

Dear Mr de Cambourg, dear Mr Jaspar,

Thank you for your letter of 20 June with which you submitted EFRAG's progress report for the development of technical advice to revise and simplify the existing set of European Sustainability Reporting Standard (ESRS).

Your report indicates that the ESRS revision process is currently on track. I appreciate the efforts made by all members of the EFRAG community to move ahead with this important and challenging task in a constructive manner.

Given that the Commission would adopt a revised set of ESRS based on your technical advice, we would ask you to ensure the following points are taken into account as far as possible. It would be preferable to integrate these points prior to the launch of the public consultation on the draft revised standards, although I understand that some of them may need more time, in particular if they raise questions on which you would need the input of stakeholders as part of your forthcoming public consultation.

- *Additional data points and converting voluntary datapoints into mandatory datapoints.* Given the objective of the simplification exercise, in principle no new datapoints should be added to the ESRS. Similarly, no datapoints that are currently voluntary ("may") should be made mandatory ("shall"). In the event that EFRAG sees a need to deviate from these principles on an exceptional basis, please ensure that any such case is transparently flagged in the documents that you release for public consultation and that a thorough justification is provided.

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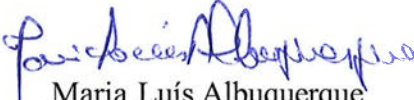
- *Consistency and readability.* The clarity and user-friendliness of the standards is an integral element of the simplification exercise. It will be critically important for EFRAG to review the final draft standards to ensure that they are internally consistent, that they avoid unnecessary repetitions, that they are substantially shorter, and that the drafting is crystal clear and of the highest quality.
- *Voluntary disclosures and guidance:* We understand that the existence of voluntary datapoints in the current standards has generated some uncertainty and, in some cases, an expectation that companies should report these datapoints. It will be very important to consider the advantages and disadvantages of maintaining voluntary disclosures within the standards – I encourage you to seek views on this issue as part of the public consultation. The revised ESRS regime should in any case be simple, avoiding multiple different categories of disclosures and guidance with different statuses.
- *New or modified terms and concepts.* The simplification of ESRS may require the introduction of new or modified terms and concepts. New terms and concepts, or modifications to existing terms and concepts, should only be considered if they indeed lead to simpler and clearer standards. The advantage of introducing any new terms and concepts should always be weighed against the possible adjustment costs for companies that are already reporting against the existing ESRS.
- *Ensure focus and relevance of reported information.* The revised ESRS should result in reporting that is focused on strategically important information. This means that, in principle, when applying the revised ESRS, companies should report less information than they have when first applying the existing standards.
- *Interoperability with global standards.* Interoperability of ESRS with global standards, in particular with the standards of the International Sustainability Standards Board (ISSB), remains a key item, as it aims at avoiding double reporting for some companies. Nevertheless, if EFRAG considers that there are cases in which interoperability significantly hinders the simplification exercise, for example by creating a tension with the objective of making ESRS shorter or less granular, then it would be important to highlight those cases and to seek the views of stakeholders during the public consultation. Depending on the outcome of the public consultation with regard to any such cases, EFRAG might explore with the ISSB the possibility that the IFRS S1 and S2 standards could be simplified in a corresponding manner.

When launching the public consultation, we would be grateful if you pay particular attention to communicating the proposed modifications in a short and simple way. It will be very important that stakeholders can get an immediate view of what has changed before reading the draft revised standards themselves.

In light of your request for additional time to develop your technical advice, I am pleased to inform you that we can accept to extend the deadline by one month to the end of November this year. This extension should allow for a higher quality revision process, by giving more time for stakeholders to respond to the public consultation and potentially also more time for EFRAG itself to complete its internal deliberations and the necessary technical work.

I would be grateful to receive a further written update from you once you have processed the results of the public consultation and in time to allow that any potential feedback I may have is taken into account in your technical advice.

Yours sincerely,



Maria Luís Albuquerque