

## Strong standards for a resilient Europe: Protecting the ambition of the ESRS

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The undersigned civil society organisations are highly concerned about the revision of the European Sustainability Reporting Standards (ESRS). As the European Commission is reviewing the draft proposed by the European Financial Reporting Advisory Group (EFRAG), there is a risk that further concessions will undermine the objectives of the Corporate Sustainability Reporting Directive (CSRD), weaken the coherence and integrity of the framework, and increase the risk of social- and greenwashing. Diluting the standards would not reduce companies' burden but make it harder for them to identify critical sustainability risks and impacts across their operations and value chains.

While simplification is a legitimate objective, the EFRAG draft already represents a radical rollback: around 71% of datapoints have been removed. **The scale of the reductions is of concern to us, and for different topical standards it puts at risk the framework's consistency and the meaningfulness of reporting.**

We call on policy-makers to **improve the standards and, at a minimum, to not further damage them by cutting more datapoints or challenging key principles that have guided reporting to date.** The focus of the revised ESRS should continue to be on streamlining corporate sustainability disclosures while facilitating a pragmatic reporting process well integrated with companies' risk and due diligence processes, instead of creating a separate, disconnected and costly approach. This means:

### **1. Apply the materiality principle instead of cutting critical disclosures**

The CSRD is anchored on the principle that reporting should be meaningful to the companies' reality, with preparers **adapting the exercise to the specificities of their activities.** This starts with the double materiality exercise, which allows companies to prioritise and focus on what is truly relevant to their business model. **All the datapoints in the ESRS are subject to companies' own materiality assessment.**

Recognising and relying on this overarching principle, rather than eliminating datapoints across the board, will prevent overcompliance while ensuring information remains strategic, meaningful and comparable. This is even more important in the absence of sector-specific standards.

Experience from [market practice](#) shows that the most effective reports are those designed around relevance and decision-usefulness. Weakening disclosure requirements risks reducing clarity and comparability.

### **2. Reduce excessive reliefs that increase risk and complexity**

Overly broad reliefs in the EFRAG draft create space for greenwashing and social washing and disadvantage those acting in good faith. **We call for the removal of**

**such reliefs, especially where they go further than the International Sustainability Standards Board (ISSB) framework.** Notably, the lack of time-bound limits in the ESRS has been criticised by the [ECB staff opinion](#), where they also warn about the misuse of these reliefs creating “permanent blind spots” for investors and regulators.

Moreover, oversimplification may ultimately increase complexity. If public disclosures are reduced, investors and other stakeholders will continue to request additional information through multiple bilateral channels, leading to fragmented, duplicative and more costly reporting processes.

### **3. Maintain financial quantification as a strategic tool**

Disclosing the anticipated financial effects of sustainability risks and opportunities links sustainability to financial performance. It strengthens strategic planning, supports capital allocation decisions, and allows investors to assess the credibility of corporate risk management.

This information is not a compliance burden: it is a strategic asset. It enables companies to prioritise mitigation and adaptation investments where they are most needed, reinforcing long-term resilience and competitiveness. Market practice [showcases](#) feasibility: the first study conducted on the implementation of the ISSB revealed that 64% of the concerned companies reported on estimated financial effects of climate risks, even reaching 70% for the 100 largest companies.

### **4. Protect companies' ability to focus their reporting exercise**

Understanding companies' exposure to environmental or social risks and impacts is fundamental for business leaders to increase the resilience of their supply chains. To guarantee the meaningfulness of information, it is key that, in alignment with the ISSB, companies aggregate/disaggregate information as appropriate and **consider the geographical context of impacts and risks when disclosing data.**

**Further, excluding guidance (“may” datapoints) works against the objective of supporting implementation and, therefore, against simplifying the compliance exercise for companies.** We call for this information to be published as a non-mandatory tool, to guarantee that a minimum standardisation is available, where market practice embraces it.

Finally, we urge the European Commission to uphold the objectives and legal mandate agreed by the co-legislators in the CSRD. Further reductions in disclosure requirements would risk undermining transparency, comparability and investor confidence, while weakening the EU's sustainable finance framework.

Europe's geopolitical reality has further elevated sustainability as a strategic business imperative. Energy security, supply-chain resilience, and technological autonomy are critical boardroom and political priorities.

A well-calibrated reporting framework reduces long-term costs, strengthens market integrity and supports the strategic transformation of the European economy. Dilution would not reduce risks: it would obscure them.

Co-signed by:

