To the Chair of EFRAG Sustainability Reporting Board,

Subject: Call for maintaining mandatory disclosures on anticipated financial effects in the revised ESRS.

Dear Mr. de Cambourg,

Eurosif - the European Sustainable Investment Forum, the European Federation of Financial Analysts Societies (EFFAS), the Principles for Responsible Investment (PRI), the Institutional Investors Group on Climate Change (IIGCC) and the Dutch Federation of Pension Funds (PensioenFederatie) – representing European and international users of sustainability data – jointly call to maintain mandatory qualitative and quantitative disclosures on anticipated financial effects in the revised European Sustainability Reporting Standards (ESRS).

Clear disclosures on anticipated financial effects are essential for a robust and effective sustainability reporting framework. Quantifying these effects will allow users of sustainability information to connect sustainability risks and opportunities with financial statements. This will enable a meaningful assessment of financial materiality and how sustainability affects companies' financial performance.

These disclosures are especially useful when complemented with qualitative information that provides context and transparency on methodologies, assumptions, and use of estimates. By clarifying how environmental, social and governance factors affect companies' performance, this information can help investors make informed decisions on portfolio construction, risk management, and engagement activities.

The importance of anticipated financial effects is underscored by their inclusion in the ISSB standards' global baseline, which has already been adopted or is in the process of being adopted by nearly 40 jurisdictions (with an estimated 130,000 companies expected to use the framework).

Making quantitative disclosures on anticipated financial effects voluntary, as proposed under "Option 2" of EFRAG's recent consultation, would have significant negative consequences for users. It would reduce the availability of such disclosures and allow preparers to turn sustainability reporting into a narrative exercise, risking that users do not obtain material data they need to make informed decisions.

A complete removal of the quantitative disclosures would cause the loss of highly decision-useful information and undermine the consistency and reliability of the ESRS. Furthermore, it would increase international fragmentation with the ISSB standards. This would result in duplicative reporting burdens for companies, and reduced comparability for users.

We acknowledge the challenges associated with producing this information. However, EFRAG should ensure the ESRS incentivise companies to improve the availability and quality of these disclosures, rather than effectively removing them. This can be achieved by providing clear guidelines and carefully calibrated reliefs for preparers, leveraging existing practice and international guidance.

In sum, the signatories of this letter stress that the ESRS should enable users' access to **quantitative and qualitative disclosures on anticipated financial effects across all Environmental, Social and Governance topics**. **We strongly recommend against EFRAG's "Option 2"**, which is likely to deprive users from critical information.

Additionally, the reliefs granted for preparers under "Option 1" should be strengthened by further clarifying and tightening the conditions under which quantitative information may be omitted. Only then, would these proposals find a workable balance between offering sufficient reliefs for preparers while preserving critical information for users.

Our organisations remain available to further discuss this matter and contribute to developing a simplified and high-quality sustainability reporting framework fitting the needs of both users and preparers.

We thank you for your consideration, and we are looking forward to hearing from you.

Yours sincerely,

Aleksandra Palinska, Executive Director of Eurosif, *on behalf of EFFAS, PRI, IIGCC, and the Dutch Federation of Pension Funds.*

DISCLAIMER: This statement was developed in collaboration between the coordinating organisations and their members, but does not necessarily represent the views of their entire memberships, either individually or collectively.