

3 June 2026

Response to the EC's consultation on the draft final version of revised European Sustainability Standards (ESRS) and a voluntary reporting standard for smaller companies

The European Banking Federation welcomes the opportunity to provide its feedback on draft final versions of revised sustainability reporting standards, both ESRS and voluntary standards.

Given that we consider EFRAG's proposed ESRS to represent an acceptable compromise, and that a regulatory pause is necessary to allow for implementation assessment and the identification of lessons for a potential post-implementation review, this response focuses solely on analysing the changes proposed by the European Commission compared with EFRAG's version.

All points raised in this response concern ESRS, except for the value chain cap, which relates to a voluntary reporting standard for smaller companies.

The feedback received reveals a high degree of convergence on three systemic themes:

1. Delimitation of the value chain cap vis-à-vis prudential requirements
2. Operationalisation of materiality assessment and evidentiary expectations
3. Practical feasibility of data requirements for financial institutions

Secondary but relevant issues concern legal drafting clarity and sector-specific edge cases.

Overall, stakeholders support the simplification direction but emphasise the need for clear operational guardrails to ensure legal certainty, supervisory consistency, and data usability for financial institutions.

EBF is broadly supportive of the simplification objectives underpinning the revision of ESRS and VSME. However, several recurring and structurally significant concerns emerge:

1. Value chain cap scope and interaction with prudential requirements is the most frequently raised issue, with strong convergence across financial actors.
2. Materiality assessment requirements raise concerns about potential overburdening through excessive evidentiary expectations, particularly regarding non-materiality.
3. Data availability and usability for financial institutions (use of proxies, estimates, third-party data) is a consistent operational concern.
4. Clarity and legal certainty issues persist, particularly around conditional datapoints and interpretative thresholds.

5. A secondary set of concerns relates to sector-specific clarifications (financial assets, sovereign exposures) and transition/timing issues, raised by fewer stakeholders.

Apart from the issues listed below, we suggest clarifying in AR 5 and AR 6 for para. 12 that sanctions and fines are reportable only following a final, non-appealable decision.

To significantly reduce reporting costs and to avoid double reporting, we support mutual and formal adoption of ESRS and ISSB standards as follows:

- Recognition of ESRS as aligned with ISSB standard, allowing EU-preparers to report via ESRS only, also for their subsidiaries outside the EU.
- Recognition of ISSB standards, allowing non-EU preparers to take ISSB as a baseline and add ESRS disclosure items missing in ISSB standards, such as items beyond climate (social and governance) and impact-related data points.

Value Chain Cap

Stakeholders consistently support clarification that the value chain cap applies exclusively within the CSRD sustainability reporting perimeter. However, stakeholders emphasise the need to ensure that it does not indirectly constrain:

- ESG risk management practices
- Prudential supervision and regulatory reporting
- Financing and credit risk assessment processes

A recurring concern is that the cap, if not clearly delimited, may be misinterpreted by non-financial undertakings as restricting data provision to financial institutions beyond CSRD reporting needs.

Materiality Assessment

Stakeholders highlight uncertainty regarding the level of evidence required to substantiate non-materiality conclusions, particularly in complex group structures.

Key issues raised:

- Unclear whether assessment is required at group, subsidiary, portfolio, or datapoint level
- Risk of disproportionate audit expectations regarding proof of non-materiality

Data Availability, Proxies and Use of Estimates

Financial institutions emphasise the need for flexibility in data sourcing, particularly where counterparty-level information is not available.

Key requests include:

- Avoidance of implicit obligations to collect granular client-by-client data
- Alignment with existing methodologies (e.g. PCAF, GHG Protocol)

Some stakeholders also caution against expectations of continuous “data improvement commitments” where underlying data availability is structurally limited.

Simplification vs Data Utility Trade-off

While simplification of datapoints is broadly welcomed, stakeholders stress that reductions must not undermine:

- Scope 3 and financed emissions reporting
- Climate risk assessment capabilities
- Comparability of ESG datasets across counterparties

Concern is particularly pronounced in relation to financial sector dependency on Scope 3 emissions data.

Legal Clarity and Interpretative Consistency

Stakeholders identify persistent ambiguity in:

- Conditional disclosure categories (e.g. “necessary if applicable”)
- Criteria triggering reporting obligations
- Structural inconsistencies in draft references and annex provisions
