24 September 2025

Patrick de Cambourg
Chair – Sustainability Reporting Board
EFRAG
35 Square de Meeus
1000 Brussels

Response to public consultation on the amended ESRS exposure drafts

Dear Patrick,

As we trust is evident from our active engagement with you and your team, GRI – the independent organization that provides the global common language for sustainability reporting through the GRI Standards – greatly values our Memorandum of Understanding with EFRAG and our close collaboration over the past four years. We look forward to continuing to work together to assist you in the further refinement of the European Sustainability Reporting Standards (ESRS), ensuring they are aligned with the aims of business competitiveness, resilience, accountability, and sustainable economic growth.

Below, we set out our main feedback on the amended ESRS exposure drafts. As an independent global standard-setter with more than 25 years of extensive experience in multi-stakeholder processes, we would like to support EFRAG's mandate by highlighting opportunities to achieve meaningful simplification through enhanced alignment with global standards. Our feedback builds on the suggestions shared with you in May 2025, and focuses on strengthening impact materiality and promoting high-quality reporting on an organization's most significant impacts, while delivering on the simplification agenda. Our complete feedback on the amended ESRS and the proposed reduction and simplification of data points is presented in this Annex.

Key feedback on the amended ESRS exposure drafts

We recognize the complex mandate EFRAG has received: delivering simplification while preserving the CSRD's core objectives, under tight time constraints. This balancing act requires navigating competing demands from different stakeholders while maintaining Europe's leadership position in sustainability reporting.

In this regard, we welcome the shift to a more principles-based approach to identifying impacts that aligns closely with the GRI Standards – which are already widely used by most major companies in Europe. We also support the retention of the criteria and steps for assessing impact materiality, as well as the explicit recognition that a 'double materiality' assessment begins with impacts. We share the understanding that impacts are the necessary first step for a comprehensive understanding of risks and opportunities.

However, we are concerned that some changes made to the ESRS risk weakening impact materiality, and that more should be done to increase alignment with global standards, in line with EFRAG's mandate to enhance interoperability with global sustainability reporting standards as part of the simplification process[1]. In light of significant reductions, and to ensure meaningful reporting on an organization's most significant impacts, it is advised that the ESRS explicitly refer users to the GRI Standards, which span topics and sectors not covered by the ESRS. We elaborate on these points below.

- **Clarify and align the definition of impact materiality with GRI Standards:** Amended ESRS 1 lacks a clear definition of impact materiality, comparable to the one included for financial materiality in paragraph 39. To eliminate ambiguity for companies and stakeholders, the definition in the Glossary[2] needs to be clearly incorporated into the body of ESRS 1. To avoid confusion, this definition should be aligned verbatim with the GRI Standards, which define material topics as those that represent an organization's 'most significant impacts'. This is crucial to ensure clear and consistent application of impact materiality globally. In addition, since the steps for assessing impact materiality are not elaborated on within the ESRS, pointing to *GRI 3: Material Topics* can provide additional valuable guidance for reporters.

- **Enhance interoperability with global sustainability reporting standards:** We have observed a considerable reduction of GRI-aligned data points, both in the cross-cutting and in the topical standards. The proposed amendments should not diminish interoperability with global sustainability reporting standards but rather strengthen it. Considering interoperability with the GRI Standards when deciding which mandatory data points to retain would ensure that any reductions are based on decision-useful

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[1] https://www.efrag.org/sites/default/files/media/document/2025-03/Commissioner%20Albuquerque%20Letter%20to%20EFRAG%20March%202025.pdf

[2] A sustainability topic is material from an impact perspective when it pertains to the undertaking's material actual or potential, positive or negative impacts on people or the environment over the short-, medium- and long-term. A material sustainability topic from an impact perspective includes impacts connected with the undertaking's own operations and upstream and downstream value chain, including through its products and services, as well as through its business relationships.

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impact information, validated through extensive multi-stakeholder consultation. For example, ESRS 2 no longer includes standalone data points on how a company identifies impacts, the involvement with negative impacts, and the provision of remedy, which provided crucial and easily identifiable information about an organization's approach to impacts. Here, reference could be made to *GRI 3: Material Topics* where this critical information is covered.

Moreover, the ESRS remain misaligned with the GRI Standards in key disclosure areas, such as the reporting of non-employees, occupational health and safety and the gender pay gap. Misalignment creates unnecessary costs for companies, leaves investors, civil society and other stakeholders without comparable information, and ultimately hinders business competitiveness. We urge EFRAG to strengthen alignment to ensure that impact information is globally comparable and meaningful.

- **Fill the gaps in ESRS by referencing existing GRI Standards:** While we acknowledge the need to simplify reporting by reducing mandatory data points, this cannot come at the expense of meaningful, standardized information on impacts for investors, civil society, and other stakeholders. Although mandatory data points have been significantly reduced, the ESRS continue to require undertakings to report material information on material impacts. However, given that less information under the ESRS will be standardized, there is a risk of reduced reporting quality and comparability. We recommend that paragraph 11 of ESRS 1 includes an explicit reference to the GRI Topic Standards (in addition to GRI Sector Standards), as a reliable source of entity-specific disclosures and likely material topics. This will help ensure that organizations can report standardized information on significant sector-agnostic impacts and topics not covered by the amended ESRS.

  For example, the reduction of metrics in E4 Biodiversity and Ecosystems due to limited reporting practice, methodological maturity, or guidance could be mitigated by pointing to the latest best practice in *GRI 101: Biodiversity*. Similarly, *GRI 102: Climate Change* offers valuable metrics for reporting on how companies enable a just transition for workers and local communities – an area currently underdeveloped in the ESRS. Similarly, the ESRS do not cover some topics, such as tax, which will likely have significant impacts for some organizations and are covered in the GRI Standards.

- **Refocus the definition of users to emphasize civil society:** The CSRD clearly states that the second group of users of the sustainability statements consists of civil society actors, including non-governmental organizations and social partners, which

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seek to better hold undertakings to account for their impacts on people and the environment.[3] The ESRS definition of users must reflect this emphasis on civil society actors to ensure that the perspectives of affected stakeholders are not diluted. The ESRS should also recognize the crossover of needs between the two primary groups of users (investors and civil society), in that investors want to better understand the impacts of their investments on people and the environment, as they recognize that these impacts lead to risks to the organization over time.

- **Reconsider the application of a net-based approach to impact assessment:** The new guidance on how to consider remediation, mitigation, and prevention actions in assessing the materiality of negative impacts is now based on a net-impact assessment. This is overly complex, inconsistent with financial materiality (where risks are assessed on a gross basis) and, more importantly, risks excluding severe potential negative impacts from reporting. Net-impact assessments can also vary widely depending on how organizations account for mitigation measures, leading to inconsistent and less comparable reporting.

  Assessing impacts on a gross basis means organizations cannot obscure or minimize potential harm simply by pointing to mitigation efforts. Particularly in cases where an impact is highly significant in a specific industry or location, disclosing these impacts and the effective implementation of prevention and mitigation measures provides valuable information to stakeholders. *GRI 3: Material Topics* provides relevant guidance on how to assess and prioritize impacts for reporting.

- **Strengthen the test for materiality of information for non-investors:** Amended ESRS 1 presumes that investors are the only users of the sustainability statements for decision-making. This is not the case. Other stakeholder groups – such as civil society and policy makers – need to be included, rather than being relegated to being considered as only using this data to achieve an "understanding". Otherwise, the principle of double materiality is undermined by the prioritization of financial materiality only. Paragraph 21 (b) must be revised so that information is material when it is necessary for users, including civil society actors, to make *informed assessments and decisions* about an undertaking's most significant impacts and how it identifies and manages them.

[3] CSRD, paragraph 9.

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Finally, while it is positive that the ESRS apply a principles-based approach, reflecting principles from financial reporting should be carefully considered to ensure they do not undermine double materiality, and are appropriately used in the context of the impact dimension of the CSRD. Directly importing financial concepts without proper adaptation can shift attention away from the assessment of impacts, undermining double materiality reporting. For example, the qualitative characteristic of relevance, as defined in the IFRS Conceptual Framework, emphasizes confirmatory and predictive value, which while appropriate for assessing future cash flows, is not directly applicable to evaluating an organization's impacts.

The ESRS provides added value not only by extending financial reporting to sustainability-related risks and opportunities, but also by signaling the crucial importance of reporting on an organization's most significant impacts – both in its own right and as the necessary starting point to identifying those risks and opportunities. Impact reporting is essential for ensuring transparency and accountability for companies' outward impacts on the economy, environment and people, and their contribution to sustainable development. We urge EFRAG to consider these opportunities for enhancement to further reinforce the impact perspective of the ESRS and to ensure that future amendments focus on organizations' most significant impacts and are aligned with our global standards.

Building on the deep technical and strategic support we have provided to EFRAG since 2021 for the development of the ESRS, we stand ready to continue our collaboration moving forward.

Yours sincerely,

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