

To: Corporate Reporting - Investments & Sustainable Finance WG
From: Cléa Gobet
Date: 14-05-2025
Reference: ECO-CRISF-25-141

Subject: Summary of discussion of 13 May call with EFRAG on ESRS simplification

Summary of discussion

On 13 May, Insurance Europe hosted a workshop with the EFRAG staff to discuss key areas for simplification identified as part of the ESRS Set 1 streamlining efforts. The list of participants is available in the Annex.

The discussion focused on the following main points:

Work in progress at EFRAG, presented by Gemma Sanchez Danes:

The Board has set up dedicated working groups to develop proposals on the following topics:

1. Assessment and **materiality of information**, particularly regarding PATs, IROs, and SBMs.
2. Simplification of **materiality assessment process**, focusing on refining IRO 1.
3. Addressing **architecture overlaps** between ESRS 1 and the topical standards.
4. **Financial institutions**: acknowledged that Set 1 is primarily geared towards the real economy and less suited for financial institutions. EFRAG is exploring quick solutions to better tailor application requirements for financial entities.

Double Materiality Assessment (DMA)

- FA mentioned that IRO-1 topical disclosure requirements should be simplified and the concept of information materiality clarified.
- ANIA stressed the need to build on the Solvency II framework when assessing financial impact, rather than creating a new system to comply with CSRD. They called for the deletion of ESRS 1 paragraph 103, arguing that it is not applied in practice and is no longer appropriate in the current political context.
- Gemma Sanchez (EFRAG) responded that paragraph 103, which refers to subsidiary-level disclosures, was significant under the NFRD and benefitted many companies. She noted that a FAQ has been developed to guide materiality assessments but acknowledged inconsistent implementation. ANIA reiterated that the drive for simplification should justify its removal.

Burden stemming from Audit engagements

- Insurance Europe raised concerns about auditors using the text of the standards to justify exhaustive audit requirements. They called for improving clarity to avoid excessive auditing.
- FA stressed that due to uncertainty around audit responsibilities, auditors often exceed what is necessary. FA also pointed out that the current requirement for systematic scoring across all topics for the double materiality assessment adds unnecessary complexity.

- Fredré Ferreira (EFRAG) acknowledged that flexibility was the original intention but has since been lost. The requirement for companies to explain why topics are not material was flagged as especially burdensome when irrelevance is clear.
- Gemma Sanchez (EFRAG) stated that EFRAG is working to resolve interpretation issues and simplify guidance.

Minimum Disclosure Requirements (MDR) and negative statements

- GDV mentioned the number of mandatory disclosure requirements of PAT as too high and leading to lengthy narrative sections that provide limited added value for users. Negative statements in the Application Requirements should be deleted.
- EFRAG noted that some users value the inclusion of negative statements, in particular in the scope of SFDR, but will look into their simplification.

Consolidation scope and GHG Boundaries

- GDV highlighted these topics as particularly relevant for the financial sector. They suggested clarifying the consolidated scope definition, particularly regarding own operations, and aligning GHG boundary definitions with the GHG Protocol using the operational control approach.
- EFRAG agreed on consolidation scope and, while noting the potential benefits of the GHG Protocol, mentioned that full interoperability is still uncertain.

Use of estimates

- Participants highlighted that estimates are required for nearly all data points—even those of low quality—leading to a high reporting burden without necessarily improving information value for users. This is particularly problematic for Scope 3 emissions.
- EFRAG acknowledged the issue.

Overlap between ESRS 2 and topical standards and overlaps with other regulations

- Insurance Europe highlighted the main overlaps, notably in SBM disclosure requirements, and suggested deleting these datapoints from the topical standard sections.
- It also raised inconsistencies between ESRS requirements and other regulatory frameworks as a key issue for insurers. Insurance Europe proposed allowing further cross-referencing, as well as a dynamic link to the SFDR PAIs.
- Fredré (EFRAG) confirmed ongoing work to resolve overlaps and inconsistencies, especially regarding links to the SFDR.
- Gemma Sanchez challenged participants' calls for broader use of cross-referencing, questioning whether the intention was to reference data subject to data with lesser audit requirements or non-public sources.
- Participants clarified that the current inability to cross-reference national legislation and non-audited reports imposes a significant burden.
- EFRAG stated that a proposal allowing cross-referencing to audited CSRD disclosures is under development and will be presented to the board.

Next Steps

EFRAG's input-gathering phase is nearing completion. Simplification proposals and draft advice to the European Commission are expected by the end of July, with a public consultation likely to launch around the same time (to be confirmed) and run for 6 weeks.

Annex:

EFRAG participants:

- For the Cross-cutting team: Andrea Giannini (Sr Technical Manager) and Lorena Sorrentino (Technical Manager)
- From the E team: Liad Ortar, (Sr Technical Manager)
- From the S team: Gemma Sanchez Danes (Social Lead), Paula Byrne (Sr Technical Manager)
- From the G team: Fredré Ferreira (Governance Lead)
- Paula Byrne and Flavia Micilotta (Senior Technical Advisors at EFRAG)
- Mathilde Pierroux (Sustainability Reporting Junior Technical Manager at EFRAG)
- Note taking: Mary Teehan

Insurance Europe participants:

- Claire Bechatsky (France Assureurs)
- Karin Chenon (Insurance Sweden)
- Idänpää Aurora (Insurance Finland)
- Pedro Schwarz (VVO)
- Annamaria David (ANIA)
- Romano Massimo (representing ANIA)
- Maik Preussner (GDV)
- Céline Karzas (GDV)
- Margarita Winter (GDV)
- rSusanne Visbeck (representing GDV)
- Philippe Angelis (Insurance Europe)
- Cléa Gobet (Insurance Europe)