To: European Financial Reporting Advisory Group (EFRAG)
Attn:
Mr. Patrick de Cambourg, Chair of the EFRAG Sustainability Reporting Board
Mr. Benoit Jaspar, Chair of the EFRAG Administrative Board

Subject: Joint industry contribution to EFRAG's ESRS Set 1 simplification exercise

Brussels, 28-05-2025

Dear Patrick,
Dear Benoit,

The European Fund and Asset Management Association (EFAMA), the European Banking Federation (EBF), BusinessEurope, and Insurance Europe reaffirm their strong support for EFRAG and its pivotal role in implementing the Corporate Sustainability Reporting Directive (CSRD) and developing the European Sustainability Reporting Standards (ESRS). Amid the ongoing Omnibus initiative and the revision of ESRS Set 1, EFRAG's efforts are essential to ensure sustainability reporting remains both meaningful and practical for companies.

Our organisations are fully committed to the EU sustainability goals. We see the Commission's initial Omnibus proposals as an important opportunity to simplify and streamline the ESRS. This ESRS revision should focus on providing decision-useful information for the allocation of capital towards sustainability goals, reducing administrative burden, improving usability, and preserving the global competitiveness of European companies.

Having actively contributed to shaping and implementing the EU's sustainable finance framework, our associations are well positioned to identify areas where ESRS application has resulted in unintended complexity. Insights from the first implementation cycle have revealed structural and conceptual issues that go beyond the volume of data required.

In this context, we outline the following priority areas to help steer the ESRS towards a more principles-based and decision-useful framework – enabling meaningful simplifications to the standards:

1. **Significantly reduce the total number of mandatory datapoints, focus on mature topics and acknowledge existing data limitations.**

In line with the mandate received from the European Commission, significant simplifications are needed regarding the number of mandatory disclosure requirements, particularly for policies, actions and targets (PAT). Furthermore, efforts should focus on the ESG topics explicitly referenced in the CSRD, with **established methodologies, and reliable, decision-useful data for preparers, investors and lenders** using a minimal set of datapoints, while securing the data infrastructure to requirements for financial institutions in CRR/CRD, Pillar 3, SFDR etc. Coordination between EFRAG and the ESAs is necessary to ensure the simplification efforts are truly reflecting throughout the regulatory framework. Reporting obligations should be lifted where data is unreliable or methodologies are missing, especially for anticipated financial effects. Requirements for value chain disclosures should be scaled back where data quality or availability is lacking. Although both are important, **quantitative data should be prioritised while narrative disclosures** should be simplified to support key users' needs. Additionally, disclosures of commercially sensitive information that could affect competitiveness should be excluded.

2. **Simplify the double materiality assessment.**

The **double materiality assessment (DMA) should align with companies' strategy, business models, and activities**, focusing only on genuinely material topics and decision-useful information. **Management should be clearly responsible for defining materiality**, without the need for excessive disclosures and justifications about the assessment process. To that end, the principle of information materiality should be further strengthened, so that disclosures pertaining to topics deemed as not material are duly excluded from reports.

3. **Allow greater flexibility in the structure of reports and the disclosure of qualitative information.**

In addition to reducing the granularity of information, increased flexibility in qualitative reporting to enhance the usefulness of sustainability information is needed. This flexibility should include, for example, allowing companies greater discretion in where to disclose information across multiple requirements, and focusing reporting on management's approach to material topics rather than on specific policies in place. Disclosures should be permitted at the key sustainability topic level (eg Climate, Environment).

4. **Application requirements to be either included in disclosure requirements or transformed into application guidance.**

Application requirements (ARs) should not introduce new disclosure obligations. To improve usability, ARs should be reorganised so they appear directly beneath their corresponding disclosure requirements (DRs). For provisions deemed as non-essential, the requirements should be transformed into application guidance.

5. **Consolidation principles should be simplified.**

Consolidation principles for sustainability reporting should allow for exemptions for financially immaterial subsidiaries, for financial holding companies that do not have to prepare consolidated financial statements and subsidiaries where disclosures are already covered at the consolidated group level. Subsidiaries, whether listed or unlisted, within a group which are deemed immaterial for the scope of financial statements should be excluded from sustainability reporting without any additional assessment. Reports prepared by subsidiaries are usually duplicative and do not enhance transparency for investors. This would reduce the risk of inconsistent information as well as lower analysis and documentation efforts as reporting obligations on subsidiaries bring increasing costs to comply with CSRD with no real benefit.

6. **Improve the coherence across the ESRS framework.**

Internal coherence should be strengthened by eliminating duplications within and across standards. A comprehensive review should address inconsistencies within the wider EU legislation (e.g. Sustainable Finance Disclosure Regulation (SFDR), prudential rules, transition plans) to enable an effective simplification, streamline reporting and improve cross-referencing, while preventing additional unintended administrative burden on financial market participants.

7. **Improve interoperability with global standards and adopt the "undue cost or effort" principle.**

The ESRS should engage more closely with international frameworks (International Sustainability Standards Board (ISSB) and integrate the "undue cost or effort" principle from ISSB to ensure proportionality. Namely, **GHG emissions should be reported with the flexibility allowed under** the GHG Protocol and IFRS S2, using either an operational or financial boundary depending on the industry context).

Our associations remain available to discuss these points further and to support the ongoing simplification of the framework.

Yours sincerely,

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