

PRI CONSULTATION RESPONSE

**European Commission: Consultation on revised
European Sustainability Reporting Standards**

June 2026

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



About this consultation

The European Commission is [consulting](#) on revised European Sustainability Reporting Standards (ESRS), which specify reporting requirements under the EU Corporate Sustainability Reporting Directive (CSRD).

Last year, in line with its [Omnibus I regulatory simplification initiative](#), the Commission issued a [formal request](#) to the European Financial Reporting Advisory Group (EFRAG) – to propose simplifications to the ESRS, while preserving their relevance and alignment with the European Green Deal.

In July EFRAG [publicly consulted](#) on its proposal. This involved a 60% reduction in mandatory datapoints; and broader structural changes including streamlining the double materiality assessment, reducing overlaps across standards and clarifying language and structure. EFRAG submitted its [final technical advice](#) to the European Commission in December.

The Commission is consulting on standards that are largely aligned with EFRAG’s proposal. It will adopt a final delegated act amending the ESRS accordingly later this year. Undertakings will be required to use the revised ESRS from financial year 2027; and may choose to do so for financial year 2026.

The PRI is the leading organisation in advancing responsible investment globally. Set up with United Nations’ support, our unique community contributes to stable financial markets and a more prosperous world for all. We bring together signatories, amplify their voices and provide resources and guidance for complex sustainability challenges. The six 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. The PRI welcomes the opportunity to respond to the European Commission’s call for feedback on revised European Sustainability Reporting Standards (ESRS).

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To inform this paper, the following group has been consulted: EU Policy Reference Group.

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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Response

The PRI welcomes efforts by the European Commission and EFRAG to simplify the structure and content of the ESRS, while preserving the disclosures investors need for decision-making and reporting. We are broadly supportive of this latest proposal.

The PRI [publicly supported](#) EFRAG's proposed updates last year, as we felt they achieved the above objectives. This was done through enhanced alignment with international standards and frameworks, new implementation guidance and editorial simplification. We welcome the Commission's decision to maintain most disclosure requirements within EFRAG's technical advice.

Compared to the initially adopted ESRS, the current proposal achieves simplification while preserving a significant amount of information investors need – through editorial changes, merging requirements and consolidating certain indicators across standards. We also welcome the approach to phase-in more challenging requirements as opposed to deleting them, as this will facilitate implementation for preparers while still giving investors access to needed information.

Further, we believe the Commission's proposed modifications to EFRAG's technical advice will largely improve the standards. Relevant recommendations are set out in the final section of this response.

As the Commission prepares to adopt the Standards as a delegated act, maintaining the following key elements will preserve investors' access to data they need to consider companies' materiality sustainability matters and meet their own reporting requirements; and harmonise this data across their global portfolios.

Alignment with international standards and frameworks

The PRI supports efforts to improve alignment with the ISSB standards, GRI standards and TNFD framework on key areas such as anticipated financial effects, transition plan reporting and nature-related disclosures. Given widespread uptake of these standards and frameworks – for example, over 40 jurisdictions have now adopted the ISSB standards or are taking steps to do so – maximum possible alignment will help to provide investors with more comparable and better-quality investee disclosure across their global portfolios. We encourage active dialogue between the Commission and ISSB, GRI and TNFD to achieve this, along with necessary adjustments such as requiring the use of scenario analysis to identify climate-related risks (as is done in IFRS S2). Further, we welcome attempts to align requirements with key international frameworks, such as the ILO principles on estimating living wages when it comes to measuring “adequate wages” under S1-9.

We note that in the absence of biodiversity-specific metrics under ESRS E4, it would be beneficial to cross-reference the Disclosure Metrics of the TNFD Framework, to encourage comparable and relevant nature reporting by portfolio companies.

Regulatory coherence

The ESRS should be coherent with the EU sustainable finance regulatory framework, so that investors are able to meet their own sustainability reporting obligations. Looking ahead, it will be important to ensure alignment between the ESRS and the future SFDR (including revised technical standards), given this regulation is subject to revision and investor reporting will rely on disclosure from portfolio companies.

Anticipated financial effects

We welcome that the Commission has retained disclosure requirements on anticipated financial effects of sustainability matters.

All investors, regardless of investment strategy, need disclosures on financial effects to understand the existing and future financial implications of exposure to sustainability-related risks and opportunities.

These disclosures are especially useful to investors when both quantitative and qualitative information is disclosed. This allows investors to assess the connections between sustainability risks and opportunities and specific financial statement line items, alongside contextual and methodological information.



Quantitative and qualitative reporting is also needed to promote connectivity with financial reporting and alignment with global standards. The proposed requirements achieve interoperability with the ISSB standards, thereby promoting comparability of reporting across investors' global portfolios. Conversely, not requiring this information or diluting expectations would result in the omission of information included in the global baseline.

We recognise that calculating financial effects of sustainability matters may present implementation challenges for preparers, particularly given methodological uncertainty. However, the availability and quality of such disclosures will continue to increase as the ISSB and ESRS standards are adopted, supported by a growing set of guidance (including from the ISSB) on how to report this information.

Information on investees' impacts, risks and opportunities across sustainability topics

We welcome that the Commission has retained key disclosure requirements capturing this information, along with relevant policies, targets and action plans. This will allow investors to assess long-term value creation and resilience.

Crucially, investors need this reporting across environmental, social and governance issues. In this regard, we recommend that phase-ins for Wave 2 companies to report on biodiversity, workers in the value chain, affected communities and consumers & end users be shortened, such that this is disclosed earlier than FY2029 reporting.

Views on the Commission's proposed modifications to EFRAG's proposal

The PRI supports most of the Commission's targeted modifications to EFRAG's technical advice. Our views on each modification and suggested amendments (where applicable) are set out below.

Proposed modifications	Comments
<p>1 New guidance on the materiality assessment, fair presentation and aggregation and disaggregation.</p>	<p>We welcome this guidance, as it will support and standardise implementation by preparers and provide them with clarity on the judgment they are expected to exercise in reporting. This will lead to more comparable and relevant reporting for investors.</p>
<p>2 Allowing undertakings to omit certain information in certain circumstances, including information that could be seriously prejudicial to their commercial position – provided they disclose their use of the exemption, re-assess at each reporting date whether the information may still be omitted, and consider whether it can be disclosed in a different manner (e.g. at an aggregated level).</p>	<p>We support this provision, provided the above requirements to limit its use remain in place to ensure it does not unduly prevent the disclosure of relevant information to investors. We also recommend that this requirement is fully aligned with the ISSB standards to enable interoperability. Finally, to improve implementation – and by extension data availability and quality for investors – it may be useful to provide guidance on when companies should use this provision, including in tandem with other reliefs available.</p>
<p>3 Allowing undertakings to update estimates used to report anticipated financial effects in future periods, without this constituting a reporting “error”.</p>	<p>We support this provision as it will encourage companies to disclose anticipated financial effects, without compromising the quality of this reporting for investors. It will also improve alignment with IFRS S1 (paragraph 85). However, to ensure feasibility, it should also be clarified that restatements are not required for anticipated financial effects disclosed in previous reporting periods – in line with</p>



Proposed modifications	Comments
	IFRS S1 paragraph B51 which excludes forward-looking metrics from restatement requirements.
4 Provision allowing undertakings to use either the financial control or operational control approach when calculating greenhouse gas emissions, in line with global sustainability reporting standards.	We support this provision, as it further aligns the ESRS with international standards from ISSB and the GHG Protocol. Like IFRS S2, the revised requirement requires clear disclosure of the selected methodology and underlying rationale.
5 Requirement for undertakings that report transition plans with targets that are not compatible with 1.5°C to be transparent about this.	We support this provision. It will lead to investors receiving relevant information on whether GHG emissions targets are compatible with limiting global warming to 1.5°C and which methodologies have been used to determine this, without prescribing the targets companies should set. Crucially, where targets are not aligned with a 1.5°C pathway, this is complemented by disclosure on how target values compare with relevant reference values. Overall, the provision will allow investors to more easily compare climate targets across companies.
6 Specification that limits reporting on microplastics to disclosure on primary microplastics.	The PRI is unable to comment on this proposal.
7 Specification that decisions on which pollutants are material for reporting purposes should be taken following a managerial assessment that considers an undertaking's activities and sector of operation.	We support this provision, as it will improve the materiality assessment as it relates to pollutants – thereby improving the relevance of reporting investors receive on this topic.
8 Phase-in provision of one-year for reporting on substances of very high concern for undertakings that are users of articles containing such substances.	We prefer this edit to an outright deletion of the requirement, as it will give the market additional time to implement while eventually providing investors with access to needed information.
9 Technical modifications to better align guidance on the interaction between due diligence and the materiality assessment with the Corporate Sustainability Due Diligence Directive.	We support these modifications, as they will improve regulatory coherence. Further, the clarification that due diligence should inform and mirror the assessment of material negative impacts will improve materiality assessments, leading to more relevant information for investors. However, we note the term “direct linkage” has been replaced with “other connection” – an undefined and open-ended category – within disclosure requirements on actions to address impacts in the social ESRS. We recommend this is changed back to “direct linkage” to



Proposed modifications	Comments
	<p>ensure a focus on impacts for which undertakings have responsibility, in line with the UNGPs and OECD Guidelines.</p>
<p>10 Provision that only “substantiated” human rights and discrimination incidents are to be reported.</p>	<p>We recommend removing this provision, to ensure that investors receive relevant information on all material human rights and discrimination-related incidents. The focus should instead be on “severe” incidents, as set out in the UN Guiding Principles.</p> <p>Further, we consider that reporting on the number and type of incidents received, categorised by human rights impact, can provide more relevant disclosures for assessing the effectiveness and availability of channels to raise concerns or needs, including grievance mechanisms. Finally, we suggest revising AR 39 for para. 43 to more explicitly link incident reporting with the effectiveness and availability of these channels.</p>
<p>11 Exemption for undertakings managing investments subject to a fiduciary duty on behalf of its clients without retaining risks or rewards of ownership, from providing data on those investments – i.e. excluding disclosure on investment managers’ portfolios.</p>	<p>Investors can be directly linked to adverse impacts through their portfolio investments, irrespective of whether they hold ownership of the underlying assets¹. To adequately manage these impacts, investors can act through their investment decisions, stewardship of investees and dialogue with policy makers and other stakeholders².</p> <p>Entity-level disclosures around governance, strategy, policies, processes and stewardship are therefore especially important to asset owners for selection and monitoring purposes, and should be retained (at least) for investment managers. These disclosures provide a necessary complement to product-level reporting, and allow clients and beneficiaries to assess credibility and compare overall sustainability strategies and commitments. They are also needed to ensure interoperability with ISSB-aligned reporting regulations in other jurisdictions, many of which require this information from financial sector entities.</p> <p>To avoid double reporting across different EU regulations, these entity-level disclosures should be captured in either the ESRS or SFDR, but not both. We recommend their inclusion under ESRS in light of the Commission’s proposal to remove most entity-level requirements from SFDR, while</p>

¹ According to international due diligence norms such as the UN Guiding Principles for Business and Human Rights and the OECD Guidelines for Multinational Enterprises (and its application to institutional investors).

² [PRI \(2020\) - Why and how investors should act on human rights](#)



Proposed modifications	Comments
	<p>acknowledging this remains subject to ongoing inter-institutional negotiations (as of June 2026).</p> <p>At the same time, many issue-specific quantitative metrics under the ESRS are not sufficiently reliable, comparable or decision-useful when aggregated at portfolio-level given outstanding data gaps. It would be unrealistic for investors to request the missing inputs across their large and global portfolios. Accordingly, investors should not be required to report against most quantitative disclosures under the ESRS.</p> <p>The only quantitative disclosure that should be reported (subject to materiality) are those in IFRS S2, including GHG emissions and financed emissions. This is relevant information for end users, and needed to ensure interoperability with international standards.</p> <p>Further, the exemption on quantitative metrics should apply to all investors rather than just investment managers, as asset owners face similar challenges.</p> <p>Finally, to ensure feasibility and clarity, ESRS 1 should explicitly state that investors do not need to consider each investee's materiality assessment in conducting their own, and set out factors to consider when determining the granularity of their materiality assessment, reflecting the specific characteristics of diversified portfolios.</p>

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 the European Commission further to improve sustainability disclosure.

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

More information on www.unpri.org.