

**EFRAG PUBLIC CONSULTATION ON DRAFT AMENDED ESRS
FEEDBACK BY THE EAA SRC
SEPTEMBER 2025**

BACKGROUND INFORMATION

A. Materiality definitions

1. Nobes (2024) investigates the development of materiality in corporate reporting across a 55-year period, and claims that there is no clear definition of the central concept of impact (and double) materiality, which determines what and how much to disclose in the context of sustainability reporting.
2. Michelon et al. (2024) (ICAS Research Report) underscore that double materiality has become central, yet the connectivity between impact and financial perspectives remains unclear in practice. This lack of clarity is consistent with concerns raised by Nobes (2024) that there is no single, stable definition of impact materiality.
3. Florou and Zhang (2025) find mixed related evidence. Specifically:
 - First, preparers agree largely that the definition of **double materiality** (as per ESRS 1) fosters the identification of sustainability information that would meet the needs of all stakeholders.
 - Relative to preparers, users of sustainability reports are more favourably inclined regarding the above.
 - However, when comparing different types of users, those with financial objectives (as opposed to those pursuing broader environmental/social goals) appear to have some reservations about the **double materiality** definition.
 - Second, preparers appear to be relatively satisfied with the conceptual adequacy of the two components of the double materiality concept, although they have reservations regarding the alignment of the **financial materiality** definition with that of international standards.
 - Relative to preparers, users of sustainability reports are more favourably inclined regarding the above.
 - However, users with financial objectives are concerned about the conceptual adequacy of materiality concepts, and especially the extent to which the **impact materiality** definition is aligned with that of international standards.
4. In line with Florou and Zhang (2025) Michelon et al. (2024) report that while many users and preparers view the ESRS definition of double materiality as helpful for identifying decision-useful sustainability information for diverse audiences, users with primarily financial objectives remain more cautious.

B. Objective of sustainability reporting and materiality assessment implementation

1. Abhayawansa (2022) highlights that sustainability reporting standards should state clear definitions of materiality and how they are to be operationalised. He also raises the question of the objective of sustainability reporting: decision-usefulness or accountability?
2. Michelon et al. (2024) transform "connectivity" into an operational roadmap: starting with identifying impacts and deriving their financial implications, engaging informed stakeholders, coordinating sustainability and finance, and strengthening governance and risk management (with climate as a key financial risk) under board oversight. This proposal puts into practice what Abhayawansa (2022) calls for above: clearer definitions and operationalization guidelines, in addition to explicitly stating the purpose of sustainability reporting (decision-making versus accountability).
3. Nobes (2024) argues that in the absence of knowing the purpose of the information or any precise users, how should an entity determine what materiality means as the threshold for disclosure? This implies that the implementation of double materiality can be challenging, especially in the case of impact materiality that relates to a wide and diverse set of users with different information preferences and needs. He also argues that the key issue lies in the definition of impact materiality in both GRI 3 and ESRS 1, which appears circular. Moreover, the user group is defined too broadly, with no discussion of their reasonable expectations, and the term "material" is used as a synonym for "significant" — itself left undefined.
4. Florou and Zhang (2025) confirm the above claim. Specifically, they find that:
 - All types of stakeholders are relatively positively inclined regarding the practical feasibility of double materiality, and in particular financial materiality.
 - Both types of users of sustainability reports, irrespective of their orientation (financial or environmental/social objectives) agree, largely, about the above.
 - However, all types of stakeholders, and in particular preparers, are less contented with the practical feasibility of impact materiality.
 - Among users of sustainability reports, those with financial objectives are particularly concerned about the implementation of impact materiality.
5. Current research finds that the materiality concept has measurable relation with subsequent firm behavior. Specifically, Goettsche et al. (2025) document that companies adopting a financial materiality-only approach subsequently improve on financially material sustainability issues, but this comes at a cost of decreased performance on other sustainability issues. Additionally, Fiechter et al. (2025) report that the double materiality approach taken by the NFRD leads to measurable improvements in impact material outcomes, and that these improvements cannot be shown for firms in the US, which does not adopt a double materiality approach.
6. More than 250 leading business and management scholars from across Europe have issued a joint statement urging EU policymakers to uphold the integrity and ambition of key sustainability regulations.

The statement, known as the *Copenhagen Declaration*, responds to the European Commission's *Omnibus I* package, which proposes to simplify the CSRD and the CSDDD. While supportive of efforts to streamline legislation, the scholars caution that simplification must be grounded in scientific evidence, weigh both costs and benefits, and safeguard regulatory consistency.

Signed by many of Europe's foremost experts on corporate sustainability, sustainable finance, and due diligence, the declaration delivers a clear message: "*Sustainability is not a regulatory burden but a strategic advantage that strengthens Europe's competitiveness, resilience, and capacity for innovation.*"

References

- Abhayawansa, S. 2022. Swimming against the tide: back to single materiality for sustainability reporting. *Sustainability Accounting, Management and Policy Journal* 13(6): 1361-1385.
- Fiechter, P., F. Habermann, G. Melloni, and A. Pisciella. 2025. Double materiality as a driver of impact material sustainability outcomes: Evidence from the European Union. Working paper.
- Florou, A., and Y. Zhang. 2025. Stakeholder Frictions and Materiality in Sustainability Reporting: Evidence from EFRAG Public Consultations. Working paper.
- Gottsche, M., P.A. Griffin, F. Habermann, F. Schiemann, and T. Spandel. 2025. A double-edge sword: materiality classifications of sustainability topics. *Review of Accounting Studies* (forthcoming).
- Michelon, G., S. Cooper, N.G. Torea, X. Chen, and Z. Guo. 2024. *Materiality Assessments in Corporate Sustainability and Financial Reporting Connectivity, Practices, Processes, and Challenges*. Edinburgh: ICAS.
- Nobes, C. 2024. From no materiality to double materiality: A 50-year journey. Working paper.

FEEDBACK TO HIGH-LEVEL ISSUES (ESRS 1)

A. Objective of sustainability reporting

Par. 3 states: *“3. The objective of sustainability reporting prepared in accordance with the ESRS is to present fairly (see Chapter 2) the undertaking’s material impacts on people and environment, as well as the material sustainability risks and opportunities (collectively referred to as ‘impacts, risks and opportunities’) in relation to environmental, social and governance topics. Reporting under these two perspectives constitutes the double materiality principle. An ESRS sustainability statement covers governance, strategy, policies, actions, targets and metrics for topics related to material impacts, risks and opportunities”.*

Par. 4 states: *“4. The ESRS require the undertaking to disclose information that is useful to the users of...”*.

RESPONSE: The objective of sustainability reporting, as stated in ESRS1, par. 3 and 4, could be more specific and precise. Useful for what purpose? Decision-usefulness? Accountability? Both? Other? We elaborate on this issue in the next comment.

B. Objective of the use of sustainability information by stakeholders (other than the primary users of financial reports)

Par. 21, 22(a) and 22(b) state:

21. The sustainability statement shall include material information. Information is material when:

22 (a) omitting, misstating or obscuring that information could reasonably be expected to influence decisions that primary users of general purpose financial reports make based on those reports, including financial statements and the sustainability statement; or

22 (b) it is necessary for users of general purpose sustainability statements to understand the undertaking’s material impacts, risks and opportunities and how it identifies and manages them.

RESPONSE:

The justification provided in the document LOG OF AMENDMENTS ESRS 1 GENERAL REQUIREMENTS claims that the proposed amendments clarify better the purpose of information needed by users other than investors. Not clear that this objective is achieved. Still too generic.

Specifically, in 22(a) materiality of information relates to decision-usefulness (*“to influence decisions”*). In 22(b) materiality of information relates to the purpose of understanding. However, to understand for what purpose? Is understanding the end goal (final purpose) of using sustainability information? **The current text potentially undermines the importance of the usage of sustainability information by stakeholders that are not primary users.**

In our view, **there should be a link between understanding and decision-making and/or taking action**. Thus, we suggest amending par. 22(b), as follows: *“...to understand the undertaking’s material impacts..in order to make relevant decisions and/or to take relevant action”*. The word *“relevant”* acknowledges that in sustainability reporting there is a wide and diverse pool of

stakeholders and allows for a range of decisions/actions depending on the nature and mission of the stakeholder. This preserves the primacy of decision-usefulness in 22(a) while ensuring that 22(b) does not stop at “understanding” as an end in itself.

In other words, we suggest that **the amended ESRS treat all users as equally important and promote both the purpose of decision-usefulness and accountability.**

C. Impact materiality assessment

Par. 30 states: *“30. The impact materiality assessment corresponds to the identification of information that relates to the undertaking’s actual or potential, positive or negative material impacts on people or the environment over the short, medium or long term. Impacts include those connected with its own operations, products, including through business relationships in its upstream and downstream value chain. Business relationships are not limited to direct contractual relationships”.*

RESPONSE: When contrasting par. 30 to the equivalent of financial materiality assessment (see par. 37: *“...to influence decisions”*), it is observed that the former is less specific and unrelated to any type of decisions/actions. Same issues as discussed earlier. The proposed changes should retain the impact-oriented nature of par. 30 while clarifying the **purpose of disclosure.**

In other words, we suggest that **the amended ESRS treat financial materiality and impact materiality as equally important.**

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

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

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

RESPONSE:

Florou and Zhang (2025) report that users with financial objectives are less contented with the broader capacity of ESRS 2 and all topical standards to generate sustainability information in accordance with the faithful representation principle, from an impact and in particular a financial perspective. This finding suggests a demand from financially-oriented users for sustainability information that faithfully represents the substance of the phenomena it purports to represent.

The text maintains that “fair presentation” is a cross-cutting principle already entrenched in European regulations and should guide sustainability reporting: according to ESRS 1, providing a fair view requires disclosing all material information with relevance and a faithful representation of IROs, and not limiting oneself to a mere compliance exercise, as ESRS do not prescribe every possible piece of information. This approach is already adopted by the Accounting Directive 2013/34/EU, the NFRD (2014/95/EU), and the CSRD (2022/2464), which allow omitting information only if it does not impede a “fair and balanced” understanding of the company's development, performance, position, and impacts. Furthermore, the Commission's 2019 guidelines confirm “dual materiality,” understanding impact materiality on an equal footing with financial materiality within the same concept of “fair.”

Since the “fair and just” approach already governs corporate reporting in the EU (both financial and sustainability reporting), **failing to include it explicitly in the amended ESRS would be a step backward.**

E. Exemption/Relief because of undue effort or cost

A new paragraph is included, as follows:

“47. To identify material impacts, risks and opportunities, the undertaking shall use reasonable and supportable information that is available without undue cost or effort (see Chapter 7.3). Information that is used by the undertaking in preparing its financial statements, operating its business model, setting its strategy, conducting its sustainability due diligence, and managing its impacts, risks and opportunities is considered available to the undertaking without undue cost or effort”.

RESPONSE: We are concerned with the above paragraph, and in particular, with the phrase “*that is available without undue cost or effort*”. This phrase may allow preparers to strategically avoid the disclosure of material sustainability information without bearing any litigation costs.

We suggest the following re-wording: “*To identify material impacts, risks and opportunities, the undertaking shall use reasonable and supportable information that is available with reasonable cost or effort*”.

Another new paragraph is included, as follows:

“87. The undertaking shall use reasonable and supportable information available at the reporting date without undue cost or effort (see paragraph 90)”:

d) “to prepare information on metrics”.

RESPONSE: We are concerned with the above. As in par. 47 we suggest re-wording par. 87 from “without undue cost or effort” to with reasonable cost or effort”.

Moreover, par. 87(d) could be interpreted in the following way: Information on metrics needs to be prepared only if the related cost/effort is not undue. However, what if the relevant topic has been determined as material? Shouldn’t information on metrics (related to the identified material topic) be prepared, **irrespective of the level of cost/effort?**

We suggest the deletion of par. 87(d).

Another new paragraph is included, as follows:

“89. The assessment of what constitutes undue cost or effort depends on the undertaking’s specific circumstances and requires a balanced consideration of the costs and efforts for the undertaking and the benefits of the resulting information for users. That assessment can change over time as circumstances change”.

RESPONSE: We are concerned about the above. It is generic and ambiguous. As stated, it may enable preparers to strategically avoid the disclosure of material sustainability information without bearing any litigation costs.

We suggest the deletion of par. 89.

F. Scope of CSRD/ESRS (include companies with more than 1,000 employees)

The current proposals stipulate that the CSRD/ESRS apply only to large undertakings with more than 1,000 employees.

RESPONSE:

We are sceptical about the above proposal. We agree with the Copenhagen Declaration that to maintain coherence with the NFRD companies with more than 500 employees should remain within the reporting scope of the CSRD. This inclusion is necessary to create a consistent and meaningful pool of reporting entities across the EU. **Not doing so consists deregulation rather than simplification.**

In most Member States, large companies are a tiny fraction of the productive fabric: Eurostat estimates that those with ≥ 250 employees represent just 0.2% of all companies in the EU's business economy (those with ≥ 500 employees are, by definition, even fewer). Setting the threshold at >500 would leave a very small sample—and in small countries, almost a mere token—which would undermine the comparability and statistical value of the report across countries.

Comparability. A stable perimeter guarantees a sufficiently broad database for comparisons across sectors and countries, developing benchmarks, and measuring the transition trajectory.

Realistic proportionality. Companies with more than 500 employees generally have the resources and capabilities to comply; many already report under NFRD. Excluding them now would waste previously created capabilities and send the wrong signal about the direction of travel.

We strongly encourage EFRAG to propose to the EC to **include within the scope of CSRD the same set of companies that are currently under the scope of NFRD** (i.e., all companies with more than 500 employees). **Not doing so would be a step backward.**

FEEDBACK TO SPECIFIC ISSUES

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

Description of the changes

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

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

1. A new part presenting practical considerations for the DMA has been drafted, including the option of implementing either a bottom-up or top-down approach (Chapter 3.6 of ESRS 1)

RESPONSE: The new chapter is informative and useful. To maximize its usefulness and reduce heterogeneous interpretations, we propose defining minimum criteria for choosing a top-down vs. bottom-up approach; for example, by adding an operational note requiring documentation of: (i) the initial universe of topics/IROs, (ii) severity/likelihood thresholds per topic, (iii) sources of evidence and/or stakeholders consulted. This preserves simplification without sacrificing traceability.

2. More prominence has been given to materiality of information as a general filter and all the requirements are subject to it.

RESPONSE: We find this change useful. However, with reference to paragraph 21.a) *“The sustainability statement shall include material information. Information is material when: (a) omitting, misstating or obscuring that information could reasonably be expected to influence decisions that primary users of general-purpose financial reports make based on those reports, including financial statements and the sustainability statement”*, we suggest to: a) re-phase to *“general-purpose annual reports”*; and b) delete the sentence *“including financial statements and the sustainability statement”*.

3. The relationship of impacts, risks and opportunities, and topics to be reported has been clarified (ESRS 1, paragraph 2 and 22)

RESPONSE: We find this change useful. We recommend requiring a relatively simplified table that connects each material IRO with the applicable disclosures/DPs, metrics/targets, and corresponding policies/actions.

4. It has been explicitly allowed to include information about non-material topics (ESRS 1, paragraph 108) if they are presented in a way that avoids obscuring material information

RESPONSE: We find this change useful. We agree that specific users (e.g., rating agencies) might seek datapoints that are not reported. Furthermore, we also acknowledge that firms

may introduce a numerical threshold to determine material topics and this could result in certain issues being excluded from “material information” solely because their amounts are considered insignificant. Allowing organisations to include such “quasi-material” topics ensures that relevant information is not overlooked.

- 5. Emphasis is put on ESRS being a fair presentation framework, to reinforce the effectiveness of the materiality principle and avoid excessive documentation effort due to a compliance and checklist approach to the list of datapoints (DP); an explicit statement of compliance with ESRS is included in (ESRS 1, Chapter 2)**

RESPONSE: We find this change useful. This “statement of compliance,” together with paragraph 109 — which allows firms to include an executive summary highlighting key messages about their material environmental, social, and governance impacts, risks, opportunities, and related management — enables the creation of a report in which the “compliance” sections and the more “strategic” parts are clearly distinguishable, thereby improving readability.

- 6. To avoid excessive detail in reported information, it has been clarified that all the disclosures can be produced either at topical level or at impacts, risks and opportunities (IRO) level, depending on the nature of the IROs and on how they are managed.**

RESPONSE: We find this change useful and welcome the clarification. We have reviewed the “Comment/Rationale” related to this change (revised paragraph 22) in the document LOG OF AMENDMENTS ESRS 1 GENERAL REQUIREMENTS and found the explanation particularly helpful. We suggest considering its inclusion directly in the standard to provide clearer guidance on what is expected.

- 7. The list of topics in AR 16 (now Appendix A) has been streamlined by eliminating the most detailed sub-sub-topic level and has now an illustrative only and non-mandatory status.**

RESPONSE: We find this change useful. However, the text “*This Appendix is an integral part of ESRS 1 and provides nonbinding guidance to support the application of provisions in this Standard*” is confusing because ESRS 1 is mandatory but Appendix A that is an integral part of ESRS1 is not mandatory. Please clarify.

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

Description of the changes

Appendix C, which has the same authority as other parts of the Standard, illustrates how to perform the assessment, i.e. before or after the actions that have been taken and have reduced the severity of the impact. The new guidance specifies how to treat actions in DMA differentiating ‘actual’ from ‘potential’ impacts. It also differentiates the current reporting period from the future reporting periods (the latter is relevant as impacts of previous years that are material are also to be reported in the current period). For impacts that are assessed as material, the respective actions are reported (which also include policies implemented through actions). Actual impacts are assessed for materiality before the remediation actions in the reporting period

when they occur, while in future periods they are not reported if fully remediated. For potential impacts, when the undertaking must maintain significant ongoing actions to contain severity and/or likelihood below the materiality level, the impact is assessed before the actions are reported. This provision has been introduced to deal with cases such as health and safety negative impacts in highly regulated industries.

Key discussion points at EFRAG SRB level

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

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

RESPONSE:

Overall, we find the new implementation guidance provided in par. 34 and 36, and Appendix C useful. More specifically, instructions in Appendix C may enable preparers to assess the materiality of their actual and negative impacts in an efficient and effective way. This in turn, is less likely to result in excessive reporting.

We also agree that positive impacts should be assessed in their own right and should not be netted off against negative impacts.

Beyond the main discussion at the EFRAG SRB level, we would like to raise a concern regarding the treatment of prevention actions when a potential impact materializes. Under the current wording, no disclosure is explicitly required on prevention actions previously undertaken once an impact has occurred. Prevention actions are disclosed only for potential impacts, whereas actual impacts require disclosure of remediation actions.

This approach may create a gap in reporting and make it difficult for stakeholders to understand the full sequence of actions taken by an undertaking over time. For example:

- 2023: Firm A foresees a potential impact and discloses its prevention actions.
- 2024: The potential impact remains, and prevention actions continue to be disclosed.
- 2025: The potential impact occurs and becomes an actual impact. The disclosure now focuses exclusively on remediation actions, with no explicit link to the prior prevention actions.

We suggest that Appendix C include a requirement for preparers to disclose relevant past prevention actions when an actual impact materializes, if such information is useful for users' decision-making. This would not imply a requirement to restate all prior disclosures, but rather to provide sufficient context to illustrate the evolution from prevention to remediation.

Stemming from the above, we believe that comparability and the other qualitative characteristics of information set out in Appendix B should be explicitly recalled in Appendix C. Ensuring these characteristics are maintained over time is fundamental to the quality and informativeness of sustainability disclosures.

Reinforcing these principles would support stakeholders in making well-informed assessments and would strengthen the consistency of reporting across reporting periods and across undertakings.

EFRAQ Questionnaire Q20)

20) ESRS E1: Disclosures on Anticipated Financial Effects

FEEDBACK

PARTIALLY AGREE/PARTIALLY DISAGREE

Comment:

We understand that the reduction of reporting about anticipated financial effects is necessary in order to comply with the requirement of reducing the overall number of disclosure points. As forward-looking information is generally difficult to report, this reduction can decrease the reporting burden of companies. Forward-looking financial effects are inherently hard to measure, often subject to high estimation uncertainty; standard-setters explicitly recognize that in some cases quantitative information may not be decision-useful. Additionally, one can assume that (at least some) investors can use their own estimations for financial effects (e.g., expected carbon prices), drawing on internal carbon pricing and scenario analysis practices that predate mandatory standards. This partially offsets the loss of some datapoints when disclosures are simplified

However, the reduction of the disclosure requirements also decreases the benefits for users of sustainability disclosures. Additionally, connectivity between sustainability-related and financial information is important for both users and preparers, yet it remains an outstanding task (Michelon et al., 2025). Weakening forward-looking financial linkages risks widening the gap that connectivity aims to close. Empirical evidence also suggests that financial consequences are a key driver of decarbonization decisions. On the one hand, Hahn et al. (2025) find that financial benefits are an important driver of carbon-reducing investments. On the other hand, omitting related reporting requirements might lead to a disconnect of climate-related disclosure items and their financial effects, also for the reporting entities, especially if they consider ESRS as a check-box exercise.

For these reasons, we support the EFRAG's decision to retain at least some of the requirements for anticipated financial effects, especially as they cannot be inferred from any other reported information. Additionally, we suggest that, in light of the reduction of reporting requirements of anticipated financial effects (E1-11), it would be helpful and in line with connectivity to require at least an explicit but qualitative link to the anticipated financial effect.

Hahn, R., Pioch, T., Reimsbach, D., & Schiemann, F. (2025). What Drives Carbon-Reducing Investments? A Vignette Experiment on Managers' Decision-Making From a Multilevel Perspective. *Business Strategy and the Environment*, 34(3), 3008-3026.

Michelon, G., Cooper, S., Garcia-Torea, N., Chen, X., & Guo, Z. (2024, May). Materiality assessments in corporate sustainability and financial reporting: Connectivity, practices, processes, and challenges. <https://icas.com.uksouth01.umbraco.io/media/mj5je4ym/materiality-assessments-in-corporate-sustainability-and-financial-reporting.pdf>

EFRAG Questionnaire Q33

33) Overall feedback per standard

FEEDBACK

ESRS E1 (

Agree

Focus on ESRS E1:

Comment:

In general, we agree with the EFRAG's approach to achieve the required reduction in disclosure points through the omission of primarily voluntary, qualitative and "redundant" items, while keeping key disclosure points regarding scope 1, 2, 3 emissions, emission targets and climate-related risks.

Some reductions occurred regarding emission intensities. While intensity measures are useful information for users of sustainability disclosures, the reductions focus on those intensity measures, which can be calculated using otherwise available information (e.g., emissions divided by revenues or total assets). We support keeping at least one sector-specific intensity metric because users benefit from both absolute and intensity views, consistent with TCFD guidance on Metrics & Targets.

Regarding the transition plans, we welcome the explicit link to EU and international climate goals in the draft text. However, the clarification of the "compatibility with 1.5 degrees" and the resulting explicit connection to the Paris Agreement and the European Climate Law (§13 & §14) are useful to ensure consistency with the EU regulatory framework, and to limit discretion about the definition of "compatibility with 1.5. degrees", which fosters comparability between firms and across years. However, it would be helpful to further clarify the meaning of "compatibility with 1.5 degress".

Scientific evidence (Bolton and Kacperczyk, 2021) supports preserving the core of E1: markets price emissions and climate risk, and credible climate disclosure can affect valuation and the cost of capital.

Bolton, P., & Kacperczyk, M. (2021). *Global Pricing of Carbon-Transition Risk* (NBER Working Paper No. 28510). National Bureau of Economic Research.

<https://www.nber.org/papers/w28510>

SIMPLIFIED ESRS EAA/EFRAG WEBINAR

FEEDBACK BY THE EAA STAKEHOLDER REPORTING COMMITTEE
SEPTEMBER 2025

ANNITA FLOROU (BOCCONI UNIVERSITY)

High Level Issues (ESRS 1)

- ▶ Objective of sustainability reporting
- ▶ Objective of the use of sustainability information by all stakeholders
- ▶ Impact materiality assessment
- ▶ Emphasis on ESRS being a “fair presentation” reporting framework
- ▶ Exemption/Relief because of undue effort or cost
- ▶ Scope of CSRD/ESRS

Objective of Sustainability Reporting

Issue

- ▶ The objective of sustainability reporting, as stated in ESRS1, par. 3 and 4, is not precise and clear enough.
- ▶ Par. 4 states: “*The ESRS require the undertaking to disclose information that is useful to the users of...*”.
- ▶ Useful for what purpose? Decision-usefulness? Accountability? Both?

Recommendation

- ▶ See next slide

Objective of the Use of Sustainability Information by Stakeholders

Issue

- ▶ With regards to primary users of general purpose financial reports, materiality of information relates to decision-usefulness (*par. 22(a): "to influence decisions"*).
- ▶ With regards to all other users, materiality of information relates to the purpose of understanding (*par. 22(b): "to understand"*).
- ▶ However, to understand for what purpose? Is understanding the end goal (final purpose) of using sustainability information?
- ▶ **The current text (22(b)) potentially undermines the importance of the usage of sustainability information by stakeholders that are not primary users.**

Recommendation

- ▶ Introduce **a link between understanding and decision-making and/or taking action.**
- ▶ Amend par. 22(b), as follows: "*...to understand the undertaking's material impacts...in order to make relevant decisions and/or to take relevant action*". This preserves the primacy of decision-usefulness in 22(a) while ensuring that the purpose of disclosure does not stop at "*understanding*" as an end in itself.
- ▶ **The amended ESRS should treat all users as equally important and promote both the purpose of decision-usefulness and accountability.**

Impact Materiality Assessment

Issue

- ▶ When contrasting par. 30 (impact materiality assessment) to par. 37 (financial materiality assessment) it is observed that the former is less specific and **again unrelated to any type of decisions/actions**. Same issues as discussed earlier.

Recommendation

- ▶ **Link** (in par. 30) the process of impact materiality assessment **to a specific purpose of using the disclosed information** (as in financial materiality assessment, par. 37)
- ▶ **The amended ESRS should treat financial materiality and impact materiality as equally important**

Emphasis on ESRS being a “Fair Presentation” Reporting Framework

Issue

- ▶ The Amendments clarify that ESRS is a fair presentation reporting framework (as it is for IFRS S1 and S2), with the expectation that this will support a more effective functioning of the materiality filter and reduce the check list mentality associated to the adoption of a compliance approach.
- ▶ This explicit requirement of fair representation is a subject of debate.

Recommendation

- ▶ Fair presentation is a cross-cutting principle already entrenched in ESRS 1.
- ▶ This approach is also already adopted by the Accounting Directive 2013/34/EU, the NFRD (2014/95/EU), and the CSRD (2022/2464/EU), which allow omitting information only if it does not impede a “fair and balanced” understanding of the company's development, performance, position, and impacts.
- ▶ Since the “fair and just” approach already governs corporate reporting in the EU (both financial and sustainability reporting), **failing to include it explicitly in the amended ESRS would be a step backwards.**

Exemption/Relief because of Undue Effort or Cost

Issue

- ▶ New paragraphs have been inserted introducing the concept of “*use of reasonable and supportable information that is available without undue effort/cost*” when determining material IROs (par. 47, 87, 87(d) and 89).
- ▶ The relief (“*without undue cost or effort*”) has been introduced to limit the burdens for preparers and get aligned with IFRS S1.
- ▶ However, this relief may allow preparers to strategically avoid the disclosure of material sustainability information without bearing any litigation costs.

Recommendation

- ▶ Re-wording par. 47 and par. 87 from “*available without undue cost or effort*” to “***available with reasonable cost or effort***”.
- ▶ Delete par. 87(d) and par. 89.

Scope of CSRD/ESRS

Issue

- ▶ The current proposal stipulates that the CSRD/ESRS apply only to large undertakings with more than 1,000 employees.
- ▶ Disrupts coherence with the NFRD.
- ▶ Incompatible with the principles of comparability and realistic proportionality.
- ▶ Deregulation rather than simplification.

Recommendation

- ▶ **Include within the scope of CSRD the same set of companies that are currently under the scope of NFRD** (i.e., all companies with more than 500 employees).
- ▶ **Not doing so would be a step backwards.**

Thank you!

Some specific comments of the EAA Stakeholder Reporting Committee

regarding the Amended ESRS 1 (Q11 & 12)

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Aim of this presentation

In the following, we illustrate our approach to comment on the Amended ESRS.

With the aim to

- initiate and inspire your comments on the Amended ESRS and
- initiate questions and discussion about our comments.

Question 11 – subquestion 1

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

Description of the changes

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

1) A new part presenting practical considerations for the DMA has been drafted, including the option of implementing either a bottom-up or top-down approach (Chapter 3.6 of ESRS 1)

RESPONSE: The new chapter is informative and useful. To maximize its usefulness and reduce heterogeneous interpretations, we propose **defining minimum criteria** for choosing a top-down vs. bottom-up approach; for example, by adding an operational note requiring documentation of:

- (i) the initial universe of topics/IROs,
- (ii) severity/likelihood thresholds per topic,
- (iii) sources of evidence and/or stakeholders consulted.

This preserves simplification without sacrificing traceability.

Question 11 – subquestion 4

4) It has been explicitly allowed to include information about non-material topics (ESRS 1, paragraph 108) if they are presented in a way that avoids obscuring material information

RESPONSE: We find this change useful.

Specific users (e.g., rating agencies) might seek datapoints that are not reported.

Firms may introduce a numerical threshold to determine material topics and this could result in certain issues being excluded from “material information” solely because their amounts are considered insignificant. Allowing organisations to include such “quasi-material” topics ensures that relevant information is not overlooked.

Question 11 – subquestion 6



6) To avoid excessive detail in reported information, it has been clarified that all the disclosures can be produced either at topical level or at impacts, risks and opportunities (IRO) level, depending on the nature of the IROs and on how they are managed.

RESPONSE: We find this change useful.

We find this change useful and welcome the clarification. We have reviewed the “Comment/Rationale” related to this change (revised paragraph 22) in the document LOG OF AMENDMENTS ESRS 1 GENERAL REQUIREMENTS and found the explanation particularly helpful. We suggest considering its inclusion directly in the standard to provide clearer guidance on what is expected.

3.2 Interaction between topics to be reported and material impacts, risks and opportunities		Comment/Rationale
ESRS Set 1 as per Delegated Act 2023	[Draft] Amended ESRS 1 <i>General requirements</i>	
	<u>22. The undertaking shall report on a given topic when the topic relates to one or more material impacts, risks and opportunities, as identified through its double materiality assessment. The information shall be presented either at topical level or at impacts, risks and opportunities level, depending on what provides the most relevant information, such as reflecting their nature or the way they are managed (refer to the general requirement on level of disaggregation in Chapter 3.7).</u>	NEW This reflects the emphasis in Amended ESRS on IROs being material and topics being reported when related IROs are material. In addition, the changes are related to the way to present the information at topic level or at most granular one depending on the relevance of information. This is to encourage more focused and less granular reports, limiting the disclosure at IRO level to when this is needed. This sets a general requirement to be applied across all the disclosures in ESRS 2, topical standards and entity-specific.

Question 11 – subquestion 7

7) The list of topics in AR 16 (now Appendix A) has been streamlined by eliminating the most detailed sub-sub-topic level and has now an illustrative only and non-mandatory status.

RESPONSE: We find this change useful.

However, the text “This Appendix is an integral part of ESRS 1 and provides nonbinding guidance to support the application of provisions in this Standard” is confusing because ESRS 1 is mandatory but Appendix A that is an integral part of ESRS1 is not mandatory. Please clarify.

OLD AR 16				NEW Appendix A	
Topical ESRS	Sustainability matters covered in topical ESRS				
	Topic	Sub-topic	Sub-sub-topics	Topics	Sub-topics
ESRS E1	Climate change	Climate change mitigation		Climate change (ESRS E1)	Climate Change Mitigation
		Climate change adaptation			Climate Change Adaptation
		Energy			Energy
		Pollution of air			Pollution of air

Question 12



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

Explanation: Generally, impact materiality is considered before ongoing or future mitigation and or prevention action. However, “when supportable evidence exists that mitigation or prevention actions taken reduce the severity and/or likelihood of potential negative impacts (i.e. those that could occur in the future), the effect of these actions is considered in assessing the materiality of the impacts.” (p. 35)

Also: “36. The undertaking’s positive impacts shall be assessed in their own right and shall not be netted off against its negative impacts.” (p. 36)

Question 12

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

Explanation: Appendix C on *Actual vs. Potential* negative impacts.

A really short summary:

Assess & report material potential impact (before any action) &

Report any ongoing *prevention or mitigation* actions

General note: If a fully completed(!) action pushes the impact below materiality threshold (no more action needed), then no reporting necessary

Assess & report material actual impact (before any action) &

Report any *remediation* actions (already taken after impact and/or planned)

However, no reporting on past prevention or mitigation actions necessary.

Question 12



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

RESPONSE: Overall, we find the new implementation guidance provided in par. 34 and 36, and Appendix C useful. More specifically, instructions in Appendix C may enable preparers to assess the materiality of their actual and negative impacts in an efficient and effective way. This in turn, is less likely to result in excessive reporting.

We also agree that positive impacts should be assessed in their own right and should not be netted off against negative impacts. ...

Potential gap in reporting (makes it difficult to understand the full sequence of actions taken by an undertaking over time). For example:

2023: Firm A foresees a potential impact and discloses its prevention actions.

2024: The potential impact remains, and prevention actions continue to be disclosed.

2025: The potential impact occurs and becomes an actual impact. The disclosure now focuses exclusively on remediation actions, with no explicit link to the prior prevention actions.

Suggestion: Include a requirement for preparers in Appendix C to

- disclose relevant past prevention actions when an actual impact materializes
- NOT: restate all prior disclosures, but rather provide sufficient context.

Thank you.