International Association of Oil & Gas Producers

POSITION STATEMENT | NOVEMBER 2026

IOGP Europe response to EFRAG's consultation on the ESRS 40a Exposure Draft

Recommendations for proportionate and interoperable sustainability reporting by non-EU undertakings

IOGP Europe submits this response on behalf of those of its member companies belonging to third-country groups that meet the conditions for sustainability reporting under Article 40a of Directive 2013/34/EU (the Accounting Directive).

We support EFRAG's efforts to develop proportionate reporting requirements under Articles 40a–40d of the Accounting Directive. However, it's important to highlight that international companies operate across multiple jurisdictions and must navigate differing, and sometimes overlapping, sustainability reporting requirements. Their operations, joint ventures and business relationships span complex global value chains, while reporting systems are often organised around group-wide activities rather than individual markets. Identifying and separating EU-related impacts may therefore require significant adjustments to existing processes, particularly where products pass through intermediaries or serve multiple markets. Access to value chain information may also vary according to local legal requirements, contractual arrangements and the availability of reliable data.

We therefore urge EFRAG and the European Commission to take our input into account when finalising the standards, drawing on companies' practical experience of reporting across jurisdictions. Clear boundaries, proportionate information requirements and effective interoperability with established international frameworks are essential to enable companies to build on existing reporting systems, avoid unnecessary duplication and provide meaningful, reliable sustainability information.

We welcome the removal of datapoints relating to risks, opportunities, resilience and dependencies (RORD), and disclosures on financial effects, as well as the option to focus reporting on EU-related impacts through a mixed approach. Further refinements are needed to make the reporting boundary workable, strengthen legal certainty and avoid duplication with other frameworks, including those of the International Sustainability Standards Board (ISSB) and the Global Reporting Initiative (GRI).

The Omnibus simplification objectives should guide the standard: reducing unnecessary administrative burden while maintaining meaningful sustainability information. Our recommendations focus on the practical needs of undertakings with globally distributed operations, joint ventures and value chains.

1. A workable EU reporting boundary

We support retaining the mixed approach as an option. Its customer-based component should be limited to products and services sold or provided directly by the reporting undertaking in the EU market. Alternatively, undertakings should be able to apply a location-based boundary covering activities physically carried out within the EU. These options would provide a clearer connection between the disclosures and the undertaking's EU activities.

References to products entering the EU through third parties are difficult to implement for fungible commodities traded through multiple intermediaries. Producers often cannot identify their ultimate destination. Reporting should not depend on exhaustive tracing of subsequent transactions beyond the undertaking's reasonable visibility or control.

In paragraph 28, "reasonably assumed" should be replaced with "reasonably identified", using reasonably available commercial information such as invoiced destinations, delivery terms or customs records. Products sold to non-EU counterparties without an identified EU destination should fall outside the customer-based component. The assessment should be periodic and methodology-based, with updates for material changes, rather than annual transaction-by-transaction tracing. AR 6 should state that its factors are illustrative only.

2. Consistent application across sustainability topics

Undertakings should retain the option to vary reporting approaches by sub-topic, including for climate change and human rights, as different sub-topics may lend themselves to different approaches. Reporting boundaries should be clearly explained to support clear and comparable information for assurance purposes. Where varying approaches proves too complex or burdensome, undertakings should remain free to apply a consistent approach across an entire topic.

Climate change and the social standards should remain eligible for the mixed approach where EU-related impacts can be meaningfully identified. Although climate change is inherently global in nature, reporting under an EU-related approach should focus on impacts associated with activities that have an EU footprint, consistent with the market-presence approach reflected in Article 40.

Similarly, EU-related human rights impacts may occur outside the EU, including in value chains connected to EU sales. Where an undertaking selects an EU-related reporting approach, this direct connection to the EU should define the reporting scope, rather than a blanket requirement to report all global human rights impacts. Reporting requirements should also remain distinct from the due diligence obligations applicable to undertakings within the scope of the CSDDD.

3. Equivalence and effective incorporation by reference

Explicit recognition of equivalent sustainability reporting regimes is the most effective way to avoid duplicate reporting. Where comparable outcomes are achieved, undertakings should be able to use reporting under ISSB-based and national requirements to meet corresponding ESRS 40a obligations. ISSB reporting should provide a starting point, supplemented by any impact-related disclosures needed under Article 40a.

Impact materiality under ESRS 40a differs from the focus on sustainability-related financial risks and opportunities under IFRS S1 and IFRS S2. Nevertheless, underlying data, metrics and management processes often overlap. Definitions and metrics should be aligned wherever possible so that companies can reuse information.

Incorporated disclosures should be clearly labelled, with concise explanations of material differences in reporting objectives, boundaries, materiality and assurance coverage. A proportionate mapping should show how ESRS 40a requirements are addressed without creating a separate compliance exercise. EFRAG should clarify that paragraph 121(d) accepts limited assurance by a provider authorised under third-country law, consistent with Article 40a(3), and that an EU subsidiary or branch may reference the ultimate parent's group report, reflecting the group boundary in paragraph 27.

4. Proportionate fair presentation and assurance

Fair presentation should be assessed against the undertaking's selected reporting boundary. Clearly defined scope, consistent methodologies and transparent assumptions and limitations can enable users to understand what the report includes and excludes. In paragraph 5, "all" should be replaced with "relevant" so that the objective refers to the relevant material sustainability-related impacts and how the undertaking manages them.

Guidance should prevent fair presentation from becoming an open-ended obligation to expand disclosures beyond the applicable boundary. Evolving methodologies, differing user needs and concerns about Board and auditor liability can increase reporting and assurance effort. The standard should make clear that fair presentation supports decision-useful, proportionate reporting and avoids unnecessary work.

We also recommend deleting the broad reference to contextual financial information. It could introduce additional financial disclosures despite the intended focus on impacts and exclusion of financial effects, undermining the simplification objectives.

5. Use of 3rd country concepts

ESRS 40a should explicitly allow reasonable approximations and mappings to equivalent local concepts where EU-derived definitions, classifications or thresholds are not directly applicable. Requiring parallel systems solely for EU reporting would increase costs and complexity. BP-1 paragraph 7 should support proportionate explanations of material differences, methodologies and limitations.

The standard should also recognise third-country legal requirements that restrict access to information or affect reporting. Undertakings should be able to explain those constraints and the reasonable steps taken to address them. These refinements would preserve relevant disclosure while making ESRS 40a more workable for globally operating companies.

IOGP Europe

Avenue de Tervueren 188A, B-1150 Brussels, Belgium
T: +32 2 210 94 40
E. reception-europe@iogp.org

IOGP Headquarters

T. +44 20 4570 6879
E: reception@iogp.org

www.iogpeurope.org