



Vereniging Effecten Uitgevende Ondernemingen

EFRAG

Attn. Patrick de Cambourg
EFRAG Sustainability Reporting Board
Square de Meeûs 35
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Belgique

CC attn. Chiara Del Prete

Chair of the EFRAG Sustainability Reporting Technical Expert Group

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VEUO

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Subject: VEUO/VNO-NCW feedback on Exposure Drafts of revised European
Sustainability Reporting Standards

Dear mr. de Cambourg,

The Dutch representative organisation of listed companies at Euronext Amsterdam (VEUO) and the Confederation of Netherlands Industry and Employers (VNO-NCW) highly appreciate the opportunity to provide the European Financial Regulatory Advisory Group (EFRAG) feedback on the Exposure Drafts of the revised and simplified sector-agnostic European Sustainability Reporting Standards (ESRS). This letter emphasizes the primary considerations of VEUO and VNO-NCW. Additionally, VEUO and VNO-NCW support the consultation response of the Dutch Accounting Standards Board (DASB). The DASB's consultation response offers comprehensive feedback on the revised disclosure requirements from the standpoint of Dutch preparers.

The revision and simplification of the sector-agnostic ESRS are driven by the European Commission's (EC) adoption of the Omnibus Simplification Package (Omnibus), aimed at enhancing EU competitiveness. We concur with the EC's objective to support a favourable business environment, without excessive regulatory burden, while still enabling companies to access sustainable finance for their transition. VEUO and VNO-NCW support the underlying Omnibus-objectives for the revision and simplification of the sustainability reporting framework, keeping disclosures manageable for companies while keeping information insightful and easily accessible for stakeholders.

To optimise the sustainability reporting framework, we provide our suggestions for further simplifications and clarifications, and improvements to the Exposure Drafts on the following topics: (i) impact of the revision on 'wave 1 companies', (ii) alignment with other regulatory and reporting frameworks, (iii) recognition of the ESRS as a fair view framework, (iv) simplification of the Double Materiality Assessment (DMA) and (v) non-

binding status of the Non-Mandatory Implementation Guidance (NMIG). We conclude with a request for guidance regarding the reporting relief for undue cost or efforts.

(i) The revision should not significantly impact reporting processes of companies applying the current ESRS but should merely provide simplification.

EFRAG's aim is to deliver significant simplification, while preserving the CSRD's relevance and alignment with the EU Green Deal. Simplification measures mainly involve reductions and mergers of disclosure requirements but might also affect reporting processes. 'Wave 1 companies' that reported a sustainability statement in their 2024 annual report under the current ESRS already have solid reporting processes in place. The revised ESRS should not result in these companies having to significantly alter their existing reporting processes. If the revised ESRS would require significant amendments, the revision could lead to undesirable administrative burden, instead of a relief.

In this context, several companies expressed concerns regarding the transition from reporting under the current ESRS for two or three years, to reporting under the revised ESRS in subsequent years. This transition could possibly lead to an increased reporting burden, despite of the simplification. These companies specifically mention concerns regarding the requirement to disclose comparative information. The revised ESRS, similar to the current ESRS, provide that to ease the first-time application of 'this Standard', companies are not required to disclose comparative information in the first year of preparation of the sustainability statement under the ESRS. It would be helpful to receive guidance on this provision, in relation to the transition to the revised standards.

Further, we foresee certain risks linked to the revised and expanded definitions in Annex II. For example, the introduction of the term "key products" appears to result in additional reporting requirements, because companies must first determine whether their products meet this definition, before reporting on it under the circularity standard (E5). We have not identified other definitions that impose new reporting steps, yet. However, we ask EFRAG to be mindful of revising or expanding the definitions.

(ii) Ensuring alignment between the ESRS and other regulatory and reporting frameworks.

EFRAG acknowledges the importance of optimising interoperability between ESRS and IFRS S1 and S2 and ensuring coherence between the ESRS and wider legislation and regulatory frameworks. We support the major steps taken to align the revised ESRS with the IFRS S1 and S2. Companies active outside of the EU ask EFRAG to fully enhance the interoperability between ESRS and IFRS S1 and S2, even if this results in a slight increase in reporting burden under ESRS. Full alignment will likely result in an overall

reporting relief when companies apply both standards. Where differences remain, we request EFRAG to clarify the consequences thereof for reporting companies.

We identified three opportunities for further alignment, also with regards to legislation, including the CSRD, CSDDD, SFDR and GHG Protocol.

- Firstly, in ESRS 2, the definition of users of sustainability reporting has been amended, aligning with the definition used in IFRS S1 and S2. As mentioned, we favour increased interoperability, however, this revision results in a mismatch between the ESRS and Recital 9 of the CSRD. We recommend EFRAG to provide clear guidance on the consequences of these differing definitions.
- Secondly, it is important to continuously monitor the Omnibus developments, also regarding the definition of value chain or chain of activities in both the CSRD and the CSDDD, in order to help companies to align with the more normative CSDDD-requirements when implementing ESRS.
- Thirdly, the organisational boundary for the calculation of GHG emissions set out in the revised ESRS E1 has been brought more in line with the GHG Protocol. Despite this, certain inconsistencies persist between IFRS S2 or the GHG Protocol and ESRS E1, resulting in incomparable reporting. We recommend EFRAG to align further with the GHG Protocol, and add additional disclosure requirements when deemed necessary, based on the methodologies from the GHG Protocol as much as possible.

The above-mentioned legislative instruments and leading reporting frameworks are subject to ongoing and future revisions. Given the complexity of this evolving regulatory landscape, we urge EFRAG to give these issues careful consideration and prevent any inconsistencies. If inconsistencies seem to be unavoidable, we ask EFRAG to provide clear guidance.

It is important to acknowledge that companies may also be subject to sector-specific or national requirements that may not always align with ESRS obligations. We therefore seek explicit clarification, particularly considering the fair view principle (see iii below), on whether it is permissible for companies to depart from ESRS provisions where this is necessary to comply with regional or sectoral legislation.

(iii) Acknowledgement of the ESRS as fair presentation frameworks requires additional explanation on implications.

VEUO and VNO-NCW agree with the explicit statement of ESRS being a fair presentation framework. We note that the fair presentation and the increased emphasis on entity-specific disclosures, might counteract the reduction of the reporting burden. Further, acknowledging ESRS as a fair presentation framework requires clarifications to strengthen legal certainty for reporting companies (and their assurance providers). We

address uncertainties arising from the absence of assurance standards. We ask EFRAG to prevent possible future discussions between companies and their assurance providers by clarifying upfront that both reporting and assurance should use fair presentation as a starting point.

Further, we assume that the ESRS, in line with IFRS S1 and S2, would require companies to disclose additional information beyond ESRS if that is necessary to enable users of general-purpose sustainability statements to understand the company's IRO's (entity specific disclosures). This is not included. The new paragraph 108 in the revised ESRS 1 allows to include additional information on non-material topics, if this is deemed necessary to inform specific stakeholders. EFRAG could add a disclosure requirement with guidance on the fair presentation framework in line with the IFRS S1 and S2.

We ask EFRAG to provide guidance on whether the fair presentation framework also means that companies can deviate from disclosure requirements like certain metrics that are prescribed by ESRS, for example when regional or sectoral regulatory frameworks conflict. Or in other words, we request EFRAG to allow 'fair presentation override' with the provision of guidance on situations where this is allowed.

(iv) The simplification of the DMA is a constructive amendment that contributes to the relief of reporting burden.

The simplification of the DMA, including the option to apply a top-down approach, is highly valued and represents a practical improvement for reporting companies. The guidance provided regarding 'gross' versus 'net' impact measurement within the DMA is also a step forward, although one methodological question remains. This concerns the 'gross' assessment of potential effects when significant ongoing actions are present. What is deemed to be an ongoing action? And would there be a cut-off moment? We recommend EFRAG to further clarify and, where possible, simplify this aspect to better align with established risk management frameworks and operational reporting practices.

Furthermore, we address the need for guidance on paragraph 33 and AR11 in ESRS 1. When allowing the use of the top-down method for the DMA, questions have been raised about when or in what context the stakeholder engagement shall be done. Guidance could be included in the NMIG. We suggest Application Requirements (AR) 11 might also be rewritten or moved to the NMIG, as this seems to contain procedural obligations more than reporting methodology.

(v) Recommendations to exclude the NMIG from the Delegated Act, with more emphasis on its non-binding legal status.

The structure of the revised ESRS represents a notable improvement in terms of usability. The removal of voluntary reporting requirements, as well as the shift from Mandatory Data



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Points (MDR) to General Disclosure Requirements (GDR) in ESRS 2, clarifies the role of the DMA as the primary reference for reporting on relevant topics. Additionally, placing the AR directly after the Disclosure Requirements (DR) has enhanced the clarity and readability of the standards.

We support EFRAG publishing NMIG to inform companies on efficient reporting practices that are deemed sufficient by the users and standard-setter. However, assurance providers, as well as stakeholders such as NGOs, rating agencies, and investors, may treat the NMIG as a checklist of best practices. A practical example can be found in the NMIG for revised ESRS E4, which provides detailed examples of biodiversity indicators, such as changes in the extent and condition of ecosystems (NMIG 18, 20). In the past, the status of the current Implementation Guidance caused discussion between assurance providers and preparers. Emphasis on the non-obligatory and non-binding status of the NMIG is desirable for legal certainty.

In the same sense, we consider it important that the NMIG is not part of the Delegated Act, to clearly emphasise that this guidance is indeed non-obligatory and non-binding. When incorporating the guidance in this document with European legal status, the non-mandatory character might diminish in practice. There is a risk that, in practice, the NMIG could become so influential that companies may feel unable to deviate.

Finally, we welcome the relief that allows data collection only as far as it does not impose undue cost or effort. However, we believe that clearer boundaries are needed to define this threshold in practice. EFRAG permits companies to establish their own boundaries, a practice we endorse. However, companies have expressed concerns regarding potential future debates about the boundaries they set. Consequently, they request EFRAG to offer guidance to mitigate these discussions.

Conclusion

We respectfully request that EFRAG take these points into account to ensure improved clarity and enhanced practical feasibility for reporting companies. Should you need any further clarification on the above, please do not hesitate to contact us.

Yours sincerely,

On behalf of the Dutch representative organisation of listed companies at Euronext Amsterdam (VEUO) and the Confederation of Netherlands Industry and Employers (VNO-NCW),

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