

QUESTIONNAIRE FOR PUBLIC FEEDBACK:

ESRS SET 1 REVISION

EBF RESPONSE

6 MAY 2025

Key points

- Adopt **practical rather than an aspirational approach** (topics that are mature, for which methodologies exist and decision useful and relevant datapoints).
- Incorporate the **undue cost or effort** principle of the ISSB.
- Adopt a **more principles-based approach** that allows preparers to decide what information should be disclosed and how it should be structured.
- **Simplify the materiality concept** : 1. focus on clear DMA which will result in only really material topics being reported) The ESRS materiality assessment framework should be commensurate to companies strategic decision making, business models and activities 2.focus on materiality of information (which will result in only relevant information being disclosed) 3.Remove datapoints that do not fit any longer with 1 and 2.
- Clarity: Find a **right balance between more principles-based approach and the need for clarity and comparability.**
- **Simplify the structure, remove duplications** within the same standard, cross standards and with other regulation (e.g. Pillar 3) and annual report
- **Allow aggregation at key sustainability topic level** (e.g. Climate, Environment etc.)
- **Alignment with financial reporting.** Consolidation scope should be aligned with financial reporting. No stand-alone reporting obligation for subsidiaries should be required
- Specify that that there is **no obligation to disclose if data is not sufficiently reliable** or no common methodologies exist (remove anticipated financial effects)

FI specific recommendations:

- **Cap the value chain for DMA assessment for banks (tier one CSRD only)** and align methodologies time frames, definitions with other (regulatory) requirements for materiality assessments from risk perspective. Allow for residual risk approach.
- **Time horizons and sustainability topics aggregation in materiality assessment requirements should be aligned to those generally applied by banks**
- **Exempt banks from reporting of datapoints that are not applicable in the banking sector.**
- Work with EBA and the European Commission and other stakeholders to ensure methodological **alignment between ESRS standards and the related EU regulations**, clarify how the reporting of datapoints linked to the SFDR (Appendix B ESRS 2) should account for downstream value chain information disclosed by other undertakings , map ESRS DP with EBA requirements on disclosure and supervisory reporting and duplicative/similar reporting requirements in other EU legislation. The “shall” data points should be aligned with the legislative requirements

General comments

- While banks are both users and preparers of the ESRS reporting, this response is drafted from the preparers perspective.
- **Clarity, predictability and stability:** We support the simplification process of the ESRS standards but call for a clear and stable regulatory direction to enable companies to plan investments related to sustainability reporting, optimizing efforts and resources. We highlight that the simplification process should not further result in vague or impractical requirements for the banking sector and should not undermine the reporting framework already adopted by undertakings to comply with the CSRD, especially in light of the significant investments already made. In instances where the disclosure requirement is quite complex and abstract, EFRAG should provide practical solutions.
- **Maturity, decision usefulness and relevance:** In determining its approach for the revision of the ESRS, the EFRAG should **adopt a practical rather than an aspirational approach**. EFRAG should focus on topics that are mature today and for which methodologies exist, and on datapoints that are decision useful and relevant. The reduction in datapoints should focus on keeping the most relevant data and removal of duplicative disclosure requirements — both within the same standard and across different ones. However, it is crucial to **modify the requirements regarding the DMA analysis and entity-specific disclosures as well**. If these fundamental requirements stay unchanged, the outcome would still be excessive and resulting to unfocused sustainability reporting.
- **Undue cost and effort:** The EFRAG standards should incorporate the “**undue cost or effort**” principle of the ISSB standards, whereby, information requests on companies

should be bearable and reasonable, without implying an undue cost or effort to retrieve. This principle is a positive element that recognises the challenges companies face when working to compile and prepare all the necessary information in order to comply with the reporting standards. Although the EFRAG standards integrate this principle to a certain extent, they do not apply throughout the standards. In this regard, it must also be acknowledged that the availability of data for banks' disclosures will be radically limited due to the expected scope changes and prohibition to request data not included in the VSME standard.

- **Structure:**

- “Only once principle” should be applied to avoid repetition of information. There should be a clear logic across the entire EU regulatory framework as to which types of disclosure requirements reside in which Regulation to avoid duplication and potential inconsistencies. Disclosure requirements on policies, actions and targets should be grouped in in ESRS 2 and removed from elsewhere.
- In all ESRS, the statements in paragraphs below the headers of the DRs should be deleted because they do not provide added value
- All the paragraphs providing descriptions of the objective for each DR should be deleted because they do not provide any added value
- Applications requirements should only focus on application guidance and not introduce any additional disclosures.

- **Data quality** : As high-quality data is essential (and there are legal risks in publishing data that is not good enough), it should be specified that there is no obligation to disclose if data is not sufficiently reliable. We propose to apply a waterfall structure beginning with data of sufficient quality followed by estimates that are fully transparent to the preparer, ensuring reliable and valid results. If neither is possible, then reliability should take precedence over completeness resulting in non-disclosure.

- **Applicability to banks: The specificities of the banking sector should be considered.** EFRAG should work on clear principles of double materiality and materiality of information, which together with increased use of principle-based DRs would allow for more flexibility.

- Considering that the standards were mainly created for non-financial companies involved in some sort of production, EFRAG needs to consider **the implementation of certain sector specific requirements in the context of financial sector (e.g. value chain). An explicit exclusions or clarification of datapoints that are not sufficiently clear for consideration by FI, or requirements that are not relevant or not applicable in the context of financial institutions (e.g. Capex/Opex or absolute emission targets) should also be considered. Although the ESRS are sector-agnostic, a list or table should nonetheless be included that lists the ESRS quantitative data points not applicable to a financial institution.**

- **Absence of common methodologies, the impact materiality assessment should remain mainly qualitative/ capped to those that can be quantified.**

- **The double materiality assessment should be limited to direct clients/suppliers**

in the value chain. Financial undertakings should mandatorily only include entities subject to the CSRD as part of their value chain. Reporting on entities not obliged to report according to CSRD should be voluntary for banks.

- EFRAG wishes to collect input from all the stakeholder categories on how to simplify ESRS, following the [Omnibus proposals](#) issued by the European Commission on 26 February 2025 and the [mandate](#) that EFRAG received on 27 March 2025.

SECTION 1 – PARTICIPANT GENERAL INFORMATION

1.1 GUIDANCE FOR RESPONDENTS

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

Comments are most helpful when they:

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

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

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

1.2 RESPONDENT PROFILE

Contact person: Denisa Avermaete

Email address: d.avermaete@ebf.eu

Name of organisation: European Banking Federation

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

[please leave only the relevant answer]

N/A

If yes*

Please specify whether it was a voluntary or mandatory application

N/A

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

Please add a hyperlink to the report [add box for including hyperlink]

N/A

**If preparer, please specify your size in terms of employee number:
*[please leave only the relevant answer]:***

SECTION 2 – GENERAL ASSESSMENT

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

[Please be concise, considering that in this field in the online questionnaire, we can type only 1000 characters]

From a preparer perspective:

Benefits:

- **Greater transparency, comparability and control:** The implementation provided better visibility into sustainability data and ensured the organization was aligned with regulatory requirements, facilitating more informed decision-making.
- **Standardization of sustainability data collection** at group level and creation of a standardized implementation/basis for sustainability reporting, which promotes comparability
- **Systematic process** for assessing impacts, risks and opportunities.
- Opportunity to use **DMA as a strategic (planning) instrument**.

Main challenges:

- While use of the DMA as a concept to establish appropriate reporting topics it is supported as it allows companies to report relevant topics only, the DMA process itself is complex and resource-intensive. **The ESRS require a more principles-based approach that allows preparers to decide what information should be disclosed and how it should be structured, especially because it is useful to understand company's management approach for sustainability topics.**
- As the current ESRS Set 1 is sector-agnostic, some datapoints do not make sense in certain sectors / industries. Datapoints that are not relevant should not be considered material and should be excluded without explanation.. Entities should not be required to conduct a double materiality assessment for these datapoints, and should be safeguarded from requests by assurance providers to justify these omissions. It should be sufficient to provide transparency about the judgement applied in this process. Exemption for some sectors could also be granted in the standard itself
 - **Applicability of some requirements in the banking context/sector proved challenging or irrelevant**

- ESRSs are not written with the business model of financial institutions in mind. For example, for a bank most impact relates to clients – notably lending - while the standards and metrics have a bigger focus on impacts that are either caused or contributed to by the entity. A bank’s impact is greatest where it finances the transition and hence there is a strategic link on impact materiality related to the financial position of the bank. This concept should be **clarified for the financial industry**.
- Certain other requirements are **irrelevant for a bank**, or cannot be quantified (e.g E1-4 and E1-6 and CO2 reporting in relative measures instead of absolute, revenue based metrics and quantified decarbonization levers). In many cases, as requirements are not applicable to a bank, they are leading to interpretation issues (also fostering debate with auditors) , which among other things negatively effect the comparability between bank’s sustainability disclosures and could also lead to compliance risks for banks. **Banks should not be required to report irrelevant or inapplicable information. Reporting should be in line with the business model and strategy.**
- There is a particular need for simplified **DMA assessment** for financial institutions to reduce complexities and discrepancies. The DMA should enable banks to :
 - Prioritize decision-useful datapoints and present information at a decision-useful level of aggregation or disaggregation
 - Not obscure material information through excessive disclosure and, to maintain clarity, avoid excessive qualifications or caveats
- **Value chain considerations:** Financial institutions also have different degrees of proximity to counterparties in the value chain and hence different degrees of ability to assess the tangible impacts that clients/investees/counterparties have on sustainability matters. Reporting of qualitative information and metrics on the downstream value chain is particularly challenging. **Therefore, it should be required to only consider tier 1 or direct contractual relationships in the value chain that themselves disclose under the CSRD or at least limiting to tier 1 direct contractual relationships, in which case the interdependencies with the value chain cap should be considered when setting the requirements.** Further practical exclusions from the value chain for financial institutions should be considered. Exclusion of the funding side of the entity, exclusion of investments in governments and public sector entity as defined by CRR (eg government bonds), exclusion of any relationship with ECB should be provided.

The objective of this approach based on practical principles of double materiality and materiality of information, together with increased use of principle-based DRs allowing more flexibility is to simplify the DMA process

- **The overall structure and level of detail** are very granular and not aligned with the general principles of decision-usefulness of information. The ESRS framework includes a large number of datapoints, many of which could be multiplied across dimensions such as IROs (Impacts, Risks, Opportunities), subsidiaries, business segments. Combined with the

redundancy in the disclosure requirements of narrative sections (e.g. PAT datapoints) both within the same standard and between different ESRS standards results in substantial complexity for data systems, traceability and internal governance. The granularity and complexity also mean that stakeholders can find it difficult to draw clear conclusions from the reports about the company's ESG path. This is particularly frustrating in light of required expenditure.

Moreover, diverging methodologies for individual datapoints and institutions also resulted in comparability issues. In order to be decision-useful for investors, information needs to be easy to navigate and understand, and the same is true for the reporting process to have a benefit as a management tool. To the extent possible, ESRS should be limited to a reasonable length and complex cross-referencing and duplicative disclosures should be eliminated. Due to the vast requirements of ESRS and the compliance pressure by external auditors with all "shall" disclosure requirements, sustainability reporting has become a more substantial part of the annual report (with more pages) than the financial reporting.

In all ESRS, the statements in paragraphs below the headers of the DRs should be deleted because they do not provide added value.

Examples:

The header of DR is BP-1 – General basis for preparation of the sustainability and Par. 3 below states: The undertaking shall disclose the general basis for preparation of its sustainability statement

All the paragraphs providing descriptions of the objective for each DR should be deleted because they do not provide any added value.

- **The lack of established and commonly accepted limited assurance standards** for sustainability reporting has been a significant challenge during ESRS implementation. Unlike financial reporting, where audit expectations are well defined, sustainability assurance remains fragmented and evolving. This creates uncertainty around the scope of assurance, the level of evidence required, and the roles of different assurance providers. For preparers, this gap complicates internal control processes.
- **Determination of the relevant consolidation scope for CSRD reporting** Discrepancies regarding the consolidation scope between financial and sustainability reporting proved particularly difficult during initial reporting periods. Further alignment of consolidation with financial reporting is needed. The financial scope of consolidation should be prioritised. Reporting boundaries for a parent company's consolidated Sustainability Statement should be the same as for the financial statements. A Group's subsidiaries that are deemed immaterial for the scope of financial statements should therefore be excluded from sustainability reporting without any additional assessment. Reports prepared by subsidiaries are usually duplicative and do not enhance transparency for investors. Reporting obligations on subsidiaries bring increasing costs to comply with CSRD with no real benefit. Our suggestion is to exempt from CSRD reporting all undertakings, listed and unlisted, that are already included in the consolidated Sustainability Statement of the parent company.
- **Disclosure of sensitive information** – a bank cannot always disclose sensitive information

related to its role in preventing financial crimes (i.e. anti-money laundering), even though it falls under G1. Additionally, given that the ESRS were not written for financial institutions, entity-specific topics were developed to fairly capture the range of measures the bank is taking for safeguarding the financial system from financial crimes. In addition companies should have the capability to omit information in instances where disclosing certain data can put a company at a disadvantage vis á vis another party with whom it may be in legal proceedings. This is already the case for financial information (eg provisions related to a court case). Another example of this nature and misalignment with other regulation, is the phase in requirement of Anticipated financial effect, which for a listed company is market information not published elsewhere. This may be in conflict with the market abuse regulation as well as the fact that it is information that is meaningless as the scenarios the information is based on are highly arbitrary and information is not possible to compare across entities.

- **In various instances the ESRS rules are redundant or repetitive. This should be avoided (please also see further details in our response)**

- In the topical standards, Disclosure Requirements (DRs) and their respective paragraphs and application requirements that are covered in sufficient detail in ESRS 2 should be deleted. Instead of having repetitive DRs for example in ESRS S1 to S4 re/ stakeholder engagement processes and remediation processes and channels **this could be covered once in an appropriately concise and principles-based way in ESRS 2**. Other examples include DRs in the topical standards which are already covered in sufficient detail by the Minimum Disclosure Requirements (MDRs) on Policies, Actions, Targets and DRs in topical standards related to ESRS 2 SBM-2, SBM-3, GOV-1 and GOV-3. (In addition, MDRs should be reviewed for conciseness and to ensure their principle-based nature).
- Also, excessive granularity or duplicative disclosures, especially when information is already available through other regulated reports (e.g., Pillar 3, SFDR) should be avoided.
- We suggest to minimize or completely remove the repetition of information within the Annual report. For example, the governance text in ESRS-2 (e.g. GOV-1 to GOV-4) is a duplication of the corporate governance statement within the Annual Report and leads to large sections of redundant content. More incorporation by reference should be allowed, plus the possibility to refer to EU/local legislation.

- While being too detailed in some cases, **there are instances in which the ESRS are not sufficiently clear** regarding definitions, interpretations and application guidance, i.e., sometimes there is unnecessary guidance while in other cases there is a lack of guidance. The balance needs to be reworked.

- **Scope of GHG emissions** - should not include facilitated emissions, nor emissions associated with derivatives or asset intermediation activities. These types of exposure do not represent direct financing or ownership of assets that produce emissions. In the case of derivatives and intermediation, the institution acts primarily as an agent or market facilitator, without exerting control or long-term influence over the underlying assets. Including these would introduce significant methodological challenges, such as data unavailability, double counting, and misinterpretation of the institution's actual climate impact. Therefore, from a risk management and accountability standpoint, these categories should remain outside the

scope of mandatory GHG disclosures.

- **Lack of coherence between sub/sub-sub topics in App. A of ESRS 1 and the DRs** of the topical ESRSs made it difficult to determine which DRs were material. Additionally, this lack of coherence meant that the DRs could not be used effectively, if a definition of a sub/sub-sub topic was needed.

SECTION 3 – QUESTIONS

PART 1 – HOW TO IMPROVE THE MATERIALITY ASSESSMENT

The Materiality Assessment process is critical to establish the perimeter of the sustainability statement and pivotal to ensure that undertakings only report material information, that they do not report unnecessary information nor dedicate excessive resources to the materiality assessment process. Initial feedback seems to suggest that required disclosures on the process may be too detailed and the outcome of the process may lead to disclose too many/too detailed IROs. The Omnibus proposals have identified this area as to be clarified.

1.1. FROM YOUR PERSPECTIVE (PREPARER/~~USER/OTHERS~~), PLEASE SHARE YOUR SUGGESTIONS ON HOW TO IMPROVE THE ESRS PROVISIONS ON MATERIALITY INDICATING THE MOST CRITICAL AND THE MOST USEFUL ELEMENTS, IN RELATION TO THE FOLLOWING ASPECTS.

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

- a. **The definition of material impacts, risks and opportunities (IROs) under double materiality assessment**
 - The granularity and complexity of the ESRS sub/topics calls for an extremely detailed analysis that could present some redundancies and are not always relevant and / or applicable for the financial sector. The reduction of sub-subtopics and / or the aggregation of them could be useful in order to avoid misleading information or redundancies (in particular for Social and Environmental Topics).
 - The double materiality assessment —covering both impact and financial dimensions— requires a structured, resource-intensive process involving significant professional judgment and cross-functional coordination. **There is a need for a simplification of the double materiality assessment - to simplify the DMA and its performance, avoiding binding approaches and maintaining adequate flexibility. In particular, the final goal should be the reduction of the number of IROs that should be analyzed.**
 - The level at which the institution carries out their DM should be decided by the institution, based on its characteristics and the scope of the assessment (e.g. own operations vs value chain). It is fundamental to avoid that financial institutions are required by auditors to assess on the highest level of granularity for value chain impacts that are irrelevant or cannot be assessed at portfolio level (e.g. impact of the

portfolio of an institution on desertification, or on Resource outflows related to products and services)

- **The following issues were identified regarding DMA:**
 - **Challenges to apply DMA in the banking sector**
 - ESRS is vague on whether the **unit of account** is a sustainability subject matter, topic, sub (sub) topic or impact risks or opportunities.
 - **Impact is too broadly defined** which leads to overidentification of impacts (eg positive impact of a mortgage: people have a safe place to live', negative impact of a mortgage is: 'people have a debt', risk of a mortgage: 'credit risk'). This is all in essence the same thing where credit risk traditionally has been already managed by a bank and the key impact of a mortgage is emissions.
 - The **definition of impact does not include attribution of impact to the entity**. This leads to biased information and double counting of impact across the value chain. The definition of impact should include attribution.
 - **Information to be reported is largely fixed** (mandatory) given a material topic. However for a company, a material topic may represent an area to develop in the near future and therefore not being able to provide all the information required..
 - **Engaging stakeholders**- Consultation of stakeholders in taking actions/making targets is not realistic. Only the views of stakeholders concerned should be taken into account - at the end of the process. It should be possible to reflect the stakeholder views in the materiality analysis through engagement with internal experts or usage of studies/researches etc. only. The engagement with external stakeholders as part of DMA should be voluntary.
- **Materiality for banks** - Given the specificities of the business model of financial institutions, **they** are connected to various sectors of the real economy in an indirect manner only. As mentioned above, the double materiality assessment should be limited to direct clients/supplier. Financial undertakings should only include entities subject to the CSRD. **Data collection on the value chain for CSRD reporting purposes should be limited to publicly available information and financial undertakings should not be required to estimate information to close the data gap.**

Clarification on **metrics** as well as examples of tools that could be used for analyzing portfolios (financing) could be useful providing. Non-binding examples could be provided to clarify and simplify the analysis. Possible tools provided should be easy to use and flexible to be aligned with the entity specific context.

- Methodologies including parameters, time frames, definitions of CSRD/ESRS double materiality assessment must be **aligned with other (regulatory) requirements** for materiality assessments from risk perspective. Given the need to align existing materiality/ risk assessments of the organization with requirements of the CSRD, **a net (residual) risk approach**, i.e., after considering mitigating actions, would be appreciated.
- While the Impact materiality and financial materiality assessments are inter-related and the interdependencies between these two dimensions shall be considered, we believe **financial and impact materiality should be assessed separately**. Setting a single materiality threshold or cut-off point for such fundamentally different dimensions — which may involve distinct measures of impacts, risks, or

opportunities — could result in overlooking issues that are highly relevant for certain stakeholders.

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

- IROs are assessed gross, which can be done for implemented mitigation and prevention actions controlled by the bank. However, some implemented mitigation and prevention actions are either ingrained in law or are controlled by banks' (in)direct business relationships, like clients. The bank cannot assess its gross IROs relating to these latter (e.g. national labour laws prevent child labour, hence the bank cannot establish its gross IRO before this mitigating law).

Impact assessment is judgmental as it is not easily quantified. This is very subjective and does not result in objective reportable information. Mitigation and prevention actions should be taken into account, if they are already implemented and are not considered to be ineffective.

- **Definition of thresholds:** The definition of thresholds could be defined through guiding principles and criteria instead of drafting specific rules or operative thresholds to be followed. Specific quantitative or qualitative thresholds could not be applicable for every entity and in each business context.

Moreover, in particular for quantitative approaches, they could be differentiated depending on the IROs analyzed and / or the availability of data for different time horizons (there could be availability of quantitative data in the short/medium term and not in the long term). The use of quali-quantitative approaches can be useful in order to allow complete analysis and sound evaluations. Binding definition of thresholds could impair the chance of robust analysis.

Employment of organization-specific considerations and expert judgment on meaningful definitions should be further underlined

- **Balance Completeness and Usefulness:** Information should be comprehensive enough to cover material issues but also useful for decision-making, focusing on the real and potential impact while remaining transparent about limitations and uncertainties.
- As stated above, a **residual risk perspective** should be coherently applied to align with existing materiality/ risk assessments, avoid confusion among users and to foster decision-usefulness.
- The **mandatory involvement of employee representatives** in the DMA-process should be limited to the content of ESRS S1 (engagement with other standards as an option).

c. The process to determine material information to be reported (information materiality, ESRS 1 – paragraphs 31 and 34)

- As already stated, we suggest simplifying the DMA to facilitate, in particular, a reasonable degree of synthesis, reduction of datapoints and unnecessary details. Different auditors have had different opinions and levels (e.g. assessing materiality of every single product/service/measure taken or planned it?).

- The process of DMA is a part of audited information, so descriptions in the report should not be over-long. This has less value for decision making than information on risks and KPIs.
- The link between material (sub-)topic, disclosure requirements (para. 31) and metrics (para. 34) in terms of hierarchy in the assessment is not clear. The lack of coherence between sub/sub-subtopics assessed in the DMA and the DRs makes it difficult to determine which DRs and DPs are material.
- The decision tree needs to be adjusted – e.g Appendix E flowchart does not explain what to do if information is material but not available. It should be sufficient to mention that the information is not available (and possibly a remedy). It should also be specified that there is **no obligation to disclose if data is not sufficiently reliable**. Uncertain impacts should not be publicly disclosed — at least not until a commonly agreed methodology and scenario framework is established to support such disclosures. Short-term financial impacts will naturally be reflected through accounting mechanisms, while medium- and long-term impacts should remain part of internal risk management and strategic planning processes.

Example (see also below on forward looking information)

Anticipated financial impact should not be subject to public disclosure. Data that is highly dependent on estimates and subject to significant uncertainty does not provide reliable insights for investors, due to its potential variability. Premature disclosure of such information may not only mislead stakeholders but also expose companies to reputational and legal risks associated with misinterpretation.

E1-6 AR 46(d) says significant Scope 3 categories should be identified/disclosed based on magnitude of emissions. However, in practice **materiality can be assessed differently for own operations**. For instance even if low in absolute terms, GHG emissions from own operations are significant in that they can be related to a strong commitment for employees, and are directly actionable. When a topic is assessed material because of a value chain impact, e.g. climate change mitigation, it is unclear whether banks should report on disclosure requirements regarding own operations, e.g. E1-5 energy consumption and scope 1 and 2 in E1-6.

d. The disclosures related to the process according to IRO-1

- The separate disclosure of process and outcome makes it more difficult for the reader to understand the outcome. Usually, it would be expected that a process or a methodology is described before informing about the outcomes. For financial institutions the structure would be more clear if description of DMA process could be divided into description of process for 1. “own operations”, 2. “loan portfolio” and 3. “investments” instead of impacts and risks & opportunities.
- Disclosures related to the process should be simplified and focus on relevant information. Especially for material topics that are material for the whole industry (eg E1, S1 and G1) . We fail to see why entities **should disclose at length how they establish that something is material**. This should be focused on areas where the bank really had to make a decision different to industry average due to its specific nature.
- **Requiring disclosing only the DMA outcomes** would allow for providing decision-useful

information and context for the reported ESRS topics/sub-topics. The detailed, prescriptive and formulaic requirements within IRO-1 to disclose the DMA approach/process should be removed. Currently in order to comply with the DMA process disclosure requirements there is a set of detailed requirements within not only ESRS 2 IRO-1, but also applicable across each of the ESRS to separately describe processes performed to assess materiality of every single ESRS cross-cutting topic. Even when a topic has been concluded as not material, detailed disclosure is still required on datapoints.

Examples where such detailed disclosure on immaterial topics are mandated:

- *For FIs whose own operations are primarily office buildings in urban locations - it does not make sense to then develop detailed methodologies and information to be able to assess and disclose a materiality assessment on own operations.*
 - *For FIs where upstream suppliers are predominantly providers of professional services such as consulting, legal, audit and financial market intermediaries (FMIs such as exchanges, clearing houses, brokerages etc.) who themselves are also based primarily in urban locations but whose detailed locations sites are not necessarily collated as part of supplier onboarding - it does not make sense to develop methodologies and information to be able to assess and disclose a materiality assessment on those suppliers.*
- **ESRS 1 IRO-1 AR16:** There is an expectation to assess IROs on sub-sub-topic level, where it may be more relevant to **start on a topic level** and provide more detailed analysis if data is available on a sub-topic or a sub-sub-topic. Such flexibility should be clarified.
 - The separate IRO-1 disclosure requirements for the topical ESRS could be included in the IRO-1 disclosure.

e. The disclosures related to the outcome of the process (SBM 3)

- **There is an overlap between SBM-3 and ESRS2 MDR P/A/T**, so there is unavoidable repetition in the disclosures which are related to the outcome of the process. This makes disclosures lengthy. SBM-3 related disclosures in the topical standards should be **simplified and/or merged with SBM-3 disclosures in ESRS2**. **It should be considered to remove them from the topical standards or change them in the topical standards from “shall” to “may” disclosures**. There is significant overlap and highly granular SBM-3 DRs in the topical standards, particularly in the S- topics, which have little or no relevance for the financial industry. Examples include S1 paragraphs 13–16, and S4 paragraphs 9–12.
- There should be a **high-level explanation** of the double materiality assessment process and its outcomes, without unnecessary methodological detail and disclosing material topics at a high level, **with emphasis on how they relate to governance, strategy, and risk** — which are core to financial institutions is considered sufficient.
- Too much granularity in IRO declaration is not efficient since this is often covered by the global policy and action plan. Split into subtopics is not practical.
- The mandatory disclosures on **anticipated financial effects should be removed** (ESRS2,

paragraph 48e).

f. The inclusion of material information based on entity-specific disclosures

- Entity-specific disclosures should reflect the unique risks, opportunities, and impacts relevant to each organization's operations, sector, and geographical context. If the information is material to tell the story of the entity, it should be included

g. The challenges related to the audit of the double materiality assessment (process and outcome)

- Non-availability of market practice, nor a common measurement method of impacts makes the audit very subjective as also evidenced by the wide range of market practice identified. Depending on the auditor, the resulting report is different. Given the lack of a universally accepted DMA approach, qualitative judgements about financial and impact materiality based on individual methodologies, makes it difficult for the external auditor to follow the thought process and accept decisions.

The nature of documentation required for the DMA process does not always fit seamlessly into external audit processes. Qualitative assessments useful for deriving material sustainability topics are difficult to unpack by external parties. In order to work with necessary interpretation of qualitative or emerging methodologies, increased workload in documenting each separate interpretation of the CSRD in context of the DMA, explaining each decision made and taking time to discuss relevance is required. There are also difficulties documenting non-material IROs (difficulties with auditors).

- This detailed unpacking for audit purposes comes with the risk of losing sight of overall relevance and decision-usefulness of information for primary users of reports. Rigorous DMA process and facilitation of an audit process diverge at cost of meaningful results
- Auditors should consider the overall extent of the management report, also the balanced reporting of financial and sustainability information. There should be a clear message on the DMA assessment after an adequate audit time (several weeks after the presentation of DMA) with no changes of the opinion just some weeks before the audit end.
- A **consistent approach on the limited assurance** and having best practice of auditing standards/ guidelines will bring consistency.

h. The value chain

- The boundaries of value chain analysis are too wide. The granularity of the assessment at sub / sub-sub topic level makes the assessment unnecessarily difficult and brings a false sense of precision. Depending on external auditors perspective, a company can be pushed to perform look-through approach which makes little to no sense. For example, a supranational bond portfolio could be considered carrying impacts in terms of human rights and therefore requiring a deeper screening and look-through approach. Likewise interbank loans could pose the need for similar deep dive. These could lead to a list of material IROs simply un-manageable, or meaningless or to business considerations skewed toward sustainability consideration for which a company can have no leverage.
- We would also like to mention the efforts to collect and analyse data for which the

possibility of a positive influence is nearly zero. It seems crucial to apply thresholds in order to focus on the most relevant IROs and to ensure that the disclosures are balanced. For example, since material risks should already be assessed in terms of their current and expected financial impact, an analysis from financial reporting would be appropriate. Financial materiality could also serve as a guideline to ensure consistency. Without a clear definition of the value chain or its boundaries to be considered, the DMA can lead to detailed and fragmented theoretical exercises with limited practical use.

- Materiality assessment should allow for use of “proximity factors” or the degree of leverage for financial institutions. These distinctions would help financial institutions determine what is decision-useful and meaningful to disclose. Financial institutions have **different degrees of proximity** to counterparties in the value chain and hence different degrees of ability to assess the tangible impacts that clients/investees/counterparties have on sustainability matters. For example, lending directly to a company is materially different from managing passive/non-discretionary portfolios on behalf of clients (Assets under Management, Assets under Custody)

Therefore it should be required **to only consider tier 1 or direct contractual relationships in the value chain that they disclose under the CSRD or at least limiting to tier 1 direct contractual relationship** in which case the interdependencies with the value chain cap should be considered when setting the requirements. This cap means that only a very small percentage of the value chain information is covered. It could be rewritten to reporting on material IRO that are readily identifiable using publicly available information on key IRO of key sectors the bank operates in. The value chain should then be limited to direct suppliers and key material IRO to their sector (not their own value chain) and direct customers and key material IRO to their sector (not their own value chain). This could be achieved by a practical application (and extension of the transitional provision).

ESRS 1.63 and ESRS 1.69 needs to be rewritten as a principle. The principle is now that entities/banks can obtain data directly from these (in)direct business relationships and can only rely on sector averages if they have tried every reasonable effort to obtain information directly. Given that most of the information will not be directly from (in) direct business given omnibus VSME CAP, this requirement should be rewritten (reversed: use industry averages unless clear indication coming out of due diligence process that information is available).

- **Practical application on** the value chain should be considered **exclusion of the funding side of the entity, exclusion of investments in governments and public sector entity as defined by CRR (e.g. government bonds), exclusion of any relationship with ECB...**while focusing on identification of value chain material IRO to most significant portfolios of the bank. This means that the basis for identification of impact is related to financial position of the bank (even though impact is defined as not related to financial investment in other entity). Identification of material IRO of a business relationship that the bank is dependent upon (e.g Microsoft) is different than identification of material IRO of a business relationship that the bank controls.

i. The aggregation/disaggregation of information.

- In some instances it was not clear whether to disclose the information in the topical ESRS or to summarize in the general disclosures (estimations etc.)
- Level of detail necessary for assessment of IROs **should not directly translate into disclosure of IROs for reporting purposes.** Data should be summarized at meaningful

level while maintaining the necessary detail for decision-making.

- Time horizons and sustainability topics aggregation in materiality assessment requirements should be **aligned to those generally applied by financial institutions**. ESRS requires sustainability topics aggregation to be at ESRS sub-topic level whereas, for example, regulators/supervisors (e.g. ECB, EBA) expect identification, assessment, and management of risks to be performed effectively at main sustainability topic level (e.g. Climate, Environment etc.) To align with financial institutions' other regulatory obligations, we suggest that **sustainability topics aggregation be made voluntary** or that the level of aggregation/disaggregation is aligned with the concept of IFRS 8 and focuses on the regular review by the entities chief operating decision maker (ie the executive board) to make decisions about resources to be allocated to the subject matter/material IRO as defined in IFRS 8. If a subsidiary has a different model to the group that is relevant for the executive board to pay attention too it should only be included.

ESRS 1 Chapter 6.4 specifies certain short-, medium- and long-term time horizons to be used or disclosures to justify differences if other time horizons are applied. It would be useful to align time horizons to other standard processes of the entity (e.g. budget, business plan, etc) in order to grant consistency with information readily available and commonly used by the entity. While the ESRS do not oblige companies to use specific time horizons, it is key to specify that the ESRS definition of **long-term horizon does not go beyond 10 years**. This will be aligned with EBA proposal of long-term time horizon for climate scenario analysis

j. Other (open a box to specify).

- Overall, DMA process should be more aligned with strategic decision making and principle-based to fit into wider regulatory logic.
- Systematic disclosure of sub-/sub-sub-topics should be revisited and made more flexible in order to allow meaningful assessment of the business model.
- ESRS 1 §33 conflict with ESRS 2 §62 and §72 - ESRS 1 §33 says where an undertaking does not have policies, actions or targets for material matters, it will so state. Nothing further required. ESRS 2 §62 says where an undertaking does not have policies or actions (so can't disclose MDR information) it will so state AND "provide reasons for not having adopted policies and/or actions." §72 says same as to targets. ESRS 2 §62 and §72 should be revised to match ESRS 1 §33 requirement (though prefer "absence of PAT" disclosures to be permissive not mandatory—see above)
- DR related to ESRS 2 IRO-1; E4 §17(a), 17(b), 17(e), 19(a); DR related to ESRS 2 SBM-3 E4 §16(a)-(c) - Recommend removal of pars. 17(a) and 19(a), clarification or making less burdensome requirements to perform site assessments at own site locations, focusing potentially on industrial and agricultural sites (not office locations), especially when undertaking has no material "own operations" biodiversity IROs. Remove the requirement to disclose a list of material sites in the undertaking's own operations if the topic Biodiversity and ecosystems as a whole was only deemed material through material impacts, risks and/or opportunities arising from the undertaking's upstream and/or downstream value chain (i.e., no material IROs related to own operations brought the topic into scope).
- Similarly to SBM-3 disclosure requirements in the topical standards, which are repetitive and detailed, SBM-2 DRs in the topical standards should be simplified/removed and merged with ESRS2 SBM-2 DRs.
- MDR-P, MDR-A, MDR-M, MDR-T: MDRs should be removed (for banks) or reviewed to be

more principle-based as there are too many prescriptive detailed datapoints within the MDRs, which do not lead to value-added reporting. These should be deleted, revised or simplified where possible. One way to achieve simplification could be to revise “shall” requirements to “may” or “if relevant” disclosures.

- Entities not included in the group financial reports e.g. according to their financial immateriality should be not a part of own operations. The materiality of the impact should be assessed only as part of the value chain. Otherwise the management report would be not consistent.
- ESRS 1 appendix E is not complete and makes little sense.
- ESRS 1 – 3.1 stakeholders makes a whole distinction between types of stakeholders that is nowhere within ESRS used again. Why is this distinction necessary? Remove 22 (b)
- ESRS 1.33 versus ESRS 1.34 is confusing. There should be a clearer concept of materiality of information that is applicable across the board to PA and MT as a central principle of ESRS to ensure prepares only report on material information that is also reviewed by the executive board
- Remove ESRS 1- 4 due diligence. Refrain from referring to other frameworks that are possibly subject to change in ESRS eg OECD guidelines etc (which will be partly replaced by CSDDD). CSRD/ESRS are reporting requirements not conduct requirements so ESRS should not state expectations on how entities should do due diligence.
- ESRS 1- 7.3 Updating disclosures about events after the end of the reporting period should be written more in line with IAS 10 – which events are adjusting? Which are only reporting etc. also provide practical examples
- ESRS 1 – 7.8 reporting on opportunities, the bank should not be reporting on opportunities that are industry wide, this is not relevant information. Reporting on opportunities should be taken at the same level as sensitive information, the bank should not be forced to provide commercially sensitive information.

1.2. IF POSSIBLE, AND IF NOT SPECIFIED ALREADY UNDER POINT 1.1 ABOVE, PLEASE IDENTIFY THE NARRATIVE DISCLOSURE REQUIREMENTS (DRS) OR DATAPPOINTS (DPS) THAT RAISED THE MOST CRITICAL CHALLENGES IN DETERMINING THE MATERIAL INFORMATION TO BE REPORTED AND SHARE YOUR SUGGESTIONS.

Disclosure Requirements (DR)

[These are the ones that we can choose from the drop-down list – please use them]

- BP-1, BP-2
- GOV-1, GOV-2, GOV-3, GOV-4, GOV-5
- SBM-1, SBM-2, SBM-3
- IRO-1, IRO-2

- **MDR-P, MDR-A, MDR-M, MDR-T**
- **E1-GOV3, E1-1, E1-SBM3, E1-IRO1, E2, E3, E4, E5, E6, E7, E8, E9**
- **E2-IRO1, E2-1, E2-2, E2-3, E2-4, E2-5, E2-6**
- **E3-IRO1, E3-1, E3-2, E3-3, E3-4**
- **E4-SBM3, E4-IRO1, E4-1, E4-2, E4-3, E4-4, E4-5, E4-6**
- **E5-IRO1, E5-1, E5-2, E5-3, E5-4, E5-5, E5-6**
- **S1-SBM3, S1-1, S1-2, S1-3, S1-4, S1-5, S1-6, S1-7, S1-8, S1-9, S1-10, S1-11, S1-12, S1-13, S1-14, S1-15, S1-16, S1-17**
- **S2-SBM3, S2-1, S2-2, S2-3, S2-4, S2-5**
- **S3-SBM3, S3-1, S3-2, S3-3, S3-4, S3-5**
- **S4-SBM3, S4-1, S4-2, S4-3, S4-4, S4-5**
- **G1-GOV1, G1, G2, G3, G4, G5, G6**

What was challenging in terms of which DR and DP (please choose DR from above and indicate specific DP in DR):

- **ESRS 2 IRO 1 DMA-** description of low value
- **ESRS 2.5 (c)** the extent of the value chain. This is confusing as the entity has to include the VC completely (also audit objective, complete and accurate information)
- **ESRS 2.10 and ESRS 2.11.** level of accuracy and outcome uncertainty. There is an overlap of ESRS 2.10 and 2.11. Please merge. ESRS 2.10 (d) should be removed. There often is NO action plan to improve VC information (even more so with VSME CAP in omnibus). Requirement should be written for key metrics the entity steers upon, a accuracy/uncertainty level hierarchy similar as IFRS 13 fair value hierarchy should be provided. Eg scope 1, scope 2 and scope 3 emissions where scope 3 is most uncertain.
- **ESRS 2.15** remove irrelevant information
- **ESRS 2.16** remove irrelevant information (the reference itself will already explain and in future tagging will resolve)
- **E1-2 para 25(d); ESRS 1 Appendix B**
 - Assumes undertaking will have policies addressing all IROs and at least for CCM, CCA, energy efficiency, renewable energy deployment. As noted with ESRS 1 §33, we believe it is unrealistic to expect businesses to have policies or targets in place for every IRO or material matter. Results in unnecessary and non-decision-useful disclosure.
 - Not clear what “other” is meant to mean in the context of this disclosure when the purpose of the DR is to disclose policies in place IROs related to CCM/CCA material IROs (i.e., disclosure of “other” may not be relevant and conflict with the ESRS principle to disclose understandable information)
- **E1-4 34e** is complex, has several DP. It should be assessed, which of the DP are significant and they should be separate DP, not mixed in one DP
- **DR related to ESRS 2 IRO 1 E1 § 20(b)i, 20(b)ii, 20(c)i and 20(c)ii, 21, AR 11 and AR 12** - The requirements of these DRs could be better organized. 20(b)i and 20(b)ii require the ID and assets and business activities assessment for physical risks. While 20(c)i and 20(c)ii asks the same for transition risks. We suggest having requirements reorganized into Risk ID requirements for both physical and transition and then assets and business activities assessments for both physical and transition risks. This structure would facilitate the flow

of analysis and impacts starting with Risk ID. Same comment as for DR 19 suggesting a better definition of value chain for DR 20 and its subcomponents; being clearer and more prescriptive, while tailoring to a FI. DR 21 is phrased very broadly specifically when requesting the use of climate-related scenario analysis, including a range of climate scenarios. Suggest alignment with DRs 20(b) and 20(c), and respective ARs, which mention the use of specific climate scenarios.

- **E1 IRO-1 § 21** - To change “When disclosing the information required under paragraphs 20 (b) and 20 (c) the undertaking shall explain **how** it has used climate-related scenario analysis...” To “... **how or if**...” It should not be implied that the identification of E1 IROs be restricted to the use of scenario analysis.
- **E1-3 para26-29; ESRS 2 MDR-A - §29(b)** requires disclosure of “achieved and expected GHG reductions” resulting from actions for climate change mitigation. AR 19(c) requires disclosure of key mitigation actions alongside GHG targets. Disaggregated by decarbonization lever. These disclosures are not possible and not useful in the context of Scope 3 Category 15 Financed Emissions for banks. Bank actions for CCM will not result in direct and calculable GHG reductions. While banks can show achieved reductions, it is not possible to attribute those to specific bank actions/decarbonization levers since reductions stem from client activity. Para29(b) should recognize the impracticability described above and disclosure of achieved/expected GHG reductions should be required only “where reasonably calculable”
- **E1-5 / E1-6:** Better definition of scope or terminology in the specific context (eg. Leased assets / high climate impact sectors)
- **E1-6 50** The scope of Scope 1 and Scope 2 emissions should be the same of the GHG Protocol without taking into account other considerations that may lead to misalignment in different disclosures.
- **E1-6 RA 48** the suggestion is to remove the emission reduction target from the table because it does not give the company the possibility to disclose the target for a specific category (e.g. category 15 of emissions financed by the credit portfolio/investment portfolio) or to disclose a single target for a broader scope (i.e. scope 1+ scope 2)
- **E-1-16; E1-4 34** emission reduction target is requested twice
- **E 1-2, 22** (also E4-2, 20 / S1-1, 17 / S4-1, 13 / G1-1, 7) it was unclear whether the strategy means internal guidelines, manuals or work instructions on specific topics, or are these just overarching written, strategic documents? The application requirements do not contain a meaningful/concrete definition.
- **E1- 16 c** KPI Capex and Opex KPIs of a financial institution are not strictly linked with transition plan therefore it would be better to specify the scope of the DP.
- **GOV-4** Statement on due diligence is only a mapping and does not provide new information.
- **G1-1:** the definition and scope of corporate culture led to discussions since it is not clearly defined, what has to be included additional to anti-corruption and whistleblowing. For financial institutions f.ex. tax compliance would be relevant
- **G1-6** -should specify whether the starting date for calculating the contractual or legal payment deadline is the date of receipt of the SDI or the actual invoice date, and it would also be helpful to better define (via common guidelines) how to identify the main categories of suppliers.
- **S1-2/S4-2 and S1-3/S4-3:** the difference between “involvement mechanism” according to S1-2/S4-2 and “channels through which workers can raise concerns” according to S1-3/S4-3 is unclear; in practice there often is an overlap, as a channel in the sense of S1-3/S4-3 can also be used as an involvement measure in the sense of S1-2/S4-2. Clear distinctions and a precise definition of “inclusion mechanism” and “channel” would be

useful

- **S1-11:** remove the required disclosure given the complexity to collect data in various countries and therefore, different regulations (including non-EU).
- **S1-12 §79; S1-13 §83(a), 83(b)** - Question the decision-usefulness of this information in the market and suggest potentially removing this datapoint from the S1 standard.
- **S1-14** par. 88 a: Difficulty in finding a regulatory and uniform definition in different countries.
- **S1-17** - Disclosure requirement is overly broad, ambiguous, and difficult to apply especially within a large global company. Disclosure appears to be required even if concerns are not substantiated, which means that companies that encourage the reporting and tracking of concerns look worse than those that do not. The vagueness of these topics also will lead to a risk of either double counting – as a single complaint could fit into different buckets – or firms taking different approaches to how they categorise particular complaints, which serves to defeat the purpose of the CSRD to bring consistency to ESG reporting. “Complaint” is not defined in 103(b), so it is unclear when something an employee says becomes reportable. On a more general point, the use of defined terms throughout the ESRS is inconsistent, for example, with 103(a) “incidents” being defined and some key terms, like “complaints” in 103(b), not being defined. This issue is not just limited to 103, and it is pervasive throughout the ESRS and will lead to different interpretations of the same reporting standards. Even when matters are tracked, reportable matters under 103(b) are not easy to identify because of the breadth and vagueness of the topics (e.g., “work-life balance”, “working time”), particularly since some of these topics may not be commonly used outside of the EU (e.g., secure employment). 103(c) does not clearly carve out settlements for commercial purposes, where liability is disputed
- **E2-IRO, DR-11:** Site specific data related to air/water/land pollution is limited or not available, in particular for value-chain. Inclusion of value chain data should be voluntary.
- **E2 GOV-1** - suggestion is to include all the disclosure about the role of the administrative, management and supervisory bodies once in the body
- **E3-IRO, DR-8:** The wider data to analyse/screen the assets and activities to identify actual and potential water and marine resources-related IROs in value-chain is limited or not available.: Inclusion of value chain data should be voluntary.
- **E4-IRO, DR-17, 19:** limited development and availability of external data to conduct biodiversity related impact assessment and scenarios analysis. Inclusion of value chain data should be voluntary.
- **E5-IRO, DR-11:** Required information is very much location-dependent and lack of site-specific granular data from value chain restrict us from meeting the requirements. Inclusion of value chain data should be voluntary because many business partners in the value chain, especially listed or unlisted SMEs, they do not collect/share required information. Inclusion of value chain data should be voluntary
- **SBM 3** -the need of reporting on several places in the report is questioned
- **ESRS SBM 3_03** - challenging as it requires comprehensive and detailed disclosure of a company's material impacts, risks, and opportunities over all time horizons on the one hand and how these requirements affect changes in terms of strategic decisions and measurements (more qualitatively) on the other hand. Preparers should be guided along this complex process. Application requirements should be added by given practical examples.
- **ESRS SBM-3_10** -“Resilience”, in particular, is not clearly defined. Which parameters should applied? Preparers should be guided along this complex process. Application

- requirements should be added by given practical examples.
- **E1.SBM-3, 19 – Resilience analysis:** AR very detailed. Peril of non-compliance if not all the details required are being performed (even if sufficient from a business perspective). Simplifying wording or clearer meanings would help in minimizing its complexity. For example, AR 6 brings in elements of upstream and downstream value chain which are very broad for a firm with global operations. A more targeted definition taking into account the FI sector would be welcomed. This AR also asks to consider material physical risks and transition risks that may have been excluded from the analysis; inclusion of this risks would be more useful when answering. AR 8 brings in the component of areas of uncertainties which is odd wording in the context of resilience analysis and also not clear on what this means; suggest excluding this wording.
 - **SBM 3.48b** too extensive
 - **SBM 3.48f** not clear definition
 - **S2 -data gaps**
 - **S2-2-and 20 challenge:** Disclosing the general processes for engaging with value chain workers and their representatives about actual and potential impacts on them was particularly challenging

PART 2: HOW TO STREAMLINE NARRATIVE INFORMATION

Narrative information is a key part of sustainability reporting, in particular with respect to governance, strategy, business model, as well as policies, actions and targets (PATs). It is a key factor to meet the quality characteristics of relevance of information and fair presentation of the situation of the undertaking with respect to its sustainability matters. However, narrative information is difficult to compare. In determining the content of narrative information to be reported per disclosure requirements, ESRS combine a principles-based disclosure objective with a list of “shall” datapoints. Initial feedback seems to suggest that the “shall disclose” datapoints in ESRS Set 1 may be too detailed and too prescriptive in that regard and that a proper balance between relevance/fair presentation, comparability and preparation effort has been difficult to achieve. The Omnibus proposals suggest to consider this point carefully for burden reduction purposes.

2.1. FROM YOUR PERSPECTIVE (PREPARER/~~USER/OTHER~~), PLEASE SHARE YOUR SUGGESTIONS ON HOW TO SIMPLIFY NARRATIVE INFORMATION, IN RELATION TO:

- The **narrative should support the description of key points, policies and decisions** taken. Systematic description of internal organisation should be avoided.
- Datapoints should be clearly classified as either qualitative or quantitative, but **not mixed**. Combining both types within a single datapoint increases complexity, particularly in terms of digital tagging and traceability, which can significantly impact the efficiency of reporting processes.

2.1.1. The options to reduce the number of “shall” data points (DPs):

a. Deleting datapoints that are not critical

- Generally, priority should be given to quantitative datapoints over narrative text. Remove datapoints in topical standards which are repetitive or are highly detailed prescriptive

requirements that do not fit easily to the business model of financial institutions.

- Any disclosure requirements that hold true for all topics should be covered in a principles-based manner in ESRS 2. Details see under 2.1.1.d
- As the current ESRS Set 1 is sector-agnostic, some datapoints do not make sense in certain sectors / industries. Datapoints that are not relevant should not be considered material and should be excluded without explanation. The following E 1 data are not relevant / not applicable to the financial sector; hence, a financial undertaking should not be asked for a mandatory reporting on them:
 - **E1-1_03** , E1-4 “Disclosure of decarbonisation levers and key action” E1-3, E1-4, Decarbonisation levers and their impact, and absolute targets. Both values are very complicated for banks to deliver, as their majority of emissions stem from scope 3 category 15 and are thus indirect. The actions banks define are also interventions in business relationships to reduce the intensity of financed activities. Actual levers will always have to be a cluster of levers used by clients as going on a several levers per sector basis is not feasible. Clarification would be useful to define levers for indirect activities. 34 f) requires a description of expected decarbonization levers and their overall quantitative contributions to achieving the GHG reduction targets. While it is feasible to link the key actions to emissions reductions from an own-operations perspective – which is typically not a material topic for banks (e.g., emissions associated with an office building's energy renovation project), it is more challenging to establish such linkages for actions aimed at sectoral targets/portfolio related actions. Banks cannot precisely attribute specific reductions to actions like commercial initiatives, new exclusion policies, or client engagements in a particular sector for instance
 - **E1-1_04; E1-1_05; E1-1_06** “Disclosure of significant operational expenditures (Opex) and (or) capital expenditures (Capex) required for implementation of action plan” and “Financial resources allocated to action plan (Capex/Opex)”
 - **E1-1_07** “Explanation of potential locked-in GHG emissions from key assets and products and of how locked-in GHG emissions may jeopardise achievement of GHG emission reduction targets and drive transition risk”
 - **E1-1_08** “Explanation of any objective or plans (CapEx, CapEx plans, OpEx) for aligning economic activities (revenues, CapEx, OpEx) with criteria established in Commission Delegated Regulation 2021/2139”
 - **E1-1_09; E1-1_10; E1-1_11** “Significant CapEx for gas/coal/oil-related economic activities”,
 - **E1-1_12** “Undertaking is excluded from EU Paris-aligned Benchmarks”
 - E1.1.16: Locked-in emissions
 - **E1-1, 16e-f**: many companies do not use the taxonomy or do not control according to it; moreover, capex contributions are also disclosed in the taxonomy reporting forms and are therefore redundant
 - **E1 IRO-1 AR15**
 - **data on CapEx and Opex (e.g. E1-3 29c)**,
 - **E1-3_03**; “Achieve GHG emission reductions”; E1-3_04 “Expected GHG emission reductions”;
 - **E1-3_06** “Explanation of relationship of significant CapEx and OpEx required to implement actions taken or planned to relevant line items or notes in financial

statements”; E1-3_07 “Explanation of relationship of significant CapEx and OpEx required to implement actions taken or planned to key performance indicators required under Commission Delegated Regulation (EU) 2021/2178” ; E1-3_08 “Explanation of relationship of significant CapEx and OpEx required to implement actions taken or planned to CapEx plan required by Commission Delegated Regulation (EU) 2021/2178

- **E1-4_23** “Description of expected decarbonisation levers and their overall quantitative contributions to achieve GHG emission reduction target”
 - E1.5: Breakdown of activities in high climate-impact sectors (MWh)
 - **E1-5_18** “Energy intensity from activities in high climate impact sectors (total energy consumption per net revenue)”
 - **E1-5_19** “Total energy consumption from activities in high climate impact sectors”
 - **E1-5_20** “High climate impact sectors used to determine energy intensity”
 - **E1-5_21** “Disclosure of reconciliation to relevant line item or notes in financial statements of net revenue from activities in high climate impact sectors”
 - **E1-6_08** “Percentage of Scope 1 GHG emissions from regulated emission trading schemes”
 - E1-6 - No inclusion of assets under management for the (quantitative) information of E1-6
 - E1.7: GHG removals and mitigation projects financed through carbon credits
 - These datapoints are designed for operational emitters and are not directly relevant or feasible for application in the financial sector
- Narrative information around **S1** is very extensive and could be reduced (e.g. S1-4) or summarised with G1 (Grievance mechanism and Whistleblowing S1-3_05 & G1-1_05)
 - **S1-4 DR-39 (S1-4_05)** Description of process through which it identifies what action is needed and appropriate in response to particular actual or potential negative impact on own workforce.
 - **S1-4 DR-43 (S1-4_09)** Disclosure of resources are allocated to the management of material impacts
 - **S1.4.05, S1-8 63b**
 - **S2-1_02; S2-1_03, S2-3 29**; in general the number of DP in S2 should be significantly reduced
 - S3-2 24
 - S3-3 29;
 - S4-2 22; S4-3 27;
 - Narrative information in **G1** is very extensive and could be reduced (G1-1 Corporate culture) or summarised (G1-3, G1-4 related to bribery and corruption)
 - **G1-1 10b**

- E2-6
- E3-5
- E4-6
- E5-6
- SBM-2
- SBM-3 48d and e,
- IRO-1 53 b iii,
- IRO 2 56, GOV-4
- MDR P, MDR A (for banks), MDR M ESRS 2.69
- IRO 1 description of internal processes
- ESRS 2 BP-1 5d; ESRS 2 BP-1 5e;
- **ESRS 2 GOV-1 22 - para 22** generally assumes the AMSB or a committee of the Board are responsible for oversight of impacts, risks and opportunities (IROs), that this is reflected in their terms of reference and that they oversee the setting of targets for sustainability matters. §22 DRs should be changed to “whether and, if so how”-type questions rather than just “how” the AMSB does x,y,z.
- **ESRS 2 GOV 1 26** - Similar to §22, assumes companies are managed by reference to IROs, including list of IROs addressed by AMSB in reporting year. Unnecessary.

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

- List of datapoints is treated as a checklist by auditors. That means that each chapter related to a standard is held next to that list for a step-by-step assessment. We agree to merge similar datapoints that are in different locations throughout the sustainability statements in order to prevent repetition and potentially having different members of an audit team performing checks on information twice. However, pure merging with an “and”-conjunction of 2 requirements is less effective in comparison to the deletion or transferring to a “may-disclosure”. Merging datapoints may also involve just deleting doubles.
- **Consider simplifying any ESRS-2 related datapoints which are within the topical standards and merge these into ESRS-2 requirements.** Prioritize streamlining and placing datapoints together in one place.

Example

The stakeholder engagement process descriptions in the S1-SBM-2 and S4-SBM-2 could be described under one DR in ESRS 2 SBM-2. There are also overlaps between S4-2, S4-3 and the S4-SBM-2 which could efficiently be merged. Similar applies for S1-2, S1-3 and S1-SBM-2

- Disclosure requirements on **processes to remediate negative impacts and channels** to raise concerns (as required by ESRS S1-3, S2-3, S3-3 and S4-3) **could be aggregated** since they usually apply to all stakeholders' category.
- Undertakings could report only on the following datapoints at standard-level. Every other datapoint in the aforementioned DRs would then be disclosed with reference to all stakeholders (own workers, workers in the value chain, communities, clients) except the undertaking has specific differences. This would avoid duplicating information in all material social standards while still providing users with a detailed description of how.
 - S1-DR-33 (S1-3_08 and S1-3_09)
 - S1- DR-38(b) (S1-4_02)
 - ESRS 2 MDR-P - 65 (d,e,f) (MDR-P_04-06)
 - ESRS 2 DR 48(e) (SBM-3_08)
 - ESRS 2 DR-29(d) (GOV-3_05)
- The transition plan DR (E1-1) has a high degree of overlap with the following DRs. Datapoints should either be disclosed in the transition plan DR or under the following DRs.
- Descriptions of material IROs should be provided per topic.
- The following datapoints can be merged:
 - **S1-3_05 & G1-1_05**
 - **MDR-T 80d & E1-4 34c**
 - **E1-6_15 und E1-6_29**
 - **SBM-3 and MDR's** (see comment above)
 - **E1-1, 16h** could be subsumed into **16a** as the company's "targets/goals are consistent with limiting global warming to 1.5°C in accordance with the Paris Agreement" can only be achieved at a strategic level (i.e. embedded in the overall business strategy and financial planning)
 - **ESRS 2, SBM-1, 40 e) and g):** to disclose sustainability targets means to disclose the elements of the strategy concerning sustainability matters, and also the future challenges and solutions could be included here
 - **ESRS 2 GOV 3 29 a, b, c, e** require an entity to present narrative information on how sustainability related targets and or impacts are used to assess performance of members of administrative, management and supervisory bodies, and how these are included in incentive schemes, performance benchmarks and remuneration policies.
 - The rules in **ESRS 1 section 9.1** re/ Incorporation by reference demonstrate that there is lack of an approach that a disclosure requirement should only show up in one EU regulation/directive and thereby ensure that information is only reported once. We suggest **to delete DRs GOV-1 to GOV-4** in the ESRS because they are redundant to requirements for the Corporate Governance Statement. **On top, G1-GOV1 could be deleted in G1** because one could argue that this is implicitly covered in SBM-3 within ESRS. **GOV3 is sufficiently addressed in ESRS 2.**
 - In the topical standards any Disclosure Requirements (DRs) related to **ESRS 2 SBM-2 and SBM-3**, and their respective paragraphs and application requirements should be deleted

because they are covered in sufficient detail in ESRS 2

- **In the topical standards any Disclosure Requirements (DRs) related to ESRS 2 IRO-1 and IRO-2** and their respective paragraphs and application requirements should be deleted because they are covered in sufficient detail in ESRS 2
- **For DRs in E1**
 - **E1-SBM3** should be deleted in E1 because SMB-3 is sufficiently covered in ESRS 2.
 - **E1-2, E1-3 and E1-4** which relate to policies, actions and targets should be deleted in E1 because they are sufficiently covered by the associated MDRs in ESRS 2
 - **E1.GOV-3 13** requires that an entity disclose how climate-related considerations are factored into remuneration of members of administrative, management and supervisory bodies and to explain climate-related considerations that are factored into remuneration of members of administrative, management and supervisory bodies. The specification in **E1.GOV-3** should if material already be disclosed in the general disclosures as climate related considerations are a subset of sustainability related targets and impacts. Merging such requirements gives this type of narrative information one place in the sustainability statements and prevent having to include too many references to other chapters and prevent potential doubling in checklist-auditwork.
- **For DRs in E2**
 - E2- IRO1 should be deleted in E2 because IRO-1 is sufficiently addressed in ESRS 2.
 - E2-1, E2-2 and E2-3 which relate to policies, actions and targets should be deleted in E2 because they are sufficiently covered by the associated MDRs in ESRS 2.
- **For DRs in E3**
 - E2- IRO1 should be deleted in E3 because IRO-1 is sufficiently addressed in ESRS 2.
 - E3-1, E3-2 and E3-3 which relate to policies, actions and targets should be deleted in E3 because they are sufficiently covered by the associated MDRs in ESRS 2.
- **For DRs in E4**
 - E4-SBM-3 and E4-IRO1 should be deleted in E4 because SBM-3 and IRO-1 are sufficiently addressed in ESRS 2.
 - E4-2, E4-3 and E4-4 which relate to policies, actions and targets should be deleted in E4 because they are sufficiently covered by the associated MDRs in ESRS 2.
- **For DRs in E5**
 - E5-IRO1 should be deleted in E5 because IRO-1 is sufficiently addressed in ESRS 2.
 - E5-1, E5-2 and E5-3 which relate to policies, actions and targets should be deleted in E5 because they are sufficiently covered by the associated MDRs in ESRS 2.
- **For DRs in S1**
 - S1-SMB3 should be deleted in S1 because SBM-3 is sufficiently addressed in

ESRS 2.

- S1-2 and S1-3 should be deleted in S1 and be covered in a principle-based manner in ESRS 2 because they are the same as for S2-2 and S2-3, S3-2 and S3-3 as well as S4-2 and S4-3.
 - **For DRs in S2**
 - S2-SMB3 should be deleted in S2 because SBM-3 is sufficiently addressed in ESRS 2.
 - S2-2 and S2-3 should be deleted in S2 and be covered in a principle-based manner in ESRS 2 because they are the same as for S1-2 and S1-3, S3-2 and S3-3 as well as S4-2 and S4-3.
 - **For DRs in S3**
 - S3-SMB3 should be deleted in S3 because SBM-3 is sufficiently addressed in ESRS 2.
 - S3-2 and S3-3 should be deleted in S3 and be covered in a principle-based manner in ESRS 2 because they are the same as for S1-2 and S1-3, S2-2 and S2-3 as well as S4-2 and S4-3.
 - **For DRs in S4**
 - S4-SMB3 should be deleted in S4 because SBM-3 is sufficiently addressed in ESRS 2.
 - S4-2 and S4-3 should be deleted in S4 and be covered in a principle-based manner in ESRS 2 because they are the same as for S1-2 and S1-3, S2-2 and S2-3 as well as S3-2 and S3-3.
- We see interpretation differences between processes for engaging vs action take on material impacts. Can engagement count as actions? General overlap because of unclarity of what is considered an action.
- c. Transferring “shall” datapoints to non-mandatory material (“May”, guidance, illustrative examples)**
- For the rest, it is a good alternative to the removal of points that were previously mandatory, as it allows undertakings that have previously disclosed to continue doing so, enabling comparisons. This would be an option to maintain guidance and suggestions on what to report but lower the reporting burden in general. This allows companies to report on what is considered relevant in the absence of sector-specific standards. This is also the case for some MDR datapoints, such as MDR-P paragraphs 65 b – f, MDR-A paragraph 68 b–e, or MDR-A paragraph 69 a–c related to financial resources allocated to actions.
 - New requirements in AR section should be avoided.
 - The following data points should be made voluntary:
 - **CapEx/OpEx related disclosures** (e.g. ID E1-1_04 & E1-1_08) which are not applicable for financial institutions (should be deleted or transferred to “may”)
 - **GHG emissions disclosure in absolute terms for financial institutions** (E1-4.34; E1 AR.23) We would suggest replacing the term CapEx/OpEx by the sector agnostic term „financial and other resources“

-
- **E1-2** - Reporting on policies in E1-2 does not seem to have substantial benefit for the readers.
- **E1-7** reporting on CO2-certificates should not be mandatory as certificates are 1. not used by many companies and 2. no significant decarbonisation levers.
- **E1-5 37 c i-iii, E1-5 40-43, E1-8, S1-8, S1-13, S1-15** should be made voluntary. On social matters, focus should generally be put on KPIs and quantitative targets rather than qualitative disclosures
- **E2-DR-11(a)(b) (E2.IRO-1_01-02)**, inclusion of value-chain data should be voluntary.
- **E2-AR-9(a) (E2.IRO-1_03)** list of site locations from value chain should be voluntary.
- **E2-AR-20**, recommendations made related to "unintentional generation of microplastic" should be removed/made voluntary.
- **E3-DR-8(a)(b) (E3.IRO-1_01-02)**, inclusion of value-chain data should be voluntary.
- **E3-AR-15(a)**, collecting data related to 'list of geographical areas where water is a material issue from value chain' should be voluntary.
- **E4-DR-17(a)(b)**, inclusion of value-chain data should be voluntary
- **E4 SBM-3 (for banks)**
- **E5-DR-11(a)(b) (E5.IRO-1_01-02)**, inclusion of value-chain data should be voluntary
-
- S-topic: information on external workers should be voluntary
- **S1-1, 21**: the disclosure of whether and to what extent the strategies (are in line with international standards and guiding principles is of little to no significance because this is not verifiable. Only existing content redundancies between those standards/principles and the company's strategy/concept could theoretically be mentioned, but "in line" in the sense of 100% coverage cannot be proven and it would therefore make more sense to declare this DP S1-1, 21 as non-mandatory
- **S1-11, S1-14**
- **S1.22** - human trafficking
- Information on qualitative objectives in **ESRS 2 MDR-T**
- **G payment practices (for banks not relevant)**

d. **Other – please specify**

- ESRS standards should clearly indicate which disclosure requirements can be disclosed at standard level and which ones should be disclosed for each sustainability matter,

particularly in relation to social standards. The objective of this clarification is to avoid **repeating information that in most cases would be the same for multiple social matters**. For example, in relation to the disclosure of human rights policies and commitments and when disclosing information on the processes for engaging with stakeholders and their representatives (Disclosure Requirements S1-2; S2-2; S3-2; S4-2). A possible solution would be identifying the MDR datapoints and other selected topical datapoints as applicable for each sustainability matter, while other datapoints or disclosure requirements within ESRS S1, S2, S3 and S4

- Many targets are rather problematic. (1) Due to legal considerations and liabilities it is in most cases better not to disclose them;(2) for certain standards, targets are “ambitions” that are not defined in concrete terms; (3) even when concrete they could be meaningless without proper references (e.g. is talking to 100 customers on biodiversity better or worse than creating a team dedicated to biodiversity risk modelling ?),(4) sometimes targets are part of daily business with a level of detail not suitable for disclosure.

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

- As mentioned before, the ESRS would benefit if the MDRs were only addressed in ESRS 2 and any policies, actions and targets related DRs in the topical standards were deleted
- The wording in Par. 60 appears to be inaccurate: *“... when the undertaking discloses information on its policies and actions to prevent, mitigate and remediate actual and potential material impacts...”* *The use of the terms “prevent, mitigate and remediate” makes sense in the context of material negative impacts, but these terms do not really fit in the context of material positive impacts*
- If the proposal to delete MDR-related paragraphs in the topical standards is implemented, the second sentence in Par. 60 must be deleted
- The ESRS in general should apply **a more flexible approach as to how entities structure their disclosures**. The prescriptive nature of the ESRS translates into a box-ticking approach to disclosure; it prevents companies from prioritizing substance over form and applying judgement to identify information material for their business and meaningful to users. The introduction of concepts such as “Minimum Disclosure Requirements (MDRs)” and the requirement to follow a “policy-action-target-metrics” (PATM) reporting pattern translates into formulaic execution and check-list disclosures. Whilst this approach was intended to achieve standardization, it has had the effect of creating excessive and in many cases not meaningful disclosures.
- In each MDR the first paragraph should not read “... has in place for each material sustainability matter”, but should leave it to the discretion of the undertaking because there might be instances in which there is a policy or actions or a composite metric that covers more than one sustainability matter

- It is not necessary to have:
 - an intro section for policies and actions which would allow to delete Par. 60 to 62
 - an intro section for metrics and targets which would allow to delete Par. 70 to 72 or alternatively to combine what is specified in those paragraphs at the very beginning and avoid any redundancies
- The proposals under a. to d. are made under the assumption that Par. 60 to 62 and Par. 70 to 72 are retained.

a. Simplifying MDRs on policies in ESRS 2

- Current disclosures are not particularly effective. They should be more limited, but clearer. For example, it is of limited value to know who is in charge of implementing (in many cases the board itself), it would be more effective to have clarity on the policy impacts and exceptions. For external stakeholders it is more important (and sufficient) to know which IROs are not covered by any policy and which exclusions are in their applicability. Similarly, policy scope can differ from policy results because of the fine details of the policy itself.
- It is difficult to make the link between ESRS 2 and topical ESRS: all policies should instead be described transversally.
- Delete any redundant paragraphs or sentences within paragraphs, e.g.,
 - Par. 63 is redundant to Par. 60
 - First sentence in Par. 65 is redundant to the header for the MDR; as mentioned earlier all paragraphs that just repeat the header should be deleted
- Delete Par. 64 because the objective is clear when reading Par. 60; as mentioned earlier, all paragraphs addressing objectives of DRs should be deleted because they do not provide any value-add
- Par. 65 should be turned into a principles-based requirement. - - The relevant information should be to describe
 - the key content of the policy (i.e., deleting anything under (a) after this statement, i.e., after the first comma. For (a) it would be useful to clarify whether the objective of the policy can be quantitative or qualitative; since not every strategy has qualitative objectives, but may only pursue general quantitative objectives, it would be good if this type of objective disclosure were ESRS-compliant
 - the scope of the policy (it seems to be dispensable to specify what facets of scope matter, i.e., deleting anything under (b) after this statement, i.e., after the first comma
 - subpoint (c) does not appear to be decision relevant for stakeholders and should be deleted
 - subpoints (d) to (f) should be deleted and be replaced by a more principles-based sub-paragraph like *“to disclose any other relevant policy-related information”*

- Elimination of MDR-P - for the user, the actions and targets are relevant, not where they are (internally) documented. Avoiding content duplication regarding the actions and focusing on the essentials.) If not deleted, the following two datapoints could be aggregated and generically refer to the involvement of key stakeholders in relation to the definition and communication of the policy's contents.

b. Simplifying MDRs on actions in ESRS 2

- When disclosing on actions and resources according to MDR-A, a specific complexity exists for a bank. The definitions used financial resources for the action plan (Capex and opex) do not usually fit with how the bank performs its actions. Most of bank's actions relate to their scope 3 impact, be it for emissions or for other sustainability impacts. As noted in banks' reports, actions can relate to assisting clients, optimizing the portfolio or enabling system change. These levers of intervention do not carry with them large amounts of resources as fitting in the definition of opex and capex.
- Additionally, actions defined may not always be SMART in their execution. Actions towards systems change involve sitting in on roundtables, discussing, developing frameworks, which are not easily linked to tangible results or deadlines, while that would be what an auditor looks for. As such, a clarification, or more room to disclose actions without the SMART boundaries would be useful.

Delete:

- Any redundant paragraphs or sentences within paragraphs, e.g.,
 - Par. 66 is redundant to Par. 60 -the objective is clear when reading Par. 60; as mentioned earlier, all paragraphs addressing objectives of DRs should be deleted because they do not provide any value-add
 - First sentence in Par. 65 is redundant to the header for the MDR; as mentioned earlier all paragraphs that just repeat the header should be deleted
- Par. 68 should be turned into a principles-based requirement, e.g., *“The undertaking shall disclose those aspects (e.g., timing, scope, outcomes,) of key current and future actions that are relevant to understand how material sustainability matters are managed.”* On top, MDR (A) para 68(a) and S1-4 para 38(a) seems to be overlapping. We suggest to drop S1 requirement. Concerning MDR-A 68 (c) -> *“the time horizons under which the undertaking intends to complete each key action”* change to *“if applicable, the time horizons under which the undertaking intends to complete each key action”*. It is not always possible to specify the time horizon for completing the measures, as some measures have already been implemented with the ulterior motive of not only offering them in one year, but also keeping them in place and offering them in the future (e.g. the establishment of a crèche at the company's headquarters). In such cases, there is no “completion” of the measure and disclosure on this DP is therefore not possible.
- Par. 69 should also be turned into a principles-based requirement, e.g., *“The undertaking shall disclose any relevant information about current and future resources*

to manage material sustainability matters.”

- Deleting MDR-A_04 to MDR-A_12 or if not deleted, the following datapoints should be further simplified
 - **MDR-A_01:** “Disclosure of key action”-Mandatory disclosure on actions should focus on actions carried out during the year. Information on planned actions could be considered optional in order to avoid the potential risk of reporting something still uncertain.
 - **MDR-A_06:** “Disclosure of the type of current and future financial and other resources allocated to the action plan (Capex and Opex)” =not viewed as applicable to financial undertakings. Therefore, they should not be mandatory for financial undertakings
 - **MDR-A_07:** “Explanation of how current financial resources relate to most relevant amounts presented in financial statements
 - **MDR-A datapoints related to Capex and Opex** are not viewed as applicable to financial undertakings. Therefore, they should not be mandatory for financial undertakings
- MDR-A 69 should be deleted.

c. Simplifying MDRs on targets in ESRS 2

- The Information on quantitative Targets (ESRS 2 MDR-T) should be simplified. The requirements on target setting are very detailed and should be written more principle-based and benefit from simplification complemented with descriptive examples.
- **MDR-T 79**
 - Point a) requires disclosure regarding the effectiveness of the measures, but it does not seem useful to discuss the effectiveness of measures in the MDR-T, since this is also an MDR-A in this regard.
 - The disclosures required in MDR-T 79c) (“Overall progress in achieving the defined objectives over time”) can be used to see how the company is progressing in achieving its objectives and to conclude whether the measures taken to achieve the objectives are effective or not.
 - Point d) requires disclosures regarding the effectiveness review of measures if no measurable targets have been set ☒ It would be helpful for the reporting process if examples of what such an effectiveness review might look like were provided so that companies can see what measures they may have already implemented and what options are available for reviewing the effectiveness of the measures. In principle, the question also arises here as to whether such descriptions regarding the effectiveness of measures would not be better placed in the MDR-A than here in the MDR-T.
- **MDR-T 80**
 - Point a) - Disclosures on this point are not always possible, as not every strategy/concept contains measurable goals and not every goal relates to a strategy or is derived from a strategy. Clarification on how to deal with this issue would be desirable.

- Point b) Precise definition of “defined target level” would be important in order to be able to make ESRS-compliant disclosures on this MDR
 - Point f) How to proceed if there is no concrete method/significant assumptions/scenarios for target definition? Can a forecast based on past developments be cited as a “method”?
 - Point j) can the disclosure of “performance against stated goals” not already be derived from the disclosure of current values/results and the values from the most recent previous years? If not, examples of how performance can be presented or stated would be helpful for the reporting process.
- We identified a contradiction between MDE T- 81 and MDR.72.
 - 72: If the undertaking cannot disclose the information on targets, it shall disclose this to be the case and provide reasons for not having adopted targets. The undertaking may disclose a timeframe in which it aims to adopt them
 - 81: what the undertaking shall and may do in case of not disclosing on targets is different than what is stated in paragraphs 72, and also the “shalls and may” are different. Paragraph 81 should be deleted; if something is not there, there should not be a requirement to state so, because the non-existence transpires by the non-disclosure
- Delete Par. 79 because the objective is clear when reading Par. 80; as mentioned earlier, all paragraphs addressing objectives of DRs should be deleted because they do not provide any value-add
- Par. 80 should be streamlined:
 - Sub-paragraph (a) seems to be dispensable or it should perhaps read “ a definition of the target”
 - In sub-paragraph (f) any specifications after the first comma should be deleted
 - Sub-paragraph (i) should be deleted here because it is sufficiently covered in ESRS 1, Par. 95 and ESRS 2, Par. 13
 - Sub-paragraph (j) should be rephrased: “...the performance against its disclosed targets and any relevant contextualization.”
- Minimum disclosure requirements on measurable and time-bound targets (MDR-T) could be reduced in order to focus on the quantitative side of the disclosure and the monitoring of the target. In particular, the following datapoints could be eliminated or made voluntary:
 - **MDR-T_01:** Relationship with policy objectives
 - **MDR-T_09:** Description of methodologies and significant assumptions used to define target
 - **MDR-T_10:** Target related to environmental matters is based on conclusive scientific evidence
 - **MDR-T_11:** Disclosure of whether and how stakeholders have been involved in target setting

d. Merging MDR of ESRS 2 with “shall” PAT data points of topical standards

- In general the PAT structure is a key way to convey how an entity deals with sustainability matters and is thus a critical set for the structure of the sustainability statements.
- For a bank, especially most E-related topical disclosures are only material from a scope 3 perspective, meaning that many of the preset metrics do not apply. This results in these chapters being, for a large part, PAT related. Especially in the policy areas there is a risk of overlap between the ESRS 2 policy requirements and the topical standards. For example, a bank reported number of overarching policies that apply to every topical E-standard in scope, thus causing repetitive reporting.
- Having policy disclosures merged centrally into ESRS 2 provides the benefit of having policy disclosures in one centralized location in the report. There the specific references to sustainability matters covered by the policies (ESRS 2-1 15 a 15 b 15c for example) can be included there as well (merging). The topical sections can then build on policy objectives and the specific actions and resources and targets related to those. Key example of this is S1-4.
- Standard-specific MDR requirements (e.g., E1 decarbonization levers, E4 biodiversity compensation measures) should be eliminated. As mentioned before MDRs for P, A and T should only be located in ESRS 2 and any policy, actions and targets related disclosure requirements in topical standards should be deleted
- MDR-P_04: *“Disclosure of third-party standards or initiatives that are respected through implementation of policy”*, this datapoint could be merged with similar requests related to universally recognised standards or initiatives (e.g. UN, ILO, etc.) that are already envisaged by specific datapoints in the social standards, such as: S2-1_08 / S3-1_06 / S4-1_06: *“Disclosure of whether and how policies are aligned with relevant internationally recognised instruments”*
- Many standards include topical datapoints which require specific information related to the contents of the policy disclosed, which is already part of the minimum disclosure required by MDR-P_01. Those datapoints would be integrated in any case in the MDR disclosure.
- Datapoints on targets that are included in the social standards could be merged with MDR-T_11 and made voluntary. Such datapoints include:
S1-5_01 / S1-5_02 / S1-5_03
S2-5_01 / S2-5_02 / S2-5_03
S3-5_01 / S3-5_02 / S3-5_03
S4-5_01 / S4-5_02 / S4-5_03
- In ESRS 2 sustainability targets have to be disclosed in combination with the strategy, some of them are repeated in the topical standards, however, the overview is not complete if not all targets are included in the strategy. Therefore, the disclosure under SBM-1 could be reduced.

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

- If MDR P are not deleted they should become “may”-DP
- ESRS E1-3, 29ci-iii, ESRS E1-3, 29ci-iii, AR 20, E1-8.63, E1-9 66a-69b
- Gender differentiation in S1.13.83.a) + S1.13.83.b)
- S4-1.16
- See section 2.1.1 (c) above

f. Other – please specify

- General simplification of MDRs, e.g. also allowing the disclosure of more general objectives that are not time-bound, or allowing more leeway in the definition of measures and concept

Policies should be included in the General information chapter. Only actions, metrics and targets (and their linked MDR in ESRS2) should be included in topical ESRS and reported in the topical chapter. Application of ESRS 2 minimum disclosure requirements (MDR) in combination with the policy, actions and targets (PAT) disclosures in topical standards is too complex to implement and to audit

- Application of ESRS 2 in combination with the GOV, SMB, IRO disclosures in topical standards is over-complex. GOV, SMB, IRO datapoints should be included in ESRS 2, and the undertaking should have the choice between organising and disclosing the information in the general chapter or in the topical chapter

- **Forward-looking information considerations**

Cumbersome to estimate, due to liabilities potentially attached to disclosure. It cannot be expected to be particularly detailed and explanatory. At the same time the strategy of a company usually aims to minimize negative financial impacts and low probability events will not be reported. Therefore, limited scope compared to the typical profit & loss provisions. An example can be the impact of climate change on collaterals: (a) they are usually covered by insurance, (b) underlying loans are a duration below climate change scenario, (c) risk policies tend to mitigate them over time by better selection of accepted collaterals. Therefore any financial risk is by design overestimating the negative effect. Disclosure requirements / datapoints relating to forward looking information should be converted to “may” disclosures.

- Information subject to a high degree of uncertainty (to be defined - beginning with data of sufficient quality followed by estimates that are fully transparent to the preparer, ensuring reliable and valid results.....)) should not be considered of real interest to investors **and should not be disclosed**, given
 - the significant variability such information may present

- very high level of uncertainty and lack of clarity as regards the application of MAR. This concerns for example, SBM-3 §48e and E1-9.
 - disclosure of this information is not required for other non-ESG risks and
 - the difficulties to measure anticipated financial effects for all ESG risks (to be removed)
- A consistent definition of forward looking information across multiple EU legislation/frameworks would be appreciated. It should be clear, which time horizons should be applied as a basis for future events. For example: ESRS 2 §32 What is meant by forward looking analysis and conditions?
 - Time horizons should be based on the already internally used for risk management and other models (and not exceed 10 years)

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

- Clear structure (Top-down approach) with DR, AR, QC – common wording “shall” and “may”
- Information on and relation between policies, actions and targets (MDR-T Par 80a)
- Data on a company’s (not banks) Capex/Opex, as they are often not identified as actions embedded in the business.
- Transition plan
- Scope 1-3 GHG emissions
- Data on employees (gender, country distribution)
- Data on remuneration
- Information on accuracy of KPIs
- Climate risk analysis
- Appendixes - generally useful as they provide a practical representation of concepts and specifications (tables, visual representations, glossary of terms, etc.)
- Some MDR-T and MDR-A information from ESRS 2 for quantitative matters are useful and provide the report recipients with clear, structured information on sustainability topics.
- A mapping of ESRS DP with EBA requirements on disclosure and supervisory reporting should be part of the EBA ESG mandates. If an EBA DP cannot be delivered using the information from VSME report, the EBA ITS should contain descriptions on the free of charge information sources which don’t interfere the value chain cap. The “shall” data points for companies should be aligned with the EBA ITS on disclosure and both pending EBA ITS on disclosure and ITS on ESG reporting (according to CRR 3).

2.2. OPTIONAL – IF POSSIBLE, AND IF NOT SPECIFIED ALREADY UNDER POINT 2.1 PLEASE IDENTIFY THE MOST CRITICAL NARRATIVE DISCLOSURE REQUIREMENTS AND/OR DATAPOINTS THAT REQUIRE CLARIFICATION, AND SHARE YOUR SUGGESTIONS

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

Disclosure Requirements (DR)

[These are the ones that we can choose from the drop-down list – please use them]

- BP-1, BP-2
- GOV-1, GOV-2, GOV-3, GOV-4, GOV-5
- SBM-1, SBM-2, SBM-3
- IRO-1, IRO-2
- MDR-P, MDR-A, MDR-M, MDR-T

- E1-GOV3, E1-1, E1-SBM3, E1-IRO1, E2, E3, E4, E5, E6, E7, E8, E9
- E2-IRO1, E2-1, E2-2, E2-3, E2-4, E2-5, E2-6
- E3-IRO1, E3-1, E3-2, E3-3, E3-4
- E4-SBM3, E4-IRO1, E4-1, E4-2, E4-3, E4-4, E4-5, E4-6
- E5-IRO1, E5-1, E5-2, E5-3, E5-4, E5-5, E5-6

- S1-SBM3, S1-1, S1-2, S1-3, S1-4, S1-5, S1-6, S1-7, S1-8, S1-9, S1-10, S1-11, S1-12, S1-13, S1-14, S1-15, S1-16, S1-17
- S2-SBM3, S2-1, S2-2, S2-3, S2-4, S2-5
- S3-SBM3, S3-1, S3-2, S3-3, S3-4, S3-5
- S4-SBM3, S4-1, S4-2, S4-3, S4-4, S4-5

- G1-GOV1, G1, G2, G3, G4, G5, G6

What was the problem/challenge in terms of which DR and DP (please choose DR from above and indicate specific DP in DR):

- For all DR's above, there may be overlap between the different topical standards and the policy disclosures under ESRS-2.
- **E1-1_01** *"Disclosure of transition plan for climate change mitigation -The guidance in the ESRS standards does not sufficiently clarify which approach should be adopted to present the disclosure of the transition plan, particularly at portfolio level. For example, ISP has based its disclosure approach on what is included in the Climate Report in line with NZBA guidance, but this approach is not directly reflected in the ESRS standards (i.e., there is no direct reference to NZBA, for instance).*

- **E1-4_01** *“Disclosure of whether and how GHG emissions reduction targets and (or) any other targets have been set to manage material climate-related impacts, risks and opportunities”* Financial institutions define targets for financed emissions reductions in high-climate-impact sectors to which they are exposed, according to intensity-based criteria. Expressing such targets in absolute value, as required by the ESRS, is not meaningful for users as it is not predictive and does not trigger any action at portfolio level.
-
- **E1-4_02** *“Tables: Multiple Dimensions (baseline year and targets; GHG Types, Scope 3 Categories, Decarbonisation levers, entity-specific denominators for intensity value)”*.The effects of actions carried out by the bank for the decarbonisation of companies in its portfolio are indirect. Therefore, it is not possible to quantify the contribution to decarbonisation generated by each lever/action identified by the bank, as required by the ESRS.
- **E1-6** Emissions data - operational vs. financial control (change in previous accounting approach) /Unified consolidation approach, pragmatic Scope 3 requirements, **standardised templates / tools is needed**
- **ESRS E2-E5 metrics** -The metrics for most of E2-E5 are unusable for downstream material matters
- **ESRS E4** -The relationship between E4-35, E4-19a, ESRS 2 appendix C and ESRS 1.29 is complex to understand, increasing each company having their own interpretation and decreasing comparability.
 - *1.29: Irrespective of the outcome of its materiality assessment, the undertaking shall always disclose the information required by: ESRS 2 General Disclosures*
 - *ESRS 2 appendix C includes ESRS E4 paragraph 19a*
 - *E4.19a : the undertaking shall specifically disclose: whether or not it has sites located in or near biodiversity-sensitive areas and whether activities related to these sites negatively affect these areas by leading to the deterioration of natural habitats. (confusion is about what exactly is expected to be disclosed as a financial institution, also considering the banks VC?)*
- **ESRS E5-1.12.** The terminology used in E5, mainly “resource use” needs clarification. There is no clear definition of resource use and hence this complicates disclosing policies, actions, targets, metrics etc in this respect.
- SBM1 / SBM2 / SBM3 - Narrative Datapoints - the resulting text is very complex and often with limited values. Even when not using self-promoting wording, it remains rather un-consistent. Significant products, customer groups (Par 40 Ar12-13) are of little value being high level descriptions and usually already part of the year-end reporting
- **SBM-1_26** *“Description of inputs and approach to gathering, developing and securing inputs”*; **SBM-1_27** *“Description of outputs and outcomes in terms of current and expected benefits for customers, investors and other stakeholders”* - The reporting

requirement is generic and does not specify what kind of disclosure is needed to fulfil the datapoint. In particular, it is difficult to interpret how to apply the requirement within the business model and value chain of a financial institution.

- **SBM-2_01; SBM-2_12**-Within the double materiality assessment process, the procedures and timing for involving Workers' Representatives are not clearly defined.
- **E1 SBM-3_02 until E1.SBM-3_07** We suggest to clarify how extensive this DR should be answered. There were a lot of discussions with auditors on how much information is required to fulfil this DR. ty
- **ESRS S1** Disclosure Requirements specifically linked to sub-topics that are subject to the materiality assessment however are still mandatory to report. Examples include DR 22 which covers forced and child labour. If the DMA shows both topics are not material, does the requirement still need to be disclosed, whether or not the disclosure is linked to the material topic? . I.e. for S1, the material topic identified was Diversity & Inclusion. Child and Forced labour was not deemed material however when banks had policies in place that deal with these topics, a disclosure was included. Clarification of whether this is necessary would be welcome.
- **S2-3**- Description of the processes the company has in place to provide for or cooperate in the remediation of negative impacts on the value chain workers was particularly challenging.
- **ESRS 2 GOV-1_08** - The disclosure of individuals' skills is a very sensitive area and should not be required as standard. Where appropriate, a further distinction should be made between whether the preparer of the report is listed on the stock exchange or not.
- **GOV-4_01** "Disclosure of mapping of information provided in sustainability statement about due diligence process"-The disclosure requirement is generic and does not clarify which type of disclosure is needed to fulfil the datapoint

Suggestion to specific DR/DR

- E1-4_01 "Disclosure of whether and how GHG emissions reduction targets and (or) any other targets have been set to manage material climate-related impacts, risks and opportunities": Financial institutions should have a permanent option to adopt intensity-based targets tailored to specific sectors instead of being limited to absolute emissions targets
- E1-4_02 "Tables: Multiple Dimensions (baseline year and targets; GHG Types, Scope 3 Categories, Decarbonisation levers, entity-specific denominators for intensity value)"- Remove the requirement to disclose the contribution of each decarbonisation lever applied across the value chain.
- E1-1_01 "*Disclosure of transition plan for climate change mitigation*" -Clarify the

minimum disclosure requirements for the disclosure of the transition plan by financial institutions (e.g. disclosure should be limited to sectors where a target has been set).

- .
- SBM-2_01; SBM-2_12 -Clarify the procedures and timing for involving Workers' Representatives in the DMA process.
- GOV-4_01 "*Disclosure of mapping of information provided in sustainability statement about due diligence process*" - Postpone any obligation for this disclosure requirement until the finalization of the CSDDD simplification.
- SBM-1_26 "*Description of inputs and approach to gathering, developing and securing inputs*"; SBM-1_27 "*Description of outputs and outcomes in terms of current and expected benefits for customers, investors and other stakeholders*" -Clarify the type of disclosure required to meet the disclosure expectations in the context of a financial sector undertaking.
- ESRS 1 paragraph 88 – we would find it helpful to have further clarification for determining the most significant uncertainties.
- ESRS E1.46 Align concept of operational control with IFRS. Operational control is defined by ESRS as the undertaking has the ability to direct the operational activities and relationships of the entity, site, operation or asset' (EFRAG VC IG 41). One of the requirements of IFRS 10 is the power over the investee. IFRS 10. B9 clarifies that the power over the investee is the ability to direct the relevant activities (which B11 explains are a range of operating and financing activities). Hence IFRS 10 already defines operational control and this results in consolidation. There is NO such thing as an unconsolidated associate or jv. By definition they are NOT consolidated. If there is operational control over such investment they ARE subsidiaries and consolidated. Remove concept and confusing language from ESRS. Allow companies to report their GHG emissions using the operational control boundary, as this is the norm for many corporates today.
- S1-1-DR24(b) (S1-1_11) - It would be more helpful for preparers to explain the grounds for discrimination that are covered in the policy rather than reporting against a predefined list specified in the ESRS. The list in the ESRS is helpful in providing examples.
- Deletion E1-1.16d for banks
- Deletion S1-7, S1-14.88, S1-17.103a/104a
- Deletion MDR-T 79e/80h
- Both E1-3 §29(c) and ESRS 2 MDR-A §69 require disclosure of "significant amounts of CapEx and OpEx" needed to implement actions/action plans without defining or providing guidance for "significant amounts". Suggest EFRAG add guidance in ARs (or elsewhere) of how undertaking should consider "significant amounts."

- ESRS 2 MDR-P §63 - §63 assumes there are policies in place for “each sustainability matter identified as material.” Not realistic given broad materiality definitions. Should not be “each” and allow flexibility.
- ESRS 2 MDR-A §69 - ESRS 2 MDR-A §69 requires disclosure of “significant amounts of CapEx and OpEx”. Should provide principles-based guidance with respect to “significant” based on familiar concepts of materiality from financial reporting.
- ESRS 2 MDR-T §78 - §78 assumes there are targets set for “each sustainability matter identified as material.” Not realistic given broad materiality definitions. Should not be “each” and allow flexibility.
- ESRS 2 MDR-T §80(d) - Consider seeking clarification on what constitutes “conclusive scientific evidence” as basis for targets
- G1 - The requirements of G1-5 should be clarified to affirm that the disclosure is associated with the EU and its member states in recognition of the fact that not all jurisdictions have regulatory structures akin to the EU Transparency Register and substantial investment would be required for firms to collect, track and report information from third parties that may be required given broad definitions. They also go beyond current EU Transparency Register requirements. In particular, paragraph 29(b)(i) should be modified to drop the reference to “indirectly” which arguably could be seen to cover payments to trade organizations that may engage with political officials either through conferences/lunches or through direct contributions. Such activity may have little connection to material ESG issues (e.g. meeting to discuss rules for participating in local check clearing market), and the EU would still have the benefit of the EU registrations and disclosures for EU-related activity under the existing EU Transparency Register.
- E1-3 §29(C);
- ESRS 2 MDR-A §69

2.3. OPTIONAL IF POSSIBLE, AND IF NOT SPECIFIED ALREADY UNDER POINT 2.1 ABOVE, PLEASE BEYOND THE NEED FOR CLARIFICATION, IDENTIFY THE 10 MOST CHALLENGING NARRATIVE DISCLOSURE REQUIREMENTS (DRS) WITH AN INDICATION OF THE LEAST IMPORTANT OR MOST PROBLEMATIC DATAPOINTS (DPS) TO PREPARE AND SHARE YOUR SUGGESTIONS:

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

Disclosure requirements (DR):

[see the list above – the same]

Which are the most challenging DRs and the most problematic/less important DP

Suggestions:

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

Quantitative information (metrics) is in principle comparable (over time and between undertakings). Initial feedback seems to suggest that some required metrics may be too granular and/or not decision useful or may be difficult to prepare (due to difficulty to collect basic data or lack of maturity of the matter). Furthermore, EU Regulations related information (SFDR, Climate Law, Pillar 3, Benchmark) was included in ESRS Set 1 to facilitate the appropriate flows of information between the various actors, in order to create consistency in reporting. In this context, its relevance with respect to general purpose sustainability reporting was not assessed by EFRAG. Initial feedback seems to suggest that certain datapoints may not meet the criteria to be included in the general- purpose sustainability reporting. In addition, with respect to Article 8 of the Environmental Taxonomy Regulation 2020/852, it was decided to offer a placeholder in the sustainability statement for the information required under this regulation. In this context, its relevance with respect to general purpose sustainability reporting was not assessed by EFRAG. Initial feedback seems to suggest that this information has increased significantly the volume of information reported in the sustainability statement.

3.1. PLEASE IDENTIFY THE MOST CHALLENGING QUANTITATIVE DRS/DPS AND SHARE YOUR SUGGESTION ON HOW TO ADDRESS THE ISSUE, IN TERMS OF:

- THE RELEVANCE (LEAST IMPORTANT, CRITICAL)
- THE DIFFICULTY TO PREPARE
- THE NEED FOR CLARIFICATION

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

Disclosure Requirements (DR)

[These are the ones that we can choose from the drop-down list – please use them]

- BP-1, BP-2
- GOV-1, GOV-2, GOV-3, GOV-4, GOV-5
- SBM-1, SBM-2, SBM-3
- IRO-1, IRO-2
- MDR-P, MDR-A, MDR-M, MDR-T

- E1-GOV3, E1-1, E1-SBM3, E1-IRO1, E2, E3, E4, E5, E6, E7, E8, E9
- E2-IRO1, E2-1, E2-2, E2-3, E2-4, E2-5, E2-6
- E3-IRO1, E3-1, E3-2, E3-3, E3-4
- E4-SBM3, E4-IRO1, E4-1, E4-2, E4-3, E4-4, E4-5, E4-6
- E5-IRO1, E5-1, E5-2, E5-3, E5-4, E5-5, E5-6

- **S1-SBM3, S1-1, S1-2, S1-3, S1-4, S1-5, S1-6, S1-7, S1-8, S1-9, S1-10, S1-11, S1-12, S1-13, S1-14, S1-15, S1-16, S1-17**
- **S2-SBM3, S2-1, S2-2, S2-3, S2-4, S2-5**
- **S3-SBM3, S3-1, S3-2, S3-3, S3-4, S3-5**
- **S4-SBM3, S4-1, S4-2, S4-3, S4-4, S4-5**
- **G1-GOV1, G1, G2, G3, G4, G5, G6**

What was the problem/challenge in terms of which DR and DP (please choose DR from above and indicate specific DP in DR):

- **The following datapoints should be removed, as they are not sector – agnostic and applicable to banks:**

- Datapoints with sectoral breakdowns based on EFRAG’s ESRS sector classification e.g. certain disclosures under reference SBM 1-40, which are not meaningful in a financial context

- Datapoints related to CapEx and OpEx — such as MDR-A-69, E1.1, E1.3 and S1-4. These are not aligned with how financial entities manage their resources and, in the case of S1-4, may involve confidential information.

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- Disclosures for joint ventures and associates — e.g. under E1.6, which add complexity without reflecting material ESG exposure for financial entities. Disclosures primarily targeted at non-financial undertakings, such as:

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- **The following datapoints were reported as challenging quantitative datapoints:**

- **DRs/DPs are S1-9, S1-12, S1-13 +AR 71 and S1-17.** For example reporting regarding persons with disabilities should be more qualitative-based focusing on policies and processes to promote diversity, equity and inclusion. Classifying and gathering information about disabilities may be sensitive from a data privacy perspective.

- **S1-5-** Complex to disclose targets for all material impacts, risks and opportunities on social elements where a company has not yet necessarily defined targets. Should be deleted.

- **S1-6, 50a** (total number of employees according to ESRS) vs. total number of employees according to IFRS - the question of whether apprentices, managing employees, interns, freelancers etc. are employees under ESRS or not, was challenging. IFRS has a different definition than ESRS. For a better comparability of disclosures from different companies – especially those reporting their financial information according to IFRS – using the IFRS-definition for ESRS would be useful.

- **S1-6, 50c** (total number of employees who left the company during the reporting period and the rate of employee turnover) - the ESRS does not provide for corrections/adjustments to be made to the figures (e.g. due to deaths or maternity leave). The disclosure required by the ESRS is not informative, especially as this form of fluctuation - i.e. without the adjustments mentioned above – cannot be influenced by the company, apart from work-related accidents or similar. It would be desirable if this possibility of adjustment were mandatory or at least permitted in the ESRS

- **S1-7** – characteristics on non-employee workers in the undertaking’s own work force. Datapoints should be excluded, as their working conditions and related information will be reported by their respective employers.

- **S1-11-** social protection is often independent of a company’s policy with respect to its employees, especially unemployment, which is never covered directly. The reporting requirement should be reviewed, with deletion of “loss of a job”.

- **S1-13** Training and skills development. Datapoints should be excluded as much of

the skill development occurs through on-the-job training, which is not formally recorded and therefore not reportable.

- **S1-14; 88b 0-** work accident (DP88b), S1-15 work life balance metrics: need more precise definitions
- **S1-14** - work-related ill-health is secret, not available in Group HR tools and complex to collect
- **S1-16** - annual global remuneration ratio does not make sense as a global ratio given salary differences between countries. It would be preferable to disclose by country for main countries. In the case of the gender pay gap, disclosure by country would also be more aligned with requirements in the Pay Transparency Directive
- **S1-16 Nr. 95-o** - (Gender pay gap) - The calculation requires concrete definitions of which components are to be included as “earnings” and which are to be disregarded; for example, are variable remuneration components to be included? The EBA requirements for calculating the gender pay gap are much more detailed here than the ESRS. It would be desirable, if the application requirement no. 101 would be aligned with the EBA definition.
- **S1-17_01 to S1-17_12** - the ESRS do not provide clear and consistent definitions for identifying incidents of discrimination or severe human rights violations. Moreover, there are frequent cases of allegations that later prove unfounded; strict application of the standards results in the undertaking having to report such cases, thereby overstating its negative impact.
- **ESRS E1** (in terms of difficulty to prepare/ non-applicability to FI and the need for additional clarification/exemption):
 - **ESRS E1 AG 23** - requires disclosure of absolute values however this results often in a wide variety of information which may not be meaningful. Absolute emissions and their impact are dependent on the development of emissions in banks’ relationships and also on the level of financing kept by these relationships. Note that this will carry forward to all other topics as well, where metrics related to targets will be asked, as banks will by nature have to define their targets in terms of client level activity. Suggestion would be to allow lenience in applying absolute emissions - not requiring absolute values for targets but allowing their disclosure on a voluntary basis or clarify that banks calculating portfolio level financed emissions targets may do so in either absolute or intensity terms.
 - In MDR-A, and action plan related items. Reference is made to opex and capex, specifically linking these to actions, activities and the taxonomy do not give relevant or material results. Banks’ actions do not correspond with the ESRS definition of capital expenditures or often also not to operational expenses at a material level.
 - **E1-6, E1-9**, examples of DRs that refer to net revenue. Climate Risks and scope 3 category 15 emissions are related to assets within a bank and this drives our usual reporting, this is also the case in pillar 3, where the 10 ESG risk templates all relate to assets for example. **Relating these metrics to revenue reduces their relevance and increases complexity for banks.**

- **ESRS E1 29 (b)** “when describing the outcome of the actions for climate change mitigation, include the achieved and expected GHG emission reductions” – due to the same issue mentioned above, it is difficult for a bank to quantify the GHG emission reductions associated with its portfolio steering key actions (disclosed under E1-3), given that the impact is indirect. E.g. it is not possible to quantify the impact in overall GHG emission reductions of e.g. a certain engagement procedure or policy.
- **E1-6_01 “Gross Scopes 1, 2, 3 and Total GHG emissions** - GHG emissions per scope [table]”-The reporting of emissions from owned assets that are given on lease (operating leases) under Scope 1 and Scope 2, according to the financial control principle set out in the ESRS, presents challenges in terms of data collection from tenants especially where they have no obligations to share data with the asset owner.. Moreover, including such assets in Scope 1 and 2 emissions may affect the achievement of emission reduction targets set by banks, due to the limited operational levers available to reduce consumption, which is generally influenced by tenant activity.
- **E1-6_11 Scope 3 Cat. 13 “downstream leased assets”** – Given ESRS guidance on GHG emissions reporting from assets under the undertaking’s financial control, it is not clear how financial institutions would be expected to address the disclosure for category 13 of the Scope 3.
- **E1-6 DR 44 (E1-6_11)– gross scope 3 GHG emissions** – The referenced documents (GHG Protocol, PCAF) are broad in scope and not easily translatable into actionable guidance. This led to significant challenges in defining the boundaries of Scope 3, and interpretations varied across the industry and lacked consistency in the approach. Moreover, data from value chain remains difficult to access and validate and in this context the scope 3 requirements may prove disproportionately demanding given the practical limitations. In addition, the intercompany emissions are not mentioned at all in CSRD, and not sufficiently explained in the referenced documents. This creates further difficulties in determining an appropriate and consistent methodology in their calculation, especially in complex corporate structures with high volume of intra-group transactions.
- **E1-6 DR 53 (E1-6_30-31)– emission intensity** lacked sufficient explanation, especially sector-specific guidelines (e.g. for asset management where the methodology for calculating emissions intensity differs significantly. Additionally, there were no clear instructions on how to report intensity when emissions are not calculated for the entire portfolio, and when net revenue cannot be easily allocated across the reporting scope
- **E1-6 - AR 48 - (1)** -The data point related to total GHG emissions should be removed; (2) Need for more standardised guidelines and clearer articulation with other requirements – for instance if financed emissions (“investments”) are to be included in the connectivity, why not use P3 templates? **When information is not sufficiently reliable (eg data for GHG calculation), it should be allowed not to disclose it in the GHG emissions**

- **DR E1-9** Anticipated financial effects from material physical and transition risks and potential climate-related opportunities - The wording of these climate-related metrics is neither applicable nor useful to financial institutions. E.g. “monetary amount and proportion (percentage) of assets at material transition risk over the short-, medium- and long-term”; “the monetary amount and proportion (percentage) of net revenue from its business activities at material transition risk over the short-, medium- and long-term”; “(...) location shall be aggregated by NUTS codes 3 level digits”; among others. Banks act as both preparers and users of these data points, as some E1-9 data points are linked to P3 templates (T1; T2 and T5), so how can a financial institution comply with these in a relevant manner, considering the compatibility issues between these P3 Templates and E1-9 paragraph 66 and 67 requirements? (e.g. loan maturity buckets vs “monetary amount and proportion of assets at material physical risk over short-, medium-, and long-term periods”)
- **DRs E2-6 / E3-5 / E4-6 / E5-6** - More broadly, EFRAG guidance (value chain implementation guidance) suggests reporting anticipated financial effects of material risks and opportunities for environmental standards only in relation to own operations, which may not be relevant for financial institutions.
- **G1-6_01; G1-6_05** - The calculation formula for determining the average number of days of delay in supplier payments is unclear and raises doubts about which date should be used to compute the number. Additionally, the calculation of indicators and the presence of homogeneous clusters of payment terms may vary across sectors (financial vs. industrial), making the information less relevant to users.
- **ESRS 2 GOV-1_05** -the calculation of Board's gender diversity ratio as numerator and denominator as described within DR is not meaningful. It would be sufficient to only include the sum of all underlying board members as denominator.
- **ESRS 2 GOV-1_07** - the definition for independent board members compared to other regulations . There are various definitions on the same topic. For example conflicts of interest, which, according to the sources, belongs to the topic of independence. The EBA, on the other hand, distinguishes between independence and impartiality, with conflicts of interest being a topic that relates more to impartiality than independence. This shows that too many institutions across Europe and beyond are dealing with similar issues independently of one another.
- **ESRS 2 GOV-1 21d)** The board's gender diversity is a very unusual metric in the Austrian market and the readers of the report are questioning the relevance and would prefer the percentage of female board members.
- **ESRS 2, SBM-1, DR 40 b), d) i-iv:** revenue-related requirements are not applicable to banks, so maybe make this type of requirements conditional
- **SBM-1 - Para. 40b** - This is phased in, but the definition of revenue is not relevant for bank whose commonly accepted KPI is NBI
- **E1-1 - Transition Plan** - Requirements to disclose GHG emissions in absolute terms

associated with the intensity targets is based on too many assumptions to lead to meaningful information. Make this DR voluntary for financial institutions.

- **E1-4 34 GHG emission reduction targets E1-4_02 :** (1) targets for banks -> use of ESRS 1 10.2 §133 transitional provision related to value chain should be maintained or datapoint made voluntary for financial institutions (2) Capex, OPEX not relevant metrics for banking industries.
- **E1-5_16 / E1-5_17:** The application requirement does not provide additional guidance to undertakings, in particular with regard to the inclusion of thermal energy produced by cogeneration.
- **E1-6_17 / E1-6_24 / E1-6_28:** The ESRS standards require separate disclosure for Scope 1 / 2 / 3 biogenic emissions. These indicators are generally of limited relevance for the financial sector and their calculation methodologies may still not be robust enough.
- **E1-6_18 / E1-6_21 / E1-6_22:** The disclosure requested by Application Requirement ESRS E1 45 regarding contractual instruments is not clear and calculation formula for the related quantitative datapoints are not indicated in the Standards
- **E1-6 AR 48:** Tabular presentation of comparisons (even though no comparative figures are available in the first reporting year) and milestones and target years (even though these do not exist).
- **G1-3 –** Prevention and detection of corruption and bribery – the disaggregation in at-risk functions, managers, board members and other own workers for the anti-corruption and bribery training is very detailed was not disclosed before.

Suggestion to specific DR/DR

- **E1-5_16 / E1-5_17:** Provide supplementary guidance for these datapoints through the inclusion of specific application requirements within the E1 Standard.
- **E1-6 DR 44 (E1-6_11)–** Please provide clearer definitions and boundaries for Scope 3 emissions, including specific definitions/treatment of intercompany transactions; consider introducing a phased or prioritized approach to scope 3 categories, allowing companies to focus first on the most material ones while improving data over time
- **E1-6 DR 53 (E1-6_30-31)–** Either removing the metric or providing additional guidance with sector-specific cases as well as examples where a full portfolio view is not available.
- .
- **E1-6_01** “Gross Scopes 1, 2, 3 and Total GHG emissions - GHG emissions per scope

[table]” - Clarify how financial sector undertakings should account for leased assets within their GHG emissions reporting framework. Our proposal is to report those emissions under category 13 “downstream leased assets” of Scope 3 emissions

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- E1-6_11 Scope 3 Cat. 13 “downstream leased assets” – Provide a guidance on which kind of assets financial sector undertakings could take into consideration when reporting of category 13 of Scope 3 GHG emissions.
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- **E1-6_11** “Gross Scope 3 greenhouse gas emissions” - The ESRS reporting requirements on financed emissions should be aligned with the provisions of other mandatory reporting frameworks applicable to financial institutions.
-
- E1-6_17 / E1-6_24 / E1-6_28: Disclosure of these datapoints may be considered voluntary.

E1-6_18 / E1-6_21 / E1-6_22: Provide the calculation formula that needs to be applied for each datapoint envisaged by Application Requirement ESRS E1 par. 45.

- **DR E1-9** - Align the disclosure required by ESRS for financial institutions with the existing sector-specific frameworks (i.e. Pillar 3) in order to avoid overlap between published disclosures.
- **DRs E2-6 / E3-5 / E4-6 / E5-6** - Clarify whether metrics on expected financial effects should also be applied at portfolio level for financial institutions.
- **G1-6_01; G1-6_05** - Clarify the calculation formula to be applied, or alternatively, consider reporting a different indicator of greater relevance.
- Usage of estimation without the precondition of reasonable effort to get the primary data
- Guidance on E5-4, E5-5
- S1-17_01 - S1-17_12” -Provide more precise definitions to support the identification of reportable incidents and thus enhance disclosure comparability. The focus of reporting should be directed toward confirmed incidents only

3.2. DO YOU HAVE SUGGESTIONS REGARDING EU REGULATION RELATED DATAPPOINTS (DPS)?

- Methodological alignment between ESRS requirements and comparable European regulations (e.g., CSDDD, SFDR, CBAM) needs to be improved in order to ensure a consistent reporting framework for interconnected disclosures. We suggest that EFRAG works, together with EBA and the European Commission and other stakeholders, to:
 - Ensure methodological alignment between ESRS standards and the related EU

- regulations, to guarantee the consistent reporting of identical or interlinked information
- Clarify how the reporting of datapoints linked to the SFDR (Appendix B ESRS 2) should account for downstream value chain information disclosed by other undertakings under ESRS standards, taking into consideration the specific characteristics of a bank's downstream value chain.
 - Map ESRS DP against EBA requirements on disclosure and supervisory reporting and duplicative/similar reporting requirements in other EU legislation such as CSDDD, EBA Guidelines on management of ESG Risks, Pillar 3 ESG disclosures and ECB Guide on Climate-related and Environmental Risks that are already covered/addressed in simplified CSRD ESRS. This should also be part of the EBA ESG mandates. If an EBA DP cannot be delivered using the information from the VSME report, the EBA ITS should contain references to publicly available databases to fill for the data gaps. The "shall" data points should be aligned with the current EBA ITS on disclosure and both pending EBA ITS on disclosure and ITS on ESG reporting (according to CRR 3).
 - Aligning "transition plan" requirements under CSRD, CSDDD and EBA Guidelines on management of ESG Risks
 - Addressing methodology divergences e.g. PCAF application in CSRD/ESRS and Pillar 3 ESG Reporting
- Some of the numerical or yes/no datapoints should be reported in table form instead or refer to pages in the report.

3.3. DO YOU HAVE SUGGESTIONS REGARDING ARTICLE 8 OF THE ENVIRONMENTAL TAXONOMY REGULATION 2020/852 RELATED INFORMATION AND ITS INCLUSION IN THE SUSTAINABILITY STATEMENT UNDER A PLACEHOLDER APPROACH?

TAXONOMY REPORTING OBLIGATIONS UNDER ARTICLE 8 SHOULD BE SUSPENDED, UNTIL THE REVIEW OF THE UNDERLYING TAXONOMY REGULATION IS CONCLUDED. FURTHERMORE, CONSIDERING THE COMPLEXITY AND LEVEL OF DETAIL OF TAXONOMY TEMPLATES, IT WILL ALSO BE IMPORTANT TO ASSESS, CRITICALLY, WHETHER OR NOT IT MAKES SENSE TO INCLUDE TAXONOMY TEMPLATES IN THE MANAGEMENT REPORT. AT LEAST THE DISCLOSURE SHOULD FOLLOW THE PRINCIPLE "ONLY REPORTED ONCE" (FOR BANKS IT SHOULD MEAN AT LEAST NO DISCLOSURE IN THE CRR PILLAR 3 REPORT).

- Green Asset Ratio (GAR) KPI for banks should be suspended until the Taxonomy Delegated Acts have been reviewed in more detail (pending the final version of GAR).
- We consider that the Green Asset Ratio (GAR), if retained should be substantially simplified. As part of the Commission's Omnibus process, credit institutions' reporting obligations under the Art. 8 and Taxonomy Disclosures Delegated Act should be significantly reduced, including, but not limited to elimination of certain

templates (including fees & commissions and trading book KPIs, nuclear and gas disclosures), further simplification of remaining templates and removal of duplicate disclosures based on turnover and capex as well as improving the design of the GAR to ensure full symmetry. Please see our response to the Taxonomy Article 8 Delegated Act https://www.ebf.eu/wp-content/uploads/2025/04/EBF_046735-Letter-to-the-EC-EBA-and-SSM-on-ESG-Omnibus.pdf

- We see no justification for including numerous tables with limited added value, which in our case currently result in over 130 pages of reporting. EFRAG should re-consider if the Management Report is the right location for the very detailed tables for Art. 8 related disclosures provided by credit institutions. This volume adds substantial operational burden without improving the usefulness of the information for stakeholders. We suggest to include only the summary tables (Template 0) to be disclosed in the Management Report and report all other tables in an Appendix to the Annual Report. At the very least (per ESRS 1 § 113 and 115; ESRS 1 Appendix D) EFRAG should permit the annexing of EU Taxonomy Regulation disclosures via an annex to the sustainability statement, in keeping with emerging market practice and to maintain a sensible flow for the sustainability statement.
- Taxonomy reporting should be required at group level, not at the level of individual legal entities. Alignment KPIs for additional businesses such as asset management, insurance and investment services should not be disclosed. We believe this granularity would add complexity without necessarily enhancing the relevance or usability of the disclosed information.
- Furthermore, we would encourage greater coherence with IFRS standards and way of reporting, instead of the regulatory template-driven approach that is currently chosen, which does not align with the way that annual reports are normally set up or prepared. The detailed regulatory templates do not fit the report.
- Transition plan
 - E1-1 General - Would recommend to adopt a more generalized disclosure approach to TP disclosure similar to ISSB (i.e., in line with the requirements of IFRS S2 para 14(a)(iv), information about plan and underlying assumptions and dependencies) providing more flexibility. Would also allow sectors, like FIs, for whom some current §16 disclosures don't really work, to create and describe TP that suit their business.
 - E1-1 §15, §16(a); E1-5 - All references to the 1.5°C target should be removed, as this is generally considered an unrealistic target. The links should be limited to alignment with the Paris Agreement. Companies should explain on what basis they have set their targets while retaining flexibility to focus on achievable goals. More general language on transition to sustainable or lower-carbon economy (per ISSB) and/or climate neutrality by 2050 that would allow more flexibility in TP construction would be preferable. Would require change in various places, including definitions of "climate change mitigation" and "Transition plan for climate change mitigation" in ESRS Annex II and E1-1 and E1-4-related ARs.
 - E1-1 § 16(b) - Requirement for explanation of TP "decarbonization levers identified and key actions planned" (by reference to E1-3) is not feasible for FIs

for whom Scope 3 Cat 15 is most relevant, given lack of direct control and inability to quantify amount of client decarbonization directly resulting from bank decarbonization “actions”. ARs should recognize inability of FIs to quantify expected GHG reductions as part of TP and permit disclosure of TPs without this detail.

- E1-1 §16(g) - Exclusion from the EU Paris-aligned Benchmarks. Per E1 AR 5, this statement is made in accordance with the exclusion criteria stated in articles 12.1 (d) to (g) and 12.2 of Commission Delegated Regulation 2020/1818 (Climate Benchmark Standards Regulation). The criteria in Article 12 of the Benchmark Regulation are based on the assessment of Benchmark Administrators and not the reporting entity. Those assessments are not publicly available. EFRAG should revise E1-1 §16(e) and AR 5 to clarify that the test is whether the reporting entity meets the criteria for exclusion per Article 12 of 2020/1818, not whether it is excluded from any Paris-aligned benchmarks as this is likely not knowable.
- ESRS E1-1 § 17 - Undertakings which do not have a TP need to indicate whether and – if so – when it will adopt a TP. TPs meeting ESRS requirements may be a new concept and also something guided by applicable law; therefore it is hard for firms to give a precise date for when an ESRS-compliant TP will be adopted. So as to not lead firms to providing imprecise answers, it would be more appropriate for this DR to not ask when firms will adopt TPs (particularly when legislative regimes requiring TPs – such as CSDDD – have had their application dates delayed).
- Transition Planning Implementation Guidance (TPIG) - We note that the TPIG is still in draft phase, assuming the TPIG goes ahead, that it;
 - References to the fact that not all decarbonisation leavers are quantifiable, especially in the context of financial services.
 - Considers referencing pathways beyond SBTi, or explicitly state it is for the reporting firm to determine what an appropriate pathway are (per the latest draft, only SBTi is the only example, which could be inferred as a requirement to use SBTi pathways).
 - Notes that concept of material areas of emissions when constructing interim targets as part of a climate mitigation transition plan.

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

Initial feedback seems to suggest that the current structure and presentation of reporting requirements in the standards may be difficult to understand and use and may have contributed to the inclusion of repetitive and duplicated content within the sustainability statement. In addition, to avoid unnecessary regulatory fragmentation that could have negative consequences for undertakings operating globally, ESRS Set 1 has been drafted with the objective to contribute to the process of convergence of sustainability reporting standards at global level. The Omnibus proposals suggest to further enhance the already very high degree of interoperability with global sustainability reporting standards.

4.1. PLEASE SHARE YOUR SUGGESTIONS ON HOW TO IMPROVE AND SIMPLIFY THE CURRENT STRUCTURE AND PRESENTATION OF THE STANDARDS, IN RELATION TO:

a. The relationship between cross-cutting and topical standards

- The cross-cutting standard ESRS 2 requires disclosures on strategy, business model and value chain in SBM-1, disclosures on stakeholders' interests and views in SBM-2 and disclosures on material impacts, risks and opportunities and their interaction with strategy and business model in SBM-3. In the topic standards S1 and S4, disclosures on SBM-2 and SBM-3 are also required in the respective “Strategy” chapter. This results in major overlaps in terms of content and therefore raises the question of which specific information is to be disclosed in the cross-cutting standard and which in the topical standards. Clarifications in this regard would facilitate the disclosure process and are therefore desirable
- Separation between cross-cutting / topical standards can create overlaps / confusions. E.g. disclosures on governance, strategy and materiality appear both in ESRS 2 and topical standards. Clear definition on where to report which information and an acceptance of a reporting of information “referred to” rather than “repeated” information could help. GOV3-E1, IRO1-E1, SBM2-S1, SBM3-E1, SBM3-S1, SBM3-S4 all need simplification. Specific datapoints should be reintegrated into ESRS 2 as necessary or otherwise be removed. Any mandatory DRs, which must be reported regardless of materiality, should be integrated into the overarching standard (ESRS 2) and not in the thematic standards, with no duplications.
- Any overarching disclosure requirements related to SBM, IRO (including Policies, Actions and Targets) should just be covered in ESRS 2 in a principles-based manner.

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

- The structure between the main body of the standards and application requirements currently does not lend itself to clear interpretation. There are in general too many AR's, leading to confusion about what is more important (paragraphs or ARs?). ARs are often leading to information repetitions, as they inherently recap the body of the main requirement they relate to; or some ARs are linked to voluntary disclosures, which adds little value. Some ARs seem to be DRs (ie. G1-5 AR 12 a,b)
- In many cases it is difficult to interpret whether a AR is mandatory or voluntary. **Application Requirements should not have any new disclosure requirements.** Any mandatory or voluntary data points should be part of the main section. Major problems relate to ARs which are interpreted by external auditors leading to extensive and often unnecessary disclosures. Likewise, the lack of data often results in missing reporting, which provides limited value. The distinction between main body and the application requirements seems to be blurred in various instances. It would be better to have each standard requirement followed by the application requirements.

- We suggest to limit the application requirements to specific actions/reporting instructions linked to data points instead of keeping in multiple suggestions as this is difficult to check against compliance and also leads to multiple interpretations of the DRs.
- The split of narrative DR into topics does not facilitate the understanding of entities' operational framework. A better balance is needed between a transversal approach and a topical one. Undertakings are not organised by topics but by processes.
- For their first reporting, banks have mainly followed the structure of ESRS, which is not the most appropriate way to disclose information: we note redundancies which could be reduced by integrating AR data points into DR. Guidelines should be issued in a separate document. It would benefit the standards to have all mandatory DPs in the main body and reserving the AR specifically for explanation, clarification and potentially required format or structure.

- Examples:

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

- It should be considered to integrate the DRs and Ars into a single section. If this is not possible, it should be considered to include hyperlinks that lead directly to relevant application requirements or additional explanations in digital versions of the ESRSs.

c. Any other matter

- Considering that the EFRAG checklist (excel) does not list the Application Requirements, only the Disclosure Requirements, it is challenging for the undertakings to check whether they have addressed all necessary ARs.
- In general, the number of “may” vs “shall” DPs should be expanded. This allows market participants to evaluate the report in terms of their effectiveness rather than an encyclopaedic list of items
- Too much repetition/redundancy. An alternative structure could consist of a generic DR on E, with S and G and metrics designated by topic. This would alleviate the current discrepancies among the standards (E is organised by topics, S by value chain). Generally, preparers should have more flexibility to organise the information between general and topical chapters. This includes flexibility in structuring material IROs, strategies, targets and actions.
- The criteria defined for using the option of incorporation by reference sometimes appear to be too restrictive in relation to the types of disclosures provided. The criteria for the use of incorporation by reference should be simplified with respect to some disclosure requirements. Example: Firms, which are parents that have subsidiary undertakings in scope of CSRD and which are unable to rely on an exemption from CSRD reporting, are restricted from incorporating data by reference (from the subsidiary's CSRD report) into the parent consolidated CSRD report due to the restrictive nature of the ESRS 'incorporation by reference'

provisions which envisage only being able to incorporate from a specific selection of the parent undertaking's own documents. This creates frictions where differences in reporting approach on particular DRs (between the parent and a subsidiary) arise and the simplest method is to incorporate by reference CSR-reported data of the subsidiary into the parent CSR report to outline delineations (which is not presently permitted, and therefore leads to duplicative reporting of data in the parent CSR report).

- Certain table formats, particularly those introduced under the S1 Own Workforce section, should be made more flexible. The current binary male/female classification does not reflect the reality in many jurisdictions where a third gender, such as "X", is legally recognised. Several table formats do not allow for adjustments in line with local requirements, despite the presence of "shall" provisions in the authoritative references. A more inclusive format—such as "Men/Women/Other (including X)"—would better support accurate and respectful representation, enabling individuals to be categorised in accordance with how they self-identify. Moreover, where the number of individuals identifying as a specific gender is small, disclosing this information may pose privacy risks and potentially breach data protection regulations such as the GDPR. A suggestion is therefore that the S1 Own Workforce requirements explicitly acknowledge these limitations and allow exceptions where full workforce reporting would contravene privacy laws.

4.2. REGARDING INTEROPERABILITY, PLEASE:

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

W

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

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

- It is important to keep interoperability in context of efficiency and redundancy. The CSR report is intended to be an integrated part of the management report and provide additional information. It is not effective, to repeat information, as has already been mentioned in other sections.
- We support the coherence of ESRS with global standards; interoperability and common datapoints must be maintained as the ESRS are streamlined. We support the joint ESRS-ISSB Standards Interoperability Guidance, which aims to reduce complexity, fragmentation, and duplication for companies applying both ISSB and ESRS., We believe that it would be most helpful if the ISSB also takes into account the future simplification outcomes on the ESRS. Furthermore, this interoperability efforts must persist as the work on future standards under the ISSB continues to evolve.

- An overview table can be included as an annex to the ESRS, which shows the overlaps between ESRS and the other frameworks mentioned above

If you are a user/other type of stakeholder.

Share your views on the importance and usefulness of interoperability from your perspective:

- Interoperability with International Standards must be maintained

PART 5 – ANY OTHER COMMENT OR SUGGESTION

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

- It is essential that the EC suspends the application of disclosure of data subject to a phase-in regime under the CSRD until the whole Omnibus process has been completed. These phase-ins, if kept after the review, should be implemented in alignment with the implementation dates for Wave 2. Otherwise, it would set companies that have already disclosed under CSRD for FY 2024 (including those where their member state has not transposed the directive) at a further disadvantage vis à vis companies that have not reported yet, as the former would be due to report on the phased-in elements (like data on non-workforce or financial effects) on the second year of reporting under CSRD. In addition, the publication of the phased-in elements would mean that companies incur in a significant implementation effort and reporting cost regarding data that could be eliminated or minimized as a result of the outcome of the Omnibus review
- Inconsistent terminology (i.e. Political engagement and lobbying activities vs. Political influence and lobbying activities)
- Inconsistent topical allocation (i.e. Management of relationships with suppliers including payment practices vs. (i) Management of relationships with suppliers and (ii) Payment practices)
- Many DRs are just <header> requirements – i.e. describing the objective, not actual requirements

- ESRS2 Appendix B table is different in the regulation PDF (https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202302772) vs. the online XBRL version (ESRS Set 1) – i.e. ESRS 2 - IRO 1 - E4 paragraphs 16 a(i), b & c should be ESRS 2 – SBM 3 - E4 paragraphs 16 a(i), b & c
- ESRS glossary of definitions can be further streamlined:
 - the definitions of consumers and end-users are quite broad and leave room for interpretation
 - the definition of own workforce within a financial institution is unclear, how for example to distinguish between employees and non-employees (on whom HR may have little specific information)
- Elimination of the obligation to cross-reference other parts of the management report to the sustainability statement
- No zero values to be reported
- No duplications
- Determination of the relevant consolidation scope for CSRD reporting (alignment with the entities included in the group financial statements should be the basic assumption in the future)
- Where applicable include calculation formulas
- Clarify which tables have to be presented unchanged and where rows/columns with zero values can be deleted or other disaggregation can be chosen

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