



Saskia Slomp
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35 Square de Meeûs
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Belgium

29 October 2026

Dear Ms Slomp,

Subject: Consultation on the ESRS 40a Exposure Draft

The International Corporate Governance Network (ICGN) appreciates the opportunity to respond to EFRAG's consultation on the ESRS 40a Exposure Draft. This letter highlights our principal priorities: clear and consistent global reporting boundaries, a coherent reporting framework and effective interoperability with international standards.

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.

Investors need reliable and comparable information to assess how companies manage their material sustainability impacts and identify priorities for engagement. ESRS 40a should provide a meaningful picture of the reporting group while enabling companies to build on reporting they already undertake.

Concerns regarding the mixed approach

ICGN considers the proposed mixed approach excessively fragmented. Combining global climate disclosures with EU-related disclosures on other matters, while allowing further choices at topic, sub-topic or group-of-impacts level, risks producing reports that are difficult to interpret and compare. Investors should not have to reconstruct the reporting boundary for each disclosure to understand which parts of a company's operations and value chains it covers.

Nor should a narrower reporting scope automatically be assumed to reduce the reporting burden. Separating EU-related impact reporting within an integrated multinational business may require additional allocation methods, controls and documentation. These requirements could increase preparation and assurance costs even where the resulting report contains less useful information. Proportionality should therefore be assessed against the total work involved, rather than simply the number of disclosures.

We nevertheless recognise the case for allowing non-EU groups to adopt a reporting scope proportionate to their business and EU activities. We recommend replacing the proposed topic-by-topic flexibility with a clear choice between global reporting and reporting on EU-related impacts, applied consistently across sustainability topics. Companies should explain why their chosen scope is appropriate, how it has been determined and which operations and value-chain activities it covers. An EU-related scope should capture relevant impacts outside Europe connected with products or services supplied to the EU, as well as impacts arising from EU activities.

The guiding principle should be “clear on scope, material on impact”. Within the chosen scope, companies should disclose all material impacts, including those arising in upstream and downstream value chains. They should not be able to switch boundaries between topics to exclude particular material impacts. The chosen scope should be applied consistently over time, with any changes and their implications for comparability clearly explained.

This approach would not eliminate differences between global and EU-related reporting, but it would make those differences more transparent and easier for investors to assess. The report and assurance statement should clearly identify their coverage, so that an assured EU-related report is not mistaken for a comprehensive account of the group’s global impacts.

Coherence of the reporting framework

We recognise the impact-focused mandate of Article 40a. However, removing requirements concerning risks, opportunities, resilience and dependencies from ESRS may create interpretative gaps where the remaining impact disclosures rely on those concepts or associated contextual information. We encourage EFRAG to review these interdependencies systematically and retain the definitions, explanations and contextual disclosures necessary to understand material impacts and how they are managed.

A separate concern is the availability of complementary information on sustainability-related financial risks and opportunities. Some third-country groups may not prepare an ISSB-based or comparable report, so this information cannot be assumed to be available elsewhere. Impact reporting is valuable, but it does not give investors a complete picture of a company’s sustainability-related risks and opportunities. EFRAG should make these limits clear and ensure that the standards are understandable and work consistently within the scope of Article 40a.

Interoperability and incorporation by reference

Interoperability with ISSB standards is a central priority for ICGN. For companies reporting under ISSB standards, we support an “ISSB+” approach, allowing them to build on that reporting and add the material impact information required by ESRS 40a. This should be possible through a combined report or by referring to information in an existing report.

EFRAG should explicitly allow companies to use reports prepared under ISSB standards as issued by the ISSB, including where companies report voluntarily. Companies should not have to repeat or unnecessarily adjust disclosures covering the same information simply to comply with both frameworks.

Clear guidance should help companies identify the additional impact disclosures needed, while avoiding burdensome labelling of each individual disclosure. These arrangements should reduce duplication while ensuring that investors can easily find and understand the information.

Thank you again for the opportunity to share our perspective on the ESRS 40a Exposure Draft. If you would like to follow up with questions or comments, please contact our Global Policy Director, Peter van Veen (peter.vanveen@icgn.org) or Senior Policy Executive, Jakub Brejdak (jakub.brejdak@icgn.org).

Yours faithfully,



Jen Sisson

Chief Executive Officer, ICGN