter 3 of ESRS 1 in Part 3, to avoid duplication of input. Your comments on Chapter 3 can only be provided here.

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?

First, as a general comment, the identification of topics that are most likely to be material (top-down approach) is essential and will result in the reduction of the scope and complexity of the materiality assessment, without compromising the quality of the results and ignoring key issues. At the same time, the data and information used to draw conclusions should be comprehensive and meaningful, in other words, there should not be a detailed analysis of every single risk, but rather an overview that does not omit any critical issues.

FERMA stresses that sectoral guides analyzing material sustainability issues within the same business sector would facilitate the exercise (type ESG materiality maps of the financial services company MSCI, which show the most important ESG matters by industrial sector, the Sustainability Accounting Standards Board's (SASB) ...)

Regarding materiality filter, FERMA is also in favour. In any event, FERMA reminds that it is key that only datapoints related to material topics are reported.

We believe it would be coherent and reasonable to identify IROs at subtopic level (leaving the company free to choose the subtopics and not imposing an analysis and communication on the exhaustiveness of the subtopics); then to consolidate these assessments at topic level. Indeed, through this materiality assessment, companies should evaluate not just whether a topic is material, but also which parts of that topic are material. The reporting should be deeper if justified by the significance of specific IROs of each company. Communicating IROs at subtopic level has the advantage of providing a clear understanding of the organization's challenges. For the sake of readability, we could imagine having a summary communication on material topics in the general information section, then within each environment/social/governance section, a more detailed communication at IRO level. For instance, a table of a) opening remediation efforts, b) completed, c) new, d) outstanding remediation efforts at year end for material issues could be included.

When it comes to including information about non-material topics (ESRS 1, paragraph 108) if they are presented in a way that avoids obscuring material information, FERMA is not against per se but wishes to raise carefulness. Indeed, reporting on what is non-material was one of the main flaws of the NFDR in our views. Therefore, let us make sure that such thing will not affect negatively the meaningfulness of the double materiality assessment.

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

Rationale for the changes

To address a frequent implementation question and an area of divergence in practice, new guidance has been introduced (ESRS 1 paragraphs 34 to 36 and Appendix C; Basis for Conclusions (BfC) Chapter 8) on how to consider implemented remediation, mitigation and prevention actions in the DMA (the so called "gross versus net" issue). The EFRAG SRB has prioritised the guidance on impacts, as in financial materiality there is already reporting experience which can be leveraged.

Description of the changes

Appendix C, which has the same authority as other parts of the Standard, illustrates how to perform the assessment, i.e. before or after the actions that have been taken and have reduced the severity of the impact. The new guidance specifies how to treat actions in DMA

differentiating 'actual' from 'potential' impacts. It also differentiates the current reporting period from the future reporting periods (the latter is relevant as impacts of previous years that are material are also to be reported in the current period). For impacts that are assessed as material, the respective actions are reported (which also include policies implemented through actions). Actual impacts are assessed for materiality before the remediation actions in the reporting period when they occur, while in future periods they are not reported if fully remediated. For potential impacts, when the undertaking must maintain significant ongoing actions to contain severity and/or likelihood below the materiality level, the impact is assessed before the actions are reported. This provision has been introduced to deal with cases such as health and safety negative impacts in highly regulated industries.

Key discussion points at EFRAG SRB level

Some of the EFRAG SRB members consider the added guidelines excessively complex. The approach to disregard implemented actions when assessing materiality of potential impacts, if there are significant ongoing actions, has been the source of split views in the EFRAG SRB. The members that supported the inclusion of this provision considered that it would be inappropriate to conclude that due to the high level of prevention and mitigation standards in a sector, a given topic is not reported. On the contrary, other members think that this gross approach to potential impacts will result in excessive reporting.

Question: If you intend to provide feedback also on Part 3 of this questionnaire, please note that by answering this question, you will not be allowed to include comments on Paragraphs 34 to 36¹ and Appendix C of ESRS 1, in Part 3 to avoid duplication of input. Your comments on Paragraphs 34 to 36 and Appendix C of ESRS 1 can only be provided here.

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?

FERMA would like to insist on several points.

1) The assessment of materiality should be appraised on a net rather than gross basis, in a pragmatic way. Therefore, the assessment of materiality should take into account:

¹ 34. When assessing the materiality of actual negative impacts—those that occurred during the reporting year or in prior years—the severity of the impact shall be evaluated considering the outcomes of any mitigation or prevention measures implemented before the impact occurred. Actual impacts in the reporting period include both newly arisen impacts and those persisting from previous periods. If the undertaking has taken remediation actions during the reporting period to address actual negative impacts, these actions shall not be considered when assessing the materiality of the impact. Where the impact is deemed material based on this assessment, the undertaking shall disclose the remediation actions undertaken and their expected or actual outcomes.

35. When supportable evidence exists that mitigation or prevention actions taken reduce the severity and/or likelihood of potential negative impacts (i.e. those that could occur in the future), the effect of these actions is considered in assessing the materiality of the impacts. **However, if the undertaking needs to maintain significant ongoing mitigation and/or prevention actions, to contain the severity and/or likelihood of occurrence of the potential impact below a materiality level, the impact shall be assessed without considering the mitigation and/or prevention actions.** Future remediation actions and policies are not considered in the materiality assessment of potential impacts.

36. The undertaking's positive impacts shall be assessed in their own right and shall not be netted off against its negative impacts. The results of the undertaking's mitigation or remediation actions on negative impacts caused by or contributed to by its compliance with law and regulation are not positive impacts. However, if its business activities, products and services mitigate or remediate negative impacts of another party, this is considered a positive impact of the undertaking.

- The existing mitigation measures that are intrinsic or inherent or by design to the activity (e.g. mandatory third-party approval before a product is marketed).
- The mitigation measures / control activities put in place by the organisation before each reassessment of the double materiality analysis.

2) If the Gross assessment approach is confirmed, sectoral guides would enable to compare different companies in a dedicated sector. The gross assessment would be the starting point for every company in the same sector.

- This would enable the organization to focus on the actions still to be carried out.

This would be more consistent with an Enterprise Risk Management (ERM) approach and with the global risk mapping disclosed in the dedicated chapter in the annual report of the organisations.

3) Clarify the risk manager's key role in the double materiality analysis, as he/she has the knowledge and tools needed to identify, assess and coordinate ESG risk management.

- Pooling approaches would avoid over-soliciting internal contacts.
- It would ensure consistency with the company's ERM system, which has the role of supervision of all risks.
- This would increase efficiency for the teams in charge of the analysis rather than wasting time on pedagogy towards contributors and management.

4) Overall, the DMA should be regulated on the basis of a few methodology-process requirements to make the whole process simpler (i.e. involvement of relevant stakeholders, transparency of the process, high level of governance in the results approval, existence of internal procedure, etc.). An implementation guide based on such a practical approach on these would be recommended in our view.

- This would facilitate the understanding by management and report readers: one consistent methodology for all the analysis rather than one on a net approach, one on a gross approach.

5) The DMA is a complex exercise if one does not integrate it into existing processes, without forgetting that there is an uneven Risk Management culture in companies. FERMA would ask to strengthen the possibility of adapting the approach to the size and culture of the company, in line with the maturity of the company's already existing RM processes.

Overall, it is essential that each case is assessed through a tailored and context-specific analysis, based on clear guidelines from EFRAG. In particular, the scope and severity of the potential consequences associated with each issue should be carefully evaluated. This assessment should guide the consideration of other relevant datapoints. A rigid one-size-fits-all approach should be explicitly avoided. Indeed, IROs assessment according to a gross approach is a theoretical exercise, very difficult and unworthy for a company. IROs identified and assessed according to a gross approach shall be common for industry, geographical presence, and so on. A global mapping of common IROs according to a gross approach shall be drafted by EFRAG, leaving it up to each company to better customise IROs and assess it according to the net approach.

13. Improved readability, conciseness and connectivity of ESRS Sustainability Statements

Rationale for the changes

Starting with the input gathered from the first-time adopters, EFRAG has introduced several changes to support the production of more readable and concise sustainability statements, that are better connected with corporate reporting as a whole. This corresponds to Lever 2 of simplification in the Basis for Conclusions (BfC) (Chapter 4).

Description of the changes

EFRAG has clarified the flexibility that preparers have in preparing their statements. The Amendments describe the possibility of including an 'executive summary' at the beginning of the sustainability statement and have put greater emphasis on the use of appendices to separate more detailed information from key messages. The amendments have also clarified the concept of 'connected information', discouraging fragmentation and/or repetition of information (ESRS 1, Chapter 8).

Question: 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?

FERMA supports this idea provided that one can find some indicators (example: GHG/revenues) that can show value creation/impacts into the value chain and not pure numbers. One could imagine an introduction presenting the organization's sustainability strategy, the material issues that are the focus of the company's attention, and a few key indicators for monitoring the deployment of this strategy, with the main milestones.

In this first exercise, some companies have produced an executive summary in their report which could look like, for instance:

Lisibilité et effort de pédagogie
Exemple – Présentations d'executive summary 1/3

Emeis
Présentation d'executive summaries en introduction de chacune des normes thématiques.

3.3 Informations sociales		
3.3.1 Enjeux liés aux effectifs de l'entreprise (ESRS S1)		
Enjeux Matériels	Principales politiques et actions	Indicateurs de performance 2024
SANTÉ ET SÉCURITÉ	2024 Formations en matière de santé et sécurité : 7 événements de la norme et sécurité, campagne « Tenue Droite Propreté » 2023 Politique Santé et Sécurité	98 % de personnel couvert par le matériel de protection de la santé et de la sécurité 21,19 % des risques prioritaires au travail 8,7 % Taux d'absentéisme
DIALOGUE SOCIAL ET QUALITÉ DE VIE AU TRAVAIL	2024 Poursuite de la refonte du dialogue social interne, initiatives gratuites et locales : ateliers « Remise à niveau », « Your voice », « Compréhension » et « Me » 2023 Politique Groupe Qualité de vie au Travail et Sécurité	28,35 % Turnover des employés 75 % des salariés couverts par des conversations collectives (quintile 50%)
FORMATION ET DÉVELOPPEMENT DES COMPÉTENCES	2024 Poursuite de la refonte de la politique de formation et programmes MOOCs en France, initiative de l'École des Métiers (ex : VAE), Graduate Program, Ateliers culturels internes 2023 Politique de gestion des talents globale/Politique de Formation Groupe Développement de talents key et de leadership	15,3 heures de formation par employé
DIVERSITÉ ET INCLUSION	2024 Programme « DIVERS & YES », Initiative « Parité » interne, respect des conventions directrices des droits humains et droits fondamentaux de travail, Global Compact 2023 Politique Diversité, Équité & Inclusion	50/57 % de femmes au COMEX/au CODIR 0 Indicateurs sociaux, environnementaux et économiques pour les entreprises dans un nombre de articles pertinents

On appendices: FERMA supports this idea as it will make reading easier. Some FERMA members decided to do so already as a matter of fact. Also, we support including data relating to the EU Taxonomy or non-material matters in specific appendices.

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

Rationale for the changes

The Amendments have restructured the architecture of ESRS, focusing on the interaction of ESRS 2 and topical standards. They have also modified the standard-setting approach for policies, actions and targets (PAT) to adopt a more principles-based and less prescriptive approach. These Amendments are described as Lever 3 in the Basis for Conclusions (BfC) (Chapter 4).

The Explanatory Memorandum (page 5) identified the following objective for this lever: simplify the structure and presentation of the Standards.

Description of the changes

To achieve this objective, EFRAG has implemented the following changes, which aim to strike an appropriate balance between (a) prescriptiveness of the requirements and preparation effort and (b) the users' need for relevant, faithful and comparable information:

1. Minimum Disclosure Requirements in ESRS 2 (renamed "General Disclosure Requirements") have been simplified but retained as 'shall' disclose.
2. A drastic reduction of 'shall' datapoints PAT has been achieved, sometimes reformulating them as Application Requirements ('ARs') to support more consistent application.
3. Topical specifications to GOV, SBM and IRO (Appendix C of ESRS 2) have been deleted, with a few exceptions maintained as separate Disclosure Requirements in topical standards (e.g. resilience in ESRS E1).
4. The requirement to disclose PAT for material IROs if adopted is maintained. But the requirement to disclose whether the undertaking plans to implement a PAT for material topics and timeline has been eliminated. The indication of which material topics are not covered by PAT is maintained.
5. The amendments have improved the connectivity between the disclosure of PAT and the description of IROs (now in ESRS IRO 2) to which they relate. They have also improved the ability to disclose information at a higher aggregation level than the material IROs, if this reflects the way IROs are managed.

Question: 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?

On MDRs: FERMA stresses that it's important to keep in mind the spirit of structuring responses to material challenges: policies, actions, targets. Nonetheless, one must give the company more freedom "to tell its story". The level of granularity in RFPs is far too high in our view. It is necessary to categorize these data points into compulsory data points and voluntary data points: this would still ensure comparability of information between organizations.

On PAT: FERMA is not against non-mandatory guidelines as they could help to ensure that the approach is progressive over time. Nonetheless, FERMA recalls that it is important to focus one's attention on key mandatory datapoints as long as they relate to material topics.

On limiting reporting on PAT's if related to material topics: Theoretically, FERMA believes it is an interesting idea. Indeed, a policy may cover several IROs within a single topic. However, FERMA also sees a risk of potentially creating additional confusion (e.g. what happens if “you don't have it” whereas others do, will it create an unintended distinction between companies eventually?) In addition, one could follow a tiered approach, depending on the size of the company, with SMEs following a non-mandatory guidance, as far as PATs are concerned.

FERMA supports reinforcing flexibility and readability of streamlined disclosures by clarifying (i) that there should be no duplication of content on the same PATs in different parts of the sustainability statement, (ii) that a policy covering different topics should only be described once and (iii) that PATs can be limited to a sub-topic without triggering disclosures at the topical level – this idea will avoid redundancies and make the document easier to read. There are too many duplications and redundancy at present.

15. Improved understandability, clarity and accessibility of the Standards

Rationale for the changes

The Amendments have reorganised the content of the requirements, clearly separating the mandatory from the non-mandatory ones, and eliminating the “may” disclose provisions, which proved to be problematic to understand. These Amendments are described as Lever 4 in the Basis for Conclusions (BfC) (Chapter 4).

Description of the changes

To achieve this objective, EFRAG has implemented the following changes:

1. “May disclose” datapoints have been all eliminated.
2. All the “shall disclose” datapoints are now in the main body of the standard (no more datapoints in AR) and mandatory application requirements are relocated below the DR to which they belong (and below each Chapter in ESRS 1), covering ‘how to disclose’ guidelines.
3. Language of the Standards has been improved for understandability, conciseness and consistency of ESRS.

Question: Please focus your considerations only on the mandatory content of the Exposure Drafts. The following question covers the Non-mandatory Illustrative Guidance (‘NMIG’).

If you intend also to provide feedback on Part 3, when providing your comments, please refrain from duplicating the comments that you will provide at Standard or DR level.

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

FERMA supports separating the mandatory requirements from the non-mandatory ones, as this approach seems to provide more transparency.

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

As a result of the simplification process, part of the mandatory content in the 2023 Delegated Act has been moved to “Non-Mandatory Illustrative Guidance” (NMIG). NMIG does not address all the existing implementation questions on each standard. It simply gathers the content that:

- a) was in the Delegated Act
- b) is now deleted; and
- c) contributes to the overall datapoints reduction.

It contains ‘how to report’ guidelines (methodology) and examples of possible items to cover when disclosing in accordance with a mandatory datapoint, mainly for narrative PAT disclosures. Its content should not be understood as a list of items of information requiring justification when not reported, consistent with the fact that the previous datapoints are deleted. The legal status of the NMIG will be considered by the European Commission (EC) in due course. However, EFRAG recommends that the EC not include this content in the Delegated Act. On the one hand, NMIG contains helpful support material that may reduce the implementation questions. On the other hand, it could trigger additional efforts of analysis and/or have an ambiguous role as possible additional disclosure with entity-specific relevance if issued within the Delegated Act.

You are invited to provide your comments on the purpose of NMIG, if any.

You can access the NMIG at this [link](#).

Please select the NMIG you would like to comment on from the list below:

- All
- NMIG - ESRS 1
- NMIG - ESRS 2
- NMIG - ESRS E1
- NMIG - ESRS E2
- NMIG - ESRS E3
- NMIG - ESRS E4
- NMIG - ESRS E5
- NMIG - ESRS S1
- NMIG - ESRS S2
- NMIG - ESRS S3
- NMIG - ESRS S4

NMIG - ESRS G1

17. Burden reliefs and other suggested clarifications

Rationale for the changes

The Amendments introduced several horizontal reliefs (i.e. applicable across different requirements) that were suggested in the input gathered from preparers. They are expected to contribute substantially to the reduction in the overall reporting efforts, beyond

the datapoints reduction. These Amendments are described as Lever 5 in the Basis for Conclusions (BfC) (Chapter 4).

Description of the changes

EFRAG has implemented the following changes:

- The relief “undue cost or effort” has been introduced, including for the calculation of metrics.
- A relief for lack of data quality has been introduced for metrics (ESRS 1 Paragraph 91), allowing to report a partial scope and disclosing actions to improve the coverage in future periods.
- The systematic preference for direct data as input to the calculation of value chain metrics has been removed and undertakings may use direct data or estimates depending on practicability and reliability (ESRS 1, Paragraph 91).
- Undertakings may exclude from the calculation of metrics their activities that are not a significant driver of IROs (ESRS 1, Paragraph 90) and may exclude joint operations on which they do not have operational control when calculating environmental metrics other than climate (ESRS 1, paragraph 60).
- Disclosure about resilience is now limited to risks only and limited to qualitative information only (ESRS 2, Paragraph 24 and ESRS E1, Paragraph 21).
- When disclosing financial effects, the information on investments and plans is now limited to those that are already announced (ESRS 2, AR 16 Paragraph 23(b)).
- A new relief for acquisitions (disposals) of subsidiaries has been introduced (ESRS 1 Chapter 5.4) allowing to include (exclude) the subsidiary starting from the subsequent (from the beginning of the) period.
- From October 2024 to February 2025, several implementation issues were identified in the EFRAG ESRS Appendix dedicated to the Q&A implementation platform (Chapter of Basis for Conclusions (BfC)). These issues have now been addressed by clarifying the corresponding provisions.

Question: EFRAG considered how to improve consistency with other pieces of regulation. Considering what can be achieved in these Amendments (as opposed to what requires modification by the other regulation) EFRAG gave priority to the SFDR regulation. Please refer to question 28 if you intend to comment on this aspect. Other selected changes to enhance consistency are described in the Log of Amendments for each standard.

Please note that some of the reliefs described above go beyond the ones in IFRS S1 and S2 described in question 21 below. As interoperability with IFRS S1 and S2 is specifically addressed in question 21 should be commented upon there. Please also refrain here from comments on the options proposed for quantitative financial effects, as question 17 is specifically dealing with them.

Do you agree that these proposed Amendments provide sufficient relief and strike an acceptable balance between (a) responding to 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?

FERMA strongly supports the exclusion of non-material activities from calculations as it will improve the overall data quality. If some exclusions are added into the calculation, they must be explained for transparency's purposes.

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

Amended ESRS have introduced the 'undue cost or effort' relief for all the elements of the reporting, from the identification of material IROs to the calculation of metrics (paragraph 89 of ESRS 1), in line with IFRS S1 and S2, extending it to all metrics. In addition, paragraph 92 of ESRS 1 has introduced a provision applicable both to metrics in own operations and in upstream and downstream value chain. This allows an undertaking to report metrics with a partial scope of calculation, when there are no reliable direct or estimated data to be used in the calculation. This relief does not exempt an undertaking from providing a disclosure, but it allows to disclose a calculation that includes only a partial scope. When using this relief, the undertaking shall disclose actions undertaken to improve the coverage of its calculation in next periods. This transparency is expected to provide sufficient incentive to improve the data quality and achieve a more complete scope in the calculation of the metrics. Accordingly, no time limit is included for the use of the relief. On this point, some EFRAG SRB members, while supporting the relief, considered it essential to include a time limit.

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?

By adopting this relief on metrics, we will enhance both proportionality and data quality, as only material activities and risks will be assessed and monitored. This approach ensures that reporting efforts are concentrated on the areas that truly matter, avoiding the unnecessary burden of collecting exhaustive data from activities that do not significantly influence the sustainability metrics.

19. Relief for anticipated financial effects

Description of the changes

The Amended ESRS currently includes two possible options, which would apply to all topics, including climate (DR E1-11):

a) Option 1 requires an undertaking to disclose both qualitative and quantitative information but allows omission of quantitative information under certain conditions. Option 1 is substantially aligned with the IFRS relief, despite the fact that it includes some differences compared to it: under Option 1, as in the IFRS relief, the undertaking need not provide quantitative information when it is not able to measure separately the financial effect of a specific topic (or IRO) or when the level of uncertainty is so high that the resulting information would not be useful. Differently from the IFRS relief, Option 1 specifies that the undertaking may use the relief when there is no reasonable and supportable information derived from its business plans to be used as input in the calculation of anticipated long-

term financial effects. Different from the IFRS relief, the undertaking cannot omit quantitative information when it does not have the skills, capabilities or resources to provide that quantitative information, as this part of the relief was considered not compatible with the entities that are expected to be in scope of the Amended ESRS.

b) Option 2 limits the requirement to qualitative information only, and leaves companies to choose to report quantitative information on a voluntary basis, without having to meet any conditions. This option is not aligned with the treatment in IFRS S1 and S2.

Some of the EFRAG SRB members noted that Option 2 would result in undue loss of information important for investors and would fail to provide the correct incentive to build more mature methodologies and reporting practices. Other members, on the contrary, supported the inclusion of Option 2.

Question: If you intend to provide feedback also on Part 3 of this questionnaire, please note that by answering this question, you will not be allowed to include comments on paragraph 23 of ESRS 2 in Part 3 to avoid duplication of input. Your comments on that paragraph can only be provided here.

20. ESRS E1: Disclosures on Anticipated Financial Effects

The content of the disclosure requirements on Anticipated Financial Effects (formerly E1-9 now E1-11) has been significantly reduced. Several datapoints are still included, which are considered necessary for investors and lenders to be able to assess the undertaking's exposure to transition and physical risk, including for lenders to be able to meet either supervisory expectations or sector specific disclosure requirements. This question focuses on paragraphs 40 (a) to (d), 41 (a) to (f) and 42 of ESRS E1 and aims at collecting feedback on the feasibility of the remaining datapoints.

If you intend to provide feedback also on Part 3 of this questionnaire, please note that by answering to this question, to avoid duplication of input, you will not be allowed to include comments on DR E1-11 or paragraphs 40, 41 and 42 of ESRS E1 in Part 3. Your comments on those provisions will only be provided here.

Do you agree that the amended paragraph 40, 41 and 42 of ESRS E1 have been sufficiently simplified and that they strike the right balance between reporting effort and users' needs?

21. Enhanced interoperability with the ISSB's standards IFRS S1 and S2

Rationale for the changes

EFRAG has implemented several changes to enhance the level of interoperability with the ISSB's standards IFRS S1 and S2. These amendments are described in Lever 6 of simplification in the Basis for Conclusions (BfC) (see Appendix 6). At the same time, however, the Amendments implemented for simplification reasons affect the level of

interoperability with IFRS S1 and S2, as resulting from the joint EFRAG IFRS interoperability guidelines (May 2024). For example, reliefs beyond those in IFRS S1 and S2, described above, negatively affect interoperability.

One of the Explanatory Memorandum (page 5) objectives is to further enhance the already very high degree of interoperability with global sustainability reporting standards. EFRAG prioritised the interoperability with IFRS S1 and S2, following the majority input gathered in the public call for input and outreach.

Description of the changes

To achieve this objective, EFRAG implemented the following changes, which aim to achieve a higher level of interoperability while being compatible with the objectives of the Amendments.

- In line with IFRS S1, emphasis has been put on ESRS being a fair presentation framework; materiality of information is now as general filter for the reported information.
- To remove one of the main interoperability differences, the ESRS E1 GHG emission boundary has been replaced by the financial consolidation approach (ESRS E1 AR19), aligned with the financial control approach in the GHG protocol, while a separate disclosure based on operational control is now required (and aligned with the corresponding disclosure in the GHG protocol) only for entities with more complex ownership structures (ESRS E1, AR 20).
- The IFRS reliefs (undue cost or effort, disclosure of ranges for quantitative financial effects) have been implemented, with the exception of the one on omitting commercially sensitive information about opportunities (pending the outcome of Level 1 discussions), the one allowing to omit Scope 3 GHG emissions when impracticable and the one allowing to omit quantitative financial effects when the undertaking does not have the necessary skills (please note that the relief on anticipated financial effects is treated in question 20).
- The implementation of reliefs that go beyond the ones in IFRS S1 and S2 results in new interoperability differences (see question 16).
- Language for requirements that are common to ESRS and IFRS S1 and S2 has been aligned whenever possible with the one in IFRS S1 and S2, in ESRS 1, 2 and E1.
- The reference to SASB Standards and IFRS Industry-based Guidance as a source of possible (“may consider”) disclosure when reporting entity-specific sector information is now a permanent feature (before it was temporary, i.e. until the issuance of ESRS sector standards).
- The datapoint reduction resulted in the elimination of 7 “shall” datapoints aligned with ISSB standards described in Basis for Conclusions (BfC) (Chapter4).
- Several changes have been introduced to further advance interoperability in ESRS E1 (Basis for Conclusions (BfC), Chapter 4).

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

FERMA is also in favour as interoperability between different framework is always desirable to achieve greater consistency. In any event, FERMA reminds that it is key that only datapoints related to material topics are reported.

FERMA is in favour of the financial consolidation approach for GHG emission boundary.

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

In accordance with the simplification mandate received, EFRAG has adopted a general rule of not increasing the reporting obligations. Accordingly, “may disclose” datapoints have not been transformed into mandatory ones (subject to materiality). In the context of the comprehensive revision of some of the DRs, to provide for more focused and relevant information, 6 datapoints have been moved from “may” to “shall” subject to materiality.

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

24. Four new mandatory datapoints (exception)

In accordance with the simplification mandate received, EFRAG has adopted a general rule of not increasing the reporting obligations. Accordingly, no new “shall” datapoints have been added. In the context of the comprehensive revision of some of the DRs, to promote more focused and relevant information, 4 datapoints have been added. These exceptions are in the opinion of EFRAG justified.

It is important to note that they do not add new obligations, as they refer to an already existing disclosure objective, but they make explicit a separate element of required information. In consideration of their very low number when compared to the overall datapoint reduction, they are not considered to jeopardise the achieved substantial simplification. On the contrary, their change of status improves the clarity of the reporting requirements. More details on these datapoints can be found in the Basis for Conclusions (BfC) Chapter.

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

25. Emphasis on ESRS being a “fair presentation” reporting framework

The Amendments clarify that ESRS is a fair presentation reporting framework, as it is for IFRS S1 and S2, with the expectation that this will support a more effective functioning of the materiality filter and reduce the check list mentality associated to the adoption of a compliance approach. Adopting fair presentation is expected to support a reduction in the unnecessary reported information and of the documentation needed to show that omitted datapoints are not material. The majority of the EFRAG SRB members consider that ESRS was already conceived as a fair presentation framework and interpret the CSRD as requiring it. A minority of the EFRAG SRB members think that the CSRD does not require fair presentation. They think that adopting fair presentation is not a simplification, due to the difficulty of exercising judgement of what is needed to fulfil the requirement, in particular for impact materiality where there are less established reporting practice. They think that the Amendments may result in increased legal risks and audit costs.

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?

FERMA also supports this proposal as this would also be consistent with the principles governing the preparation of financial statements. Overall, the CSRD/ESRS approach have made the DMA and sustainability reporting process a mere compliance exercise and the initial aim of comparing information was not fulfilled precisely for this reason.

Emphasizing fair presentation means that sustainability reports should go beyond mechanical compliance and reflect relevant and accurate information. By adopting fair presentation we prioritize communication of substance, we encourage transparency without unnecessary complexity and inform deeply stakeholders on the company's sustainability profile.

26. Exception for Financial Institutions' Absolute climate reduction Targets

- I agree that financial institutions should be exempted from disclosing climate absolute GHG emission values targets when they have only set intensity targets
- I disagree that financial institutions should be exempted from disclosing climate absolute GHG emission values targets when they have only set intensity targets

27. ESRS S1: New threshold for reporting metrics disaggregated at country level

Amended ESRS S1 changes the threshold for the requirement to disaggregate the metrics for Characteristics of the undertaking's employees, collective bargaining coverage and social dialogue in the European Economic Area (S1-5 and S1-7 of Amended ESRS S1). Refer also to Basis for Conclusions (BfC) Chapter 8. Instead of being defined based on at least 50 employees by head count representing at least 10% of the total number of employees, the requirement is now to disaggregate the metrics for the top 10 largest countries by employee headcount, to the extent that there are more than 50 employees in those countries. A minority of EFRAG SRB members noted that this change could trigger, in some cases, an increase in the number of countries to report on for these two disclosures, and so an increased burden to prepare the information. The majority of EFRAG SRB members supported the change because the current requirement has led to limited information available by country. In addition, the information is usually easily accessible, so the burden to prepare the information per the new requirement is estimated to be limited.

If you intend to provide feedback also on Part 3 of this questionnaire, please note that by answering this question, to avoid duplication of input, you will not be allowed to include comments on DR ESRS S1-5 and ESRS S1-7 in Part 3. Your comments on those provisions will only be provided here.

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

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

The Amended ESRS S1 reflects an amended methodology for the calculation of non-EU adequate wages set out in the Application Requirements (ESRS S1 AR 22). This change draws on language from different parts of the agreement on the issue of wage policies, including living wages, adopted by the ILO Governing Body in 2024, after the ESRS Delegated Act was adopted. A minority of EFRAG SRB members flagged three interrelated concerns: (1) the reference to wage-setting principles risks disclosures of minimum wages that fall well-below an adequate wage standard, (2) the hierarchy requires companies to only assess relevant living wage data sets as a last resort, and (3) the DR/AR does not require companies to disclose which prong of the methodology is used, which leads to lack of comparability.

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

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

The Omnibus proposals have not changed the general objective of supporting the creation of the data infrastructure necessary for implementing the Sustainable Finance Disclosure Regulation (SFDR). Input from investors confirms the need to implement the correct flow of information from their investee. However evidence also suggests some of the Principal Adverse Indicators (PAI) are not considered relevant in practice. As part of the systematic review of the datapoints for their reduction, EFRAG has assessed the relevance of the SFDR PAIs, as well as the level of coverage of them resulting from the general datapoint reduction. The key changes for Environmental standards (ESRS E1-E5) are :

- (a) 8 SFDR PAI sensitive DPs have been deleted but they were either overlapping with other DPs or can be derived from other information (E1-5, para.38, 40-43; E1-6 para44, 53-55; E3-1, para 14; E3-4, para 29; E5-5 para 37 (d) and 39);
- (b) 1 SFDR PAI sensitive DPs in Appendix B (indicator number 12 Table #2 of Annex) was removed, following EFRAG's approach of reducing the content provisions related to PAT under topical standards. This refers to the topic of marine resources, which is not in scope of ESRS E3.

The key changes for Social standards (ESRS S1-S4) are:

(a) this was a consolidation exercise. Firstly, for the policies related to human rights and for the alignment with UNGP and OECD MNE Guidelines (two SFDR PAI number 9 Table #3 and Indicator number 11 Table #1 of Annex 1), eight datapoints from the four Social standards have been merged into a “human rights policy” in ESRS 2 GDPR-P, for the four affected stakeholder groups. Secondly, the indicator in relation to severe human rights cases (SFDR PAI number 14 of Table #3 and number 10 of Table #1 of Annex 1) have been merged into one and it is maintained across the four Social standards.

(b) a small number of amendments on the scope has taken place for SFDR PAI Indicator 3 of Table #3 in relation to days lost. Fatalities (ESRS S1-13) has been deleted from its scope. The scope of revised human rights incidents datapoint (ESRS S1-16, S2-3, S3-3, S4-3) is now clarified.

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.

FERMA does not have a strong view on the SFDR precisely, but we recall that, since its review should be issued by the Commission by the end of the year, it is important to keep as much consistency as possible between different EU dossiers related to sustainability.

30. ESRS E4 DR E4-4: Application requirement to guide undertakings in setting biodiversity- and ecosystems-related targets

As part of the simplification process, E4-4 (targets) disclosure specifications and application requirements have been mostly removed. In this context, methodological guidance for companies to what biodiversity and ecosystems-related targets can cover would be helpful. ESRS SET 1, E4 AR 26) outlines aspects that targets can address, including in relation to the size of areas protected or restored, the recreation of natural surfaces or the number of company sites whose ecological integrity has been approved. While this AR could be kept in the revised ESRS E4, some stakeholders highlighted that it could be further reviewed to better reflect latest trends in the evolving methodological landscape related to biodiversity and a stronger alignment with relevant content from science-based frameworks such as SBTN.

If the respondents intend to comment on the respective paragraphs of Section 3, they will not be permitted to do so.

Do you agree with the review of AR 26 in Amended ESRS E4?

31. ESRS S1 DR15: Gender pay gap

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

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

The revision of ESRS G1 has led -among others - to the deletion of former paragraphs 14 and 33(a), addressing "payment practices" (within the context of management of relationship with suppliers). These datapoints have been replaced by the PAT provisions and an additional specification for SMEs in paragraph 33(b). However, this deletion may still reduce visibility on how undertakings engage with and support SMEs.

If the respondents intend to comment on the respective paragraphs of Section 3, they will not be permitted to do so.

Is the current replacement/formulation sufficient to meet the objectives of the CSRD in respect to the protection of SME's?

33. Overall feedback per standard

The 12 ESRS Standards have been simplified. The Glossary (Annex II to the 2023 ESRS Delegated Act) has been amended to reflect the changes in the Standards. This includes the reduction of datapoints, the clarification of several provisions that created implementation issues, the enhancement of readability and streamlining of their structure and content. Amendments to the 12 Standards have been designed and implemented to achieve a substantial reduction in reporting efforts, while maintaining the core content that is needed to meet the objectives of the European Green Deal.

Please note the following requirements that were not changed in the Amended ESRS as recommended by the EC representatives, as they are subject to ongoing developments on level 1 regulation:

1. Definition of value chain for financial institutions (ESRS 1);
2. Exemption from consolidating subsidiaries by undertakings that are financial holdings (ESRS 1);
3. Relief for omission of confidential/sensitive information (ESRS 1);
4. Phasing-in provisions (ESRS 1);
5. Clarify the meaning of "compatibility with 1.5 degrees" for the Transition Plans disclosure (ESRS E1).

In this question you are allowed to provide your overall opinion on the level of simplifications achieved per each standard. You can choose to reply to one or more of the Standards.

If you intend to comment also at level of single DR in Part 3 of this questionnaire, you are kindly invited not to repeat the same content twice (here and in Part 3).

You can access the Exposure Drafts of the Revised ESRS and the amended Glossary at this [link](#).

In case you would like to see the rationale behind the amendments, you can access the Log of Amendments and the markup of the Annex II (Glossary) at this [link](#).

Do you agree that the proposed Amended ESRS strikes an appropriate balance between the need for significant simplification and meeting the core objectives of the European Green Deal?

FERMA is a strong supporter of the Commission's ambition to simplify the ESRS (and the sustainability framework overall) without undermining the objectives of the Green Deal. Therefore, it is paramount to preserve the double materiality assessment in the CSRD while strengthening a proper ERM methodology for companies in order to allow for both consistency and efficiency between EU companies. The CSRD provides the right framework for sustainability disclosures for the first time at EU level and this ambition must be preserved.

Overall, FERMA finds that most of the changes suggested are going in the right direction, especially the need to focus on material information; the identification of IROs at subtopic level; the assessment of materiality to be appraised on a net rather than gross basis or the possibility for the company to produce an executive summary in their report.

FERMA recalls that it is important to focus one's attention on key mandatory datapoints as long as they relate to material topics.

34. Any other comments

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

Regarding the DMA, sectoral guides analyzing material sustainability issues within the same business sector would facilitate the exercise (type ESG materiality maps of the financial services company MSCI, which show the most important ESG matters by industrial sector, the Sustainability Accounting Standards Board's (SASB) ...)

Finally, regardless of the standards (International or European) around sustainability reporting, as Risk Managers, we need to make sure that appropriate disclosures are made in the sustainability reports vis-à-vis how companies have implemented efficient checking mechanisms to avoid or mitigate adverse environmental and/or societal impacts.