CONSULTATION RESPONSE: KEY RECOMMENDATIONS

EFRAG CONSULTATION ON REVISED EXPOSURE DRAFT EUROPEAN SUSTAINABILITY REPORTING STANDARDS

September 2025

To inform this paper, the following groups have been consulted: Global Policy Reference Group (GPRG), Nature Reference Group (NRG), Human Rights and Social Issues Reference Group (HRG), Net-Zero Asset Owner Alliance (NZAOA) Policy Track.

While the policy recommendations herein have been developed to be globally applicable, the PRI recognises that the way in which policy reforms are implemented may vary by jurisdiction and according to local circumstances. Similarly, the PRI recognises that there may be circumstances where there are merits to allowing market-led initiatives to precede regulatory requirements.

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An investor initiative in partnership with UNEP Finance Initiative and UN Global Compact

ABOUT THE PRI

The Principles for Responsible Investment (PRI) works with its international network of signatories to put the six Principles for Responsible Investment into practice. Its goals are to understand the investment implications of environmental, social and governance (ESG) issues and to support signatories in integrating these issues into investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.

The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a range of possible actions for incorporating ESG issues into investment practice. The Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system.

The PRI develops policy analysis and recommendations based on signatory views and evidence-based policy research.

ABOUT THIS CONSULTATION

The PRI welcomes the opportunity to respond to the European Financial Reporting Advisory Group (EFRAG) consultation on revised European Sustainability Reporting Standards (ESRS), which specify reporting requirements under the EU Corporate Sustainability Reporting Directive (CSRD).

EFRAG is consulting on simplified ESRS following the European Commission's Omnibus I initiative, and formal request to EFRAG to simplify the ESRS while preserving its relevance and alignment with the European Green Deal.

To achieve this EFRAG has proposed a 68% reduction in ESRS datapoints (including 57% of mandatory datapoints) and broader structural changes, including streamlining the double materiality assessment, reducing overlaps across standards, clarifying language and structure and removing all voluntary disclosures. The consultation includes an ESRS simplification webpage with tracked edits versions of each standard, a basis for conclusions, defined terms and other resources.

The PRI consulted its signatories on its response to EFRAG's survey (included in a separate document) and, given the length of the survey, this "key recommendations document" is summarising our input.

EFRAG will consider feedback to this consultation and subsequent input ahead of its final technical advice to the European Commission, due by 30 November 2025.

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KEY RECOMMENDATIONS

We support EFRAG's work to simplify the ESRS, including proposed guidance and structural changes, while preserving key elements of the materiality assessment process and information quality requirements. These changes will clarify the requirements and help to improve and standardise implementation of the ESRS by companies, leading to likely improvements in the comparability, understandability, quality and relevance of disclosures for investors.

We also welcome EFRAG's efforts to preserve many of the disclosures investors need on policies, targets and action plans – as well as datapoints necessary for financial institutions to meet their own regulatory reporting obligations. We acknowledge and commend that EFRAG was able to remove datapoints while preserving a significant amount of information for investors, through editorial changes, merging requirements and consolidating certain indicators across standards. This is in line with our previous recommendations to ensure investors can still access the data they need.

Finally, we commend efforts to further align the ESRS with the ISSB standards. Given that nearly 40 jurisdictions are in the process of adopting the ISSB standards or have already done so, this will improve interoperability for companies and by extension comparable reporting for investors.

However, some simplifications risk undermining investors' access to relevant, high-quality and comparable data across a broad range of material issues – which they need to make investment decisions, conduct stewardship effectively and meet their own reporting requirements.

Over 477 organisations, including 132 investors and 87 businesses have supported proposals to simplify EU sustainable finance rules in a way that does not compromise the EU's economic and sustainability goals. In this regard, the PRI has submitted the below key recommendations to EFRAG, setting out which additional ESRS datapoints should be retained or amended.

Our recommendations aim to preserve the datapoints investors need, and to ensure interoperability with international standards and frameworks including the ISSB standards, GRI standards and TNFD recommendations. If implemented, they would help to ensure comparable and high-quality reporting for investors across their global portfolios. We note that of the datapoints EFRAG is proposing to delete, our response recommends that 53 of these are added back into the standards – approximately 5% of the 1,000+ datapoints that were in the ESRS prior to EFRAG's simplification proposal.

- Preserve granular issue-agnostic and issue-specific reporting requirements on how companies identify, assess and manage their sustainability risks, opportunities and impacts, including on stakeholder engagement and the role of administrative, management and supervisory bodies – to allow investors to understand, assess and engage on these processes and relevant controls (c.f. Question 11 and Part 3).
- Develop sector-specific guidance building on international sector standards once the ESRS Set 1 revision is finalised, to help preparers identify likely material indicators for their industries, thereby enabling more relevant information for investors. Such guidance should also clarify how – and to what extent – financial institutions should consider their value chain (i.e. financial assets) as part of the materiality assessment.

- Require companies to disclose both qualitative and quantitative information on financial effects of sustainability risks and opportunities, and to justify only providing qualitative information if applicable – in line with ISSB standards. Disclosures on financial effects are most useful to investors when they contain both quantitative information on financial statement effects and narrative explaining these and how they were calculated (c.f. Question 19).
- Preserve requirements to consider and report on interconnected sustainability issues and their synergies and trade-offs (c.f. Question 23 and Part 3).
- Preserve the limited set of datapoints EFRAG added on nature – related to water withdrawals and discharges, biodiversity transition plans, secondary microplastics and resource inflows (c.f. Questions 23 and 24).
- Require "adequate wages" to be measured: (i) against the legal minimum wage only where this is set in line with the definition of an adequate minimum wage under EU law, or the ILO principles on estimating living wages; and (ii) against living wage estimates that are set in line with ILO principles on estimating living wages. The current approach allows companies to report such wages in a way that does not ensure they are adequate or fair (c.f. Question 28).
- Adjust disclosure requirements on alignment with the UN Guiding Principles and OECD Guidelines for Multinational Enterprises – by focusing on processes and compliance mechanisms rather than just whether a relevant policy is in place – to more closely align with investors' information needs to calculate SFDR Principal Adverse Impact (PAI) indicators (c.f. Question 29).
- Reference the TNFD core global disclosure metrics in the absence of biodiversity metrics within ESRS E4, to mitigate risks to consistency, ensure relevance of reporting for investors and promote interoperability with international frameworks (c.f. Part 3).
- Preserve the requirements to disclose non-recycled waste and materials present in waste, to support transparency for investors on the potential impact of these materials (c.f. Part 3).
- Preserve granular reporting on discrimination policies and how these are implemented, on the characteristics of a company's employees and non-employees in the own workforce and on health and safety metrics. Investors have identified these datapoints as relevant to their understanding of material social matters and how they are managed (c.f. Part 3).

Finally, while we acknowledge this extends beyond EFRAG's remit, we note it will be important to ensure alignment between the ESRS and the future SFDR, given this regulation is likely to be subject to revision (c.f. Question 29).

The PRI has experience of contributing to public policy on sustainable finance and responsible investment across multiple markets and stands ready to support the work of EFRAG further to promote decision-useful sustainability disclosure under the CSRD.

Please send any questions or comments to policy@unpri.org.

More information on www.unpri.org