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European Financial Reporting Advisory Group (EFRAG)

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Response to the Amended ESRS - Exposure Draft 2025 Public Consultation Survey

The Future of Sustainable Data Alliance (FoSDA) is a multi-member group seeking to enable the power of capital markets to tackle global environmental and social challenges through comprehensive and high-quality data and analytics. Our members are drawn from the sustainability data, analytics, ratings, research, and index providers that empower investors, companies, and governments to achieve their sustainability goals.

FoSDA is pleased to respond to EFRAG's survey on the Amended ESRS and is grateful for the opportunity to have provided feedback on the proposed approach earlier in the year.

Policy, regulation and standard-setting have a key role to play across the sustainable data ecosystem that supports financial decision-making worldwide. Data is the foundation of sustainable finance. If we get sustainable data right, we provide the conditions to get sustainable finance right.

Our engagements on global policy, regulation and standard-setting are informed by the following three key policy principles.

1. Focus on decision-useful data

Policymakers, regulators and standard-setters should focus on the material needs of decision-makers when considering action or guidance.

2. Align standards and frameworks to improve quality and interoperability

FoSDA supports efforts to encourage greater consistency among reporting standards with regards to definitions, the scope and boundaries of reporting entities and the metrics that entities must report against.

3. Foster a competitive and innovative sustainable data ecosystem

Policymakers, regulators and standard setters should support a global sustainable data ecosystem that benefits from competition and innovation.

We support the intent to simplify the ESRS without compromising the objectives of the Green Deal and the quality of reported data. There is much to welcome in the exposure draft on the revised standards, but we wish to highlight below some areas for improvement.

With respect to materiality, it is positive that the ESRS are now put forward as a fair presentation framework based on relevance and faithful representation, rather than being perceived as more compliance-driven. The changes should help companies to report sustainability information in a way that is most tailored to their business model and that will be decision-useful to their own operations as well as to capital providers and other stakeholders. We also welcome the move to make the ISSB sectoral standards permanently available as a tool for meeting ESRS requirements.

While commending EFRAG on successfully balancing a wide set of aims and ambitions, there are some aspects of the draft standards that we question.

Companies' materiality assessment disclosures remain mandatory, but this position is weakened by making it voluntary for them to explain why a topic is or is not material. It is quite possible that different companies in the same sector may have different views on the materiality of data points leading to the creation of data gaps or the use of a mixed set of direct data and estimates. To safeguard consistency and sector-level comparability, further guidance is needed, including practical examples and clear prescriptions to help build capacity among companies.

With respect to interoperability, we note that convergence among global reporting standards is key for delivering consistent sustainability-related financial information. In order to fully understand how the baseline is being addressed within ESRS, we suggest that following the consultation, EFRAG should work with other standard setters to prepare a mapping that clearly identifies which requirements under ESRS can be considered equivalent to those under ISSB and other key frameworks. In addition, we emphasize the need for the early availability of a digital tagging taxonomy for ESRS statements that is interoperable with the ISSB equivalent to enable comparability, accuracy and machine-readability of the data that undergoes digital extraction. The availability of standardized, XBRL reports will help investors and other users to extract the information that they need from statements.

We also propose a more limited application of reliefs and, in addition, the possibility for companies claiming a relief to report on whether the datapoint is regarded as material or not. Further, EFRAG might usefully consider a time limit on the use of reliefs in relation to some key metrics.

The use of reliefs is an area that also adversely affects the interoperability between the ISSB standards and the ESRS. Under the ESRS, companies can claim the relief for ‘undue cost or effort’ across the entirety of the standards, whereas they can only do it in limited circumstances under the ISSB standards. This may erode the comparability and completeness of sustainable data.

With respect to the relief to allow companies to report based on a partial scope of calculation due to the lack of quality data, we share the view of some EFRAG SRB members that this relief should be time limited. Relying on partial data may lead to inconsistent methodologies and diluted accountability, undermining ESRS’ principles of verifiability and representational faithfulness.

The treatment of Anticipated Financial Effects is another area where there is the potential for a dangerous distinction between the ISSB standards and the ESRS. Like a company applying ISSB Standards, a company applying current ESRS is required to provide qualitative and quantitative information about the effects of climate (and other sustainability-related risks and opportunities) on its financial position, financial performance and cash flows.

EFRAG proposes two potential future approaches. Under option one, companies would need to provide quantitative information about anticipated financial effects subject to proportionality mechanisms similar to those available to companies applying the ISSB standards. Option two would not require companies to provide quantitative information about anticipated financial effects.

As noted by the ISSB’s Jenny Bofinger-Schuster¹: ‘If the disclosure of all quantitative information about anticipated financial effects is made optional in ESRS, comparable investor-relevant information will be unavailable when ESRS are applied and companies would need to perform additional work to comply with both ISSB Standards and ESRS’. With respect to anticipated financial effects, option one would enhance interoperability. Option two would damage it. We support Option one.

Another area that may adversely impact interoperability is the option for gross or net reporting on material impacts. Under the ISSB standards, companies may not net off the effect of past mitigation measures, but they can do so under the proposed revisions to the ESRS. The common use of a gross basis across standards frameworks would be less likely

¹ [IFRS - Disclosing information about anticipated financial effects of sustainability-related risks and opportunities](#)

to confuse investors and would protect the interoperability between the two key global baselines for disclosures.

A further challenge to interoperability arises in relation to GHG emissions. The proposed standards amend the emissions boundaries to align more closely to the GHG Protocol but would require the use of the financial control approach (unless that prevented fair presentation). The ISSB standards and the GHG Protocol allow the use of either the financial or operational control approach. Users would benefit from an interoperable approach. We also note that the proposed standards eliminate common data points such as the disclosure on gross GHG emissions intensity and the preference for direct data in value chain metric calculations.

Interoperability with the ISSB is not our only concern. We also support EFRAG's aim to take account of the work done by the Taskforce on Nature-related Financial Disclosures (TNFD).

In the recently released exposure drafts, EFRAG suggests the elimination of most PAT data points and the removal of metrics related to biodiversity and ecosystems that would damage the alignment between the ESRS and TNFD core disclosure metrics, especially for those metrics related to land-use change, freshwater-use change and/or sea-use change. We also note that the removal of the requirement to provide location specific information will significantly reduce the usefulness of the remaining biodiversity disclosures and will reduce interoperability with the TNFD framework – one which the ISSB may adopt in time. We recommend the reinstatement of data points that will allow location specific analysis and a further review of the alignment with TNFD's key metrics.

Finally, we flag that PAB and CTB fields like granular fossil fuel revenue exposure are critical for screening, and making these voluntary under the ESRS would undermine their usability for SFDR purposes.