ESRS-40a, Public consultation questionnaire

2. (untitled)

Do you provide your consent to publish your responses? Please select 'No' below if you do not want your responses to be made public; in this case, your feedback will be treated anonymously.

Yes

3.

1. **First Name:**

Gabrielle

2. **Last Name:**

van Melkebeke

3. **Name of the organisation:**

IOGP Europe

4. **Country of headquarters:**

Belgium

5. **Sector: [more detailed information about sector classification] - *It is possible to select multiple sectors.***

Electricity, gas, steam and air conditioning supply

6. **Please enter your email.**

gvm@iogp.org

7. **Which of the following stakeholder types do you represent?**

Business association (financial or non-financial institution)

For preparers, are you:

If none of the above, please specify.

Please specify the country of headquarters of the ultimate parent company.

i. Please specify the country of headquarters.

ii. If you have selected point (iii) to the question for preparers above,please provide your feedback, if possible, on (these questions apply only to undertakings in scope of Article 40a of the Accounting Directive):

How many subsidiaries in your group are in scope of Articles 19a or 29a of the Accounting Directive?

iii. Please provide the location of your subsidiaries

iv. Please list the subsidiaries that are already reporting under Articles 19a or 29a of the Accounting Directive.

v. If you have selected point (iii) to the question for preparers above,do you plan to report according to ESRS (as enated by the EC in July 2026) for the whole group (double materiality)?

vi. Please select one or more of the reasons listed below for planning to report according to ESRS (as enated by the EC in July 2026) for the whole group (double materiality).

8. **Do you/does your (or will by FY2028) ultimate parent group report in accordance with jurisdictional standards based on ISSB standards on a group level?**

No.

Because you answered "Yes" to the previous question, please indicate if you report on:

9. **Do you/does your (or will by FY2028) ultimate parent group report voluntarily on a group level?**

No.

Because you answered "Yes" to the previous question, please indicate if you report on:

4.

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10. **Do you agree with the way EFRAG has implemented the provisions of the Accounting Directive (Articles 40a–40d), particularly in deleting RORD-related disclosures and financial effects, as well as maintaining financial information that provides useful contextual information to understand the impacts and how they are managed?**

Yes.

11. i. Please specify why

We welcome EFRAG's efforts to develop proportionate reporting requirements under Articles 40a–40d of the Accounting Directive. Removing RORD-related datapoints and financial effects disclosures, and introducing a mixed approach focused on EU-related impacts, support Omnibus simplification. However, this does not constitute endorsement of the exposure draft as a whole. Further refinements are needed on reporting boundaries, legal certainty and interoperability.

First, the mixed approach needs a clearer boundary. We recommend either limiting reporting to location-based impacts from activities physically undertaken within the EU, deleting paragraph 28(a), or combining these with direct customer-based impacts, restricted to products and services sold or provided directly by the reporting undertaking in the EU market. Under the second option, paragraph 28(a) could refer to "impacts arising from products and services sold or provided, or reasonably expected to be sold or provided, directly by the reporting undertaking in the EU market".

Including products sold through third parties creates challenges for fungible commodities traded through multiple intermediaries. Producers often cannot identify their ultimate destination, making reporting costly, uncertain and potentially unreliable. Requirements should remain within undertakings' reasonable visibility or control. Where applicable, reporting by entities directly placing products on the EU market or downstream EU actors could address associated impacts and reduce duplication.

Second, we recommend deleting the reference to "financial information that provides useful contextual information to understand the impacts and how they are managed". This broad wording risks reintroducing financial disclosures, undermining simplification and blurring ESRS 40a's impact-focused scope.

Finally, equivalent frameworks should receive explicit recognition. Where ISSB reporting and applicable national requirements are recognised as equivalent, companies headquartered outside the EU should be able to use those disclosures to meet corresponding ESRS 40a requirements. Avoiding duplication would reduce work for preparers and assurance providers and improve clarity for users, while supporting consistent reporting across jurisdictions.

5.

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12. Questions

Do you support the inclusion of a ‘mixed approach’ option in the ESRS-40a ED, which allows limiting disclosures to EU-related impacts only for some topics?

Yes.

13. i. Please select from this list of reasons (choose one or more):

It captures impacts that have a link with the EU.
It provides a proportionate approach to third-country groups without imposing excessive costs connected to global reporting for all topics.
It provides relevant information thanks to the condition in AR 6 for paragraph 29 (ESRS-40a 1 ED).

i. Please select from this list of reasons (choose one or more):

14. Please explain your reasoning behind selecting 'It captures impacts that have a link with EU' and, if applicable, provide suggested improvements

Article 40a aims to ensure a level playing field for operators in the EU market and transparency regarding the impacts on people and the environment of non-EU undertakings with significant EU activities. An EU-related reporting scope supports this purpose by focusing disclosures on the products, services and activities connecting those undertakings to the EU market. We therefore support retaining the option to apply a mixed approach, allowing non-EU companies to focus their EU-required disclosures on EU-related impacts.

The energy sector recognises the global nature of climate change, and many oil and gas companies have reported on their global climate impacts for years. Nevertheless, allowing companies to focus their ESRS 40a disclosures on EU-related impacts could support a more consistent and proportionate application of the standards, while complementing global reporting. This flexibility would help companies respond to EU transparency objectives while taking account of their international structures and reporting obligations across jurisdictions.

Although the mixed approach may not be feasible for every multinational undertaking, it can offer a practical option for companies with globally distributed operations and value chains. Covering impacts arising from EU activities and those associated with products and services sold, or reasonably assumed to be sold, into the EU market establishes a connection between the information disclosed and the undertaking's EU presence.

For this option to work effectively, companies need a clear and workable reporting boundary, supported by practical guidance that reflects the availability of reliable information. Expectations should remain proportionate to companies' ability to identify EU-related impacts across complex value chains.

Clear disclosure of the reporting boundary, methodology, assumptions and limitations would support transparency and enable users to assess the relevance and reliability of the information. It would also help users understand how EU-related disclosures relate to the undertaking's global reporting, including differences in scope and coverage.

15. Please explain your reasoning behind selecting 'It provides a proportionate approach to third-country groups without imposing excessive costs connected to global reporting for all topics.' and, if applicable, provide suggested improvements.

We support the mixed approach as a proportionate option for third-country groups, reducing the costs and complexity associated with global reporting across all sustainability topics. Many non-EU undertakings operate through extensive networks of subsidiaries, joint ventures, suppliers, contractors and customers. Global reporting requirements could entail significant implementation costs, particularly where information is not currently collected for non-operated joint ventures or across the full value chain, data availability is limited, or methodologies are still developing.

By allowing undertakings to focus their EU-required disclosures on EU-related impacts, the mixed approach can help limit these costs while providing relevant sustainability information within an appropriate reporting boundary.The objective of ensuring a level playing field should be balanced against the additional reporting burden imposed on non-EU-headquartered companies, including potential duplication of reporting required in their home jurisdictions.

Explicit recognition of equivalent reporting frameworks would be the most effective way to address this duplication. Where home-country reporting requirements are recognised as equivalent, companies should be able to rely on those disclosures to meet corresponding ESRS 40a requirements without additional or duplicative reporting. This would reduce unnecessary work for preparers and assurance providers while supporting clarity for users.

For companies choosing the mixed approach, determining whether products and services fall within the EU-related scope should be based on reasonably available information, avoiding an excessive burden of proof. Expectations should reflect companies' ability to identify the destination of products, particularly where these pass through intermediaries or global commodity markets.

We recommend clarifying in AR 6, relating to paragraph 29, that the listed factors are "illustrative only". They should not be interpreted as a mandatory checklist or as requiring exhaustive tracing of downstream transactions. Without this clarification, the scoping exercise could generate costs and complexity, undermining the proportionality that the mixed approach is intended to deliver in practice.

16. Please explain your reasoning behind selecting 'It provides relevant information thanks to the condition in AR 6 for paragraph 29 (ESRS-40a 1 ED).' and, if applicable, provide suggested improvements.

We support the mixed approach as a proportionate option for third-country groups, reducing the costs and complexity associated with global reporting across all sustainability topics. Many non-EU undertakings operate through extensive networks of subsidiaries, joint ventures, suppliers, contractors and customers. Global reporting requirements could entail significant implementation costs, particularly where information is not currently collected for non-operated joint ventures or across the full value chain, data availability is limited, or methodologies are still developing.

By allowing undertakings to focus their EU-required disclosures on EU-related impacts, the mixed approach can help limit these costs while providing relevant sustainability information within an appropriate reporting boundary. The objective of ensuring a level playing field should be balanced against the additional reporting burden imposed on non-EU-headquartered companies, including potential duplication of reporting required in their home jurisdictions.

Explicit recognition of equivalent reporting frameworks would be the most effective way to address this duplication. Where home-country reporting requirements are recognised as equivalent, companies should be able to rely on those disclosures to meet corresponding ESRS 40a requirements without additional or duplicative reporting. This would reduce unnecessary work for preparers and assurance providers while supporting clarity for users.

For companies choosing the mixed approach, determining whether products and services fall within the EU-related scope should be based on **reasonably available information, avoiding an excessive burden of proof**. Expectations should reflect companies' ability to identify the destination of products, particularly where these pass through intermediaries or global commodity markets.

We recommend clarifying in AR 6, relating to paragraph 29, that the listed factors are "illustrative only". They should not be interpreted as a mandatory checklist or as requiring exhaustive tracing of downstream transactions. Without this clarification, the scoping exercise could generate costs and complexity, undermining the proportionality that the mixed approach is intended to deliver in practice.

Please explain your reasoning behind selecting 'It does not impair comparability and auditability of sustainability reporting' and, if applicable, provide suggested improvements.

Please explain your reasoning behind selecting 'It fails to secure level-playing field for EU companies' and, if applicable, provide suggested improvements.

Please explain your reasoning behind selecting 'Despite the condition in AR 6 for paragraph 29 (ESRS-40a 1 ED), it does not result in relevant and complete information, or it conflicts with faithful representation of impacts.' and, if applicable, provide suggested improvements.

Please explain your reasoning behind selecting 'It results in mixed scopes in the same report (global for climate, EU-related for one or more groups of impacts/sub-topics/topics), making it difficult for users to understand and use the information;' and, if applicable, provide suggested improvements.

Please explain your reasoning behind selecting 'The condition in AR 6 for paragraph 29 (ESRS-40a 1 ED) is too narrow and will have narrow application.' and, if applicable, provide suggested improvements.

Please explain your reasoning behind selecting 'The flexibility in paragraph 30 (ESRS-40a 1 ED) is too broad, as impacts are managed consistently at topical level.' and, if applicable, provide suggested improvements.

Please explain your reasoning behind selecting 'The flexibility in paragraph 30 (ESRS-40a 1 ED) is too broad, and it will result in lack of comparability across companies.' and, if applicable, provide suggested improvements.

Please explain your reasoning behind selecting 'Reporting on EU-related impacts raises significant practical challenges' and specify which challenges you anticipate.

17.

Definition of EU-related impacts. Paragraph 28(a) of the ESRS-40a 1 ED refers to EU-related impacts (customer component) as: *'impacts that arise from products and services that were or can be reasonably assumed to be sold or provided in the EU market, including by third parties (downstream value chain actors such as distributors and traders)'.*

Do you agree with this formulation, which remains at the principles-based level?

Yes.

Please recommend alternative factors to be considered by the undertaking that could be included in the Standard.

18. For preparers, Do you intend to apply the mixed approach?

Yes.

19. i. To which topic/sub-topic or group of impacts do you intend to apply the mixed approach?

Subject to the outcome of the final impact assessment, we would generally expect to apply the mixed approach to material topics other than Climate Change (E1). This remains an expectation rather than a definitive commitment, as its suitability would need to be assessed against the final requirements and the circumstances of the reporting undertaking.

The decision would depend on whether EU-related impacts can be meaningfully identified and faithfully represented in accordance with the conditions set out in paragraphs 29 and 30 of ESRS-40a 1 ED. The mixed approach should therefore remain an option whose application reflects the nature of the impacts concerned and the undertaking's ability to establish an appropriate reporting boundary.

In assessing its suitability, we would consider whether the available information allows a meaningful distinction between EU-related impacts and other impacts across the group's operations and value chain. This would require consideration of the undertaking's activities, products and services, together with the information available to support the proposed scope. The assessment would also need to consider whether the resulting disclosures provide a faithful representation of the material EU-related impacts covered.

Our expectation to use the mixed approach should therefore not be understood as confirmation that it would be appropriate for every material topic other than E1. Its application would depend on the outcome of that assessment and on whether the conditions in paragraphs 29 and 30 can be met for the topics concerned.

Where those conditions are satisfied, the mixed approach could provide a suitable basis for reporting material EU-related impacts. Where they are not, the reporting approach would need to reflect that conclusion. A final decision would therefore follow the impact assessment, taking account of the final standards, the reporting boundary and the ability to produce disclosures that meaningfully identify and faithfully represent the relevant EU-related impacts.

20. ii. How would you apply it?

As a trade association, we would expect our members applying the mixed approach to identify relevant EU activities and products and services sold, or reasonably assumed to be sold, into the EU market. This assessment would draw on reasonably available information, including existing commercial knowledge, customer relationships, sales arrangements, historical sales patterns, and established trading and marketing practices.

The methodology would depend on the nature of the impact and the information available. Where impacts can be directly linked to assets, operations, products or activities within the EU-related reporting boundary, direct attribution would generally be preferred. This would establish a clear connection between the impacts reported and the activities, products or services bringing them within scope.

Where direct attribution is not feasible, reasonable allocation methodologies may be used, taking account of the nature of the impact and the availability and reliability of supporting information. The choice of methodology should enable a meaningful representation of EU-related impacts without requiring exhaustive tracing of downstream transactions or assumptions unsupported by available evidence.

The approach would be supported by transparent disclosure of the reporting boundary, methodologies, assumptions and limitations. Where allocation is used, companies should explain its basis and any resulting uncertainty, enabling users to understand how the reported information was derived and assess its relevance and reliability.

The objective would be to provide a practical and proportionate basis for identifying and reporting EU-related impacts, while recognising differences in members' business models, operations and value chains.

21. For users, Considering the transparency requirements for applying the mixed approach in paragraph 4(a) and AR 1 of the ESRS-40a 2 ED, and the specific provisions added in paragraphs 28–30, AR 6 and AR 7 of the ESRS-40a 1 ED, do you expect to be able to understand and compare a sustainability report that applies different reporting boundaries (e.g. global vs EU-related scope) across topics or sub-topics?

Please find the paragraphs mentioned above here.

No.

22. Please explain why.

We generally support the mixed approach and favour allowing undertakings to vary reporting approaches by sub-topic, recognising that different approaches may be appropriate for different impacts.

However, applying different reporting boundaries across topics, sub-topics or groups of impacts may make sustainability reports more difficult to understand and compare. While the transparency requirements in BP-1, paragraph 4(a), AR 1, paragraphs 28–30, AR 6 and AR 7 provide important context, users may still face challenges interpreting disclosures that combine global and EU-related reporting scopes.

In practice, users may need to navigate multiple boundaries, methodologies, assumptions and limitations within a single report. This could affect comparability both within and across reports, particularly where similar impacts are reported using different scopes. Clear explanations can help users understand these differences, although they may not fully resolve the resulting comparability challenges.

These considerations should not preclude flexibility at sub-topic level. Undertakings should be able to select the approach best suited to the relevant impacts, supported by clear disclosure of the reporting boundary and the rationale for their choice. Such explanations should enable users to understand which disclosures cover global impacts, which cover EU-related impacts, and how those differences affect interpretation.

Where varying approaches by sub-topic proves too complex or burdensome, undertakings should remain free to apply a consistent approach across the entire topic. Flexibility should support meaningful and proportionate reporting while allowing undertakings to consider both implementation feasibility and the usefulness of the resulting information.

23. Please suggest possible amendments.

Undertakings should be allowed to apply different reporting approaches at sub-topic level, recognising that different sub-topics may lend themselves to different approaches. This flexibility should be supported by clear explanations of the selected reporting boundaries, enabling users to understand what each disclosure includes and excludes.

However, varying approaches by sub-topic may introduce complexity, requiring undertakings to explain multiple boundaries and users to navigate different scopes within the same report. Undertakings should therefore remain free to apply a consistent approach across an entire topic, or across all non-climate (non-E1) topics, where they consider this clearer or less burdensome.

This would preserve the flexibility of the mixed approach while allowing undertakings to limit complexity and repetitive explanations. Clear reporting boundaries and a consistent rationale for their selection would help users interpret the information and support comparability within and across reports.

6.

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24. Despite the focus on impacts and the deletion of RORD, do you agree with the reference to fair presentation in the reporting objective of the ESRS-40a ED in paragraph 5 of the ESRS-40a 1 ED: 'the objective of the ESRS-40a ED sustainability report, taken as a whole, is to present fairly (see Chapter 2) all the undertaking's material sustainability-related impacts and how the undertaking manages them'? For further considerations, please refer to the Basis for Conclusions (BC87–BC90).

No

25. Please explain.

We support the mixed approach and flexibility at sub-topic level, recognising that different sub-topics may lend themselves to different reporting approaches. However, combining global and EU-related boundaries may make reports harder to understand and compare, even with transparency requirements. Undertakings should therefore remain free to apply a consistent approach across an entire topic where varying approaches proves too complex or burdensome.

Fair presentation should be assessed against the applicable reporting boundary. We recommend amending paragraph 5 as follows:

"The objective of the ESRS 40a ED sustainability report, taken as a whole, is to present fairly (see Chapter 2) the material sustainability-related impacts within the applicable reporting boundary and how the undertaking manages them."

While we acknowledge fair presentation as an objective, concerns remain regarding differing user needs, evolving methodologies, potential Board and legal liability, and additional debate with assurance providers. Fair presentation does not itself simplify materiality assessments. Without sufficient clarity, it could increase reporting and assurance work, contrary to the Omnibus simplification objectives.

ESRS 40a should therefore clarify that fair presentation supports decision-useful and proportionate reporting within the selected boundary. Clear guidance should prevent supervisory authorities and assurance providers, particularly outside the EU, from interpreting it as an open-ended requirement to expand disclosures beyond that boundary. This would help preserve the practical value of the mixed approach and provide greater certainty for preparers, users and assurance providers.

7.

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26. Under the ED, companies can also apply the mixed approach option when reporting about human rights impacts. This means that they can restrict reporting to EU-related human rights impacts. Do you think human rights impacts should be excluded from the mixed approach and reported globally, regardless of where they occur or whether they are connected to products and services sold to the EU? (see the Basis for Conclusions, sub-chapter detailed discussions of key topics, BC46–BC61)

No, reporting can be limited to EU-related impacts.

27. Please explain, also with reference to the specific circumstances you have in mind.

28. Under the ED, companies can limit the disclosure to EU-related impacts without considering whether the impacts can be geographically contained (both in terms of where the impacts occur and where their effects are experienced). Do you agree with this approach? (see the Basis for Conclusions, sub-chapter detailed discussions of key topics, BC46–BC61)

Yes.

29. Please explain, also with reference to the specific circumstances you have in mind.

We agree with this approach. For many sustainability topics, impacts and their effects are not geographically contained and may extend across jurisdictions, value chains, or markets. Requiring undertakings to identify and report the precise geographic location of all impacts and effects could be highly complex and difficult to apply consistently.
In our view, it should be sufficient to determine whether impacts are EU-related based on their connection to products, services, or activities linked to the EU market, regardless of the specific location where the impacts occur or where their effects are experienced. This is particularly relevant for multinational undertakings with globally distributed operations and value chains, where impacts may occur outside the EU but still be associated with products that are sold or reasonably assumed to be sold in the EU market.
Requiring geographic containment as an additional condition could significantly increase complexity and reduce the practical applicability of the mixed approach without necessarily improving the relevance of the resulting disclosures.

30. Do you think that fair presentation can be achieved under the mixed approach? (see Basis for Conclusions, sub-chapter detailed discussions of key topics, BC46–BC61)

Yes.

31. Please explain.

We support the mixed approach and recognise that flexibility at the topic, sub-topic or group-of-impacts level can help undertakings reflect how they manage different impacts, provided reporting boundaries are clearly explained and applied consistently to comparable disclosures.

For example, product stewardship for chemicals is typically managed globally, while air emissions, water use and community engagement are managed at asset or regional level. Requiring a single reporting boundary for an entire topic could therefore lead undertakings to report globally on impacts managed locally, or on an EU-related basis for impacts managed globally, without necessarily improving the quality of information.

At the same time, combining global and EU-related reporting boundaries within one sustainability report may affect understandability and comparability. Users would need to understand the boundaries, methodologies, assumptions and limitations underpinning each disclosure. Flexibility should therefore be accompanied by clear explanations, while avoiding excessive complexity for preparers and users.

The mixed approach does not in itself prevent fair presentation. We recommend allowing flexibility where it provides more relevant information, supported by clear reporting boundaries, a consistent rationale for their selection and sufficient transparency to enable meaningful comparisons within and across reports.

32. Do you agree with the flexible formulation of the option, which allows companies to choose the scope of reporting (global or EU-related impacts) at topic, sub-topic or group-of-impacts level, irrespective of how other topics, sub-topics or groups of impacts within the same topic are treated?

i. Please explain

ii. SUB-QUESTION FOR PREPARERS: If you replied 'Yes.' to the above question, are you considering, within the same topic, reporting at EU-related level for some groups of impacts or sub-topics, and reporting at global level for some other groups of impacts or sub-topics?

iii. Please explain for which topic this would happen and the rationale behind this choice.

33. For preparers and assurance providers, do you anticipate implementation challenges when applying the mixed approach?

Yes.

34. i. If "Yes.", please select one or more of the following.

How to identify the most appropriate allocation key and report on metrics

35. Because you identified as a challenge 'How to identify the most appropriate allocation key and report on metrics', please specify which metrics you are referring to. Please specify why.

This challenge is particularly relevant for metrics that relate to location-specific environmental and social impacts, including pollution (E2), water (E3) and biodiversity and ecosystems (E4), affected communities (S3), and workers in the value chain (S2).
For these topics, impacts are often assessed and managed at the asset, ecosystem, watershed, community, or workforce level rather than according to the destination of products or services. As a result, there may not be a direct or obvious relationship between the impact being measured and products that are sold, or reasonably assumed to be sold, in the EU market.
Determining an allocation methodology that faithfully represents EU-related impacts may therefore require significant judgment. Depending on the topic, direct attribution of assets may be more appropriate than a proportional allocation methodology, while for other metrics no clearly preferable allocation approach may exist.
The challenge is less significant for topics where information is already collected through enterprise-wide governance, compliance, or workforce reporting processes. It is most significant where impacts are highly location-specific, where data availability is limited, or where the connection between the impact and the EU-related reporting boundary is indirect.

Because you identified as a challenge 'How to demonstrate the condition in AR 6 for paragraph 29 of ESRS-40a 1 ED', please explain why and, if applicable, suggest improvements.

Because you identified as a challenge 'How to identify the products and services that were or can be reasonably assumed to be sold or provided in the EU market, including by third parties', please explain why and, if applicable, suggest improvements.

Because you identified as a challenge 'How to perform a materiality assessment focused on EU-related only impacts (chapter 3 of ESRS-40a 1 ED)', please explain why and, if applicable, suggest improvements.

Because you identified as a challenge 'How to report on policies, actions and targets for EU-related impacts', please explain why and, if applicable, suggest improvements.

Because you identified as a challenge 'How to report in accordance with ESRS-40a 2 ED', please explain why and, if applicable, suggest improvements.

Because you identified as a challenge 'How to report in accordance with ESRS-40a E2 ED', please explain why and, if applicable, suggest improvements.

Because you identified as a challenge 'How to report in accordance with ESRS-40a E3 ED', please explain why and, if applicable, suggest improvements.

Because you identified as a challenge 'How to report in accordance with ESRS-40a E4 ED', please explain why and, if applicable, suggest improvements.

Because you identified as a challenge 'How to report in accordance with ESRS-40a E5 ED', please explain why and, if applicable, suggest improvements.

Because you identified as a challenge 'How to report in accordance with ESRS-40a S1 ED', please explain why and, if applicable, suggest improvements.

Because you identified as a challenge 'How to report in accordance with ESRS-40a S2 ED', please explain why and, if applicable, suggest improvements.

Because you identified as a challenge 'How to report in accordance with ESRS-40a S3 ED', please explain why and, if applicable, suggest improvements.

Because you identified as a challenge 'How to report in accordance with ESRS-40a S4 ED', please explain why and, if applicable, suggest improvements.

Because you identified as a challenge 'How to report in accordance with ESRS-40a G1 ED', please explain why and, if applicable, suggest improvements.

Because you identified as a challenge 'Providing transparency on the use, assumptions and results of the mixed approach (paragraph 4(a), AR 1 for paragraph 4(a) of ESRS-40a 2 ED)', please explain why and, if applicable, suggest improvements.

36. ESRS-40a 2 ED BP-1, paragraph 4(a), requires the undertaking to disclose whether the sustainability report has been prepared using the mixed approach and, if so, to explain – per topic, sub-topic, or group of impacts – how EU-related impacts were determined and how the conditions set out in the ESRS-40a 1 ED, paragraphs 29 and 30, and AR 6 have been met. Do you consider these requirements to be clear, feasible and sufficient to ensure proper understanding of when and how the mixed approach is applied?

No.

37. Please include your suggestions, if any, on how these requirements can be improved.

This challenge is particularly relevant for metrics related to pollution (E2), water (E3), biodiversity and ecosystems (E4), affected communities (S3), and workers in the value chain (S2).
For these topics, impacts are generally assessed and managed at the asset, ecosystem, watershed, community, or workforce level rather than according to the destination of products and services. As a result, there may not be a direct or obvious relationship between the impact being measured and products that are sold, or reasonably assumed to be sold, in the EU market.
Determining an allocation methodology that faithfully represents EU-related impacts may therefore require significant judgment. In some cases, direct attribution of assets may provide the most meaningful representation; in others, no clearly preferable allocation approach may exist.
The challenge is most significant for impacts that are highly location-specific and where the connection between the impact and the EU-related reporting boundary is indirect.

38. Do you agree with the specifications in the ESRS-40a 2 ED that provide guidance on how to apply this Standard when reporting on EU-related impacts?

No.

39. i. If 'No.' to the previous question, please select one or more of the specifications below with which you disagree:

GDR-M (AR 44 to AR 47)

Please explain why you selected GDR-T (AR 52) and, if applicable, provide suggestions for improvement.

40. Please explain why you selected GDR-M (AR 44 to AR 47) and, if applicable, provide suggestions for improvement.

We selected GDR-M (AR 44–47) because the principal challenge identified during the field test relates to the estimation and presentation of metrics when different reporting boundaries are applied across topics, sub-topics or groups of impacts.

We generally support the mixed approach and consider the disclosure requirements to be broadly understandable. However, we do not believe the current requirements are sufficient to ensure consistent interpretation and comparability where undertakings apply different reporting boundaries within the same sustainability report.

While AR 44–47 require transparency regarding methodologies, assumptions and allocation approaches, users may still find it difficult to understand and compare disclosures where some topics are reported on a global basis and others cover only EU-related impacts.

As a possible improvement, clearer guidance could support undertakings in selecting and explaining their reporting boundaries while preserving flexibility at sub-topic level, as different sub-topics may lend themselves better to different approaches. Where this flexibility proves too complex or burdensome, undertakings should remain free to apply a consistent approach across an entire topic, or across all non-climate (non-E1) topics, to improve understandability, comparability and ease of use.

Please explain why you selected GDR-A (AR 36) and, if applicable, provide suggestions for improvement.

Please explain why you selected GDR-P (AR 34) and, if applicable, provide suggestions for improvement.

Please explain why you selected I-2 (AR 27) and, if applicable, provide suggestions for improvement.

Please explain why you selected I-1 (AR 23) and, if applicable, provide suggestions for improvement.

Please explain why you selected SBM 3 (AR 21) and, if applicable, provide suggestions for improvement.

Please explain why you selected SBM 2 (AR 19) and, if applicable, provide suggestions for improvement.

Please explain why you selected SBM 1 and, if applicable, provide suggestions for improvement.

Please explain why you selected GOV 4 and, if applicable, provide suggestions for improvement.

Please explain why you selected GOV 3 and, if applicable, provide suggestions for improvement.

Please explain why you selected GOV 2 (AR 12) and, if applicable, provide suggestions for improvement.

Please explain why you selected GOV 1 (AR 11) and, if applicable, provide suggestions for improvement.

41. **Do you agree with the specifications in the ESRS-40a ED topical standards that provide guidance on how to apply this Standard when reporting on EU-related impacts?**

Yes.

i. If 'No.' to the previous question, please select the specifications below with which you disagree.

Please explain why you selected ESRS-40a E2 ED AR 4 (primary microplastics) and, if applicable, provide suggestions for improvement.

Please explain why you selected ESRS-40a E2 ED AR 9 and 10 (SoC and SVHC) and, if applicable, provide suggestions for improvement.

Please explain why you selected 'No specifications in ESRS-40a E3 ED (specification in GDR-M applies)' and, if applicable, provide suggestions for improvement.

Please explain why you selected 'No specifications in ESRS-40a E4 ED (specification in GDR-M applies)' and, if applicable, provide suggestions for improvement.

Please explain why you selected ''No specifications in ESRS-40a E5 ED (specification in GDR-M applies)' and, if applicable, provide suggestions for improvement.

Please explain why you selected ESRS-40a S1 ED (paragraph 8, AR 1, AR 2, AR 20, AR 39) and, if applicable, provide suggestions for improvement.

Please explain why you selected ESRS-40a S2 ED (paragraph 8) and, if applicable, provide suggestions for improvement.

Please explain why you selected ESRS-40a S3 ED (paragraph 7) and, if applicable, provide suggestions for improvement.

Please explain why you selected ESRS-40a S4 ED (paragraph 7) and, if applicable, provide suggestions for improvement.

Please explain why you selected ESRS-40a G1 ED (paragraph AR 7 metric for corruption and bribery) and, if applicable, provide suggestions for improvement.

Please explain why you selected ESRS-40a G1 ED (paragraph AR 7 11 metric for political influence) and, if applicable, provide suggestions for improvement.

Please explain why you selected ESRS-40a G1 ED (paragraph AR 7 13 metric for payment practices) and, if applicable, provide suggestions for improvement.

42. Breakdown for own workforce. Do you think it would be useful for users of sustainability reports if companies that opt for the mixed approach were required to disaggregate the quantitative metrics in Disclosure Requirements S1-6 to S1-16 – e.g. health and safety metrics such as number and rate of work accidents – by workforce inside and outside the EU? (A company's workforce includes employees and non-employees.)

No.

i. If 'Yes.', should all quantitative metrics in S1-6 to S1-16 have to be disaggregated in that way or only some?

ii. If for 'Only some.', please specify which ones.

8.

43. Questions

Do you agree with the presentation requirements in ESRS-40a ED?

No.

44. i. If "No.", please explain why.

We support the objective of avoiding duplicate reporting and recognise the benefits of interoperability. However, the proposed presentation requirements do not sufficiently address the practical challenges of combining disclosures prepared under different reporting frameworks within a single reporting package.

ESRS 40a focuses on impact materiality, while IFRS S1 and IFRS S2 focus on sustainability-related financial risks and opportunities. Differences in reporting objectives, materiality approaches and boundaries may make it difficult for users to understand how the disclosures relate to one another and what each set covers. This is particularly relevant where ESRS 40a disclosures concern EU-related impacts under the mixed approach, while disclosures prepared under another framework cover the global group.

The requirements should ensure that information drawn from different frameworks remains understandable, clearly distinguishable and capable of being assured. Undertakings should explain the applicable reporting boundaries and materiality approaches, including differences in scope, methodologies, assumptions and limitations. Such explanations should help users interpret the information without requiring repetitive disclosures or extensive reconciliations that undermine simplification.

Clear guidance is also needed on the conditions for using existing disclosures to meet corresponding ESRS 40a requirements. Incorporation of information should not be treated as establishing equivalence between frameworks with different objectives. Where reporting frameworks are recognised as equivalent, undertakings should be able to rely on the corresponding disclosures without duplicative reporting.

Without sufficient clarity, combining disclosures could increase implementation effort and assurance complexity, particularly where undertakings maintain separate reporting processes and internal controls for each framework. Presentation requirements should accommodate those practical arrangements without creating unnecessary work.

Finally, fair presentation should be assessed against the applicable ESRS 40a reporting boundary. Combining information from different frameworks should not create an open-ended expectation to extend that boundary or add disclosures beyond corresponding requirements. Interoperability should support proportionate reporting, clarity for users and workable assurance.

45. ii. If 'No.', please provide suggested amendments.

To make interoperability workable and avoid duplicate reporting, we recommend clarifying how disclosures prepared under different frameworks can be presented together while preserving their objectives, materiality approaches and reporting boundaries.

First, undertakings should be permitted to organise the reporting package into clearly identifiable sections, distinguishing ESRS 40a impact disclosures from disclosures on sustainability-related financial risks and opportunities prepared under IFRS S1 and IFRS S2. Clear signposting and cross-references should help users navigate the information without requiring companies to reproduce disclosures already provided elsewhere.

Second, the requirements should provide practical guidance on explaining differences in reporting scope. Undertakings should identify the applicable boundaries and materiality approaches, including where ESRS 40a uses an EU-related boundary under the mixed approach while another framework covers the global group. Explanations of relevant methodologies, assumptions and limitations should remain proportionate, avoiding repetitive commentary or extensive reconciliations.

Third, EFRAG should clarify the conditions under which existing disclosures may satisfy corresponding ESRS 40a requirements, including through incorporation by reference. This should be distinguished from formal recognition of equivalence. Where reporting under another framework is recognised as equivalent, undertakings should be able to rely on the corresponding disclosures without additional or duplicative reporting.

Fourth, guidance should address assurance implications, including how information prepared through separate reporting processes and internal controls can be incorporated into the reporting package. Undertakings and assurance providers need clarity on which disclosures fall within the ESRS 40a assurance scope and how differences in boundaries and methodologies should be addressed, without requiring unnecessary duplication of processes.

Finally, the standards should explicitly confirm that fair presentation is assessed against the applicable ESRS 40a reporting boundary. Combining disclosures from different frameworks should not create an open-ended requirement to expand that boundary or add disclosures beyond corresponding requirements. These clarifications would support understandable, proportionate reporting and workable assurance arrangements.

46. Do you agree with the provisions in Chapter 9.3 on incorporation by reference, including as a possible way to achieve efficient reporting and to deal with double reporting when the group prepares a sustainability report in accordance with jurisdictional requirements based on IFRS S1 and IFRS S2, or in accordance with IFRS S1 and IFRS S2?

No.

47. i. If 'No.', please specify if you disagree with.

Examples of sources (paragraph 120)
Conditions for incorporation by reference (paragraphs 121–123)
Additional flexibility made available in the ED to third-country groups when incorporating by reference a substantial part of the ESRS-40a ED reported information (paragraph 124)

48. ii. If "No", please explain and, if applicable, provide suggested improvements.

We support avoiding duplicate reporting and recognise that incorporation by reference can improve efficiency. However, the provisions do not fully address the challenges of incorporating information prepared under frameworks with different objectives and materiality concepts. Omnibus simplification should remain central: reducing administrative burden, improving competitiveness and supporting investment in Europe while maintaining meaningful, decision-useful disclosures.

Many undertakings subject to ESRS or ESRS 40a also face IFRS S1 and IFRS S2 reporting obligations elsewhere. Efficient reporting across frameworks is therefore particularly important for internationally operating energy companies, including many IOGP Europe members.

While ISSB standards focus on sustainability-related financial risks and opportunities and ESRS 40a focuses on impacts, underlying data, metrics and management processes often overlap, particularly for general sustainability and climate disclosures. Reusing this information could reduce duplication. However, differences in boundaries, materiality assessments, governance processes and assurance coverage must remain understandable to users.

Incorporation by reference offers limited simplification if separate reporting processes, controls and assurance procedures remain necessary. We therefore recommend:
- Alignment: Ensure consistency between ESRS and ISSB definitions, metrics and reporting concepts, building on progress in the simplified ESRS.
- Global baseline: Use ISSB reporting as a starting point, supplemented by the impact-related disclosures needed to meet Article 40a requirements.
- Equivalence: Explicitly recognise equivalent sustainability reporting regimes where comparable outcomes are achieved, allowing reliance on corresponding disclosures without duplication.
- Clear incorporation by reference: Clearly identify incorporated information and concisely explain relevant differences in objectives, materiality, boundaries and assurance coverage. Proportionate mapping should identify shared disclosures and additional ESRS 40a requirements without becoming a separate compliance exercise.
These measures would support practical interoperability, reduce reporting and assurance costs, and improve clarity, comparability and consistency across jurisdictions.

49. For preparers, If you are in scope of the ESRS-40a ED and, at the same time, (will) prepare (from YE2028) a sustainability report in accordance with jurisdictional standards based on IFRS S1 and IFRS S2, do you anticipate:

In this case, please specify how you plan to support understandability and identification of disclosures that meet the disclosure requirements in the respective frameworks.

Please explain why and illustrate the challenges you anticipate.

Please provide suggestions for amendments.

50. Do you find the requirements for incorporation by reference sufficient to lead to an understandable and auditable report?

No.

51. If applicable, please provide suggested improvements.

We recommend clearer requirements for identifying and labelling disclosures incorporated by reference, together with a concise explanation of relevant differences in reporting objectives, materiality approaches, reporting boundaries and assurance coverage.

A proportionate mapping between ESRS 40a requirements and the referenced disclosures would help users and assurance providers determine how each requirement has been addressed. Additional guidance should explain how to present information prepared under different frameworks, particularly where disclosures based on impact materiality are combined with those based on financial materiality. These measures should improve understandability and assurance without creating a burdensome reconciliation exercise.

We also request explicit clarification that:

1. The assurance condition in paragraph 121(d) is satisfied where the source report is subject to limited assurance by a provider authorised under the law of the third country, consistent with Article 40a(3).
2. An ESRS 40a report published by an EU subsidiary or branch may incorporate information by reference from the ultimate parent's group-level report, reflecting the group reporting boundary established in paragraph 27.

These clarifications would make incorporation by reference more workable, reduce duplication and help users understand how disclosures prepared under different frameworks relate to one another.

9.

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52. For preparers, Do you think that referring to terms and concepts from EU legislation as the default framework is feasible?

No.

53. If not, please specify which disclosure requirements you are referring to.

Please find attached an Excel file containing a list of disclosure requirements where you can provide your comments. Please note that comments are also allowed on disclosure requirements not mentioned in this file - there is a specific tab for it in the Excel file.

Please download the file here.

A practical note: to correctly use the Excel file, please download it, complete the fields, and then upload the document.

Please upload the populated Excel File in this box.

54. ESRS-40a 2 ED BP-1, paragraph 7, requires undertakings to disclose, where EU-derived concepts are applied to third-country operations using approximations or estimations, which disclosures are affected, how the information was prepared, what limitations arise, and which parts of the reporting boundary are concerned. Do you consider these requirements to be clear, feasible and sufficient to ensure proper understanding of how the undertaking treats differences between EU-derived concepts and other third-country concepts?

No.

55. If no, please explain your reasoning.

We support greater transparency regarding the use of approximations, estimations and EU-derived concepts. However, BP-1 paragraph 7 does not sufficiently address the challenges arising where those concepts differ from the legal definitions, classifications or thresholds applicable in third-country jurisdictions.

The issue extends beyond estimation uncertainty. Undertakings may manage their operations and regulatory compliance using locally applicable requirements while preparing sustainability disclosures using concepts derived from EU legislation. This can require parallel methodologies, classifications and reporting processes. Simply disclosing approximations and limitations may not adequately explain these differences or their implications to report users.

ESRS 40a should therefore explicitly permit reasonable approximations and mappings to equivalent local concepts where EU-derived concepts are not directly applicable. Undertakings should explain material differences, the methodologies used to address them and any resulting limitations, in a proportionate manner.

The standard should also recognise circumstances in which applicable third-country legal requirements restrict access to information or affect the implementation of specific reporting requirements. Clear guidance should allow undertakings to explain these constraints and the reasonable steps taken to address them, supporting meaningful disclosure while avoiding unnecessary duplication and legal uncertainty.

10.

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56. Please provide any other comments or suggested improvements on ESRS-40a ED not covered in the questions above.

We support avoiding duplicate reporting and using incorporation by reference to improve efficiency. However, the provisions should better address differences between reporting frameworks, in line with the Omnibus objectives of reducing administrative burden, improving competitiveness and supporting investment in Europe.

Many IOGP Europe members also report under IFRS S1 and IFRS S2. While ISSB standards focus on financial risks and opportunities and ESRS 40a on impacts, the underlying data, metrics and processes often overlap. Reusing this information could reduce duplication, provided differences in materiality, reporting boundaries and assurance coverage are clearly explained.

Undertakings should have the option to vary reporting approaches by sub-topic, as different sub-topics may suit different approaches. Where this proves too complex or burdensome, they should remain free to apply a consistent approach across the entire topic.

We recommend aligning ESRS and ISSB definitions, metrics and reporting concepts; using ISSB reporting as a starting point, supplemented by the impact disclosures required under Article 40a; and recognising equivalent reporting regimes where comparable outcomes are achieved. Incorporated disclosures should be clearly identified, with relevant differences explained through proportionate mapping that does not become a separate compliance exercise.

These measures should reduce duplication across reporting processes, controls and assurance procedures while preserving clear, comparable and decision-useful information.

11.

Answer in Excels for Part 2 - Topic 1 - Question 1.

1. Would you retain any deleted datapoints?
2. Do you have comments on deleted, amended or new paragraphs?

Please note that comments are not allowed on paragraphs that remained unchanged.

A practical note, to correctly use the Excel file, please download it, complete the fields, and then upload the document.

Please download the file Excel here

NOTE: The Excel File contains several validations. Please make sure to not break those validations. Only files with intact validations and not corrupted will be considered as valid by EFRAG Secretariat.

Please upload the populated Excel File in this box.