

To: Corporate Reporting WG
From: Guillaume Morauw
cc:
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Reference: ECO-CORP-23-014

Subject: EIOPA opinion to the EC on the ESRS

Summary

On 26 January, ESMA, EIOPA and EBA published their respective opinions on the first set of draft European Sustainability Reporting Standards (ESRS Set 1) developed by the European Financial Reporting Advisory Group (EFRAG).

[ESMA](#) found that ESRS Set 1 broadly meets the objective of being conducive to investor protection and of not undermining financial stability. To become fully capable of meeting that objective, ESMA advises the European Commission to address selected technical issues set out in the opinion. Most notably, these issues relate to possible improvements of the level of consistency vis-à-vis the requirements of the Corporate Sustainability Reporting Directive and other pieces of EU legislation, important clarifications of definitions and terminology and further guidance on the materiality assessment process.

[EBA](#) found that, overall, the draft ESRS are consistent with international standards and any other relevant EU regulation. In addition, the EBA very much welcomes the level of alignment with the Pillar 3 disclosure requirements reached at this stage. The EBA also highlights a few aspects that should deserve further consideration by the European Commission.

Finally, many points raised by the industry were taken onboard in [EIOPA's opinion](#), including the following:

- EIOPA welcomes the disclosure requirement to disclose all datapoints to serve SFDR-related disclosures regardless of the reporting entity's materiality assessment.
- Further clarity on the boundaries of the value chain is needed to enable financial market participants to report on relevant material sustainability impacts across the value chain in a proportionate and risk-based manner. Such guidance should ideally be available the latest as part of the second set of ESRS.
- EIOPA is concerned that the use of proxies may have a negative impact on the comparability of the disclosures along the value chain. It is therefore critical that ESRS include disclosures about the significant judgments that an entity uses to estimate the information that it cannot collect from its value chain partners
- In order to avoid the international fragmentation of sustainability reporting requirements across jurisdictions, EIOPA considers that ESRS standards should ensure that European companies that report under ESRS are automatically considered as complying with the IFRS sustainability reporting framework.
- EIOPA would support a streamlined process for guidance across all pieces of the European sustainability reporting framework involving all relevant actors going forward, to ensure efficiency and coherency of the implementation.
- In order to ensure consistency across European sustainability reporting requirements, it is critical that amendments to the SFDR can be taken into account in adaptations to the ESRS and an expedient review process for adapting the Delegated Regulation implementing the CSRD is put in place. Sector-specific standards for the financial sector should ideally be for adoption by the Commission already in 2025 to support first reporting by the financial industry.



- In order to ensure a level playing field with the banking sector, low-risk-profile undertakings (as defined in the Solvency II review) should be allowed to apply simplified sustainability reporting standards under the CSRD.

Next steps

The Commission will now consider these opinions alongside opinions submitted by other public bodies and adopt ESRS Set 1 into delegated acts by 30 June 2023.