Response to EFRAG’s consultation on the draft ESRS Implementation Guidance: cross-cutting comments

2 February 2024

The Association for Financial Markets in Europe (AFME)[[1]](#footnote-1) welcomes the opportunity provide feedback on EFRAG’s draft ESRS Implementation Guidance on the materiality assessment, value chain and ESRS datapoints.

We set out below our cross-cutting feedback to EFRAG on the draft ESRS Implementation Guidance including input relevant to the forthcoming sectoral standards for the financial services sector. This accompanies our specific feedback to each of the three draft ESRS IG which we have submitted through the online survey.

AFME members welcome the opportunity to provide feedback to EFRAG on its three sets of draft ESRS implementation guidance and appreciate the work EFRAG has done in preparing these guides for the industry. In particular, we consider that EFRAG IG 3 will be a very useful checklist for firms in preparing their CSRD reports and have provided some suggestions on further enhancing the usability of the spreadsheet of CSRD datapoints drafted by EFRAG in our feedback to the relevant survey.

**Request for further guidance for the financial services sector in sector-specific ESRS**

We have submitted our detailed feedback in the survey for each guidance document, and an overarching theme in our comments is a request for further guidance for the financial services sector to be provided as part of the sector-specific ESRS. In general, we note that both the materiality assessment implementation guidance and the value chain assessment guidance contain very few examples on how to apply these concepts to the financial services sector. We urge EFRAG to clarify the application of these terms to reporting undertakings which are regulated financial undertakings as part of the sector-specific ESRS. AFME is willing to engage with EFRAG in order to provide input into the sector-specific ESRS relevant to regulated financial undertakings.

**Transition period for sector-specific standards**

We understand that the sector-specific standards are expected to be published in 2026 and would welcome EFRAG setting out an updated timeframe following the expected extension of the deadline for delivery of the sector-specific guidance to 30 June 2026.

If reporting undertakings will be required to apply the sector-specific standards in relation to their reports of 2027 (on FY 2026), this will impose a significant compliance burden on reporting undertakings. This would particularly be the case if the sector-specific standards mandate any additional metrics to be reported on, since reporting undertakings will need to gather this information during FY 2026 itself (and in most cases it may not even be possible to collect this information in hindsight). We would therefore strongly urge EFRAG to clarify that all reporting undertakings will have a full financial year at the minimum (and ideally an 18–24-month implementation period) to apply and to implement the sector-specific standards as an implementation period and that reporting undertakings may apply the transitional provisions relating to entity-specific disclosures for the whole interim period during which the sector-specific standards have not yet become applicable.

In addition, AFME would like to take this opportunity to urge EFRAG to allow industry sufficient time to comment on the draft sector-specific guidance and to ensure that the sector-specific standards are as concise as possible, with minimal repetition. We finally request that EFRAG provides clarity on the anticipated timeline for the sector-specific standards, so that AFME’s members can plan appropriately.

**Guidance on application of Article 48i transitional provision**

In addition, neither the materiality guidance nor the value chain guidance contains any guidance relating to firms which choose to rely on the transitional provision set out in Article 48i of the Accounting Directive (which allows them to prepare a consolidated report for any in-scope EU subsidiaries that sit under a non-EU parent). Given firms can rely on this transitional provision from 2024 until 2030, AFME strongly urges EFRAG to clarify how the materiality and value chain concepts apply to undertakings reporting under Article 48i of the Accounting Directive.

**Application of materiality assessment at group or entity level**

As a related point, in the future an increasing number of firms are likely to publish CSRD reports covering their whole group, instead of reports covering individual entities, as more entities become subject to CSRD. AFME strongly recommends that EFRAG confirms that firms may choose to adopt a group-level approach to conducting a materiality assessment currently (prior to those firms publishing group reports), which can then be utilised by each reporting subsidiary to assess their own business activities for their own reports. This would avoid the possibility of EU subsidiaries within one group utilising different methodologies for the materiality assessment, which would later have to be reconciled at the group level, and ensure that the materiality assessment is applied consistently for reporting entities within one group.

# About AFME

AFME represents a broad array of European and global participants in the wholesale financial markets. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. We advocate stable, competitive, sustainable European financial markets that support economic growth and benefit society.

AFME is registered on the EU Transparency Register, registration number 65110063986-76.

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1. [↑](#footnote-ref-1)