

Saskia Slomp, CEO
European Financial Reporting Advisory Group's (EFRAG)
35 Square de Meeûs
1000 Brussels (fifth floor)
Belgium

29.09.2025

Dear Mrs Slomp,

Subject: Revised Exposure Drafts of the European Sustainability Reporting Standards (ESRS)

The International Corporate Governance Network (ICGN) appreciates the opportunity to comment on *Revised and Simplified Exposure Drafts of the European Sustainability Reporting Standards (ESRS)* published by EFRAG on 31 July 2025.

Led by institutional investors responsible for more than US\$90 trillion of assets under management, ICGN promotes high standards of corporate governance and investor stewardship. Our members are based in more than 40 countries, and include asset owners, asset managers and advisers.

Investors need material sustainability-related information

Companies' exposure to sustainability-related risks - and opportunities - and their ability to manage these can affect value creation. When these impacts are financially material, we believe that it should be reported on appropriately. Investors have been calling for many years for high quality, reliable and timely sustainability related financial reporting from their investee companies.

Investors rely on these disclosures to make informed investment and stewardship decisions, manage portfolio risks effectively, fulfil their fiduciary duties to clients and beneficiaries, and meet their legal responsibilities. This is why ICGN supports the objective of the Corporate Sustainability Reporting Directive (CSRD) and believes it is an important piece of legislation that needs to be preserved. The European Union has demonstrated leadership in this area on the global stage, and we believe that this phase of the process is an opportunity to further develop this leadership, by focusing on maximising the international compatibility of the ESRS to take a leadership position on the implementation of the global baseline for financially material sustainability related financial reporting.

Reducing complexity in the ESRS is helpful

In previous consultation responses, ICGN expressed concern about the complexity and granularity of the of the European Sustainability Reporting Standards (ESRS), and the potential challenges and costs companies may face in complying.

Therefore, we understand the reasons why the European Commission is seeking to streamline the reporting requirements and reduce unnecessary complexity and duplications. However, it is essential to strike the right balance so that simplification does not undermine the quality and usefulness of information provided to investors.

We note that EFRAG is proposing some revisions to the ESRS which would reduce complexity for companies and avoid repetition in reported information, which is positive. Through this process, we encourage EFRAG to continue strengthening interoperability with the ISSB standards, in line with the mandate it received from the European Commission.

Inter-operability with ISSB standards is key

To support investors' needs, sustainability related financial disclosures must be comparable, complete, and verifiable. Investors need to be able to draw comparisons - across companies, markets, sectors and over time - for their analyses. Ensuring this comparability requires the use of global standards, which is why the investment community strongly supports the International Sustainability Standards Board (ISSB)'s mission.

Working alongside the International Accounting Standards Board (IASB), the ISSB's mission is to establish a global baseline for sustainability related financial disclosures focused on financial materiality. The ISSB's building-block approach enables jurisdictions to adopt the global baseline while adding their own requirements to reflect local priorities or stakeholder needs. Although the ISSB's focus is on information that is financially material to investors, its framework does not prevent companies from reporting voluntarily a broader range of information on their impact on people and the planet, or authorities to ask for additional information. This approach balances flexibility with consistent core disclosures.

We believe the adoption of the ISSB standards globally will contribute to greater transparency on companies' exposure to and management of sustainability risks and opportunities. This is an important step for efficient capital markets and sustainable economies.¹ It is encouraging to see that more than 35 countries have adopted the global standards.

We would like to emphasise that ensuring maximum interoperability between the ESRS and the ISSB standards is essential to support consistency and comparability of corporate sustainability disclosures. This will also reduce the reporting burden for multinational companies under the CSRD by aligning disclosure requirements with those in other jurisdictions. The European Commission and EFRAG could also consider introducing an equivalence mechanism whereby companies, in order to comply with the CSRD, could use the global baseline (the ISSB Standards) to report financial material information and add further impact-related information required under the EU framework.

Obstacles to inter-operability

ICGN appreciates the regular technical discussions that have taken place between the ISSB and EFRAG/the European Commission towards achieving such inter-operability. However, we are concerned that the current draft simplified ESRS represent a step away from this objective.

EFRAG should avoid falling below the global baseline established by the ISSB, as this risks omitting financially material information that investors need for effective decision-making. We regret that EFRAG has proposed the deletion of several ISSB-aligned disclosure requirements and changes in language that would make it difficult for companies to comply with both frameworks.

¹ In May 2024, ICGN, alongside 121 investors, companies, industry associations and stock exchanges have signed on to a call for commitment from relevant authorities across jurisdictions to adopt the ISSB standards. PRI, London Stock Exchange Group, UN Sustainable Stock Exchanges initiative, World Business Council for Sustainable Development, ["Call to Action: ISSB Global Adoption"](#) (22 May 2024)

We are particularly concerned by the proposal to make disclosure of quantitative information about the anticipated financial effects of material sustainability risks voluntary - even for very large companies, and even where such information is readily available. We strongly recommend against this change. Investors consider this information very important for their analyses, to assess how sustainability risks and opportunities may impact a company's financial position and ability to create value.

Another example is the divergence from the ISSB's approach (and the GHG Protocol) regarding organisational boundaries for GHG emissions. We do not support this divergence.

To summarise, we welcome certain proposals aimed at reducing complexity, and we encourage EFRAG to intensify efforts to ensure interoperability with ISSB standards. This will help reduce the compliance burden for companies while ensuring that investors receive the financially material information they need.

Thank you again for the opportunity to share our perspective.

Yours faithfully,

A handwritten signature in blue ink that reads "Jen Sisson". The signature is written in a cursive, flowing style.

Jen Sisson
Chief Executive Officer, ICGN