

Stockholm Resilience Centre/Mistra FinBio

Consultation response regarding the revised and simplified Exposure Drafts of the ESRS

Sept 2025

Q 11 Do you agree that the proposed amendments have sufficiently simplified the DMA process, reinforced the information materiality filter and have succeeded in striking an acceptable balance between simplification and robustness of the DMA?

A: no, disagree

Comment:

We note grave concerns with the amended text as double materiality has been weakened in both definition and operationalization. In consequence, clarity regarding definition and approach to DMA are compromised. For example, deletion of §28 ESRS 1 appears dubiously justified under the claim that this streamlines content and simplifies understandings of the DMA, when in fact proposed changes (reformulation under §22) reduce the clarity of the DMA process.

The CSRD/ESRS rests on the DM principle. The amended text must therefore explicitly specify that prominence is given to the double materiality as a general filter, and that requirements are subject to it. However, the text now refers only to materiality, introducing ambiguity and room for misinterpretation. We see several risks with this amendment:

Ambiguity will likely mean that companies use financial materiality as a general filter, in which case many environmental impacts not deemed financially material will be excluded.

Different undertakings will (or have the flexibility to) identify different material impacts, even if they operate in the same sectors. This necessarily undermines reliability and comparability of said information for investors.

Underreporting will create potentially large gaps in impact information, undermining assessments of risks and opportunities. How large a gap in impact information will remain unknown as impact reporting is not guided by any scientific benchmark. This will create large uncertainties regarding the representativeness and usefulness of the information generated by ESRS.

Above listed issues will undermine the decision-usefulness of the information for investors, as reliable risk estimates fundamentally depend on credible impact assessments.

We argue for a DMA process underpinned by scientific guidance, and that the EC solicit the expertise of the scientific community to develop this. Our organization stands ready to accept.

Q 12 Do you agree that the new guidelines clarify how to consider remediation, mitigation and prevention implemented actions in the DMA, contributing to more relevant and comparable reporting?

A: PARTIALLY AGREE/ PARTIALLY DISAGREE

Comment:

Guidance is valuable, but the complexity by which environmental impacts translate to risks introduces the probability of underreporting systemic risks because of a lack of understanding about the causal connections between the two.

SRC recommends erring on the side of gross impact disclosure, especially for environmental impacts where systemic risks remain despite mitigation (e.g. biodiversity loss, climate tipping points). We recognize the tension/ debate in this regard and strongly recommend that EFRAG collaborate with scientific knowledge partners such as SRC and iDiv and others to ensure that streamlining does not come at the expense of relevance, reliability, and verifiability. This should be done in revision process and the aforementioned institutions express their willingness to help with field testing.

Subjective materiality remains an issue for this ESRS 1 guidance (see Q11). We therefore emphasize that environmental impacts are inherently linked to human rights issues and must therefore be prioritized in a way that advances severity considerations first and foremost. For this, scientific knowledge and grounding for materiality assessments is crucial.

Remediation impacts must be assessed in accordance with scientific knowledge and praxis, and valuation guidance will be needed to translate these impacts into disclosures. We believe such guidance should be informed in dialogue with scientific knowledge partners in the revision process.

Q 14 Do you agree that these proposed amendments (in ESRS 2) strike an appropriate balance between (1) prescriptiveness of the requirements and preparation effort from the one hand, and (2) need for relevant and comparable information from the other?

A: PARTIALLY AGREE/PARTIALLY DISAGREE

Comment: In line with our response to Q 11, we are concerned that the simplification and amendment of text has introduced an ambiguity in the materiality filter that is to guide all subsequent reporting requirements for a reporting organization. As noted under Q11, the effect of this ambiguity is likely to be a reduced usefulness of the information for all users of the disclosures, as it will undermine comparability, increase uncertainty surrounding the reliability and representativeness of the information, which in turn affects its reliability for further risk assessments.

Q 17 Do you agree that these proposed Amendments provide sufficient relief and strike an acceptable balance between (a) responding to the stakeholders' demands for burden reliefs and (b) preserving the transparency needed to achieve the objectives of the EU Green Deal, as well as interoperability with the ISSB's IFRS S1 and S2?

A: No

Comment:

We recognize the tension between costs and preserving the transparency needed to achieve the objectives of the EU Green Deal.

However, we have grave concerns that the current amendments and the introduced relief for "undue cost or effort", including for the calculation of metrics, will encourage perpetual underreporting.

For some of the environmental impact data in the DR it is natural that the initial implementation and subsequent internal reorganization to gather such information may result in costs. As with any initial investment, this cost would be expected to abate over the subsequent years. Introducing this relief poses a high risk that companies who do not currently have appropriate data structures in place to gather the information will deem the cost too high and hence refrain from reporting, referring to this relief. This would be a highly negative outcome of the amendment. We also find the introduced relief for lack of data quality of metrics (ESRS 1 §91) to be problematic as this will undermine the relevance and usefulness of the disclosures.

For both undue costs and data quality relief we recommend a structured and time limited approach, where a transition period can be granted for gradual implementation, but where after a given time period the relief shall be phased out. This would reduce the likelihood of perpetual underreporting or poor quality disclosures.

Q23 - Six datapoints exceptionally moved from “may” to “shall”. Do you agree that these exceptions to the general rule are appropriate and justified?

A: yes

Comment: we strongly support these exceptions related to ESRS E 3 and 4

Q25 - Do you agree that explicitly requiring to adopt fair presentation in preparing ESRS sustainability statements will support a more effective functioning of the materiality filter, therefore enabling more relevant reporting and reducing the risk of excessive reported information?

A: partially agree

Comment:

Faithful presentation requires that disclosed information be complete, neutral, and accurate. As noted under Q11, we see a real and tangible risk that unless the materiality filter to be used is clarified as being a double materiality filter, there is a high risk that fair presentation will be compromised as environmental and social impacts that are not deemed to be immediately financially material are likely to be excluded. This will be only a partial presentation of information and will negatively affect the usefulness of said information for both primary users and other users.

We call for a clarification of fair presentation in relation to double materiality and for an involvement of the scientific community in anchoring the Qualitative Characteristics of Information for environmental impacts in science. This would ensure that the fundamental characteristics relating to relevance, completeness, neutrality, accuracy, verifiability and comparability would be satisfied.

Furthermore, we suggest that guidance be developed together with scientists to support the DMA process as well as other critical decisions, such as ‘appropriate level of aggregation’ (e.g. ESRS 1 §51), which if left up to the discretion of individual reporting organizations will likely undermine the principle of fair presentation.

Q26 Exception for Financial Institutions' Absolute Climate Reduction Targets

A: I disagree that financial institutions should be exempted from disclosing climate absolute GHG emission values targets when they have only set intensity targets

Comment.

We strongly maintain that intensity targets, while capturing efficiency, are highly likely to mask rising emission levels.

Allowing investors to continue without absolute targets de-emphasizes pressure on them to not just ensure their portfolio companies have targets but also timebound milestones for significant reductions. Cumulative assessments are needed to ensure alignment with EU targets and global climate goals, and for this we need absolute targets.

We recognize that growth of companies with relatively low carbon intensity measures will result in a growing absolute carbon footprint of that asset. If this growth means that other more carbon intense companies are removed from the market this should not affect the overall carbon footprint of an investor's portfolio and would thus be a non-issue for investors with an absolute target.

However, if the entire market grows and companies with a higher carbon intensity remain on the market, supported by investors and without any timebound targets to reduce absolute (and relative) emissions, this will result in failure to meet the net zero targets and transgression of critical environmental boundaries.

Q 30 Do you agree that EFRAG should review AR 26 in Amended ESRS E4? Please provide suggested wording.

A: I agree that ESRS should review AR 26 in ESRS E4 to provide guidance on concrete and comparable biodiversity-related targets.

Comment:

Biodiversity loss is driven by environmental pressures and IPBES has identified 5 key direct drivers/pressures. In corporate reporting it is therefore important to make a distinction between the drivers of biodiversity loss/change and biodiversity outcomes.

We suggest that ESRS adopt an approach where targets for biodiversity are quantitative, location-specific, and anchored in key drivers of biodiversity change identified by IPBES.

Targets should include:

- GHG emissions
- Land(/sea) use change
- Freshwater use
- Pollution
- Invasive species

All targets should specify a baseline year, a target year, and a geographical scope—preferably one target for each operational location. If quantitative targets are

unavailable, undertakings should be required to provide a plan for developing such targets.

This approach would ensure that biodiversity targets are linked to the underlying drivers of biodiversity loss and not to convoluted biodiversity metrics, such as biodiversity footprints. Such tools will not offer a consistent and comparable measure even for the same undertaking over time as the underlying models and characterization factors change as science evolves. Furthermore, to output an accurate biodiversity metric footprinting tools require location specific data on environmental pressure. Used with revenue data they return output measures that do not satisfy the qualitative characteristics of Information as stated in Appendix B or ESRS 1.

An approach focused on targets for drivers of biodiversity loss would also further strengthen the alignment of ESRS with the Global Biodiversity Framework. However, we do note that the current structure of the topical standards makes these targets awkward, since the key pressures driving biodiversity loss are dispersed across different standards (see response to Q33). Despite this, these biodiversity-related targets would provide measurable and actionable information that is essential for businesses to mitigate biodiversity risk and improve their sustainability strategy.

Q33 In this question you are allowed to provide your overall opinion on the level of simplifications achieved per each standard. You can choose to reply to one or more of the Standards.

For E4

We note and strongly support that the new DR **E4-5** centralizes the obligation to report location for material biodiversity impacts.

However, the disaggregation principle must be accompanied by science-based guidance regarding what can be considered an appropriate level of aggregation/disaggregation (see feedback on development of scientific guidance Q11).

We feel compelled to comment on the overall structure of the ESRS in relation to biodiversity. Biodiversity loss is driven by environmental pressures. In corporate reporting it is therefore important to make a distinction between the drivers of biodiversity loss/change and biodiversity outcomes.

We note a somewhat awkward structure of the ESRS, where E1-3 provide information on three key drivers of biodiversity change identified by IPBES (climate, water and pollutants), but E4 asks for information on biodiversity outcomes. The remaining two key drivers of biodiversity (land/sea use and invasive species) are 'hidden' as a DR under different topical standards. land/sea use change DR appear under E1 and E4 and

invasive species appears as a sub-topic within E4 but is only a DR if biodiversity is deemed material.

Combined with the issues identified in relation to DM (see response to Q11) this structure risks exclusion or underreporting of information about corporate pressures representing these two drivers of biodiversity loss which are essential for scientifically grounded assessments of biodiversity impacts. Such assessments are generally modelled since biodiversity outcomes most often cannot be measured directly without significant costs. Biodiversity impact models do, however, require information on the key environmental pressures and their location. In its current form, the essential information on environmental pressures driving biodiversity loss are scattered across 4 different topical standards, and each must pass through the materiality filter before becoming a required datapoint.

We believe this will result in many companies not disclosing information about some or all of their environmental pressures (and locations) in a way that makes reliable and science-based biodiversity impact assessments possible. We emphasize that collection/disclosure of environmentally material environmental pressures by companies could and should be combined with empirical measures of biodiversity impacts as these methods develop. ESRS should therefore encode this flexibility to report empirical measures of biodiversity (e.g. eDNA) but this should be complementary, and not replace mandated disclosures about environmental pressure.

We note that definition of 'near' to Biodiversity Sensitive Areas is now included in the new ARs, but given the importance for this definition in guiding DR E4-2, we find the definition lacking in clarity. Who determines the capacity for negative impact and based on what? Who evaluates the quality and relevant characteristics of a buffer zone, and based on what? For the AR8 §20 to have meaningful effect we recommend that scientifically anchored guidance be developed to guide the determination of 'near' in the context of BSAs.

We note that DPs that covered resilience and strategy have been removed from the topical standard and replaced with a new focus on Transition Plans, where this type information should be provided instead. However, Transition Plans shall only be disclosed if they are already publicly available from the organization, leading to there being no obligation or urgency to develop such a plan. In short, it becomes very easy to opt out of disclosing information on strategy even if it is highly material.

For E5

In DPs focusing on disclosure of materials or products, a new writing has been added that "key products/materials" should be disclosed. This new focus on 'key' introduces

room for undertakings to themselves decide what constitutes a key material to report, leading to underreporting of environmentally harmful products or materials if they are not considered significant enough by the reporting organization.

Closing Comment (Q34 – Any other comments)

Guidance is valuable, but the complexity by which environmental impacts translate to risks introduces the probability of underreporting systemic risks because of a lack of understanding about the causal connections between the two.

Simplification must not dilute the essential message: companies operate within ecological limits. ESRS should remain a tool to effectively connect and align corporate reporting with the broader EU and international framework of economic and environmental instruments, including the Green Deal, Paris Agreement, and CBD/GBF.

The structured nature of this consultation questionnaire means we have not been able to provide detailed suggestions for changes but we strongly urge EFRAG to include scientific knowledge partners in the revision process.