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ITEM 2B: EUROPEAN SUSTAINABILITY REPORTING STANDARDS (ESRS) UNDER CSRD

CONTACT PERSON: AGATA ZALEWSKA (OVERALL COORDINATION)/STEFAN ENICA (SOCIAL)/PEDRO OLIVEIRA (GOVERNANCE)

1. Background

As a follow-up to the note circulated on 23 June and the second draft circulated on 30 June, members will find below the final draft of BusinessEurope's political cover message to the public consultation on ESRS.

2. Suggested outline of BusinessEurope cover message

We welcome the changes introduced as compared to the technical advice by EFRAG. They are necessary to make the practical implementation of the standards more workable for business at large, and to take the necessary steps to achieve the Commissions' engagement of reducing reporting requirements by 25%. In particular, the following improvements are important:

- **The wide application of materiality assessment across the ESRS framework.** Materiality assessment is essential both in the context of financial and sustainability reporting, and it will increase the relevance of information disclosed to users. It is also one of the most effective measures to reduce the overall reporting burden for preparers of non-financial information. Still, conducting meaningful materiality assessments will involve collection and analysis of granular and complex data.

To improve coherence within the EU sustainable finance framework, we suggest to give guidance to the financial sector about reporting on mandatory PAIs while respecting materiality assessment in ESRS.

- **Several datapoints in areas particularly difficult to report on have become voluntary.** This approach encourages companies who want to report additional information about their sustainability performance to do so by providing a relevant reference point, however it does not force to report those who will experience difficulties in compiling the necessary data.
- **The additional phase-ins for companies and in particular those with less than 750 employees.** While this does not fully address the challenge of data collection, it will grant companies more time to adapt their systems and prepare sustainability reports.
- **The progress made towards aligning ESRS with IFRS S2 standard.** We urge the European Commission to ensure that "when a company reports sustainability information in accordance with the ESRS, they will be deemed to be compliant with global standards" (Commission Communication of 13 June 2023), knowing that



ESRS requirements will go beyond the different reporting frameworks. In this light, a reconciliation table between ESRS and existing IFRS S1 and S2 standards will be useful to avoid as much as possible double reporting, while continuing to seek alignment with ISSB.

We note however that despite those improvements standards in the proposed share represent a massive amount of sustainability information which will need to be collected, validated and ultimately reported on by companies. Compliance with the disclosure requirements will be burdensome, costly and will pose a significant challenge to many companies, especially first preparers. More concretely, we still see areas where the proposed disclosure requirements could be further improved to ensure the success of this framework. You will find in them in the annex.