

POSITION PAPER

Position Paper

of the German Insurance Association (GDV)
Lobby register No R000774

on the Revised ESRS Exposure Drafts



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Introduction

The German insurance industry welcomes and fully supports EFRAG's ongoing efforts to streamline the ESRS and to develop reporting requirements that are both effective and workable for undertakings of all sizes and sectors. Insights from the first round of CSRD reporting—as well as an initial review of published sustainability reports—have clearly shown that the current requirements are often overly complex and insufficiently aligned with real-world business practices. Moreover, not all data points are equally relevant for investors, credit institutions, or insurers.

We note positively EFRAG's declared objective to simplify the standards and to reduce the number of data points by 57%. However, in our view this objective has not yet been reached in practice. While some data points have merely been shortened or reclassified as voluntary, the overall level of data requests and reporting obligations has hardly decreased. This means that the real simplification—both for preparers and for investors—remains limited.

Therefore, we seek to propose further improvements to the ESRS to streamline the standards while preserving their ambition and sector-agnostic applicability. The following proposals reflect our key ideas for even more targeted, practicable and effective ESRS. Annex I of this position paper includes the GDV response on the questions of part 2 of the amended ESRS exposure draft July 2025 public consultation survey.

GDV Proposals for the revision of ESRS

Proposal 1: Clarify the reporting boundary of own operations

We generally welcome the amendments and clarifications regarding the reporting boundary of own operations. In particular ESRS 1 paragraph 70 brings valuable clarity on the treatment of leased assets. We also appreciate the inclusion of the term “usually” in paragraph 59, which indicates that the financial reporting scope does not necessarily equate to an undertaking's own operations and that justified exceptions are possible.

However, the wording of paragraph 70 in conjunction with paragraph 59 currently gives the impression that leased assets are the only permissible exception to the general rule. Auditors may interpret this literally and assume that no other exceptions are allowed, which could limit the practical application of the ESRS. To allow a meaningful application of the sector-agnostic ESRS for financial institutions, paragraph 70 should refer not only to leased assets but also to all fully consolidated investments solely held for investment purposes.

For insurers, for example, fully consolidated real assets held for investment are

driven by Solvency II obligations, Asset Liability Management obligations or obligations resulting from the German Insurance Supervision Act (VAG) rather than financial control and including these assets in “own operations” would trigger additional mandatory metrics (such as energy, water, and land use) that dilute the focus on the insurer’s actual operational activities. Similar considerations apply to other sectors where fully consolidated investments are held for investment purposes rather than operational purposes. Insurers and financial institutions differentiate between real assets held for own use and for investment. Counting investment-only assets as own operations could misrepresent control and mislead stakeholders about the nature of the business.

Therefore, paragraph 70 should be revised to explicitly allow exceptions beyond leased assets, including fully consolidated assets solely held for investment purposes. It should be clarified in ESRS 1 chapter 5.3 that exceptions other than leased assets (ESRS 1 paragraph 70) and long-term employees benefit fund (ESRS 1 paragraph 71) are permissible if they can be reasoned and enable more accurate sustainability reporting. To enhance clarity, we further suggest the following rewording in ESRS 1 paragraph 59: „In the case of group reporting, the reporting undertaking, **depending on its business model**, usually considers as part of its own operations: the assets and liabilities, income and expense of the parent undertaking and its subsidiaries, located in or outside the EU, as determined in accordance with the applicable accounting requirement...“.

Additionally, to enable a sector-specific application that meets the business needs of all preparers, a specification of “investments” to “financial and non-financial investments” could be useful in ESRS 1 paragraph 68: “Business relationships include shareholding positions in associates or joint ventures, as well as other **financial and non-financial investments**.”

Proposal 2: Strengthening alignment with GHG protocol for GHG emission reporting

While we welcome the clarification regarding the reporting boundary in ESRS 1 chapter 5.3, especially the guidance on how to treat leased assets, we still see need for improvement regarding the reporting boundary for GHG emissions reporting according to DR E1-8. We are concerned about the restricted approach adopted for GHG emission boundaries under ESRS E1, AR 19 and AR 20. While the shift to the financial consolidation approach enhances interoperability with IFRS S2 and the financial control approach of the GHG Protocol, it limits the flexibility that the GHG Protocol explicitly provides — namely, allowing undertakings to choose between financial control, operational control, **or** equity share boundaries. Due to the special features of the business model and prudential requirements,

insurers are often forced to act as majority investors, which leads to the existence of financial control without being able to exercise operational control over related sustainability matters. This misalignment creates significant challenges for interoperability and comparability across reporting frameworks. ESRS E1-8 should be revised and the requirements for (re)insurance undertakings should be specified to be based on the principle of actual control over investments.

The additional requirement of ESRS E1 paragraph AR19 to disclose scope 1/2 emissions based on both financial control and operational control under certain circumstances and in the event of a conflict with fair presentation is not considered appropriate in this form. Parallel disclosure of both variants would only lead to confusion among the recipients of sustainability reporting, combined with the legitimate question of which disclosure is the “correct” one.

To our understanding, the proposed changes aim to align GHG emission accounting with the GHG Protocol but still incorporate the layered approach from ESRS Set 1 in a more complicated manner. This increases assessment complexity due to new standard interpretations, potential adjustments to current auditor-aligned practices, and the need for more granular evidence.

In the event that an industry-specific solution for insurance companies proves unfeasible, we therefore suggest either

1. Reverting to the initial disclosure requirements if EFRAG wishes to retain the layered approach, or
2. Adopting full optionality (financial or operational control), thereby aligning wording closely with the GHG Protocol and allowing undertakings to explain their chosen approach.

Should our interpretation outlined above not align with EFRAG’s intentions or reading, we would welcome a more detailed clarification and explanation of how, in particular, the newly introduced ESRS 1 paragraph 70 on the treatment of leased assets is to be understood in the context of the restricted approach to GHG emission boundaries set out in ESRS E1, AR 19 and 20, and how it should consequently be applied in reporting. Especially if EFRAG’s understanding is that, for leased or sub-leased assets, **operational control is not required and financial control is deemed sufficient**, we would appreciate a clear clarification on this point in AR 19 and 20.

Proposal 3: Safeguarding the idea of fair presentation

We generally welcome the introduction of the fair presentation principle in ESRS 1 chapter 2. We also acknowledge that with this introduction, EFRAG aims to reduce

the reporting burden and intends to simplify the reporting for companies. It is important that undertakings have sufficient flexibility to enable a more focused and judgement-based application of the reporting requirements. However, as it is currently drafted there is a high risk for the fair presentation principle to even aggravate the reporting burden instead of being a simplification. The current wording would result in an additional compliance approach. In the worst case it could result in a situation where auditors would limit the use of transitional measures or require the disclosures of voluntary datapoints of the non-mandatory implementation guidance.

We also note that the current wording is largely based on IFRS S1. Under IFRS, fair presentation is closely linked to sustainability-related risks and opportunities that could reasonably affect the entity's prospects. In contrast, the ESRS does not establish an explicit connection to the financial statements. As a result, the current drafting may be interpreted as requiring a fair presentation of all material impacts, including those extending beyond direct implications for the financial statements, which could be challenging to assess and substantiate for auditors.

While the ESRS draws on IFRS S1, it is important to recognize the fundamental differences between the two frameworks. IFRS S1 limits fair presentation to information that is financially relevant, whereas the ESRS scope is broader. Given these differences, the wording may need careful adjustment to ensure that the fair presentation principle achieves its intended purpose without inadvertently increasing complexity.

To ensure that the principle supports a more management-driven, judgment-based reporting approach, we recommend clarifying its context in ESRS 1, paragraph 17 as follows:

„Fair presentation gives undertakings flexibility in complying with reporting requirements as it allows deviations from a given requirement in consideration of the double materiality approach and materiality of information as a general filter for reported information as well as additional information in the context of reporting on entity-specific topics.“

Proposal 4: Ensuring practicability of materiality of information

We welcome the inclusion of the materiality of information as a general filter for reported information. In our view this is a necessary clarification to identify material information and to guide focused sustainability reporting. However, as currently drafted the concept of materiality of information is not practical.

In ESRS 1 paragraph 21 (b) information is defined as material „*if 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.*“ Based on this definition it will be hardly possible for undertakings to dismiss information as not material as it can never be verified that nobody requires this information. Consequently, companies may feel compelled to include information that they would not consider material under paragraph 21(a), potentially diluting the focus of sustainability reporting.

The need for a practicable and sector-agnostic filter is particularly important following the deletion of sector-specific standards. We support deletion of sector-specific standards, as this will help simplify the sustainability reporting process and reduce the regulatory burden. In our view, there is no need for further standardization in the form of guidelines. Additional guidance for the insurance sector is not considered necessary, as the industry is already subject to extensive and sufficient regulatory requirements. Except regarding GHG emissions reporting (cf. proposal 2), clarifications should only be made where an analysis of existing CSRD reports indicates a clear need. As there are no sector-specific standards, the ESRS must provide a framework that can be applied across different sectors and business models, allowing companies to omit information that is not relevant or meaningful in their specific context.

The continued inclusion of paragraph 21(b), even in slightly amended form, still makes it extremely difficult for companies to justify the omission of certain information. To enhance practicability and interoperability with ISSB standards, we therefore propose either:

1. deleting Paragraph 21(b) entirely; or
2. amending paragraph 21 (b) as follows: **“it could reasonably be expected to be necessary for users of general purpose sustainability statements to understand the undertaking’s material impacts and how it identifies and manages them.”**

This would allow undertakings to assess materiality more reasonably in practice. We believe that such an adjustment is essential to ensure that the materiality filter effectively supports focused, meaningful, and manageable sustainability reporting, in line with the objectives of the revised ESRS framework.

In order to foster understandability further, we recommend integrating the provision of chapter 3.1 “Materiality of information as a general filter for reported information” in chapter 3.6 “Determining the information to be reported in accordance with [Draft] Amended ESRS 2 and topical standards”.

Proposal 5: Relief for metrics

In principle we welcome the relief for metrics included in ESRS 1 chapter 7.4. Unfortunately, the relief introduced through ESRS 1 paragraph 91 is per definition not applicable to GHG emissions. However, GHG emissions accounting and calculation for insurance undertakings is the one metric area generally most subject to high measurement uncertainties, often unavailable and unreliable direct or estimated data, and high cost and effort requirements. In the way paragraph 91 is phrased, the relief for metrics would not be possible for GHG emissions – as such full coverage would be required, irrespective of cost and effort considerations or the reliability of estimates. Hence, paragraph 91 creates a misleading incentive for GHG emissions to achieve full data coverage with low-quality estimates, rather than prioritizing high-quality, verified data for management purposes, such as target setting. Using sector averages for low-quality data areas is simple, but investors need to differentiate companies to identify risks and opportunities. As such, we fully support the relief concept of paragraph 91 and strongly call for removing the exclusion of this concept for GHG emissions.

We appreciate the intention to exclude joint operations without operational control from certain environmental metrics. The provision is presented as a relief, however seems to establish disclosure requirements on joint operations over which the undertaking has operational control for ESRS E2 - E5. We therefore suggest an introduction of „**In case an operational control approach is chosen**, the undertaking may exclude joint operations over which it does not have operational control from the calculation scope of environmental metrics reported in accordance with [Draft] Amended ESRS E2 Pollution, [Draft] Amended ESRS E3 Water, [Draft] Amended ESRS E4 Biodiversity and ecosystems and [Draft] Amended ESRS E5 Resource use and circular economy.”

Proposal 6: Avoid creation of inconsistencies with existing frameworks and legislation

We strongly welcome the overarching ambition of the revised ESRS Exposure Drafts to streamline the ESRS, clarify disclosure requirements and enable effective and efficient sustainability reporting. However, the revised drafts only partially address existing inconsistencies and, in some cases, introduce new ones. For example, the wording in ESRS S1 paragraph 46 (b), ESRS S2 paragraph 19, ESRS S3 paragraph 19 and ESRS S4 paragraph 15 refers to “human right [issues/incidents]”. However, SFDR PAI indicator no. 14 refers to “severe human rights issues and incidents”, which was aligned with the current version of the ESRS.

Another example relates to the options in ESRS 2 paragraph 23. Option 1 is

intended to be largely aligned with IFRS relief measures, but it is not fully consistent with IFRS regulations. Combined with the uncertainties surrounding Option 1, Option 2 is preferable, although this widens the gap to IFRS requirements.

The final example relates to the disclosure of GHG emissions, where the ESRS E1, AR 19 and 20 ED deviates from the GHG protocol which allows more flexibility (cf. proposal 2). We strongly propose to resolve those inconsistencies wherever possible to allow for effective and efficient sustainability reporting without unnecessary divergence from existing frameworks and regulations.

Proposal 7: No introduction of new concepts as gross versus net

The mandate for the revision of the ESRS standards was to simplify the ESRS. Based on this, EFRAG should refrain from introducing any new requirements or fundamentally changing existing concepts as this would not only create additional effort and prevent simplification but would also punish first movers in sustainability reporting. In this regard we would like to highlight the newly introduced ESRS 1 paragraphs 34, 35 and ESRS 1 Annex C. This new guidance on how to consider remediation, mitigation and prevention actions in assessing materiality of negative impacts adds significant complexity by introducing new legal terms, leading to varied interpretations of the standards. This contradicts the goal of Omnibus which is simplification and reduction of reporting burden and would punish first movers as it goes beyond the current ESRS. We therefore suggest removing the new detailed requirements of ESRS 1 paragraphs 34, 35 and Appendix C. We suggest an ongoing dialogue on this issue. Additionally, time should be given for market practice to evolve, which by itself will address currently existing divergence in practice.

Proposal 8: Deletion of direct references to external (voluntary) standards, such as PCAF, which are not formally part of the ESRS and were not subject to consultation by the European Commission

We suggest removing direct references to external voluntary standards, such as PCAF, not formally part of the ESRS and were not subject to public consultation by the European Commission. The aim is to maintain alignment with the formal legal framework and avoid potential misunderstandings regarding the mandatory nature of such standards. We propose amending ESRS E1-8, AR 25 (f) to delete the reference to the PCAF Standard and replace it with a rather generic requirement that allows flexibility, e.g., **"... (f) consider available best practice and/or mature and accepted frameworks or reporting standards"**.

Berlin, 26th September 2025

Annex I: GDV response on part 2 of the amended ESRS exposure draft July 2025 public consultation survey

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

Question

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

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

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

[I agree / I partially agree and partially disagree / I disagree / I would like to skip this question and provide my feedback in Part 3]

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GDV response

We support strengthened emphasis on materiality of information in ESRS 1. However, we have concerns regarding paragraph 21(b). First, it will be hardly possible for undertakings to dismiss information as not material as it can never be verified that nobody requires this information. Consequently, companies may feel compelled to include information that they would not consider material otherwise. Second, it introduces differences to IFRS, diminishing interoperability. To enhance practicability and interoperability with IFRS, we propose either deleting paragraph 21(b) entirely; or amending it as follows: “it could reasonably be expected to be necessary for users of general purpose sustainability statements to understand the undertaking’s material impacts and how it identifies and manages them.”

Regarding “Materiality of information as a general filter for reported information” it should be clarified that it applies to all DR / AR and single datapoints; all requirements throughout the standards should be worded in a way that they are subject to it (e.g. interaction of ESRS 1 3.5. and 3.3.1). Identical wording in paragraph 21 and paragraph 37 risks conflating the concepts of materiality of information and financial materiality. For conceptual clarity, they should be differentiated and duplications avoided.

We welcome the addition in ESRS 1 AR 16 as it is a promising move toward harmonizing financial and sustainability reporting requirements. Financial reporting, particularly in financial statements, often presents financial risks on a net basis, reflecting their economic net effects. Allowing net risk disclosure in sustainability reporting can therefore enhance consistency with financial reporting. It also aligns with ISSB standards, which do not mandate a net or gross perspective. We propose integrating internal opportunity management into the provision as well to ensure consistency with established opportunity management and reporting practices. This would contribute to minimizing reporting burden and strengthen consistency across financial and sustainability disclosures.

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

Question

If you intend to provide feedback also on Part 3 of this questionnaire, please note that by answering this question, you will not be allowed to include comments on paragraph 34 to 36 And Appendix C of ESRS1 in Part 3 to avoid duplication of input. Your comments on paragraph 34 to 36 and Appendix C of ESRS 1 can only be provided here.]

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

[I agree / I partially agree and partially disagree / I disagree / I would like to skip this question and provide my feedback in Part 3]

GDV response

Overall we would like to highlight that this newly introduced guidance introduces three additional assessment layers for the assessment of actual and potential impacts which significantly increases effort and penalizes wave 1 companies that have already implemented a sophisticated materiality assessment process, methodology, and governance setup. This clearly goes against the European Commission mandate of simplification.

1. Regarding ESRS 1 – 34: In practice, this distinction of actual negative impacts before and after mitigation or remediation measures is highly complex and often difficult to operationalize, particularly when impacts evolve over time or when mitigation is embedded in ongoing processes. The current wording may lead to significant documentation burden and interpretive uncertainty, especially in audit contexts.

2. Regarding ESRS 1 - 35: We welcome the proposed reliefs regarding the double materiality assessment. However, the requirement to report potential impacts subject to “significant ongoing mitigation or prevention efforts” in its current form leaves interpretive uncertainty that may lead to disproportionate complexity in application as well as difficulties in audit contexts.

3. Regarding Appendix C, There are several issues with its interpretation. The definition of occurrence within the reporting year is unclear and not meaningful, as typically impacts persist several reporting periods and mitigation actions are usually already in place for several years. Separating the assessment prior to and after mitigation is in practice very difficult. Moreover, it is questionable in how far reporting on impacts that are already well mitigated will be of use for users of the sustainability report.

Hence, we propose to delete detailed guidance in ESRS 1 paragraphs 34-35 and Appendix C. We suggest an ongoing dialogue on this issue and to give market practice time to evolve as this will address currently existing divergence in practice.

Q 13 Improved readability, conciseness and connectivity of ESRS Sustainability Statements**Question**

Do you agree that these proposed Amendments, when combined with the other changes in the Amended ESRS, provide an appropriate level of flexibility to support more relevant and concise reporting, as well as to promote better connectivity with corporate reporting as a whole?

[I agree / I partially agree and partially disagree / I disagree]

GDV response

- Regarding ESRS 1 - 103.: In order to align the wording with the CSRD requirement, we strongly recommend replacing "sustainability statement" with "sustainability report"
- Regarding ESRS 1 - 108.: We welcome the proposed amendment to paragraph 108. However, it remains unclear whether the additional information included in the sustainability statement formally constitutes part of the audited content. We recommend clarifying whether undertakings have the option to include or exclude such information from the audit scope, and how this decision should be documented or disclosed.

Q 14 Restructuring of the architecture and interaction between ESRS 2 and Topical Standards**Question**

Do you agree that these proposed amendments strike an appropriate balance between (1) prescriptiveness of the requirements and preparation effort from the one hand, and (2) need for relevant and comparable information from the other?

[I agree / I partially agree and partially disagree / I disagree]

GDV response

While we generally agree with the implemented changes regarding the architecture and interaction between ESRS 2 and the topical standards, especially deleting most topical specifications to GOV, SBM, and IRO, some prescriptive disclosure requirements on PAT level have been introduced that we cannot support and that were not required in the current standards. These specifically pertain to GDR-M, paragraph 41. Firstly, paragraph 41 (a) now requires, for each metric, information on data types and sources used as input to the calculation. While these disclosures are still subject to

the concept of information materiality, providing information on data types and sources is not relevant for most metrics and certainly does not add additional value to users of sustainability statements. We therefore suggest deleting ‘data types and sources used as input to the calculation’ from the prescriptive requirements of the provision. Secondly, paragraph 41 (b) introduces new requirements for all environmental metrics regarding information on the specific environmental conditions and characteristics of the area where the impact is occurring. Such information is often not available, also is it near impossible to determine the area where the impact is occurring with precision – as such the required information would be highly judgmental, subject to significant uncertainties and therefore likely to not meet the criterion of faithful presentation. 41 (b) also creates additional requirements that were not present in set 1 by advocating such information for all environmental metrics, which also includes value chain metrics. We therefore suggest deleting subparagraph 41 (b) entirely.

Q 15 Improved understandability, clarity and accessibility of the Standards

Question

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

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

[I agree / I partially agree and partially disagree / I disagree]

GDV response

We support the objective of eliminating “may disclose” datapoints to enhance focus and reduce confusion.

We also welcome the relocation of all mandatory disclosure requirements into the main body of the standards, along with the placement of application requirements directly below each relevant DR and Chapter in ESRS 1.

We appreciate the efforts to improve language consistency, clarity, and conciseness. Nonetheless, we caution that changes to established terminology should be implemented with care. Many undertakings are already preparing or reporting under the original version of the ESRS, and terminology updates—even if well-intentioned—may introduce additional interpretation challenges or perceived reporting burdens if not clearly aligned with prior guidance. We also would like to highlight the following inconsistencies:

- Usage of “material topics” vs. “material impacts, risks and opportunities”: While ESRS 1 introduce a clarification that reporting undertakings shall report on material impacts, risks and opportunities but may choose to organize their reporting based on topic-level, several sections in the different documents use a wording that may suggest otherwise (e.g. ESRS 1-8: “[Draft] Amended ESRS 2 General disclosures establishes Disclosure Requirements (DRs) on the information that the undertaking shall provide for topics related to material impacts, risks and opportunities on the reporting areas of (i) governance, strategy, impact, risk and opportunity management, as well as (ii) policies, actions, targets and metrics.”) The standards should overall be checked in this regard to ensure consistent wording. It should be ensured that throughout the standards, in all DRs only “material IROs” is used.
- Adverse vs. negative impacts: it should be avoided to introduce different wordings for the same issue.

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

Question

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

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

All

NMIG - ESRS 1

NMIG - ESRS 2

NMIG - ESRS E1

NMIG - ESRS E2

NMIG - ESRS E3

NMIG - ESRS E4

NMIG - ESRS E5

NMIG - ESRS S1

NMIG - ESRS S2

NMIG - ESRS S3

NMIG - ESRS S4

NMIG - ESRS G1

GDV response

We welcome a strict and clear separation of mandatory and voluntary disclosure requirements, keeping in the standards all “shall” requirements and moving all “may” requirements to the NMIG. We also agree with EFRAG’S recommendation that the EC shall not include this content in the Delegated Act as it could trigger additional efforts of analysis and/or have an ambiguous role as possible additional disclosure with entity-specific relevance if issued within the Delegated Act. In this regard, it must be ensured that the NMIG does not introduce contradictory explanations in comparison with the ESRS.

Q 17 Burden reliefs and other suggested clarifications

Question

Do you agree that these proposed Amendments provide sufficient relief and strike an acceptable balance between (a) responding to the stakeholders’ demands for burden reliefs and (b) preserving the transparency needed to achieve the objectives of the EU Green Deal, as well as interoperability with the ISSB’s IFRS S1 and S2?

EFRAG considered how to improve consistency with other pieces of regulation. Considering what can be achieved in these Amendments (as opposed to what requires modification by the other regulation) EFRAG gave priority to the SFDR regulation. Please refer to question 28 if you intend to comment on this aspect. Other selected changes to enhance consistency are described in the Log of Amendments for each standard. Please note that some of the reliefs described above go beyond the ones in IFRS S1 and S2 described in question 21 below. As interoperability with IFRS S1 and S2 is

specifically addressed in question 21 should be commented upon there. Please also refrain here from comments on the options proposed for quantitative financial effects, as question 17 is specifically dealing with them.

[I agree / I partially agree and partially disagree / I disagree]

GDV response

Overall, assessing achieved burden reliefs is difficult as several requirements were merged or differently organized instead of deleting them.

We fully welcome the introduction of the “undue cost or effort” exemption, which offers much-needed flexibility for preparers facing disproportionate costs—particularly for complex data collection and metric calculations.

We regret that relief for partial data coverage (ESRS 1 paragraph 91) explicitly excludes ESRS E1-8 (GHG emissions). GHG emissions accounting and calculation is the one metric area generally most subject to high measurement uncertainties, often unavailable and unreliable direct or estimated data, and high cost and effort requirements. As paragraph 91 is drafted, relief for metrics would not be possible for GHG emissions – as such full coverage would be required, irrespective of cost and effort considerations or the reliability of estimates. This creates a misleading incentive for GHG emissions to achieve full data coverage with low-quality estimates, rather than prioritizing high-quality, verified data for management purposes, such as target setting. Using sector averages for low-quality data areas is simple, but investors need to differentiate companies to identify risks and opportunities. We therefore strongly recommend removing the exclusion of this concept for GHG emissions.

We appreciate the intention to exclude joint operations without operational control from certain environmental metrics. The provision is presented as a relief, however seems to establish disclosure requirements on joint operations over which the undertaking has operational control for ESRS E2 - E5. We therefore suggest an introduction of „In case an operational control approach is chosen, the undertaking may exclude joint operations over which it does not have operational control from the calculation scope of environmental metrics reported in accordance with [Draft] Amended ESRS E2 Pollution, [Draft] Amended ESRS E3 Water, [Draft] Amended ESRS E4 Biodiversity and ecosystems and [Draft] Amended ESRS E5 Resource use and circular economy. "ESRS 2 AR 16 should explicitly state that it applies only to material risks and opportunities to ensure clarity and consistency with the materiality principle.

Finally, the requirement of ESRS 1 paragraph 74 that sustainability reporting has to match financial reporting periods is unfeasible for investments, since investee data are only available after publication, inevitably creating a time lag. Hence “including for the calculation of metrics” should be deleted

or the phrase “where possible/feasible” should be added as for emission calculation, usually e.g. extrapolations or prior year data have to be used.

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

Question

If you intend to provide feedback also on Part 3 of this questionnaire, please note that by answering this question, you will not be allowed to include comments on paragraph 92 of ESRS 1 in Part 3 to avoid duplication of input. Your comments on paragraph 92 of ESRS 1 can only be provided here.

Do you agree that the proposed relief for lack of data quality on metrics strikes an acceptable balance between providing the necessary flexibility for preparers and avoiding undue loss of information?

[I agree / I partially agree and partially disagree / I disagree / I would like to skip this question and provide my feedback in Part 3]]

GDV response

Unfortunately, the provision of ESRS 1 paragraph 92 is presented as a relief, however seems to establish disclosure requirements on joint operations over which the undertaking has operational control for [Draft] Amended ESRS E2 Pollution, [Draft] Amended ESRS E3 Water, [Draft] Amended ESRS E4 Biodiversity and ecosystems and [Draft] Amended ESRS E5 Resource use and circular economy, which contradicts the defined consolidation scope.

Regarding ESRS E1, the comment in the Log of Amendments (ESRS 1) raises concerns regarding deviations to IFRS S2, although IFRS S2 does not prescribe an operational control approach (“This relief respond to concerns about data availability. For ESRS E1 this is not applicable as this would introduce a difference with IFRS S2”). Further explanation is therefore requested.

For further comments on ESRS 1 paragraph 91, please note our answer on Question 17.

Q 19 Relief for anticipated financial effects

Question

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

Please select from the alternatives below the one that represents your view:

[I agree with option 1 / I agree with Option 2 / I disagree with both options / I would like to skip this question and provide my feedback in Part 3]

GDV response

We support the simplification of disclosure requirements for anticipated financial effects due to the complexity, uncertainty, and sensitivity of corresponding quantitative data. We would have preferred this topic to be introduced as a phase-in provision under the revised ESRS. As this has not been considered it results in significant additional effort for companies at this stage

Option 1 raises several concerns, including high estimation uncertainty. Further, while option 1 is substantially aligned with the IFRS relief, it includes deviations that may lead to additional reporting burden and efforts for undertakings aiming to comply with both standards. If option 1 is implemented, we therefore suggest to fully align option 1 with the IFRS provisions, i.e. by: (1) deleting the specification that the undertaking may use the relief when there is no reasonable and supportable information derived from its business plans to be used as input in the calculation of anticipated long-term financial effects. Even though such a relief would also be applicable under IFRS, any difference in the wording of the provisions can create additional effort on the reporting undertaking's side. (2) including the provision that the undertaking may omit quantitative information when it does not have the skills, capabilities or resources to provide that quantitative information. We cannot agree to the concern that the relief is not compatible with entities that are expected to be in scope of the amended ESRS. This judgement should be at the undertaking's discretion. Even though larger undertakings can be expected to have the necessary skills, capabilities, and resources, there may be cases in practice where such preconditions are not existent, given the complexity and lack of maturity for related disclosures.

Choosing from the two options as they are provided, we recommend implementing Option 2, which focuses on qualitative disclosures and allows voluntary quantification.

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Q 20 ESRS E1: Disclosures on Anticipated Financial Effects

Question

If you intend to provide feedback also on Part 3 of this questionnaire, please note that by answering this question, you will not be allowed to include comments on paragraph DR E1-11 or paragraphs 40, 41 and 42 of ESRS 1 in Part 3.

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

[I agree / I partially agree and partially disagree / I disagree / I would like to skip this question and provide my feedback in Part 3]

GDV response

We appreciate the effort to simplify the disclosure requirements on Anticipated Financial Effects, particularly through the reduction in scope from the previous E1-9. However, we believe that further adjustments are needed to fully balance reporting effort with users' needs. Firstly, in line with the recommendation to establish option 2 for disclosures on anticipated effects (ESRS 2 paragraph 23), the DR and AR E1-11 should be classified as voluntary "may" provisions.

Regarding paragraph 40 and 41: If option 1 is selected (ESRS 2 paragraph 23) we strongly recommend aligning the requirement with the provision on the DMA approach. If based on the specified financial perspective mitigation actions can be considered, this provision should also be aligned with that approach: Delete "before considering climate change mitigation actions". In view of paragraph 40 (b), the level of detail required for specifying the location is challenging to determine, and the term "key assets" allows for varying interpretations, potentially leading to ambiguity and inconsistency

across the industry. With regard to 41 (c), while narrowing the scope to encompass only "real estate used as loan collaterals" is generally a positive direction, disclosing a breakdown of any within these assets by energy-efficiency class would not always provide material information.

Regarding paragraph 42:

- In case option 1 is selected (ESRS 2 paragraph 23): The wording of the DR "amount and percentage of assets or revenue derived from its business activities" suggests that information related to current but not anticipated financial effects is to be provided. We assume this as misleading and suggest deleting this DR.
- •Due to business sensitivity, the quantification of anticipated financial effects should be limited to risks remaining after mitigation actions and should not include a quantification of potential opportunities.
- •Moreover, the requirements should be aligned with other regulation, particularly Solvency II and EBA.

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

Question

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

[I agree / I partially agree and partially disagree / I disagree]

GDV response

We appreciate EFRAG's efforts to enhance interoperability with IFRS S1 and S2. Still, there remain critical areas where deviations occur:

Regarding IFRS S1, we see interoperability issues with the amended ESRS implementation of information materiality, cf. our response to question 11.

Regarding IFRS S2, the requirements concerning financial and operational control (E1 AR 18 – AR 20) diverge significantly from IFRS S2, where undertakings have the flexibility to choose their preferred approach. This dual approach may result in inconsistencies in reporting and interpretation.

Due to the special features of the business model and prudential requirements, insurers are often forced to act as majority investors, which leads to the existence of financial control without being able to exercise operational control over related sustainability matters. Therefore, the requirements for (re)insurance undertakings should be specified to be based on the principle of actual control over investments. If this proves unfeasible, the requirement should be fully aligned with IFRS S2 or the current wording of the ESRS should be maintained.

Further deviations to IFRS 2 related to the requirements around anticipated financial effects are still a concern, cf. our response to question 20. The inclusion of anticipated financial effects considerations to perform the resilience analysis (E1 AR 8 for par. 20) is another critical area that does not align with IFRS S2. It was not included in the original ESRS, introduces complexity and additional burdens for undertakings.

Lastly, ESRS require companies to report on Energy consumption and mix metrics, while IFRS S2 does not.

In conclusion, while the proposed amendments represent significant progress towards interoperability, addressing these critical areas will be essential to achieving a more consistent and aligned framework with IFRS standards. Further dialogue and refinement are needed to ensure that the simplification objectives do not compromise the integrity and comparability of sustainability reporting.

Q 22 Reduction in the number of mandatory and voluntary datapoints

Question

Do you agree that the proposed reduction in “shall disclose” datapoints (under materiality) strike an acceptable balance between burden reduction and preserving the information that is necessary to fulfil the objectives of the EU Green Deal?

[I agree / I partially agree and partially disagree / I disagree / I believe some of the deleted content should be maintained (please specify in the comments by indicating the relevant paragraph in the standard)]

GDV response

We support the systematic reduction in mandatory and voluntary datapoints as a necessary and proportionate response to concerns around reporting complexity, excessive granularity, and the potential administrative burden for preparers.

We welcome the prioritization of quantitative datapoints over detailed narrative explanations and the clear distinction between mandatory and voluntary requirements. However, we observe that some paragraphs in the ESRS text remain unclear or primarily descriptive, such as ESRS 1 paragraph 27,

AR 16 related to paragraph 42, and AR 20 related to paragraph 49. Likewise, expressions like “is useful information” (e.g., ESRS 2, AR 32 to paragraph 37) or “is a possible aspect to cover” (e.g., AR 33 to paragraph 37) continue to appear. These formulations do not fully support the goal of simplifying the standards and may lead to uncertainty regarding the actual requirements for undertakings. Additionally, even the conceptual framework concerning “topics to be reported on” or “material IROs” could benefit from further clarification or streamlining.

Finally, it is important to note that a 57% reduction in mandatory datapoint will not necessarily translate into a proportional decrease in report length or reporting burden. While we welcome the notable reductions in certain topical standards, significant concerns remain regarding newly introduced concepts and methodologies that may, in fact, increase the reporting effort.

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

Question

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

[I agree / I partially agree and partially disagree / I disagree]

GDV response

As a general principle, we oppose the introduction of new mandatory datapoints as part of EFRAG’s simplification of the ESRS. The revised ESRS should focus on simplification, and converting ‘may’ datapoints into ‘shall’ requirements contradicts the European Commission’s mandate.

This being said, we can agree with the changes done to the requirements in E3 (water withdrawal and water discharges) and E4 (Transition plan).

However, we strongly oppose the introduction of new metrics in G1, since this clearly goes against the mandate of simplification and reduction of reporting burden.

Q 24 Four new mandatory datapoints (exception)

Question

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

[I agree / I partially agree and partially disagree / I disagree]

GDV response

We oppose the introduction of new mandatory datapoints. The revised ESRS should prioritize simplification, and adding new mandatory requirements runs counter the European Commission's mandate. If these datapoints are retained, we recommend the following:

Regarding ESRS 2 BP 1, while we appreciate the streamlined 'comply or explain' approach to only state deviations from the ESRS 1 General requirements provisions, we would find it useful to provide that information in the relevant context and to not list all the details in the first section. We do not agree with the new provisions introduced by paragraph 5, as it creates duplicated information throughout the Sustainability Statement. For example, if the reporting undertaking makes use of the relief for metrics with a partial scope (ESRS 1 paragraph 91), or changes sustainability information due to a restatement need or error correction (ESRS 1 paragraph 95-97), sufficient transparency will be provided for the metrics concerned, i.e. by providing contextual information, disclosing the partial scope, and correcting/restating the previous reporting period figures. Following the new paragraph 5 and stating that the reporting undertaking has applied these "provisions" just creates duplicates and redundant information not helpful for readers and users. We therefore suggest limiting the disclosures required by paragraph 5 to those that do not create duplicated/redundant information. Otherwise, mandating such disclosure may introduce unnecessary complexity and reporting burden without significantly improving transparency. We recommend confirming that these detailed requirements are not intended to change current practice but simply formalize existing flexibility.,

New DR in E2-4 and E5-4 are not applicable for insurance undertakings, therefore, no objections.

New DR in E5- 5 is meaningful and we agree.

Q 25 Emphasis on ESRS being a "fair presentation" reporting framework

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?

[I agree / I partially agree and partially disagree / I disagree]

GDV response

We welcome that fair presentation has been explicitly included in the ESRS which also contributes to alignment with the ISSB standards and appreciate the aim to simplify reporting and provide more flexibility. However, as it is currently drafted there is a high risk for the fair presentation principle to even aggravate the reporting burden instead simplifying reporting. The current wording would result in an additional compliance approach due to additional auditor scrutiny. Given that the (amended) ESRS are written as a compliance framework, fair presentation may require additional disclosures that are not required by the individual requirements of the ESRS by reference to a “view” of fairly presenting impacts, risks, and opportunities. This can lead to additional requirements with respect to entity-specifics, transitional provisions, or the NMIG. IFRS and ESRS have fundamental differences in this regard. Under IFRS S1, fair presentation is about sharing relevant information on sustainability risks and opportunities that impact an entity's financial prospects, focusing on cash flows and capital costs. This is directly linked to financial statements.

ESRS , however, require fair presentation not only on risks and opportunities but also of all material impacts (and effects of risks and opportunities beyond the direct implications on the financial statements), which is almost impossible to assess, let alone prove with sufficient evidence to the auditor. Given these differences, the wording needs careful adjustment. To ensure that the principle supports a more management-driven, judgment-based reporting approach, we recommend clarifying its context in ESRS 1, paragraph 17 as follows:

„Fair presentation gives undertakings flexibility in complying with reporting requirements as it allows deviations from a given requirement in consideration of the double materiality approach and materiality of information as a general filter for reported information as well as additional information in the context of reporting on entity-specific topics “

Q 26 Exception for Financial Institutions' Absolute climate reduction Targets

Question

I [agree / disagree] that financial institutions should be exempted from disclosing climate absolute GHG emission values targets when they have only

set intensity targets]

GDV response

Overall, the need to disclose absolute values is understood. However, disclosure of absolute values alongside GHG emissions intensity targets presents significant challenges for financial institution due to two main reasons:

1. Fail to comply with qualitative characteristic of information: Estimating absolute targets involves assumptions about portfolio composition, production capacity, market shares, and emission intensity, leading to unreliable results and unmeaningful disclosures. On top of that, absolute targets may capture total impact but fail to consider business growth, potentially creating an unlevel playing field if exceptions are made only for financial institutions.
2. Key role to support the transition: The approach adopted by financial institutions makes it possible to reconcile the two objectives by distinguishing between financing oriented towards fossil fuel sectors which requires gradual de-commissioning and supporting sectors currently reliant on fossil fuels whose challenge is to invest in their technological transformation and thus reduce this dependence (e.g. electrification of vehicles). By setting GHG emissions intensity targets, financial institutions can finance companies committed to decarbonization without sectoral limits imposed by absolute targets, aligning with their role in supporting substantial investment flows needed for transitions.

The current wording of the paragraph suggests that one must have an absolute target expressed in intensity terms, rather than allowing for an intensity target that is supported by absolute values. One has to read AR 12 to understand that targets may also be expressed in intensity values. We strongly recommend amending the wording as follows: "(a) GHG emission reduction targets for Scope 1, 2 and 3, either separately or combined..." to clarify this.

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

Question

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

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

[I agree / I partially agree and partially disagree / I disagree / I would like to skip this question and provide my feedback in Part 3]

GDV response

We support efforts to improve the availability and comparability of country-level social data where it is relevant for users. However, the change in definition/threshold of significant headcount for the metrics regarding characteristics of the undertaking's employees, collective bargaining coverage and social dialogue in the European Economic Area (S1-5 and S1-7 of Amended ESRS S1) leads to additional effort as it triggers changes in methodology and additional disclosure requirements. In particular, with respect to S1-5 and S1-7 this additional effort to collect the relevant data is considerable. We also disagree with the new threshold for country-by-country disclosure as it significantly increases the burden of global data collection and the number of data points to be disclosed. The burden of global data collection is significantly increased when metrics on employees are collected primarily by operating entity rather than by country, which is the case in many companies for internal steering purposes. And an increased number of data points to be disclosed reduces the readability and conciseness of the final Sustainability Statement. Both aspects contradict the aim of the Omnibus initiative to simplify it and therefore, we disagree with the new threshold.

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

Question

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

[I agree / I partially agree and partially disagree / I disagree]

GDV response

We support the objective of promoting fair and transparent wage practices and welcome the reference to international frameworks. However, amendments do not achieve simplification; instead, considerable additional effort is expected as the requirements regarding permissible sources (e.g. for living wage estimates in countries outside the EU) have been changed requiring review whether or not previously used sources can still be used. From

a cost-benefit perspective, the DR on adequate wages (i.e. ESRS S1 paragraph 32 and related AR) appears to be inefficient for the insurance industry, as the substantial effort required to verify adequate wages yielded results indicating that fair compensation is not a significant concern in this sector. As a result, the disclosure should be limited to defined sectors, as follows: "For defined critical sectors, percentage of employees paid below an adequate wage by country". Besides this, we disagree with the requirements of new AR 22 (b), in particular:

- the addition in AR 22 (b) i) regarding statutory minimum wage that it is "periodically reviewed/adjusted every two years and takes into account the ILO wage setting principles" and
- the newly introduced last sentence of AR 22 (b) that the adequate wage benchmarks outside the EU "should take into account both needs of workers and their families, as well as economic factors, as stated in the ILO Minimum Wage Fixing Convention No.131".

We contend that it is not the responsibility of individual undertakings to ensure this, and a list of applicable adequate wages should be provided by EFRAG.

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

Question

Do you agree with the way the SFDR PAI have been incorporated in the Amended ESRS? You are invited to explain the reason why you agree or disagree and to provide your suggestions for improvements or alternative simplification proposals, if any.

[I agree / I partially agree and partially disagree / I disagree]

GDV response

We support the objective of maintaining alignment between ESRS and SFDR frameworks. Generally, PAI indicators should be kept as companies have integrated or plan to integrate most PAI indicators in their investment decision making processes or are relevant for their engagement strategies. PAIs are better understood and known by customers than other elements of disclosure. Retail customers well understand the PAI themes on GHG, biodiversity, waste, water and social and employee matters. Overall, supporting information needs of financial market participants under Regulation (EU) 2019/2088 (SFDR) is a key objective of CSRD/ESRS reporting. A dynamic and consistent link between ESRS and SFDR PAI indicators is essential, especially in view of the planned revision of the SFDR in the Commission work program. PAI reporting under SFDR at entity level should

be removed by group aggregated disclosure, i.e. upon (group aggregate) PAI disclosure under CSRD, the Art. 4 SFDR requirement for entity level disclosure should be deemed as complied with.

We disagree with the current formulation of ESRS S1 paragraph 46(b), S2 paragraph 19, S3 paragraph 19 and S4 paragraph 15 for the following reasons:

- Amended wording replaces “number of severe human rights [incidents/issues]” with “number of human rights [incidents/issues].” This broadens the scope from substantiated, high-impact cases to potentially all recorded incidents, regardless of severity. It also undermines alignment with SFDR PAI Indicator #14, which refers to “severe human rights issues and incidents”. We recommend reintroducing the qualifier “severe” to ensure conceptual clarity and consistency.
- ESRS S2, S3 and S4 are not classified as metric-containing standards (ESRS 2 AR 37). However, the phrase “disclose these” in DR S2-3 paragraph 19, DR S3-3 paragraph 19 and DR S4-3 paragraph 15 implies quantitative disclosure, creating confusion about whether these should be treated as metrics and how they fit into the overall metrics and targets framework.

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

Question

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

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

[I agree / I partially agree and partially disagree / I disagree]

GDV response

We support the review of AR 26 in Amended ESRS E4, insofar as it contributes to the overall simplification of the standard and maintains a degree of methodological guidance that can assist undertakings in defining relevant biodiversity and ecosystem-related targets.

This being said, the current target-setting guidance in E4 AR 26 is primarily oriented towards the real economy, focusing on direct actions such as habitat restoration or number of projects/sites, which are applicable to production sectors. However, for financial institutions, biodiversity targets are

rather connected to portfolio alignment, sector inclusion, engagement targets, or impact reduction based on metrics disclosed by investees, emphasizing the shift of capital flows rather than direct operational control. Therefore, any guidance included in a revised AR 26 on target setting will struggle to capture the diverse requirements across sectors. Given this disparity, we suggest not including specific target guidance in the ESRS, allowing flexibility for each sector to define targets that are relevant to their unique roles and impacts on biodiversity and ecosystems.

Q 31 ESRS S1 DR15: Gender pay gap

Question

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

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

[I agree / I partially agree and partially disagree / I disagree]

GDV response

We welcome the deletion of this voluntary data point.

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

Question

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

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

[I agree / I partially agree and partially disagree / I disagree]

GDV response

We welcome the inclusion of paragraph 33(b) in the revised ESRS G1, which introduces a clear requirement to disclose standard payment terms by supplier category, including SMEs, and the percentage of payments aligned with those terms.

Q 33 Overall feedback per standard**Question**

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

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

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

ESRS1 [I agree / I partially agree and partially disagree / I disagree]

ESRS2 [I agree / I partially agree and partially disagree / I disagree]

ESRS E1 [I agree / I partially agree and partially disagree / I disagree]

ESRS E2 [I agree / I partially agree and partially disagree / I disagree]

ESRS E3 [I agree / I partially agree and partially disagree / I disagree]

ESRS E4 [I agree / I partially agree and partially disagree / I disagree]

ESRS E5 [I agree / I partially agree and partially disagree / I disagree]

ESRS S1 [I agree / I partially agree and partially disagree / I disagree]

ESRS S2 [I agree / I partially agree and partially disagree / I disagree]

ESRS S3 [I agree / I partially agree and partially disagree / I disagree]

ESRS S4 [I agree / I partially agree and partially disagree / I disagree]

ESRS G1 [I agree / I partially agree and partially disagree / I disagree]

Glossary [I agree / I partially agree and partially disagree / I disagree]

GDV response

Regarding ESRS 1 paragraph 59: In order to ensure a faithful presentation, the word "usually" in the first sentence should enable financial institutions to account for own operations in a way that suits their business model, i.e. financial and non-financial investments should be exempted. To enhance clarity, we suggest the following rewording: „ 59. In the case of group reporting, the reporting undertaking, depending on its business model, usually considers as part of its own operations: the assets and liabilities, income and expense of the parent undertaking and its subsidiaries, located in or outside the EU, as determined in accordance with the applicable accounting requirement...“.

We welcome the clarification in ESRS 1 paragraph 59 sentence 3 according to which the “undertaking may exclude from the sustainability reporting boundary a subsidiary that has been excluded from the scope of the consolidated financial statements due to its non-materiality from a financial perspective [...]” as it reduces uncertainty and can significantly lower the burden of reporting. However, it should be clarified that the undertaking would not be expected to reassess every non-consolidated subsidiary regarding their non-materiality for sustainability. As the current wording can be interpreted as having to re-assess every non-material subsidiary to reach a conclusion whether there are or are not specific facts and circumstances regarding material IROs, a clarification is needed.

ESRS 1 paragraph 70 should be revised to explicitly allow exceptions beyond leased as-sets, including fully consolidated assets solely held for investment purposes. It should be clarified in ESRS 1 chapter 5.3 that exceptions other than leased assets (ESRS 1 paragraph 70) and long-term employees benefit fund (ESRS 1 paragraph 71) are permissible if they can be reasoned and enable more accurate sustainability reporting.

Q 34 Any other comment

Question

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

GDV response

Overall, consistency is needed in the use of terms “May” and “Shall”, other terms like “can” should not be used.

Regarding ESRS 1:

- Chapter 3 conflates ‘topics’ with ‘IROs’. A reporting undertaking may have a single IRO in a broader topical area without the whole topic being material. Conflating both terms can increase reporting effort through additional auditor scrutiny. Therefore, more consistent and clearer segregation between ‘topics’ and ‘IROs’ is necessary.
- In paragraph 25 clarification is necessary that financial materiality arises only from risks and opportunities, not from impact.
- Paragraph 26 should acknowledge that undertakings may start their materiality assessment from either impact or financial perspective, depending on existing processes.
- Regarding paragraph 38: Clarification is needed if it is sufficient to reference the risk and opportunity report to meet the requirement of addressing materiality beyond consolidation scope, as this report typically also covers business relationships?
- AR15 should be deleted as assessing forward-looking financial effects based on impacts is difficult to operationalize and contradicts the reliefs in AR16.
- AR16 should include opportunities.
- In chapter 3.5 clarification is needed that specifications described under 3.3.1 are to be read in conjunction with 3.5 to make clear that e.g. paragraph 31 only applies for impacts that the undertaking did not identify as material in the first step.
- In paragraph 47, internal expert judgment should be recognized as a valid source of “reasonable and supportable information”.
- The wording in AR19 is ambiguous regarding necessary or expected usage of quantitative information or scoring. To ensure clarity and consistent application, we recommend revising the text as follows: "The use of quantitative information or quantitative scoring is not a prerequisite. A qualitative analysis may be sufficient for the undertaking to reasonably conclude that the impacts, risks and opportunities related to a given topic are material or not material."