

# **EY response to EFRAG consultation on revised ESRS Exposure Drafts**

29 September 2025



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## General feedback

### Question 11:

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

*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?*

[X] I would like to skip this question and provide my feedback in Part 3

### Question 12:

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

*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?*

[X] I partially agree and partially disagree

We support the inclusion of guidance. However, we are concerned that the complexity and seeming inconsistencies of the proposal will create interpretative challenges.

The core principles in §34 and 35 should be completed so that Appendix C is just an illustration. §34 (actual negative impacts) should clearly address the effects of ongoing remediation actions as well as the effects of remediation actions completed in prior years. It should be clarified that indirect impacts from an actual event still need to be considered when an immediate negative impact has been remediated.

There seems to be inconsistencies between §34-35 and Appendix C regarding the effects of significant ongoing actions. The former suggests a gross approach (§35 "the impact shall be assessed without considering the (...) actions"), while the latter suggests a net approach ("Report the potential impact after (...) actions if it remains material"). We are also concerned that "significant ongoing actions" will create interpretative challenges and suggest removing "significant".

Reporting on IROs before the effects of ongoing actions is consistent with the definition of material information ("understand the material IRO's and how it identifies and manages them"). To limit the risk that material information is omitted

when reporting IROs 'net' of mitigation or prevention activities, it should be stressed that caution is needed based on clear criteria.

The same principles should apply to financial materiality. The assessments are not distinct, and consistency is needed.

We suggest considering the criteria and examples discussed by the IFRS TIG (e.g. evolving nature of potential risk/impact, potential magnitude/likelihood, uncertainty on effectiveness of mitigation activities, specific efforts to mitigate being an indicator that information about the risk and the mitigation activities is material). This will improve the clarity of the guidance and increase the interoperability.

Finally, transparent disclosures on the applied approach should be required.

**Question 13:**

**Improved readability, conciseness and connectivity of ESRS Sustainability Statements**

*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?*

[X] I partially agree and partially disagree

We welcome the proposed amendments on the structure of sustainability statements, with some points of attention.

Allowing undertakings to include an executive summary and appendices improves the readability of sustainability statements and better reflect preparers' practices. The 'connected information' clarification enables undertakings to avoid fragmentation and duplication of information.

However, we ask EFRAG to:

- Clarify whether the executive summary should provide a faithful representation of all material IROs (§4) or if it could follow a management approach. For example, may it include only those IROs currently monitored by management or should it include a summary of all material IROs that are relevant to stakeholders, including those that are not yet managed or embedded in strategy?
- Specify that appendices should also meet the requirements for qualitative characteristics of information.
- Clarify that information disclosed in appendices should not be presented or interpreted as "not material" or "less relevant" than information disclosed in

the main body of the sustainability statement (except for additional disclosures that do not relate to a topic identified as material as referred in §108)

- Non-material Information covered by § 108 is more appropriately placed in appendices for clear identification. Such additional disclosures should also clearly be identified in the IRO-2 table.

Notwithstanding the general principle on connectivity in ESRS 1, we disagree with the removal of mandatory reconciliation of amounts between the sustainability statement and the financial statements, both for "direct connectivity" (same amounts in both statements) and "indirect connectivity" (aggregated amounts or parts of an amount). This change bears negative implications for users on overall connectivity, consistency and readability and it contradicts stakeholders' and supervisors' (notably ESMA) increasing attention to the integration and consistency of sustainability and financial reporting in recent years.

**Question 14:**

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

*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?*

[X] I partially agree and partially disagree

We welcome the revised overall architecture of the standards, with reduced volumes making them more userfriendly and easier to navigate. A more principle-based and streamlined approach to the cross-cutting MDRs related to PATs (renamed as GDRs), further improves the interaction between ESRS 2 and topical standards.

We also welcome the clarification to avoid boilerplate reporting on PATs and the clear reference to the specific PATs addressing material IROs.

Regarding the proposed amendment allowing disclosure at a higher aggregation level than material individual IROs, we are concerned that the meaning of reporting "at the appropriate level of aggregation (...) depending on the nature of the IROs and reflecting the level at which the undertaking manages them" (AR 23) or "depending (...) on differences in the undertaking's current approach to their management" (AR 28) could be interpreted in different ways:

- One interpretation is that disclosures should reflect the level where policies and actions are defined and implemented i.e., the operational level at which IROs are actively managed. We would support this approach for the PATs disclosures

related to material IROs. However, it should be clarified how to report on IROs not (yet) managed.

- Another broader interpretation could allow reporting at a high aggregation level (e.g. environmental or social level), even if IROs differ significantly in nature, location, or business/management context.

To avoid inconsistent reporting, EFRAG should clarify these concepts.

We also recommend clarifying that the description of material IROs (§28) should reflect their underlying characteristics and the undertaking's specific facts and circumstances (as implied by the requirement for a "concise description of IRO"). Considerations relating to the management of IROs are more relevant when disclosing the related PATs which can be aggregated accordingly.

A clear mapping between individual IROs from DMA and aggregated disclosures would enhance transparency.

**Question 15:**

**Improved understandability, clarity and accessibility of the Standards**

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

[X] I partially agree and partially disagree

We welcome the reorganization of DR in the Exposure Drafts compared with ESRS Set 1. In particular, combining mandatory datapoints and mandatory guidance (application requirements or "ARs") in the same location within the main body of the standard paves the way for shorter standards and clearer requirements, with all elements more accessible for preparers.

Nonetheless we have raised some concerns detailed in Part 3 of the questionnaire, in relation to certain datapoints or key concepts (e.g. "net zero" in E1).

Also, we suggest including some definitions and/or clarifications in the standards regarding new introduced concepts (e.g. "sustainably sourced", "lack of social protection"). Absent clear definitions, these new concepts may lead to more generic and less comparable information. Please refer to part 3 for more detailed comments.

**Question 16:**

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

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

[X] All

We broadly support the availability of illustrative content in NMIG to support preparers in their implementation of ESRS. We agree with the non-binding nature of the current content.

We ask EFRAG to clarify the role of NMIG and its future trajectory in relation to interpretative support. Is NMIG designed to include illustrative content only? Or is it expected to evolve into a tool that more broadly addresses practical interpretation and implementation questions - similar to the current EFRAG Implementation Guidance 1 and 2 on Materiality Assessment and Value Chain and the multiple Q&A addressing questions from EFRAG platform?

The existing guidance materials are widely used in practice and their application is encouraged by regulators. Nevertheless, their status and the due process in their elaboration introduce uncertainty. We therefore ask EFRAG to clarify the legal status of NMIG and the due process which will be put in place to update it.

In practice, applying the ESRS inevitably raises interpretation and application challenges. Hence, we support a concept of the NMIG as a “living” document that will be regularly updated to reflect evolving practices and address emerging questions. As such we agree with EFRAG recommendation to the EC to not include the NMIG in the Delegated Act as this will limit the possibility of continuing to update it.

We support EFRAG as the appropriate authority to issue application and interpretative content on ESRS going forward. To ensure such material remains consistent and high quality, EFRAG’s responsibility should be formally recognized by the European Commission, and a transparent, robust and well-defined due process needs to be developed.

**Question 17:**  
**Burden reliefs and other suggested clarifications**

*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.*

[X] I partially agree and partially disagree

We welcome the inclusion of the “undue cost or effort” (UCE) concept but believe further clarification is essential to ensure consistent application and avoid loss of relevant information. As the concept comes from IFRS standards, we recommend that it is used in a similar way.

Clarifications are needed on:

- How to assess UCE. Under IFRS, UCE is a proportionality principle on the level of sophistication of data and models used to report the information - not a justification to omit information. We therefore recommend clarifying that the use of UCE to “prepare information on metrics” (§87-d) affects “how the information is prepared” rather than “whether it is reported on”. The broader use of the UCE concept in sustainability reporting, a less mature field, requires guidance. EFRAG should strive to align with the ISSB guidance to avoid confusion. EFRAG should also clarify how UCE compares with the criteria provided by the Commission’s July 2024 FAQ on “reasonable efforts” for value chain data.
- When to apply UCE. UCE relief may accommodate first years of application, with decreasing use over time as practices evolve. This dynamic assessment should be further clarified.
- Interaction with other flexibilities. The relief for acquisitions and disposals is not conditional upon UCE. This might lead to information not being reported even when available. We suggest making reporting on acquisitions and disposals conditional upon UCE. This will contribute to reduce a new difference with ISSB standards. We recommend separate presentation of material “disposed activities” from continuing operations, inspired by IFRS 5. We also suggest reminding some impacts / risks might remain relevant post disposal.

Instead of disclosures on “significant events occurring between acquisition or disposal date and the end or beginning of the reporting period”, we suggest requiring summarized information on the related business and its material topics.

**Question 18:**  
**Relief for lack of data quality on metrics (ESRS 1 paragraph 92)**

*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?*

[X] I partially agree and partially disagree

In principle, we agree that the proposed relief in ESRS 1 §91 strikes an acceptable balance between flexibility for preparers and avoiding undue loss of information, especially where forcing full-scope estimates would reduce relevance, provided companies remain transparent when using it. However, we have the following concerns:

- It should be made clearer that the partial scope relief only applies when neither direct nor estimated data can be obtained without incurring “undue cost or effort” (UCE). This provision should not be interpreted as a justification for omitting information altogether or for avoiding the use of reasonable estimates.
- We have concerns regarding the interplay between §91 and §87 on “undue costs or efforts”. §87 applies when preparing information on all metrics (including GHG emissions). Unless it is clarified that §87 affects “how the information is prepared” rather than “whether it is reported on”, it may be misinterpreted as a possibility to already partially report on a metric. EFRAG should clarify in an AR that UCE (§87) is a proportionality mechanism applicable when preparing the data, while the possibility to report on a partial scope (§91) is an additional relief. Please refer to Q17 for our comments on the relief “undue cost or effort”.
- We recommend to remove the “reliable data” criteria in §91 as it will create confusion compared to “reasonable and supportable information” and the other qualitative characteristics of information.
- The current transparency requirements might not provide sufficient incentive to improve the coverage of calculation in future periods. We propose to require disclosure of quantitative indicators, such as the percentage of scope covered and the change from prior year, alongside narrative disclosures on actions taken. Reflecting measurable progress would enhance comparability and provide the right incentive to improve the coverage.



**Question 19:**  
**Relief for anticipated financial effects**

*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.*

We support a modified Option 1 with additional reliefs to fully align with ISSB standards. Quantitative information on anticipated financial effects (AFE) is essential to connect sustainability-related risks with financial information, especially regarding climate-related risks. Option 1 with further proportionality mechanisms and reliefs would preserve the quantitative information while addressing the challenges raised by such disclosures. We recommend the following adjustments to Option 1:

- (i) remove from AR17(b) (relating to measurement uncertainty) the reference to “such as when there is no reasonable and supportable information derived from its business plans”. This relief is inconsistent with AR 15 which requires the use of “reasonable and supportable information (...) without undue cost or effort” and ESRS 1 §47 which states that the information “used by the undertaking in preparing its financial statements, operating its business model, setting its strategy, conducting its sustainability due diligence, and managing its impacts, risks and opportunities is considered available to the undertaking without undue cost or effort.” This relief is also inconsistent with IFRS S1 §B9. If it is maintained, EFRAG should clarify how it interacts with AR15.
- (ii) include, within ESRS 2 AR17, the IFRS proportionality mechanism requiring an approach commensurate with the skills, capabilities and resources available to the entity. The expectations for disclosures on AFE differ between large-listed entities and those just meeting the size criteria. The additional related relief provided in IFRS S2 §20 for climate-related AFE (§20) should also be included to recognise that some AFE may require modelling capabilities that are not available yet.
- (iii) provide NMIG illustrations - further guidance and examples such similar to the recent education materials from the ISSB are essential to clarify that not all anticipated financial effects are expected to be quantified and show how the reliefs efficiently address the estimate challenges.

**Question 20:**  
**ESRS E1: Disclosures on Anticipated Financial Effects**

*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?*

[X] I would like to skip this question and provide my feedback in Part 3

**Question 21:**  
**Enhanced interoperability with the ISSB's Standards IFRS S1 and S2**

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

[X] I partially agree and partially disagree

Interoperability is essential for users and critical to reduce the reporting burden of reporting entities. We commend EFRAG's efforts to improve interoperability, but we are concerned that some revisions will introduce new differences. We strongly recommend that EFRAG works with the ISSB when finalizing ESRS to further improve interoperability. We also stress the importance of updating the interoperability guidance.

Regarding point 1, please refer to Q.25.

Regarding point 2, we disagree with the proposed approach. We recommend leaving the choice open based on the consolidation approaches of the GHG Protocol, as required in most GHG related standards, including IFRS S2. Imposing a double reporting for companies that have historically had targets and communication based on operational control works against simplification and interoperability.

For points 3 and 4, please refer to Q.17 and 19 and comments in Part 3. While both ISSB standards and ESRS now include the relief related to "undue cost or effort", full alignment is not achieved due to differences in scope where this concept applies. EFRAG should work with the ISSB to assess the impact of these differences and explore ways to address it. The other ESRS reliefs which create new differences to be assessed with the IASB before finalizing ESRS. Any remaining difference should be identified in the interoperability guidance to clarify which reliefs should not be applied for dual compliance purposes.

The resilience-related disclosure now requires only qualitative information (§24). We recommend retaining the current wording in §48(f), aligned with IFRS, and leave the wording in E1-3 unchanged.

On point 8, although some wording differences remain (e.g. financed emissions), we do not see major hurdles (apart from those indicated in Part 3). The results are comparable and it is understood that EU legislation need to be reflected in ESRS.

**Question 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?*

[X] I agree

In principle, we support the substantial reduction of datapoints that was achieved during the simplification process. We believe that, despite the substantial decrease in the number of required disclosures, the same reporting areas and topics are covered.

We would caution against equating a 68% decrease in datapoints with a 68% reduction in reporting burden. There is a risk that the narrative around burden reduction could create expectations - among stakeholders or external parties - that the effort required from companies and their auditors will decrease by the same proportion. Much of the simplifications relate to narrative disclosures and the removal of redundancies, which will not translate directly into a proportional decrease in the actual workload and resources required to elaborate the sustainability statement.

In practice, the true impact will become clear only through effective implementation from preparers. The cost-benefit analysis is also essential to inform the level of burden reduction.

**Question 25:**

**Emphasis on ESRS being a “fair presentation” reporting framework**

*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?*

[X] I partially agree and partially disagree

In principle we agree with the fair presentation concept. However, we see challenges due to the lack of well-defined boundaries for relevant users relating to impact materiality and due to the lesser maturity of sustainability reporting compared to financial reporting. Several crucial clarifications are needed:

- Given the link with materiality of information, our comments in Part 3 relating to “users of the (general) purpose sustainability reports” are critical to address.
- Fair presentation does not mean “less than compliance”. Although fair presentation in IFRS Accounting Standards implies departing from the standards if these do not convey a true and fair view, we do not consider that such “true and fair view override” (rarely applied in practice) is applicable in disclosure standards and can be used to avoid compliance with a disclosure requirement. It is also not mentioned in IFRS S1. We are concerned that fair presentation is presented as a lever for reducing reporting burden without any clarification on how it would impact the materiality principle already enshrined in the standards. To avoid the risk of inconsistent interpretations, we ask EFRAG to provide guidance on how the fair presentation concept may impact sustainability reporting.
- Fair presentation may require additional information to allow users to understand the material IROs. This should be clearly stated, in alignment with IFRS S1, especially in a context of reduced mandatory datapoints and lack of sector standards.
- The basis of preparation should include an “explicit and unreserved statement of compliance with ESRS”. This will clarify the roles and responsibilities of the stakeholders involved in the reporting process. This will also align with IFRS standards.
- The reference to fair presentation should be aligned with the CSRD. We suggest EFRAG to engage with the EC to amend the CSRD to prevent further discussions.

**Question 26:**

**Exception for Financial Institutions' Absolute Climate Reduction Targets**

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

The financial sector commonly sets intensity targets rather than absolute emissions targets as the outstanding exposure is volatile and significantly affected by external factors (interest rates, divestment / investment decisions, portfolio composition, etc.). This approach aligns with current Pillar III ESG risk disclosure requirements, which permit intensity-based reporting and remains standard practice across European banking institutions. However, regulatory expectations are evolving. The EBA Climate Risk Guidelines (January 2025) do not mandate absolute targets but recommend that banks start setting them where relevant, alongside intensity targets. This reflects a regulatory trend, not a prescriptive requirement. Some financial institutions have already started setting absolute targets for specific sectors, as seen in recent CSRD reports. Although these remain exceptions to market practice, they signal progress in target-setting maturity.

Since the requirement to disclose the associated absolute value relates to a conversion of an intensity target set, this relief for financial institutions is considered temporary. It allows sustainability reporting to mature as more value chain information becomes available over time.

Such conversion requires multiple assumptions (e.g. composition of the portfolios, production capacity, market shares and level of emission intensity). As there is no common methodology for this conversion, comparability between entities would vary, reducing the usefulness of this disclosure.

Useful disclosure may be to require entities to disclose whether a target set is an absolute or an intensity target (similar to the requirements in IFRS S2.33).

Should EFRAG decide to require disclosure of absolute associated values, guidance on conversion methodologies would be useful to promote comparability and decision usefulness of the information.

Finally, SFDR requirements apply only to financial products and not to the entire reporting entity and therefore not to all investments within a financial institution. They do not dictate how financial institutions set their own targets or action its strategy.

**Question 27:**

**ESRS S1: New Threshold for Reporting Metrics Disaggregated at Country Level**

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

[X] I partially agree and partially disagree

The amendment of the threshold will increase comparability between undertakings as it is based on a defined figure and not on the size of the undertaking. This will provide a more transparent view on geographies where employees are based, allowing a better understanding of the undertaking's operations and facilitated benchmarks on labor practices.

However, we note this change can lead to an increase in disclosed information (e.g., on countries with more than 50 employees but representing less than 10% of the total number of employees). Also, the new threshold will have an impact on data collection for social dialogue country-by-country disclosures (S1-7 28a) since no aggregated datapoint is required in Set 1.

While maintaining a defined threshold, a suggestion could be to adapt it based on the final threshold of employees which will be retained by EU in "Content Directive" for applying CSRD. For instance, if the EU sets the threshold at 500, 1000 or 3000 employees instead of the current 250, the proposed "> 50 employees" could be

reconsidered to reflect the increased size and characteristics of companies subject to CSRD. This would ensure proportionality and relevance in disclosures.

**Question 28:**

**ESRS S1: Calculation approach to adequate wages outside the European Union**

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

☒ I disagree

The current hierarchy for non-EU wage disclosures lacks clarity and consistency. It references different ILO principles, specifically, "ILO wage setting principles" in the first tier, and "ILO principles on estimating a living wage" in the second and third tiers. This distinction is critical: the former considers local wage-setting practices (minimum wage) but does not guarantee a living wage, while the latter aims to define and uphold a living wage standard. This inconsistency risks undermining the objective of the DR, which is to ensure insight on whether the company pays its employees an "adequate wage."

The consideration of minimum wage for non-EU countries also creates a discrepancy with the approach prescribed for EU countries in ESRS S1 AR 22 which only mentions adequate wage references. ESRS S1 AR 22 new hierarchy maintains the risk of an undertaking misrepresenting its adequate wage payment practices. Companies might need access to key data, or guidance in estimating an existing living wage complying with ILO principles on estimating a living wage. The deletion of Sustainable Trade Initiative references including available databases will increase workload for undertakings in the situation of assessing a living wage

In non-EU countries where reliable external sources are lacking, undertakings may calculate living wages manually, which imposes a significant risk and burden.

S1-9.AR 20 currently allows companies to state that all employees are paid an adequate wage without further disclosure. This contradicts ESRS 2 and ESRS 2 GDR-M's emphasis on transparency. This could lead to inconsistent interpretations, a lack of transparency on the applied methodology and limited comparability of disclosures. We recommend removing this clause to ensure methodological clarity and comparability.

In conclusion, EFRAG should address the complexities and provide clearer explanations of the ILO principles to ensure consistent and meaningful implementation of this standard.

**Question 30:**  
**ESRS E4 DR E4-4**

*Do you agree that EFRAG should review AR 26 in Amended ESRS E4? Please provide suggested wording.*

[X] I partially agree and partially disagree

Biodiversity target setting practices are still emerging. We suggest EFRAG to provide some clarifications or examples in NMIG to support consistent reporting across undertakings, enhancing comparability of the disclosed information.

Better alignment with latest science-based frameworks, drawing where appropriate from TNFD and SBTN - which provide guidance for elaborating various nature-related targets and examples - would enhance relevance, comparability, comprehensibility.

**Question 31:**  
**ESRS S1 DR15: Gender pay gap**

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

[X] I agree

The indicator of adjusted gender pay gap has been one of the most applied voluntary datapoints by many companies which considered it as a more suitable indicator for the understanding of gender pay gap within businesses and categories of employees.

In principle, we agree with the suppression of the voluntary datapoint as this is in line with the overall intention of the simplification of the standards and systematic removal of “may” datapoints. Companies are still authorized to disaggregate metrics when needed according to ESRS 1 and 2 and NMIG 35 (stemming from AR 102) suggests how companies can provide additional explanation of data on gender pay gap.

The difference between the definitions of “pay” and “remuneration” is unclear, resulting in a risk of varying interpretations. We suggest an alignment of the definitions of “pay” and “remuneration” or an explicit clarification on the differences between the scope of compensation elements included in one remuneration metric but not in the other one.

**Question 32:**  
**ESRS G1 DR G1-2 and G1-6: Payment practices**

*Is the current replacement/formulation sufficient to meet the objectives of the CSRD in respect to the protection of SMEs?*

[X] I partially agree and partially disagree

G1-6 §12(a) requires (a) 'description of the undertaking's standard payment terms in number of days by main category of suppliers, including SMEs, and the percentage of its payments aligned with these standard terms'.

There is uncertainty on whether SME information is required "in any case" irrespective of the materiality of this category of suppliers from the perspective of the undertaking. This is considering the objective of CSRD as indicated in Q.32 (Is the current replacement/formulation sufficient to meet the objectives of the CSRD in respect to the protection of SMEs), the objective of DR ("especially with regard to late payments to SMEs") and the wording of the requirement itself (disclose "payment terms in number of days by main category of suppliers, including SME's...").

We note in ESRS 1 §21 (a) that information is material when 'it is necessary for users of general-purpose sustainability statements to understand the undertaking's material IROs and how it identifies and manages them'.

SMEs may not fall within the main category of suppliers as they may not be considered material in the context of Tier 1 suppliers for preparers and thus the specific information on SMEs may be justifiably omitted on materiality grounds.

If it is the intention to require preparers to disclose payment practice to SMEs to address specific users' needs, we recommend that EFRAG clearly states so and provide for a separate standalone requirement within G1-6 §12(a) that sets out SME specific payment practice disclosure requirements - distinct from other suppliers.

We also recommend that EFRAG defines "SME" or clarify that it should align with the criteria set out in the accounting directive.



**Question 33:**  
**Overall feedback per standard**

**ESRS 1**

**I partially agree and partially disagree**

We partially agree with the proposed revisions to ESRS 1.

We recognize EFRAG's achievements in simplifying ESRS 1.

In principle, we support the introduction of 'fair presentation', however we see some challenges and recommend some key clarifications as set out in our response to Q25.

We draw EFRAG's attention to our comments on the "gross versus net" guidance (Q12). We consider that the principles should be clarified and better articulated with the definition of material information which refers to material IROs and how they are managed, suggesting a gross approach is more relevant for users. We emphasize the need for clarifications on "undue costs or efforts" and its articulation with other reliefs, in particular the partial scope metrics and the acquisition/disposal reliefs as set out in Q17.

We also stress the importance of clarifying the definition of value chain for financial institutions, while acknowledging the ongoing developments on level 1 regulation.

We have provided targeted comments on specific ESRS 1 disclosures in Part 3 of the EFRAG survey.

In particular, we stress the need to further clarify the concept of materiality of information and avoid inconsistencies in wording around the terms "users", "sustainability statement" or "general purpose sustainability statement" which create confusion. We ask EFRAG to align the wording of these paragraphs and clarify how different terms impact the materiality and fair presentation assessments.

We also suggest making clearer that a bottom-up approach is needed when a top-down approach may fail to reflect the undertaking's specific situation and characteristics, possibly resulting in overlooking less obvious but material IROs.

On reporting boundaries, we request some clarifications on whether the rationale provided by EFRAG on the treatment of leased assets could be extended to other similar contractual relationships.

Please also refer to our more detailed comments in Part 3.

<b>ESRS 2</b>
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**I agree**

Overall, we agree with EFRAG's effort to streamline and reduce ESRS 2-related disclosure requirements.

The additional flexibility introduced for the presentation of PATs as well as the presentation of the description of material IROs are welcome developments.

However, the references in ESRS 2 (AR23 and AR28) to a level of aggregation reflecting the level at which IROs are managed should be clarified to ensure appropriate and consistent aggregations of disclosures. Also, it should be clear that the description of material IROs needs to reflect their underlying characteristics in the context of the undertaking's specific facts and circumstances.

The overall streamlining of datapoints related to PATs within ESRS 2 will reduce the burden faced by preparers and auditors during the first year of ESRS reporting. However, much of the simplifications relate to narrative disclosures and the removal of redundancies, which will not translate directly into a proportional decrease in the actual workload and resources required to elaborate the sustainability statement. The cost-benefit analysis is essential to inform the level of burden reduction.

Regarding the basis of preparation, in relation to the introduction of the fair presentation principle, ESRS 2 should include a clear requirement for an "explicit and unreserved statement of compliance with ESRS" by the undertaking.

We emphasize our suggestion to require undertakings to indicate in IRO-2 what additional (non-material) information was included in the sustainability statement, noting such disclosures are best placed in appendices to ensure clear distinction from material content

Finally, we draw EFRAG's attention to our comments on the disclosure related to anticipated financial effects (Part 2, Q.19). We support a modified Option 1 with further reliefs aligned with ISSB standards.

Please also refer to our more detailed comments in Part 3.

## ESRS E1

### **I partially agree and partially disagree**

We commend EFRAG on making some useful amendments to ESRS E1.

We appreciate that ESRS 2 related DRs have been removed from all standards but have been kept as specific DRs in ESRS E1, as climate risk and resilience analysis are key to climate change adaptation disclosures.

The simplifications on disclosures related to policies, actions and targets should also provide relief for preparers. Two other notable reliefs are the removal of the concept of high climate impact sectors and the inclusion of third-party approval of targets to demonstrate compatibility as part of the transition plan (please refer to our attention points in part 3).

Nonetheless, we do not support some of the key changes proposed by EFRAG.

Firstly, we do not support the proposal to request a financial control approach on GHG emissions reporting with a double reporting when operational control is required for fair presentation. Such double reporting is not a relief for preparers. We recommend leaving the choice open based on the consolidation approaches of the GHG Protocol, in alignment with IFRS S2.

Secondly, we see the removal of the concept of net zero target as detrimental to the transparency of disclosures. Having no safeguards on this key concept is a step back creating a risk of greenwashing.

Lastly, we support an adjusted Option 1 for quantitative disclosures on anticipated financial effects with additional reliefs aligned with ISSB standards. Quantitative information on anticipated financial effects (AFE) is essential to connect climate-related risks with financial information. Option 1 with further proportionality mechanisms and reliefs would preserve the quantitative information while addressing the challenges raised by such disclosures.

Please see also our more detailed comments in Part 3.

## ESRS E2

### **I agree**

We appreciate the efforts to streamline and merge data points within the updated reporting standards, as these changes contribute to greater clarity and consistency. The alignment of approaches across different standards is highly valuable.

To further enhance usability and ensure consistent implementation, we recommend to add guidance and clear definitions in the standard with respect to key concepts

such as secondary microplastics, material pollutants emissions, importer and user of substances.

Concerns have been raised by Wave 1 undertakings regarding effort and cost associated with producing KPIs related to as Substances of Concern (SOC) and Substances of Very High Concern (SVHC) for users of substances (as opposed to manufacturers), which might not be routinely tracked or monitored within internal systems. We encourage EFRAG to refine the terminology and boundaries for SOC and SVHC, in particular how the substances need to be reported when a company is a manufacturer/importer and a user.

Finally, considering that E1 and E2-E5 comprehend all environmental matrices, consistency should be fostered on reporting boundaries/approach - e.g. operational/financial control approach -, enhancing reporting coherency towards stakeholders.

### ESRS E3

#### **I agree**

Overall, we welcome the simplifications. As detailed in our comments below in Part 3, we ask some clarification on recycled or reused water, and water storage calculation methodology, to reflect the complexity of water flows and support consistent reporting for entities.

Finally, considering that E1 and E2-E5 comprehend all environmental matrices, consistency should be fostered on reporting boundaries/approach - e.g. operational/financial control approach -, enhancing reporting coherency towards stakeholders.

### ESRS E4

#### **I partially agree and partially disagree**

Overall, we welcome the streamlining of the standard. As biodiversity resilience has distinct drivers compared to other environmental topics, we recommend to retain dedicated disclosures on resilience analysis specific to biodiversity risks.

Regarding biodiversity transition plans, we acknowledge they remain an emerging practice. If the proposed disclosure requirement on biodiversity transition plan is maintained, the standard should include a clear definition of biodiversity transition plans (distinct from strategies or action plans). Also, clarification on what constitutes public disclosure of the transition plan should be included, as well as practical guidance on “compatibility with global goals” like the Kunming-Montreal Global Biodiversity Framework (GBF).

The standard should also specify terms such as "sustainable land/agricultural practices" and "sustainable oceans/seas practices" to enhance clarity and consistency in reporting.

Finally, considering that E1 and E2-E5 comprehend all environmental matrices, consistency should be fostered on reporting boundaries/approach - e.g. operational/financial control approach -, enhancing reporting coherency towards stakeholders.

<b>ESRS E5</b>
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**I partially agree and partially disagree**

Overall, we welcome the streamlining of the standard. The proposed changes contribute to greater clarity and consistency. The alignment of approaches across different standards is also highly valued.

However, the inclusion of critical and strategic materials is not aligned with the simplification objective. Resource inflows, by nature, are complex to report and require a great level of effort by undertakings. We are concerned that companies not operating in key sectors that use these raw materials will need to estimate these data, leading to an increase in the reporting burden.

While progress has been made in defining certain terms, some key terms may still raise interpretation issues, i.e., "sustainability sourced". Some clarifications would further support effective and consistent implementation.

Furthermore, some of the new terms and terminologies might already exist in local laws and regulations (e.g., Extended Producer Responsibility and waste management regulations). Consideration should be taken on what extent the ESRS should authorize undertakings to apply existing local definitions and methodologies (e.g. recyclability) where appropriate, and how the articulation with the proposed definitions can be transparently addressed for comparability purposes (e.g. clear explanation provided in the methodology notes).

Finally, considering that E1 and E2-E5 comprehend all environmental matrices, consistency should be fostered on reporting boundaries/approach - e.g. operational/financial control approach -, enhancing reporting coherency towards stakeholders.

## ESRS S1

### I partially agree and partially disagree

We partially agree with the simplifications.

The work performed by EFRAG on ESRS S1 strategically simplifies and refines the standard to enhance clarity and accessibility while ensuring most key elements are preserved. Also, the revised structure of the standard and the simplified presentation of the ARs promote easier interpretation and implementation of ESRS S1.

However, we have some concerns on some of the proposed changes.

- Refer to our detailed comment in Q28 for adequate wages.
- New concepts and methodologies were introduced (e.g., “lack of social protection” in S1-10) without clear guidance.
- Some key clarifications are still needed, mainly on metrics for example on S1-5 on turnover, S1-10 on loss of income, S1-14 on family-related leave, and on ESRS 2 on double materiality assessment regarding human rights related IROs . Clarifications are also needed for S1-15 regarding alignment of components of remuneration to be considered in remuneration metrics (gender pay gap and annual total remuneration ratio). Such clarifications would limit inconsistencies in reporting and improve comparability. See also our comments on gender pay gap in Part II question 31, as well as comments in response to Part III related.

## ESRS S2

### I agree

Consistency across social standards has been reinforced. We agree with the overall alignment between S2 with S1 since many issues (e.g. labor rights, safe working conditions) extend beyond an entity’s employees to its contractors and suppliers’ workers. It underscores alignment with international instruments (UNGP, ILO conventions) as an overall objective.

Clarity increased with merger or removal of duplicative or overlapping data points in S2, e.g human rights policy commitments eliminated from S2 and merged into ESRS 2 GDR-P. This allows companies to disclose one comprehensive human rights policy covering all stakeholder groups, rather than separate policies per standard, potentially aligning with existing management of those issues.

However, we have some recommendations to improve clarity:

- ED clarifies that only substantiated human rights incidents involving value chain workers need to be reported (in S2-3). Clarification is needed on what “substantiated” means for HR incidents: does it refer to ongoing legal

proceedings, cases confirmed by a court or authority, or could it be simply supported by internal investigation? Clear criteria would ensure consistent reporting and avoid interpretation differences.

- Clarification is needed in the AR regarding the minimum expectations for supply chain depth to adequately cover the requirements. This includes considerations for suppliers beyond tier 1 and downstream players; 2024 publications were very heterogeneous.
- As reporting practices mature, we suggest that NMIG proposes illustrations of entity-specific metrics for S2, S3, and S4 - using S1 established practices. e.g. "If available, may disclose an estimate of the number of workers in Tier 1 upstream value chain to contextualize the scale of impact".
- To support auditability, practical application and data-driven reporting, we suggest adding references to supplier tools for human rights due diligence in NMIG.
- In the amendments log, the word 'severe' human rights incidents is maintained, and should be removed to align with the ED itself.

## ESRS S3

### I agree

General observation: The ED ESRS S3 has been refined to focus on key reporting requirements and promote coherence and flexibility. The centralization of human rights policy descriptions into ESRS 2 enhances readability and integration. Overall, these changes aim to avoid siloed reporting and ensure comprehensive community engagement.

Remaining challenges and recommendations:

- Community vs Environmental Interactions: Disclosure Requirement S3-1 mandates that undertakings describe their policies for managing material impacts, risks, and opportunities related to affected communities, specifying whether these policies apply to all or specific groups. To enhance coherence, we suggest to add in NMIG some examples of policies' disclosures that consider value chain impacts (upstream and downstream) and link community impacts to relevant environmental standards (E1-E5) to avoid fragmented reporting - e.g. policies related to water management impacting the (preservation of) local communities' access to clean water.
- Donations / Community Investment: Disclosure Requirement S3-4 references to 'Investments in communities' have been partially deleted or moved to NMIG. ESRS 1 § 36 introduces a new definition of positive impact, restricting it to impacts deriving from business activities, products and services - excluding

“philanthropy” as confirmed by the log of amendments. Many stakeholders view community investments (e.g., donations to schools, hospitals) as integral to community engagement. The NMIG 13 for § 13 of S3 refer to “positive impacts” illustrated by “social investment and development programme” - which seems contradictory with the new definition. We ask EFRAG to clarify the boundaries of the concept in ESRS 1 and its interaction with NMIG 13 for S3. Including guidance in the NMIG on reporting such activities, as entity-specific information, would help undertakings with significant community programs position these activities within the ESRS framework.

## ESRS S4

### I agree

We welcome the Exposure Draft ESRS S4 - Consumers and End-users for its streamlined alignment with other standards (ESRS 2, S2, S3) and the integration of consumer-related policy disclosures into a unified framework. However, we recommend further improvements in the following areas:

- **B2B vs B2C Applicability:** A frequent question is how S4 applies to companies that do not have direct consumers (B2B companies). The ED acknowledges end-users, which helps, but we recommend adding guidance or examples for B2B contexts. For instance, NMIG could illustrate how a B2B company can understand “consumers”.
- **Boundaries of “end user”** remain unclear, particularly in circular economy contexts where products may be reused or resold. Illustrations in NMIG would be helpful for some activities.
- **Engagement Channels with Consumers:** The current wording in § 11 emphasizes direct engagements (like surveys, focus groups) and/or through representatives. We believe the standard should explicitly allow indirect channels as well (e.g. third-party consumer studies). Also, many consumer issues surface via grievance mechanisms or customer service hotlines. We recommend EFRAG to acknowledge all these legitimate channels in AR 2 for §11.
- **Temporal Scope - Ongoing Consumer Engagement:** § 11 refers to “during the reporting year”. We suggest clarifying in AR or through examples in NMIG that ongoing consumer engagement programs (spanning multiple years) can be discussed if relevant. For instance, if a company has a long-running customer satisfaction tracking system, it should be able to mention long-term trends or actions from prior years carried into the reporting year.
- **Vulnerable Consumers Examples:** The ED includes examples of vulnerable consumers. As examples are - by definition- not an exhaustive list, we suggest complementing NMIG with other instances such as “first-time internet users” or



“non-English speaking customers” that a company might identify as vulnerable in their specific context and circumstances.

<b>ESRS G1</b>
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**I agree**

We welcome the harmonization of the structure of ED ESRS G1 with other topical standards, through a clear Policies-Actions-Targets-Metrics architecture as well as the clarifications added regarding new definitions or concepts (eg, fines and convictions, with clear prescription on administrative or regulatory authorities sanctions).

The deletion of mandatory datapoints notably based on local practices, such as the average time the undertaking takes to pay an invoice, will significantly reduce the undertakings efforts for collecting data.

Some concepts still need clarifications, as detailed in our Part III responses, for example:

- “(unfair) payment practices, as ESRS G1 sub-topic
- training “depth of coverage”,
- “SME” which needs to be defined and clarified whether disclosures are expected even if transactions with SMEs are not material for ESRS G1 - 20. (a)

We also recommend EFRAG to clarify some methodological aspects to compute metrics, such as:

- the scope of “legal proceedings outstanding for late payments” as far as final decisions cases and investigations of government authorities are concerned, (G1 - 20. (b))
- the scope of “incidents of corruption or bribery” as far as individuals or employees or own workers are concerned (G1 - AR 3)
- methodology to determine the percentage of payments aligned with standard terms, (G1 - AR 3).

**Question 34:**  
**Any other comments**

We suggest EFRAG to clarify in the Basis for Conclusions which revisions in the Exposure Drafts represent actual changes (such as new reliefs) and which revisions represent clarifications of ESRS Set 1 requirements which could therefore be reasonably considered by companies and auditors in the FY2025 reports.

In addition, we highlight the need to ensure consistency between the ESRS and other EU regulations so that preparers and users benefit from a clear framework, homogeneous and harmonized with other existing regulatory requirements. It is of the utmost importance for financial institutions, for which interaction and consistency with reporting requirements should be reached, including with EBA guidelines on ESG risks and transition plans as well as standards on Pillar 3 disclosures is essential.

We also strongly recommend to retain in ESRS 1 the principle included in ESRS 1 Set 1 §115, according to which disclosures pursuant to Article 8 of the Taxonomy Regulation “are not subject to the provisions of ESRS”.

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