

29 September 2025

Patrick de Cambourg, Chair, Sustainability Reporting Board
Chiara Del Prete, Chair, Sustainability Reporting Technical Expert Group
EFRAG
35 Square de Meeûs
Fifth Floor
1000 Brussels
Belgium

Dear Mr. de Cambourg and Ms. Del Prete:

CFA Institute¹ appreciates the opportunity to comment and provide our perspectives on EFRAG's proposed [simplified set of European Sustainability Reporting Standards](#) ("ESRS") and the related Amended ESRS Exposure Draft July 2025 [Public Consultation Survey](#) (the "Survey" or the "Consultation").

CFA Institute has a long history of promoting fair and transparent global capital markets and advocating for strong investor protections. An integral part of our efforts toward meeting those goals is ensuring that corporate reporting and disclosures and the related audits provided to investors and other end users are of high quality. Our advocacy position is informed by our global membership who invest both locally and globally.

Given the limited time available to respond to the Consultation, we provide our perspective on several overarching matters covered in the Survey, without commenting on the details of the specific amendments to the topical standards. In addition to providing this letter we have completed the Survey and included responses to the respective questions as cross referenced below.

¹ With offices in Charlottesville, VA; New York; Washington, DC; Hong Kong SAR; Mumbai; Beijing; Abu Dhabi; and London, CFA Institute is a global, not-for-profit professional association of more than 200,000 members, as well as 160 member societies around the world. Members include investment analysts, advisers, portfolio managers, and other investment professionals. CFA Institute administers the Chartered Financial Analyst® (CFA®) Program. For more information, visit www.cfainstitute.org or follow us on [LinkedIn](#) and Twitter at [@CFAINstitute](#).

High-Quality Information: Critical for Making Effective Investment and Resource Allocation Decisions

From an investor perspective, ***“high quality” reporting and disclosures means***, among other things, that it is ***useful for informing decisions to buy, sell or hold financial securities, including making voting and engagement decisions***. Meeting investors’ information needs is arguably fundamental to ensuring there is sufficient capital available (and willing) to, for example, finance the transition to a low carbon economy. Accordingly, our comments here focus on the decision usefulness of the information that would be disclosed by companies using the proposed simplified ESRs.

We recognise that ESRs are designed to provide information about sustainability matters to a broad group of a company’s stakeholders to meet the EU’s civil society objectives. However, it is worth noting that information that can inform other stakeholders’ decisions, such as a customer’s decision to buy from or an employee’s decision to work for a company, is also relevant for investors because the decisions that other stakeholders make on the basis of that information can have implications for financial forecasting and therefore the decisions investors make.

Our perspectives are provided on the basis that ***investors are among the “last in line” to receive income or capital repayments after other stakeholders” claims have been satisfied. That makes some of the information that can influence the decisions and actions of other stakeholders relevant for investors too***, and why it is important that you get sufficient input from investors on this Consultation.

Timeframe: Period for Input Should Be Longer

We are concerned that the amount of time available for responding to such a detailed questionnaire – only two months, with half of the consultation period being during the summer – will make it difficult for EFRAG to obtain the necessary feedback from investors on these changes. ***Investors also are just beginning to digest the extensive reports that have been published so far by the “Wave 1” companies to be able to assess how their reporting could be improved.***

In our previous letters to EFRAG, including in our May 2025 [Response to EFRAG Call for Input on ESRs Set 1 Revision](#) and our [2022 comment letter on the first set of ESRs](#), we expressed concerns about the rapid development of ESRs affecting the development of high-quality standards and whether they would be considered legitimate and well accepted by all stakeholders. We remain concerned that the speed with which the ESRs standards were originally developed – and the pace of subsequent amendments – undermines the effectiveness of due process. ***The rapid cycle of “hurry up, wait, implement, hurry up, revise” does not provide the means for the careful and thoughtful deliberation necessary for robust standard setting.*** We worry that the expedited timeline for the current Consultation risks yielding a similar result.

Outreach Approach: Should Be Tailored to Obtain Effective Investor Input

As in previous consultations, EFRAG's feedback approach with investors is passive rather than active. ***Feedback from investors needs to be sought – through active engagement with them and in a format that allows them to provide effective input. Investors are not reading the ESRS standards; they are reading the output (disclosures).*** The mechanism for gathering their input needs to take this into account.

The outreach events held appear to focus on preparers and accountants, with only one event targeted at investors (although we note that it was also for financial institutions, which are of course lenders and investors, but they typically focus on their views as preparers). Preparers and accountants have had several years to digest and prepare for application of the ESRS standards, and they will no doubt have feedback on the ease of and challenges with their application, but investors are only just now beginning to see the output of them. This, along with the passive feedback approach, is likely to yield ***feedback*** that is ***more focused on preparers' interests*** and their concerns about the usability of the standards ***than it is on the experience of investors*** and other users ***about the usability of published sustainability statements in informing their decisions.***

We also note that the cost-benefit analysis (CBA) currently underway focuses only on European stakeholders. The investor community is global and there are investors from all over the world that invest in European companies. Like this Consultation, the stakeholder engagement (in the form of a survey) period was only about a month, again over the summer period, mostly in August. Getting broad investor input on the CBA will be critical to understanding the benefits of the ESRS standards and the sustainability statements their application results in; preparers only see the costs and only judge 'usefulness' on the basis of whether investors ask questions about their reporting – an inaccurate benchmark.

We believe EFRAG needs to be mindful of these issues when considering the feedback received.

We Support Simplifying ESRS Requirements (Questions 14, 15 and 22)

In principle we support the simplification of the ESRS requirements. Reporting standards, regardless of topic, need to be straightforward to implement and easy to navigate so that the preparer understands all the requirements, the assurance provider understands what they are assessing, and the user of the resulting reporting understands what they are reading.

The speed with which the original ESRS standards were developed led to challenges and disagreements in interpretation of some of the requirements, resulting in differences in approach and limiting investors' ability to compare information about material topics across companies.

The onslaught of implementation guidance on fundamental issues that EFRAG provided after the original ESRS standards were published, along with various FAQs, is further evidence that the "user experience" in applying the standards was inadequate. This naturally has implications for the quality of the information that's then made available to users of sustainability statements.

So, while we agree in principle with the simplification objective, we are concerned that the approach taken focuses on eliminating the burden to companies without thinking about what investors need.

Length: Not the Issue – There is a significant focus on reducing the length of the standards and the number of data points, and therefore the length of disclosures. Instinctively, a short report and shorter reporting standards sounds like a good idea and would save a lot of time and effort – but only if the shorter length is a result of succinct, clear and relevant explanation that means the user (whether of sustainability standards or sustainability statements) does not need to do a lot of extra research to understand what the “short” standard or statement means. Length is never an issue if a document is clearly written and easy to navigate. The original ESRS standards in large part were neither of those and efforts to address this are certainly necessary and will be helpful.

Relevance: More Important Than Length – More important than length, in our view, is the relevance of the information to decision making. Although we have heard from our members that investors would rather have a limited number of highly relevant (material) and high quality data points, in principle they do not have a problem with being presented with a lot of data points – they are very adept at analysing large volumes of information, and doing it quickly, to make investment decisions for themselves or their clients. Technology makes this easier. The bigger issue is being able to determine the *relevance* of the plethora of data points to decision making.

Challenges: Underlying Data Quality – Furthermore, there are persistent issues with the quality of underlying data, which also challenges the usefulness of sustainability metrics. Without improved data reliability, investors’ confidence in reported information will be limited.

Principle Objective: Increase Quality, Relevance and Decision-Usefulness of Data Points – We therefore believe that the reduction in data points cannot be made with the objective of reducing volume. Instead, the primary objective should be to increase the quality, relevance and meaningfulness of the data points that are reported so users can understand the sustainability issues that matter for a particular company, what the company is doing to address them and how successful those actions are over time.

Clarity and Accessibility of Information – While the Consultation acknowledges the importance of clarity for those applying the standards, equal emphasis must be placed on the clarity and accessibility of the information produced for end-users. Therefore, in determining which data points to retain, we believe that greater emphasis should be placed on financial materiality.

Distinguish Between Information That is Financially Material – At a minimum, it is critical that disclosures clearly distinguish between items that are financially material and those that are not. Without this clarity, investors are less easily able to analyse and integrate sustainability-related information into financial decision-making because it is difficult to see what really matters for assessing risk exposure and future investment performance. Perhaps

more importantly, companies find such information difficult to integrate into their business processes.

“Interoperability”: If an Objective, Its Meaning Needs to be Clear (Question 21)

Definition Remains Elusive – The term “interoperability” is often referred to as an aim regarding the link between the international standards (from the ISSB) and the European standards (from EFRAG). ***However, it is not clear what either standard setting body (or anyone else) means by the term*** because it is used to capture so many different concepts (being identical, being complementary, being compatible, and more). We have previously conveyed publicly our concerns regarding the notion of “interoperability” for this reason.²

Unless Wording is Identical, Disclosures Will Be Different – Over time, it has become clear that most stakeholders seem to think the ISSB’s and the ESRS standards need to have identical disclosure requirements to be “interoperable”. ***It is our long-standing and seasoned experience that tells us that when the words in standards are not identical, the disclosures provided to investors are not the same.*** So, if “interoperability” is intended to result in the same disclosures regardless of whether a company uses the ISSB’s standards or the ESRS standards, that needs to be the clear, stated objective and the ***disclosure requirements in both must be phrased in exactly the same way.*** Otherwise, “interoperability” will remain elusive and will not be effective for investors working in global capital markets.

Interoperability vs. Global Baseline – Of course, having the same disclosure requirements would be a simple solution to avoid complexity and confusion, both for preparers and for users. However, we don’t think “interoperability” is or should be defined as “identical”; instead, we believe the two sets of standards should be more clearly compatible and complementary. That would be consistent with the ISSB’s aim for their standards to be the “global baseline” that jurisdictions build on. That would also be consistent with the European Union’s aim for their standards to result in information for civil society, beyond what investors alone need for their financial analysis. What is or is not “interoperable”, however, cannot be decided by one standard-setting body alone. The two must work together to determine which element of a disclosure requirement is a “global baseline” and which is a jurisdiction-specific addition. Unfortunately, the standards today (original and simplified ESRS and the ISSB’s) don’t make it straightforward to clearly distinguish between the two, and that will increasingly make it difficult for investors seeking comparability across jurisdictions.

Financial vs. Double Materiality: Further Confuses Interoperability – Understanding what “interoperability” actually means is not helped by the double materiality vs. single materiality debate, which in our view is more one of philosophy than practicality. We believe that the financially material elements of both sets of standards should be identical (the “global

² See discussion of interoperability at Page 15 of CFA Institute Comment Letter to ISSB on Agenda Consultation at https://rpc.cfainstitute.org/sites/default/files/-/media/documents/comment-letter/2020-2024/ISSB-Agenda-Consultation-Comment-Letter_10-18-23.pdf

baseline”)³ – that is the only logical result if one considers the primary user of that information to be investors. We think impact materiality has an important place in reporting and can provide vital information about a company’s activities (and the existence of so-called “externalities”). But unless, and until, those activities (the “externalities”) become financially material (for example, from financial penalties, litigation, capital expenditures and other financial costs), information about them is not material for an investor audience. The principle of materiality already allows for sustainability matters to move between the two (such as when stakeholder pressure or new laws and regulations force a change).

In our view, this is exactly how “interoperability” should work in practice – that is, by allowing financial materiality to be the starting point because it provides information about the *reporting entity*’s business risks and opportunities (critical information for investors’ decision making), and allowing impact materiality to provide information about the reporting entity’s impact on *the environment and society* (information for society and other stakeholders to understand the risks that the reporting entity is exposing them to and what the company is doing about it).

Use the Exact Same Words, If Disclosures Are Meant to be Exactly the Same – However, this does not solve the issue noted above about specific disclosure requirements (data points and qualitative information) needing to be identical when they use the same label or appear to be covering the same point (such as calculations of greenhouse gas emissions). ***If the ESRS standards and the ISSB standards mean the same thing, they should use the same words. If they are meant to be different, they should use clearly different words. If they are meant to be complementary (as with the “global baseline”), that should be clear as well.***

Presentation Requirements:

Use to Differentiate What’s Material for Different Users and Purposes (Question 13)

The sustainability statements published so far present ***information about financially material sustainability issues alongside information about impacts, making it difficult for users of all types to understand what is meant specifically for their purposes.*** We believe the problems with “interoperability” that arise from debates about materiality can be significantly resolved by clearer presentation, so that each audience can find what’s important and targeted to them.

Clear presentation can also help investors who are interested in the information about impacts (for example, what might influence future customer and employee behaviour) and other stakeholders who are interested in information about risks and opportunities (for example, how an entity monitors and addresses its risk exposures or seeks to capitalise on opportunities) easily find it. ***That clarity is essential to making the information decision useful. Only when it is decision useful is the information relevant to investors (or others) and will it drive capital formation (or other action).***

³ This is why we believe the ISSB and SASB standards should be the global baseline for financially material information and that the ESRS standards should add to those standards for items of impact or double materiality.

Double Materiality: Assessments Should Reflect How Companies Develop Strategy and Manage Risk (Questions 11 and 12)

We support the proposals to clarify and simplify the double materiality assessment process.

By taking a top-down approach, companies can focus on what is relevant to their business and their industry. This more ***closely aligns with how investors consider the risks and opportunities (and related impacts, where applicable)*** of a company. The additional information provided on how to conduct an impact materiality assessment, in particular with respect to whether and when to include the effects of mitigating actions, is helpful. However, the additional guidance on “gross versus net” relates only to impact materiality assessments and the issue is also relevant to (and a subject of debate for) financial materiality (risk) assessments.

Companies and investors typically consider the effectiveness of risk mitigation activities when understanding a company’s areas of risk exposure. It is likely that companies will use the guidance on impacts by analogy to risks. Clarity on whether this is appropriate, or explaining why it would be different, will be necessary to avoid differences in interpretation and application.

We note that the ISSB’s standards don’t provide such guidance but use the principle of whether the risk “could reasonably be expected to affect the entity’s prospects”. There is similar wording in the ESRS standards. We suggest that EFRAG and the ISSB work together to ensure that the concept of financial materiality is understood to mean the same thing – ***we are concerned that there is a very high likelihood that, without doing so, a company applying the ESRS standards will have a different list of sustainability matters that are financially material than a company applying the ISSB’s standards, even though the concepts are meant to be the same.*** This will have significant implications for global comparability by giving a very different picture of risk exposures (and opportunities) across companies, impeding capital allocation decisions.

Anticipated Financial Effects: Need Both Qualitative and Quantitative Explanation (Question 19)

We support Option 1 in the Consultation, which would require quantitative and qualitative disclosure of anticipated financial effects. We do not support Option 2, which would provide relief from the quantitative disclosure of anticipated financial effects. ***Both current and forward-looking financial effects are essential to investors’ understanding of the financial implications that sustainability matters have, today and potentially in the future, on a business.*** This is vital information for investors because it provides evidence of the relevance of sustainability disclosures to their assessment of future financial performance and risk exposure. ***Because such quantitative information is so vital, and we expect understanding the financial implications of sustainability matters would be part of a company’s business planning and financial forecasting processes, we believe that the use of the exemption in Paragraph 23(c) should be explicitly noted as being rare.***

Companies are best placed to assess, and report on, the anticipated financial effects of sustainability matters relevant to their business. However, ***we believe that providing only quantitative information would not be sufficient*** – and in addition to the quantitative

information required in Paragraph 23(b), ***investors will need explanation and information about the assumptions made in preparing the amounts presented so that they can understand the implications of those amounts and be able to make adjustments to them*** to the extent they have a different view of the circumstances that may lead to those effects.

We are concerned that Option 2 would reduce the information available to investors in European companies applying ESRS standards to understand the financial implications of sustainability matters, hindering those companies' ability to compete for capital globally. Option 2 makes for an uneven playing field for investors in European companies – those investing in companies applying the ISSB's standards will have that information and may be less likely to invest in companies that don't provide it. It also may be costly for European preparers if their peers elsewhere do report it – leaving it to the market to estimate this information could be riskier and it would entail cost for the company because it either will need to voluntarily provide it or will find itself needing to respond to (and likely correct) investors' own assessments.

We suggest that EFRAG and the ISSB work together to ensure that the requirements for quantitative disclosure of anticipated financial effects (i.e., Option 1) are aligned so that companies applying either set of standards get to the same result under each.

Fair Presentation (Question 25)

We agree that ESRS should be a "fair presentation" framework and believe this is an important clarification (not a change in requirements) in the Consultation. This follows the framework used in the IFRS accounting standards (which are used by European companies) and, given the need for connectivity between financial reporting and sustainability reporting, we believe they should be consistent.

Anecdotally, the initial feedback we've received from investors about how they have found the first set of sustainability statements is that the data is highly qualitative and the information is not linked to financial results or financial reporting. The statements are also long and it's difficult to identify the information that's relevant for their investment decision making purposes. The result is that the information so far is not necessarily decision useful. ***Investors advise us they want, or are willing to accept, fewer, but highly financially value-relevant, metrics; they need those metrics to be easy to find; and the metrics need to clearly show their relevance to the business*** (also see our comments above about presentation more generally).

Making ESRS standards explicit that they follow a fair presentation framework centred around the materiality principle, rather than being a compliance exercise, will help this.

However, and particularly given the range of sensitive topics covered in the ESRS topical standards, ***it is important that companies don't use the "fair presentation" framework as an opportunity to omit important detail***. Like with financial reporting, it will be important that preparers understand the need to "stand back" and make sure that the information they report about sustainability matters makes sense as a whole. In our view, the materiality principle already covers this and therefore it should not result in additional preparation costs.

Concluding Thoughts

After many decades of advocating for disclosures, ***it is our experience that what gets measured and is linked to financial results is what gets monitored by companies.*** That is why we are committed to supporting high-quality sustainability reporting standards that meet the needs of investors.

It is essential that any revisions to the ESRS standards maintain a clear focus on the relevance and usefulness of reported information, for both preparers and users.

We encourage EFRAG to prioritise active engagement with the global investor community and to closely coordinate with the ISSB to further enhance comparability and interoperability.

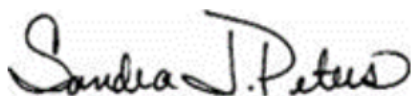
More specifically, ***we believe it is important for the ESRS standards to use the SASB standards, in addition to IFRS S1 and S2,*** because they are focused on the industry-specific, financially material, sustainability-related risks and opportunities investors have concluded are decision-useful in making capital allocation decisions. ***We encourage EFRAG and the ISSB to work together to update the SASB standards*** (a current ISSB project) to ensure that the industry-based metrics reported to investors are consistently applied whether using either set of standards, particularly since the work on ESRS sector standards has been discontinued.

By addressing practical challenges in implementation, particularly at this early stage, EFRAG can ensure that the standards are robust and that the disclosures that result from them are decision-useful and support well-informed capital allocation.

Thank you for your consideration of our views and perspectives. We would welcome the opportunity to meet with you to provide more detail on our letter. If you have any questions or to seek further elaboration of our views, please contact Sandra Peters at

[Redacted contact information]

Sincerely,



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