IIGCC

Responses to EFRAG Questionnaire for Public Feedback: ESRS Set 1 Revision

6 May 2025

Please note: The following represents the questions set by EFRAG as a part of their consultation and IIGCC responses to those questions. IIGCC responses are marked in yellow.

Following a public call for contributions from EFRAG, this survey has been prepared by the EFRAG Secretariat to support the collection of written input that will inform the revision of ESRS Set 1.

The contributions will be anonymized and leveraged only in aggregate form, however name of contributors will be made available following your consent.

For viewing purposes, a pdf version of the questionnaire is available here.

Questionnaire for public input on simplification of ESRS

EFRAG wishes to collect input from all the stakeholder categories on how to simplify ESRS, following the Omnibus proposals issued by the European Commission on 26 February 2025 and the mandate that EFRAG received on 27 March 2025.

Section 1 – Participant General Information

Section 2 – General Assessment

As preparer/user/other stakeholder, could you share your overall assessment about the implementation challenges and benefits that you have experienced or observed?

IIGCC notes that it is currently challenging to assess implementation challenges and benefits, given the fact that relatively few companies have yet to produce reports, and the rules are in flux. But we emphasise that our members are the principle users and beneficiaries of the information reported under the ESRS. Many of them have made their own net zero portfolio commitments and rely on data from their investees to make progress against these commitments. The climate-related datapoints under ESRS-E1 align well with many of the voluntary frameworks our members have helped to develop to assess the ambition and credibility of transition plans, and could significantly increase the availability, comparability and quality of this information. Given the high-level alignment of the indicators with those in other frameworks, including the ISSB and TPT, they also facilitate interoperable disclosures. IIGCC therefore recommends that core ESRS-E1 climate indicators are preserved as a priority.

Section 3 – Questions

Part 1 – How to improve the materiality assessment

The Materiality Assessment process is critical to establish the perimeter of the sustainability statement andpivotal to ensure that undertakings only report material I nformation, that they do not report unnecessary information nor dedicate excessive resources to the materiality assessment process.

Initial feedback seems to suggest that required disclosures on the process may be too detailed and the outcome of the process may lead to disclose too many/too detailed IROs. The Omnibus proposals have identified this area as to be clarified.

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Part 2 – How to streamline narrative information

Narrative information is a key part of sustainability reporting, in particular with respect to governance, strategy, business model, as well as policies, actions and targets (PATs). It is a key factor to meet the quality characteristics of relevance of information and fair presentation[LS1] of the situation of the undertaking with respect to its sustainability matters. However, narrative information is difficult to compare. In determining the content of narrative information to be reported per disclosure requirements, ESRS combine a principles-based disclosure objective with a list of "shall" datapoints.

Initial feedback seems to suggest that the "shall disclose" datapoints in ESRS Set 1 may be too detailed and too prescriptive in that regard and that a proper balance between relevance/fair presentation, comparability and preparation effort has been difficult to achieve. The Omnibus proposals suggest to consider this point carefully for burden reduction purposes.

2.1 On the other hand, please indicate the most critical and the most useful elements to be retained

Our members see the ESRS-E1 Disclosure Requirements as very useful for assessing the credibility and ambition of transition plans and amplifying the requests made by many of the voluntary frameworks they have helped develop. Many of these datapoints are already being reported by companies (consistent with these frameworks), and therefore do not in our view present significant implementation challenges or reporting burdens. We have set out investor perspectives on why each of the disclosure requirements under ESRS-E1 are decision-useful below. In particular, we stress the importance of forward-looking datapoints for informing investment decision-making and engagement activities.

ESRS E1-1 - Transition plan for climate change mitigation: *This requirement is relevant to numerous Climate Action 100+ Disclosure Framework indicators/NZIF criteria including Targets, Strategy, Capital Alignment.* Supports investor assessment of overall transition risk and informs engagement with companies, including on overall strategy and alignment with climate goals.

ESRS E1-2 - Policies related to climate change mitigation and adaptation: *This requirement is relevant to Climate Action 100+ Disclosure Framework indicators/NZIF* *criteria on Governance.* A robust governance framework for understanding climate related risks and opportunities and rewarding progress towards goals is a foundational criteria for a credible transition plan.

ESRS E1-3 - Actions and resources in relation to climate change policies: *Disclosure of current and planned investment makes climate solutions targets more credible. This requirement is relevant to Climate Action 100+ Disclosure Framework indicators/NZIF criteria on Strategy, Capital Alignment and Emissions Performance.* Targets without an implementation strategy are not credible. Investors want to know how a company intends to reach its target, including any use of carbon credits. Some companies plan to transition by growing climate solutions. Setting financial (revenue and investment) and operational targets can help investors understand the transition opportunities. Additionally, clear disclosure of current and planned investments in carbon intensive assets, including phase out dates where appropriate, is a vital indicator of transition plan credibility. Disclosure of current and planned investment makes climate solutions targets more credible.

ESRS E1-4 - Targets related to climate change mitigation and adaptation: *This requirement is relevant to Climate Action 100+ Disclosure Framework indicators/NZIF criteria on Commitment and Targets.* Companies need to reduce both their emissions and their exposure to emissions in their value chain to reduce transition risk. Setting targets, which can be compared to sectoral benchmarks, helps investors assess that risk. Given the pathway is important, targets set at regular intervals (including short-term targets, which are not currently captured under the Disclosure Requirements) are important for underpinning this pathway with credibility and integrity.

ESRS E1-5 - Energy consumption and mix: Whilst this is not explicitly requested by Climate Action 100+ Disclosure Framework indicators/NZIF criteria it is an increasingly important disclosure topic, particularly share of renewables in the overall energy mix and whether this is increasing. All decarbonisation trajectories require increased energy efficiency and decarbonisation of consumed energy.

ESRS E1-6 - Gross Scopes 1, 2, 3 and Total GHG emissions: *This requirement is relevant to Climate Action 100+ Disclosure Framework indicators/NZIF criteria on Disclosure and underpins other indicators.* Assessing historical emissions performance, in both intensity and absolute terms, and what has been driving it helps investors understand target credibility.

ESRS E1-7 - GHG removals and GHG mitigation projects financed through carbon credits: *This requirement is relevant to Climate Action 100+ Disclosure Framework metric 5.1.c.* The use of carbon credits is seen by some of our members as a cost-effective measure that companies can take to accelerate transition. However, the emissions and cost impacts of these specific measures have a greater degree of uncertainty than other decarbonisation measures and therefore justify additional disclosure. We see these Disclosure Requirements as better suited for inclusion as part of E1-3 datapoints rather than meriting a standalone DR.

ESRS E1-8 - Internal carbon pricing: *This requirement is not relevant to Climate Action 100+ Disclosure Framework indicators/NZIF criteria but is captured by TPI MQ framework used by investors.*

ESRS E1-9 - Potential financial effects from material physical and transition risks and potential climate-related opportunities: *This requirement is relevant to Climate Action 100+ Disclosure Framework indicators/NZIF criteria on Disclosure and Accounts.* Financial statements that leave out material climate impacts misinform executives and shareholders and thus, can result in misdirected capital. While the ESRS requires detailed disclosures of quantified climate-related financial assumptions and estimates, it asks for these disclosures to be made separately from the financial statements. As such, they are not subject to the same scrutiny by auditors or financial analysts as disclosures made within the financial statements. Investors would prefer to see how these material risks and opportunities have been considered within the financial statements, with key quantitative climate-related assumptions disclosed.

EU Taxonomy Regulation 2020/852 Article 8: *This requirement is relevant to Climate Action 100+ Disclosure Framework sub-indicator 6.2/NZIF's overarching objective on climate solutions.* This provides useful datapoints for assessing the extent to which companies intend to invest in climate solutions -particularly Taxonomy-aligned capex.

We also note the following disclosure requirements, which are not captured in the Set 1 Standards, are important for investors assessments of climate-related risks and opportunities and the credibility of transition plans:

- **Short-term emissions reductions targets (2023-2028):** ESRS does not require targets for before 2030. Short term targets help align the focus of management teams with the longer term climate goals set by the company.

- **Climate policy engagement:** ESRS Set 1 does not specifically request disclosure on climate-related lobbying activities and the extent to which these are aligned with the goals of the Paris Agreement (although ESRS G1-5 aims to improve transparency over how company exerts its influence, including lobbying activities related to its material risks). An enabling policy environment is critical to meeting the Paris Goals. Through disclosure of lobbying activities investors can better understand the extent of corporate commitment to the transition to net zero and whether lobbying positions are aligned with their external advocacy.

More broadly, EFRAG should prioritise the preservation of datapoints that are aligned with other global standards and frameworks (e.g. ISSB, TPT framework, and other widely used voluntary frameworks such as the Net Zero Investment Framework) to facilitate interoperable disclosures. Datapoints which are necessary for investors and wider financial market participants to meet their own reporting obligations under the Sustainable Finance Disclosure Regulation (e.g. principal adverse impact indicators, Taxonomy-alignment indicators) should also be preserved to facilitate the flow of data across the investment and reporting chains. Ensuring connectivity between datapoints in the Set 1 standards and those which investors will need to disclose under SFDR will also be important to mitigate the risk of implementation challenges across the EU's wider sustainability reporting regime.

Beyond the Disclosure Requirements relevant for climate mitigation and transition risks, we also stress the importance of preserving key datapoints relevant for the assessment of physical climate risk (PCR) under the ESRS. Currently, the lack of standardisation across the different PCR disclosure regimes results in disclosures that are often very high-level and do not encourage a holistic approach focused on building resilience and adaptive capacity within assets and portfolios.

2.2 OPTIONAL – If possible, and if not specified already under point 2.1 Please identify the most critical narrative disclosure requirements and/or datapoints that require clarification, and share your suggestions

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2.3 OPTIONAL If possible, and if not specified already under point 2.1 above, please beyond the need for clarification, identify the 10 most challenging narrative disclosure requirements (DRs) with an indication of the least

important or most problematic datapoints (DPs) to prepare and share your suggestions:

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Part 3 – How to improve quantitative information and EU regulation related information

Quantitative information (metrics) is in principle comparable (over time and between undertakings). Initial feedback seems to suggest that some required metrics may be too granular and/or not decision useful or may be difficult to prepare (due to difficulty to collect basic data or lack of maturity of the matter).

Furthermore, EU Regulations related information (SFDR, Climate Law, Pillar 3, Benchmark) was included in ESRS Set 1 to facilitate the appropriate flows of information between the various actors, in order to create consistency in reporting. In this context, its relevance with respect to general purpose sustainability reporting was not assessed by EFRAG. Initial feedback seems to suggest that certain datapoints may not meet the criteria to be included in the general-purpose sustainability reporting.

In addition, with respect to Article 8 of the Environmental Taxonomy Regulation 2020/852, it was decided to offer a placeholder in the sustainability statement for the information required under this regulation. In this context, its relevance with respect to general purpose sustainability reporting was not assessed by. EFRAG/Initial feedback seems to suggest that this information has increased significantly the volume of information reported in the sustainability statement.

3.1 Please identify the most challenging quantitative DRs/DPs and share your suggestion on how to address the issue, in terms of:

- The relevance (least important, critical)

- The difficulty to prepare

- The need for clarification

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3.2 Do you have suggestions regarding EU regulation related datapoints (DPs)?

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3.3 Do you have suggestions regarding Article 8 of the Environmental Taxonomy Regulation 2020/852 related information and its inclusion in the sustainability statement under a placeholder approach?

Taxonomy-aligned disclosures (particularly forward-looking disclosures such as Taxonomy-aligned capex) are vital for the assessment of companies contributions to investing in climate solutions. This is used by investors to gauge the credibility of corporate decarbonisation strategies and help investors set portfolio level climate solutions targets, one of the two overarching objectives of the Net Zero Investment Framework (NZIF) which is used by over half our members.

Part 4 – How to improve quantitative information and EU regulation related information

Initial feedback seems to suggest that the current structure and presentation of reporting requirements in the standards may be difficult to understand and use and may have contributed to the inclusion of repetitive and duplicated content within the sustainability statement.

In addition, to avoid unnecessary regulatory fragmentation that could have negative consequences for undertakings operating globally, ESRS Set 1 has been drafted with the objective to contribute to the process of convergence of sustainability reporting standards at global level. The Omnibus proposals suggest to further enhance the already very high degree of interoperability with global sustainability reporting standards.

4.2 Regarding interoperability, please:

If you are a preparer, indicate if you are reporting under another framework and which one:

If you are not reporting under another framework, indicate if you intend to do so and use which one:

Please share any suggestion you may have to enhance the already high level of interoperability of ESRS with other frameworks (ISSB, GRI, TCFD, TNFD, CDP). Please indicate DR/DPs if relevant.

Building on the substantial work that has already been done to map the ESRS Set 1 standards against other key frameworks, including the ISSB standards, there is scope to make further progress on a 'building blocks' approach to reporting. This could consist of full alignment or equivalence between financially material climate-related indicators that are common across the sets of standards, using these datapoints as the baseline for core disclosures. Where the ESRS Set 1 standards go further than the ISSB and TPT standards, incremental disclosures could be added on top to support compliance and capture wider, decision-useful datapoints (e.g. relating to impacts).

4.2 If you are a user/other type of stakeholder. Share your views on the importance and usefulness of interoperability from your perspective:

Investors typically have global mandates and therefore the interoperability of reporting standards substantially improves the utility of the data, enabling them to assess climate-related risks, opportunities and impacts across multiple geographies and sectors. This interoperability is currently limited due to generally less stringent regimes in other regions, however we expect this situation to improve as climate related disclosure is adopted in other regions, reflecting the large, and growing materiality, of climate risks and opportunities.

Noting the decision not to proceed with the implementation of sector-specific ESRS, it will be important to enable compatibility with GRI and SASB standards (both of which are incorporated into the ISSB) as regards impact materiality, including at the level of datapoints. Beyond climate-related disclosures, work should continue to ensure compatibility between the ESRS E4 standards and TNFD to support the creation of a global baseline for nature-related assessment and reporting.

Part 5 – Any other comment or suggestion

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END OF CONSULTATION RESPONSE