European Commission
DG Financial Stability, Financial Services and Capital Markets Union
Rue de Spa 2
1049 Brussels

2 June 2026

Dear Sir or Madam,

Subject: Public feedback on draft final version of revised European Sustainability Reporting Standards (ESRS)

The International Corporate Governance Network (ICGN) appreciates the opportunity to comment on revised European Sustainability Reporting Standards (ESRS).

Led by investors responsible for assets under management of >US$100 trillion, ICGN is an authority on global standards of corporate governance and investor stewardship. Headquartered in London, our membership is based in more than 40 countries. ICGN's *Global Governance Principles* and *Global Stewardship Principles*, written from an investor perspective, are widely used by our members in their company assessments and voting decisions, and by regulators when developing corporate governance rules.

The importance of reliable sustainability reporting for investors

Investors have long called for high-quality, reliable and timely sustainability-related financial reporting from investee companies. They rely on these disclosures to make informed investment and stewardship decisions, manage portfolio risks effectively, fulfil fiduciary duties to clients and beneficiaries, and meet applicable legal and regulatory responsibilities.

Investors value clear, consistent and financially material information on sustainability-related risks and opportunities. Improving the quality, reliability and comparability of such disclosures supports better assessment of long-term value creation and helps investors allocate capital more effectively.

The European Union has long been a global leader and frontrunner in sustainability reporting. This leadership has been valued by the investor community, particularly where it has contributed to stronger transparency, better risk assessment and more informed long-term investment decision-making.

The Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS) represent an important step in improving the availability, consistency and reliability of sustainability-related information in European markets. Their successful implementation is important not only for corporate transparency, but also for investor confidence, market integrity and efficient capital allocation.

ICGN's long-term preference remains for high-quality, consistent, mandatory and appropriately assured sustainability reporting that provides investors with decision-useful information for capital allocation, risk management and stewardship. While voluntary standards can play a useful transitional role in helping companies build reporting capacity, they should be viewed as the beginning of the journey rather than the end point. The EU should therefore ensure that voluntary reporting frameworks are aligned with investor needs and accompanied by a clear roadmap towards broader adoption of consistent sustainability reporting over time, proportionate to company size and implementation capacity. This is important to avoid fragmentation and to support market transparency, investor confidence and efficient capital allocation.

Reducing complexity

Investors are not opposed in principle to reducing unnecessary complexity, duplication or excessive reporting burdens. ICGN has previously expressed concerns about the complexity and granularity of the ESRS, including the potential challenges and costs that companies may face in implementation.

We therefore understand the rationale for reducing the number of mandatory datapoints in the revised ESRS by over 60%, and the total number of datapoints by over 70%. However, it is essential to strike the right balance.

We would encourage the European Commission to ensure that any streamlining measures preserve the comparability and consistency of information available to investors across reporting frameworks. Simplification that reduces duplication is welcome; simplification that makes it harder for investors to assess companies on a consistent basis, or that limits the accessibility of decision-useful governance information, would not serve the interests of long-term institutional investors or the broader goal of well-functioning capital markets.

Interoperability with ISSB Standards

For investors, comparability and completeness are critical. Investors need to be able to compare sustainability-related financial information across companies, sectors, markets and jurisdictions. Achieving this requires strong alignment with global standards, which is why the investment community has strongly supported the mission of the International Sustainability Standards Board.

Over recent years, the European Commission, EFRAG and the IFRS Foundation have made significant progress in improving interoperability between ESRS and ISSB Standards. This constructive dialogue has contributed to important areas of alignment and has been valued by investors. ICGN therefore encourages the Commission to preserve those areas of alignment in the final standards and avoid changes that could create unnecessary divergence.

ICGN welcomes several proposed revisions that appear to support stronger interoperability with ISSB Standards, including improvements related to quantitative information on anticipated financial effects, transition plan disclosures and the use of IFRS industry-based guidance. These are important areas of alignment and should remain in the final legislation.

However, ICGN is concerned that some elements of the latest draft may risk introducing further divergence between ESRS and ISSB Standards. This includes, in particular, the broader scope for companies to omit disclosure of commercially sensitive information. While such provisions may be intended to reduce reporting burden, they should be carefully assessed to ensure they do not weaken the comparability, completeness or decision-usefulness of sustainability-related financial information for investors. The ESRS provision allowing companies not to disclose information about impacts, risks and opportunities related to investments where those investments are subject to a fiduciary duty and the company does not retain the risks or rewards of ownership also constitutes a gap between the ISSB Standards and the ESRS. However, ICGN acknowledges that the EU is dealing with such managed investments in a separate transparency framework (SFDR, SRD, MiFID).

From an investor perspective, closer alignment between ESRS and ISSB would support more efficient analysis, reduce reporting fragmentation and help ensure that European disclosures remain useful and comparable in global capital markets.

Importantly, enabling simultaneous compliance with ISSB Standards does not require the European Union to abandon or weaken the double materiality approach. Rather, ESRS should ensure that disclosures meeting the ISSB global baseline are clearly identifiable and not diluted, while allowing the EU to retain additional disclosures reflecting its double materiality framework.

ICGN encourages the European Commission, EFRAG and the IFRS Foundation to keep the ESRS–ISSB Standards Interoperability Guidance under regular review. This guidance has proven to be a useful practical tool for companies that report under ESRS and also wish to claim compliance with ISSB Standards. It should be updated following the finalisation of the revised ESRS and as future ISSB standards are developed, so that companies can navigate both frameworks efficiently while investors continue to receive comparable, decision-useful information.

ICGN also encourages the Commission to reconsider the use of prescriptive language stating that companies "shall not disclose" information where that information is not material. While ICGN supports the objective of avoiding excessive, duplicative or immaterial disclosure, this formulation risks going beyond a proportionality relief and becoming a prohibition. This differs from the ISSB approach, under which companies are not required to disclose information if it is not material. The distinction is important. A requirement that companies "shall not" disclose certain information could create legal and audit uncertainty, particularly where information may not be financially material to investors but may remain relevant to other stakeholders under the EU's double materiality framework. It could also limit companies' ability to provide additional contextual information where this supports a fair presentation of sustainability-related impacts, risks and opportunities. ICGN therefore recommends replacing prohibitive language with wording that clarifies that companies are not required to disclose immaterial information, while preserving flexibility for companies to provide additional information where it is useful, clearly identified and does not obscure financially material disclosures.

Qualitative and quantitative disclosure requirements for anticipated financial effects.

ICGN welcomes the retention of qualitative and quantitative disclosure requirements for anticipated financial effects. This is important because investors need to understand how material sustainability-related risks and opportunities may affect a company's financial position, financial performance, cash flows, access to finance and ability to create value over time. This change responds to ICGN's previous concern that making quantitative disclosure voluntary would risk removing information that investors consider highly decision-useful. However, the final standards should ensure that exemptions based on measurement uncertainty, lack of capabilities, undue cost or effort, or commercial sensitivity are interpreted narrowly and do not allow companies to omit financially material information where reasonable and supportable estimates are available.

In summary, ICGN supports the objective of reducing unnecessary reporting burden, provided that simplification preserves high-quality, comparable and decision-useful information for capital markets. The final revised ESRS should retain areas of alignment with ISSB Standards, avoid introducing new divergences, and ensure that European sustainability reporting remains interoperable, globally comparable and useful to investors.

Thank you again for the opportunity to share our perspective on revised ESRS. If you would like to follow up with questions or comments, please contact our Senior Policy Executive, Jakub Brejdak (policy@icgn.org).

Yours faithfully,

Jen Sisson

Chief Executive Officer, ICGN