BUSINESSEUROPE

COMMENTS

30 January 2026

13 targeted solutions for a more competitive, meaningful sustainability reporting framework in Europe

INTRODUCTION

BusinessEurope fully recognises the importance of the EU's sustainability objectives and supports the overall ambition of the European Green Deal. However, this ambition can only be delivered if companies are subject to rules that are proportionate and flexible.

As a member of EFRAG, BusinessEurope has been actively engaged in the development and implementation of the European Sustainability Reporting Standards (ESRS), from the adoption of the first set of standards to the ongoing simplification exercise. The launch of Omnibus I in early 2025 raised strong expectations that ESRS reporting would become simpler and more decision-useful in practice.

EFRAG's technical advice to the European Commission of 3 December represents an important step compared to the original set of standards, and the considerable time pressure under which EFRAG was required to deliver this advice should be acknowledged. Nevertheless, BusinessEurope calls for further improvements in the final Delegated Act adopting the simplified ESRS. In our view, the framework should prioritise data collection that is truly meaningful and decision-useful to support investment in the green transition.

With the objective of achieving a better balance between the relevance of sustainability information and the feasibility of reporting for companies, including in terms of auditing costs, this paper identifies remaining areas of concern in the ESRS and suggests concrete solutions to address them in the final Delegated Act.

13 TARGETED SOLUTIONS FOR REMAINING ESRS ISSUES

BusinessEurope's remaining concerns can be summarized in 13 points, two across the 'cross-cutting' standards and the rest across the 'topical' standards. These issues have been consistently raised by BusinessEurope, including during the final vote of EFRAG's Sustainability Reporting Board on 25 November 2025. All of them are equally important to ensure preparers' support of the simplified standards and must be viewed as a package.

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	ESRS reference	Issue	Proposed solution	Expected impact
1	ESRS 1	A Double Materiality framework can create some challenges for undertakings. **First, a Fair Presentation framework in a double materiality context** can create broad corporate expectations and increase reporting effort, potentially generating tension between compliance and the provision of decision-useful information. This challenge is particularly pronounced in EU countries where trust in the auditing process is lower, as companies face greater uncertainty and scrutiny in applying principle-based judgments. **Second, the geographical focus under the Double Materiality Assessment process could unintentionally lead to overreporting.** While we appreciate that the DMA process has been streamlined compared to Set 1 and the July exposure draft, it is still unclear—both for materiality and for the topical standards—how data are expected to be disaggregated. In fact, the standards now pose big emphasis on "geographies" and "site-level disclosures" without clear safeguards to specify that not everything must be disaggregated. Given the lack of clarity, the risk is that the auditor may ask for a very granular level of detail, which would not be feasible in the financial statements.	To make ESRS 1 workable, the Commission should, when developing the limited assurance standards by June 2027, clearly indicate that companies are not required to meet every need of different user groups. In addition, the standards should be amended as follows to enhance the link to decision usefulness on corporate level: - Para. 3: *"The objective of the sustainability statement, taken as whole, is to present fairly (see Chapter 2) all the undertaking's sustainability-related material impacts, risks and opportunities and how the undertaking manages them. The reported information shall be decision-useful* ***at the level of the reporting entity*** *for the* ***primary and functional*** *users of general-purpose sustainability statements* ***to manage their relationship with the undertaking****."* - Para. 4, letter b): *"other users of general-purpose sustainability statements* ***are those who provide a contribution to or are impacted by the undertaking,***	Increase legal certainty and consistency of application across Member States. Respect the principle of Fair Presentation while preventing a maximalist interpretation. More decision-useful information, flexibility for companies and reduced reporting burden and audit-related costs.

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			such as the undertaking's business partners, trade unions and social partners, civil society and non-governmental organisations." - AR1, for para. 4, letter b): *"consider the* ***decision-useful*** *information needs* ***at the level*** *of* ***the reporting entity of*** *groups of users."* - Delete ~~***"including informed assessments"***~~ from para. 23, letter b) as it broadens the scope. - Delete para. 33. - Delete the two references to ~~***"in a specific context of the geography"***~~ from AR 15 for para. 33, now referring to ***"AR 15 for para. 32 (b)".*** - Delete entire para. 43 on proxies for affected stakeholders as this is a new concept.	
2	**ESRS 2 & ESRS E1, DR E1-11**	**Disclosures of Anticipated Financial Effects and going beyond ISSB requirements on those related to climate risks and opportunities.** - Because of their speculative and commercially sensitive nature, these disclosures can trigger inappropriate investment decisions from users, while exposing the company to considerable financial and market volatility. - Data availability and assessment	**Preferred solution:** Remove all mandatory obligations to disclose anticipated financial effects from the standards, i.e., delete all relevant DRs and ARs from ESRS 2 and DR E1-11. **Alternative solution:** While keeping all reliefs without any conditionality - including those on climate-related disclosures -, introduce additional phase-ins for FAE with no sunset clause until	Improve reliability and credibility of information, reduce risk of misinterpretation by stakeholders and market volatility.

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		methodologies for forward-looking financial effects are particularly challenging, especially given the required mid-term and long-term ESG reporting horizons. This makes the disclosures highly subjective, therefore not comparable, and complex because they go beyond established financial planning periods. - There is no legislation mandating disclosure of monetary quantification for expected risks or opportunities. - In addition, auditors may challenge their assumptions and require extensive supporting evidence, increasing reporting and auditing costs without delivering clear benefits or added decision-useful value.	more robust methodologies are available. In addition, align climate-related disclosure requirements with those of the ISSB, eliminating all the current specific disclosure requirements presented in E1 for climate (e.g., E1-11, paragraphs 40 and 41) and making sure there is better ability for undertakings to aggregate/disaggregate information, following the ISSB logic. To achieve this, para. 125 of ESRS 1 shall be amended as follows: - Remove reference to "wave one" undertakings as follows: *"125. **~~'Wave-one'~~** Undertakings may omit in their sustainability statement:…"* - Delete the following reference "***~~with the exception of ESRS E1-11 para. 38 (a) (b) and 39 (a) (b)~~"*** from letter b), as there is no such exception in the current phase-ins (ESRS 1, appendix C). - Rephrase letter c) as follows: "(c) *quantitative information about anticipated financial effects, required in paragraph 27 of ESRS 2 General Disclosures and in ESRS E1-11,* ***~~for their financial years prior to financial year 2030, with the exception of ESRS E1-11 paragraph 38 (a)(b) and 39 (a)(b)~~ until a widely***	

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			accepted common methodology for developing such disclosures is available;"	
3	**ESRS E2, DR E2-4, para. 15 b)**	**The disclosure of secondary microplastics** is highly burdensome, as it requires companies to collect and estimate data across multiple layers of the value chain that are often outside their direct control. The absence of a clear and consistent methodology further undermines comparability between companies and makes the auditing process particularly challenging.	Delete ESRS E2-4, para. 15, letter (b) on secondary microplastic, and AR 4 for para. 15(b).	No added complexity compared to ESRS Set 1. Improve reliability, comparability, and auditability of the reported information.
4	**ESRS E2, DR E2-4 & E2-5**	**Disclosure of SOC, SVHC, and Other pollutants.** - Measuring the quantity of SOCs, SVHCs and their trends over time remains highly complex to consolidate, especially for SOCs as they are not clearly identified and there is a significant risk of double counting with the SVHCs. Moreover, the obligation to list substance names could generate a list of 500 substances which unnecessarily increase the report lenght and raises the question on how useful this information is for external stakeholders. - In addition, to determine which pollutants are material, a company must consider the E-PRTR list together with other pollutants -depending on the auditors' interpretation this could lead to collecting data from numerous	Delete DR on SOC, make the disclosure on SVHCs only qualitative, and remove the requirement to list the name of the substances. For reporting other pollutants, adopt a flexible approach where companies can define at a central level which pollutants are material and then establish a consolidation process according to the type of activities. To achieve this, ESRS E2-5 should be amended as follows: - Para 16: *"(33 amended) The objective of this DR is to enable users to understand the undertaking's material impacts, risks and opportunities linked to the manufacturing, trading or use of* ~~***SoC and***~~ *SVHC, including risks arising from changes in regulations."* ARs 5-8 should be	More flexibility in the reporting, leading to more proportionate preparers' efforts and enhanced decision-useful information for users.

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		pollutants across all sites just to define which should be reported.	amended accordingly to reflect these changes. - Para 17: *"(34 and 35 amended) Manufacturers of substances, formulators of substances or importers of substances, whether on their own or in mixtures, shall* ***~~disclose the total weight of SoCs, and separately, the total weight of~~ provide an overview of*** *SVHC that are: (a) procured as substances on their own or in mixtures; (b) manufactured as substances on their own or in mixtures; (c) placed on the market as substances on their own or in mixtures; and (d) directly released into the environment (air, water, and soil), including unintentional releases from leaks or spills".* ARs 5-8 should be amended accordingly to reflect these changes. - Para. 18: *"(35 amended) Users of substances, whether on their own or in mixtures, shall* ***~~disclose~~ provide an overview of****: (a)* ***~~the total weight of~~*** *SVHC that they use during production and during the delivery of services; and (b)* ***~~the total weight of~~*** *SVHC that they directly release into the*	

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			environment". ARs 5-8 should be amended accordingly to reflect these changes. - Para. 19: *"(35 amended) Manufacturers of articles, importers of articles or users of articles that contain SVHC shall* ~~***disclose the names of***~~ ***provide an overview of*** *the substances that are present in a concentration above 0.1% weight by weight (w/w), as per Article 33 of Regulation (EC) No 1907/2006 (REACH), in: (a) procured components or articles; and (b) components or articles placed on the market"*. - E2-4, AR 2 for para. 14: *"(AR 24 amended) The pollutants listed in Annex II of Regulation (EC) No 166/2006 (E-PRTR), Regulation (EU) 2024/1244 (IEPR) and subsequent amendments that apply to the undertaking, together with other pollutants that the undertaking measures or monitors, are a valuable input for assessing the material pollutant emissions. When determining whether the emission of a specific pollutant is material, the undertaking can* ***either*** *consider*	

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			the thresholds for releases in Annex II of Regulation (EU) 2024/124, ***or define at a central level which pollutants are material and then establish a consolidation process according to the type of activities."***	
5	**ESRS E3, DR E3-4**	**Increased complexity of Water metrics.** The removal of "freshwater" metrics has made the standard less relevant as freshwater availability is the key factor from an environmental perspective. In addition, referring to "water" in general greatly undermines comparability, as each company could adopt its own interpretation.	Go back to one of the first proposed revisions of the standards by EFRAG, following the consultation, in which all the water metrics were referring to "Freshwater". Accordingly, E3-4 para. 15 should be changed as follows: *"The undertaking shall disclose the following water metrics for its own operations:* *(a) total* ***fresh****water consumption;* *(b) total* ***fresh****water consumption in areas with water stress;* *(c) total* ***fresh****water withdrawal;* *(d) total* ***fresh****water discharge;* *(e) total* ***fresh****water recycled and reused; and* *(f) total* ***fresh****water stored."*	Restore clarity and relevance to water-related disclosures. Improve comparability and consistency across reported information.
6	**ESRS 4, DR E4-1 & DR E4-2, AR 5 for para. 12 (b)**	**Increased complexity of the Biodiversity standard,** as the "buffer" zone can be challenging to apply consistently and comparably across different companies. The obligation to determine the area of influence for each type of activity is highly costly as it requires field visits and can be interpreted differently	The standard should not only require the definition of the buffer site-by-site but also give the possibility to define a single specific buffer distance for undertakings with a very large number of sites, without prescribing an exact number of kilometers. To achieve this, ESRS E4, AR 5	Make biodiversity disclosures more proportionate, comparable and decision useful.

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		across companies.	for para. 12 (new) should be amended as follows: “*If the undertaking’s site is in or near a biodiversity-sensitive area, its activities can be related to material negative impacts on the biodiversity-sensitive area. Whether an undertaking’s site outside a biodiversity-sensitive area is near such an area shall be determined by defining the site’s area of influence. The area of influence can be determined by* ***either*** *applying buffer distances specific to the undertaking’s type of activity following regulatory requirements, science-based recommendations and industry best practice* ***or opt for defining a single buffer to apply, while being transparent on how this buffer is relevant and how it has been defined.”***	
7	**ESRS E5, DRs E5-4 & E5-5**	**Certain disclosures on Resource inflows and outflows**, notably the requirement to identify which critical and strategically relevant raw materials are used by the undertaking and to disclose the designed recyclability rate of its “key products”. - These disclosures were introduced on a more granular level compared to Set 1 (i.e. breakdowns), increasing the data requirement and thus entailing extensive IT or resource-manual reporting processes. - Also, disclosing information on	Remove these newly introduced datapoints, and all related ARs.	No added complexity compared to ESRS Set 1. Reduce ambiguity and reporting burden.

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		purchased (critical/strategic) materials is sensitive information which could weaken the market competitiveness of EU companies (e.g., supplier dependencies, negotiating positions, risk exposures).		
8	**ESRS S1, DRs S1-5 & S1-7**	**New "Top 10 Countries" concept**, which requires companies to report for the up to ten countries with the largest number of employees. - This rule-based approach reduces flexibility and forces a disaggregation that may not be decision-useful (e.g., forced reporting in some areas while ignoring true hotspots). - It may also increase the reporting burden for multinational companies, as many would need to report on more countries than before. Each additional country brings its own data collection challenges, due to differences in local data infrastructure and IT systems.	Provide a more principle-based, materiality-focused approach, which gives companies flexibility to highlight countries where social risks are significant or where the company's actions have the greatest impact. To achieve this, the approach presented in the previous standards should be reintroduced in all relevant S1-S4 paragraphs and ARs: ***"countries in which the undertaking has 50 or more employees representing at least 10% of its total number of employees."***	Make social reporting more meaningful. Focus reporting on providing decision-useful information. Support strategic and targeted action, linking disclosure to actual corporate sustainability performance and impact.
9	**ESRS S1, DR S1-15**	**Mandatory disclosure of the unadjusted pay gap** is not always the most meaningful and actionable insight into pay equity within the organization. For many companies, this number can be misleading because it reflects workforce composition rather than true inequity (e.g., a company with more men in senior roles will naturally show a larger unadjusted gap, even if pay policies are fair at each level.)	In order to avoid overlapping with article 9.1.a of the Pay Transparency Directive, S1-15 should focus solely on a general obligation to report on the gender pay gap without any further specifications of unadjusted / adjusted.	Better support decision-useful reporting and meaningful comparison across organizations.
10	**ESRS S1,**	**The new language on reporting human rights incidents could create confusion and**	**In all relevant S1-S4 paragraphs and ARs:**	Reduce reporting burden and complexity, avoiding boilerplating. Better focus on

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	S2, S3, S4 DR S1-16, AR 36 for para. 42(b)	**unnecessary burden**. As drafted in AR 36, companies would have to report all allegations or cases initiated, not just confirmed incidents. Applied across all social standards, this would mean collecting and reporting every lawsuit or complaint, even if the company was ultimately found not responsible. This approach risks over-reporting, makes it harder to focus on truly material or confirmed incidents, and can create unnecessary administrative work.	- Limit the concept to reporting on severe human rights incidents by **adding a "severe" before "human rights incidents".** - Limit the reporting to "confirmed" cases by deleting ~~***"(a) judicial and non-judicial proceedings that have been initiated (such as cases before domestic courts and tribunals, mediation and complaints filed with the National Contact Points for OECD Multinational Enterprises)".***~~	systemic issues. Align "limitation to severe" with the risk-based approach in international standards (e.g. OECD framework).
11	**ESRS S1, DR S1-9**	**Complexity of metrics required to report on adequate wages,** especially because of the linkages with the ILO principles. Companies operating in multiple countries face particular challenges in applying this metric consistently across diverse roles and wage standards.	Develop, as soon as possible, a free reference/database to ease the burden on companies, allowing them to calculate the metric more easily, and limit this metric to the most relevant countries. Until such a database is available, the metric should remain voluntary.	Make the metric easier to calculate and verify by auditors. Ensure disclosures are decision-useful and comparable, without overwhelming companies with excessive data collection.
12	**ESRS G1, DR G1-4**	**Disclosure of complex metrics related to corruption and bribery which can ultimately be misleading.** They do not distinguish between the severity of convictions of employees and board members/top managers. They also overlook cases where the company itself is sanctioned, which can indicate broader, systemic issues rather than individual excesses. In addition, sanctions were added as an additional datapoint after the consultation. Finally, focusing only on payable fines for	Focus the disclosure on data points that are decision-useful at the corporate level. To achieve this, the standard should be amended as follows: - Removing ~~***"and sanctions"***~~ from G1-4, para. 24(a), - Limiting the scope of AR5 for para. 11 as follows: "*Convictions for the violation of anti-corruption and anti-bribery laws refer to final decisions issued by a criminal*	Focus on material risks and impacts. Provide stakeholders with more decision-useful, accurate insight into actual corruption risks and systemic issues.

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		conviction of natural persons ignores prison sentences, which are a key measure of the severity of the offense.	*court against an individual or undertaking in respect of a criminal offence related to corruption or bribery, where these court decisions are entered in the criminal record of the convicting European Union Member State or, if outside the EU, in the equivalent register or record of the jurisdiction concerned.* ***Individuals should refer to top management and board members.*** ***~~Sanctions for the violation of anti-corruption and anti-bribery laws refer to final decisions issued by administrative or regulatory authorities against an individual or undertaking in respect of corruption or bribery.”~~***	
13	**ESRS G1, DR G1-6**	**The calculation of some complex metrics related to payment practices,** particularly the percentage of payments that comply with standard terms. - This is especially challenging for companies operating in multiple countries and across many different products or services, each of which may have different payment rules. Also, tracking supplier categories by size would require substantial system changes.	**Preferred solution:** Deletion of this disclosure requirement. **Alternative solution:** To delete para. 17 b) and keep only letters a) and c), as follows: *“17. The undertaking shall disclose:* *(a) (33(b) amended) a description of the undertaking’s standard payment terms in number of days by main category of suppliers, specifying those that apply to SMEs, only if they are different from those generally applied;* ***~~(b) (33(b)) the percentage of its~~***	Reduce reporting complexity and burden while keeping the information meaningful. Support proportionality and feasibility.

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		- In addition, reporting legal proceedings related to late payments without context offers little decision-useful information (material cases are already covered in legal risk reporting).	~~***payments aligned with these standard terms; and***~~ *(c) (33(c)) the number of legal proceedings currently outstanding for late payments."*	