



Ms Saskia Slomp
CEO
EFRAG
35 Square de Meeûs
1000 Bruxelles

22 July 2022

Dear Ms Slomp,

BusinessEurope is pleased to provide detailed comments on the draft European Sustainability Reporting Standards, which you will find enclosed. We stay committed to bring the experience and knowledge of business to develop good EU sustainability reporting standards. Upon the imminent formal adoption and transposition of the CSRD it is essential that the important work by EFRAG towards sustainability reporting stays faithful to the mandate given by the directive. This is essential for the legitimacy and workability of the future standards which will help fulfilling the main goals of the soon revamped EU sustainability reporting framework.

In a number of cases, the work done hitherto by EFRAG towards sustainability reporting standards goes far beyond the CSRD requirements. Should such standards see the light, their legal force in view of the link with CSRD would lead to significant additional administrative burdens for the covered companies, while not only adding little towards the improvement of corporate sustainability but instead slowing it down. These additional burdens for companies, compared to the current reality, needs to be carefully analysed by the Commission and EFRAG, in line with better regulation and impact assessment tools, and with respect to their contribution towards the set policy goals. With this in mind, we would like to highlight the following:

- Double materiality – i.e., reporting simultaneously on sustainability matters that are: 1) financially material in influencing business value and; 2) material to the market, the environment, and people - is fine in principle. However, we do not support the approach taken by EFRAG based on a rebuttable presumption of materiality – whereby all sustainability issues would be considered material for reporting unless proven otherwise by the company. This is confusing and risks reducing readability, increasing the reporting burden and makes reports less valuable to preparers and users - in particular as the rebuttable presumption coexists with the double materiality concept of the CSRD and the ESRS. Companies are best placed to know which information is material, and they should be able to decide on this for themselves. Prescribing companies to present the counterevidence to be able to consider something as not material is not proportionate. As a result, many entities will be led to conclude that they



should comply with the full set of ESRS. This will likely lead to an information overload. Entities should report on the matters that they assess are material, and the assurance requirement will ensure that there is adequate evidence for this assessment.

- The level of details required to comply with ESRS is very broad and too granular. There are several examples of requirements which mandate reporting on non-legislated topics, for which no best-practices exist yet. In some cases, an entity would need to report commercially sensitive information. The added value of the proposed disclosures must be considered, as well as the lack of available data (especially across supply chain/value chain). This is why introduction of the ESRS framework should start with accurate implementation of the cross-cutting principles, making sure that preparers have the right tools to assess material topics, and only in further stages developing topical standards while keeping in mind the cost-benefit analysis
- Alignment with sustainability reporting standards that are currently being prepared by the ISSB, and considerations of other reporting/CSR frameworks is crucial to avoid duplicating or contradicting reporting obligations on companies operating globally. At the same time, alignment should not be synonymous with covering all existing reporting frameworks within ESRS. Convergence requires streamlining and prioritizing among the different disclosures, especially taking into account the maturity of reporting across the different topics.

I kindly invite you to take these points into consideration when assessing the feedback received in the public consultation. Please do not hesitate to reach out to us at any point for further clarification or discussion.

Yours sincerely,

Markus J. Beyrer