



Mr Patrick de Cambourg
Chair
EFRAG Sustainability Reporting Board
35 Square de Meeûs
1000 Brussels

1st October 2025

Re: EFRAG Consultation on Draft Amended ESRs

Dear Patrick,

OIC is pleased to have the opportunity to provide its comments on EFRAG's consultation on Draft Amended ESRs.

OIC welcomes EFRAG commitment towards the simplification of existing European Sustainability Reporting Standards (ESRSs) within the tight timeframe given by European legislation. However, drawing from the outreach with our stakeholders, such an effort turns out to be perceived as a first, but insufficient, attempt of simplification.

We believe that the expectation for a simplification of the standards going beyond the mere reduction of the number of datapoints was greater. Based also on the results of the outreach, we are convinced that there are some areas of improvement that EFRAG should consider in finalising its technical advice to the European Commission (for more details, please see our comments in the appendix of this letter).

Our expectation is that in this delicate phase of redeliberation after consultation EFRAG would be able to make a substantive step towards a further simplification, benefitting from the input arising during consultation, and reducing the risk of intervention during the phase of conversion of the standard into a delegated act.

In particular, the areas that should be improved are those listed in the following Appendix.

In case you wish to discuss these issues further, please do not hesitate to contact us.

Yours sincerely,

Michele Pizzo

President of Board of Directors

Appendix

- general remark on non-mandatory illustrative guidance – EFRAG decided to develop, for each standard, separate documents named “non-mandatory illustrative guidance”. We do not support the development of this kind of material that already in the past created a lot of confusion and interpretation difficulties compared to the provisions in the ESRS (for example the guidance on value chain and on materiality assessment). The movement of previous “shall” datapoints to “non-mandatory guidance” risks to jeopardize the simplification exercise because, also due to the fair presentation principle, this could imply the mandatory reporting also on these items. Moreover, to reduce such a risk it would be firstly necessary to remove (or substantially delimitate) the fair presentation principles and secondly to clarify the legal status of any additional “guidance”. In particular, EFRAG should recommend to the European Commission not to incorporate such a guidance in the Delegated Act. Such a guidance should be released by EFRAG only, clearly stating that it should not be considered as a source for possible entity specific disclosure (if this disclosure will be kept);
- fair presentation principle - we disagree with the introduction of this principle given:
 - i. the different level of maturity of sustainability reporting compared to financial reporting. While the concept of fair presentation is well-established in financial reporting, its boundaries are far less defined in the context of sustainability reporting, especially considering the double materiality principle that requires to take into account a multi-stakeholder approach compared to the single/financial materiality perspective.
This creates a significant grey area in which the company bears the burden of determining what constitutes a fair presentation;
 - ii. the risks associated with this principle in terms of significantly increase the responsibilities for the Board members on one side and for auditors on the other. Under such a regime, companies would not only need to apply the Standards and ensure consistency in the disclosures, but also to demonstrate that information is a fair presentation with respect to all relevant stakeholders. Paradoxically, this could lead to an open-ended obligation. Indeed, if the fair presentation requirement is applied broadly to all material stakeholders, the scope of information to be disclosed in the sustainability statement could become virtually unlimited; and
 - iii. this concept, while it is clear in the Accounting Directive for financial reporting, it is not equally stated in CSRD for the sustainability reporting. Indeed, the CSRD requires a compliance-based disclosure framework with regard to the auditing and assurance of sustainability reporting (see, in particular, Article 34, paragraph 1, letter aa).

The possible solution could be the removal of all the references to fair presentation introduced by EFRAG in ESRS 1 (paragraphs 16, 17, 18), and also in the other standards, if any, and the clarification that the objective of the sustainability reporting is to ensure the compliance with the provisions of CSRD and of ESRS;
- double materiality assessment (DMA) - although EFRAG has introduced some “practical considerations in determining the material impacts, risks and opportunities and their associated topics to be reported”, it is not clear how these considerations

can be applied considering that all the chapter related to the DMA maintains the current process deemed complex and burdensome. Therefore, it is not easy to appreciate the simplification exercise proposed. The possible solution could be to better clarify the circumstances in which the simplifications can be applied. Indeed, the wording included in some paragraphs (e.g. “reasonable”, “supportable”, “not appropriate”), might cause confusion and inconsistent application among undertakings. Moreover, it is not clear how the simplified approach can be coherent with chapter 3.7 “level of aggregation, disaggregation and group reporting” according to the undertaking shall aggregate/disaggregate the reported information considering relevant facts and circumstances in line with its materiality assessment.

Finally, it should be better clarified that the DMA process does not need to be updated every year but only in case of material changes in the undertaking’s organisational or operational structure, or material changes have occurred in external factors that could generate new or modify existing IROs, or affect the relevance of specific disclosures;

- gross vs net - another important aspect that remains not clear is the gross versus net impacts in the double materiality assessment. In the view of simplification, it would be better to require a flexible approach, giving to undertakings the possibility to choose whether assess on a gross or net basis, according to their approach and maturity of internal processes and disclose accordingly.

Moreover, the new wording (especially that one in Appendix C) risks an unnecessary complication. Taking into account the level of ambiguity and complexity, in the view of simplification, Appendix C should be deleted.

Finally, the same flexibility should be applied and specified also for risks and opportunities-in order to ensure that risks/opportunities disclosure is aligned with the one already delivered for the financial statement. If the new paragraphs (34-35) and Appendix C are to be maintained, more guidance is needed on some concepts to avoid varied interpretations (e.g. supportable evidence”, “significant ongoing actions”);

- anticipated financial effects - the topic is very sensitive and burdensome for companies. Companies expressed serious concerns regarding the limited measurability and reliability of this kind of information due to the lack of mature and established methodologies, the potential lack of reliability for users, and the sensitivity of commercially relevant data.

For these reasons, we suggest to delete these disclosures at least until the development of appropriate methodologies to quantify those effects also in cooperation with the Financial Reporting Board;

- value chain - the value chain is a vague concept, and it is difficult to apply in practice. The assessment of impacts in the value chain and data collection, especially beyond Tier 1, remains a critical challenge. Due to the difficulties for collecting data, although EFRAG has introduced some reliefs (e.g. the undue cost and effort criterion) we believe appropriate to limit the request for quantitative indicators along the value chain in the ESRS as much as possible (i.e. GHG emission scope 3). Please note that the topic is also connected to entity-specific information and to the new requirement in para AR28 of ESRS 1 that should be deleted. Indeed, the relationship between value chain and entity-specific information is very delicate. With new para AR28 it runs the risk that all the metrics need to be provided at value chain level. In our opinion such a paragraph is contrary with the spirit of ESRSs that we understand

is to require almost all metrics at reporting entity level because it is impossible to calculate all metrics at value chain level.

Moreover, we thought that an entity-specific information should be related to something not expressively included in the ESRs. Please see also our comments on entity-specific information;

- acquisitions during the financial year - we support the inclusion of a provision that allows to defer the inclusion of a subsidiary or business in the materiality assessment and in the sustainability statement to the subsequent reporting period (para 72 of ESRs 1). However, from a simplification perspective, we disagree with the request, for major acquisitions (disposals) and based on available information, to disclose significant events that affected the acquired (sold) subsidiary or business between the date of acquisition and the end of the reporting period (between the start of the reporting period and the date of disposal), when they could have an effect on the subsidiary's or business's exposure to material impacts, risks and opportunities (para 73 of ESRs 1). This is because this para seems to reintroduce the requirement excluded in para 72. Moreover, undertakings need sufficient time after an acquisition to set up systems for collecting sustainability data and to organize the information flow for reporting;
- entity-specific information - EFRAG maintains in the ESRs the obligation to provide entity-specific information in the sustainability report, when it is a material issue for the company but it is not addressed/not sufficiently addressed in the Standards (paras 10-11 and AR1-2 of ESRs 1). On this point, in the view of simplification, it is deemed appropriate to request such information only on a voluntary basis (removing references to the fair presentation and materiality) or, as an alternative, to require such an information only when it is financially material (always removing the reference to the fair presentation);
- new datapoints - during the work on the revision of ESRs, EFRAG added some new datapoints. We disagree with the inclusion of new disclosure requirements in the Standards. This is true especially with regard to the topical standards (metrics section). This exercise not only could make the transition difficult for current preparers but it also undermines the objective of simplification of the ESRs. Therefore, we suggest EFRAG to well assess whether the public consultation reveals that such information will constitute an additional burden for undertakings;
- changes (from "may" to "shall" datapoints) - during the work on the revision of ESRs, EFRAG moved some "may" datapoints (included in the actual delegated act) into "shall" datapoints. Again, this exercise not only could make the transition difficult for current preparers but it also undermines the objective of simplification of the ESRs. Therefore, we suggest EFRAG to well assess whether the public consultation reveals that such information will constitute an additional burden for undertakings;
- other detailed issues are included in following list:
 - ESRs 1: it is necessary to provide specific indications for the financial sector with regard to some specific elements, for example regarding the concept of the value chain and the calculation of scope 3 GHG emissions.
 - ESRs 1 Paragraph 84(c) requires adjusting the base year of the target following a major acquisition or disposal: this new requirement should be deleted as acquisitions or disposals can be part of the business strategy to achieve the target.
 - It appears that ESRs 1 paragraph 87 is intended to provide a complete list of the areas where the concept of undue cost or effort can be applied. ESRs 1 paragraph 87. However, it does not include 'anticipated financial effects', although

application of undue cost or effort to 'anticipated financial effects' is specifically mentioned in ESRs 2 AR 15. Therefore, we recommend EFRAG to update ESRs 1 para 87 to include also 'anticipated financial effects'.

- ESRs 1 para 89: we suggest including new application requirement in order to have a clear definition and detailed explanation of "undue cost or effort" by introducing practical considerations with specific examples.
- ESRs 1 para 91 allows undertakings to use estimates, but at the same time requires them to disclose the actions they have taken to increase the coverage and quality of future reporting periods, and the progress compared to the previous reporting period. This disclosure does not simplify the process; in fact, it increases the burden on undertakings. Estimates should be allowed without the need to disclose an improvement plan.
- ESRs 1 para 92: in ESRs the definition of operational control is not clear. In practice, the determination of operational control may result ambiguous. Therefore, EFRAG should better clarify this concept.
- ESRs 2 para 41b) requires for environmental metrics, the specific environmental conditions and characteristics of the area where the impact is occurring. This provision is not clear and it could lead to very granular information. Furthermore, this requirement seems not applicable for climate change, since emissions are a transboundary phenomenon and their impact is not location-based, unlike the biodiversity.

Overall, the expressions "environmental conditions" and "characteristics of the area" lack of clarity and they should be reconsidered.

- ESRs E1 DR E1-1: it is not clear if the undertaking can use the wording "Transition plan" while not having all the elements as described in the standards (specifically targets that respond to all ESRs requirements).
- ESRs E1 DR E1-1 para AR1 c): information on "anticipated long-term CapEx and/or OpEx ranges" is very difficult to gather. As such, this information should be voluntary.
- ESRs E1 para AR 12: for the financial sector it is appropriate to include an exception in ESRs E1 that allows to disclose intensity-based GHG emission targets without being required to convert them into absolute values. The reliability and usefulness of such disclosure significantly differ between a non-financial undertaking and a financial undertaking. For a financial undertaking, the conversion of intensity reduction targets to absolute emission targets would require multiple assumptions that would make the results unreliable, not leading to meaningful disclosures.
- ESRs E1 DR E1-7 Energy consumption and mix (para 28b) requires to disclose information on total energy consumption from nuclear sources: it is necessary to better describe how the portion of nuclear energy consumed should be calculated.
- The new wording in para AR26 of ESRs E1 seems to mandate a disaggregation of GHG emissions (by country, operating segments, ...) while the previous wording required a disaggregation "as appropriate", leaving more flexibility to the undertaking. Therefore, we suggest to reintroduce the previous wording.
- Para AR 21 of ESRs E1 requires that the undertaking shall use the most recent GWP values to calculate GHG emissions. Moreover, this para requires that if emission factors based on older GWP values are the most suitable or available, the undertaking can use these and explain under which GWPs the GHG inventory is based on.

It would be useful to clarify whether the use of the most updated GWPs is valid also for targets.

- IFRS S2 requires an undertaking to measure GHG emissions in accordance with the GHG Protocol (financial control, operational control, equity method).

New para AR 18 of ESRS E1 requires that the organisational boundary to be used in disclosing GHG emissions shall be the reporting undertaking as defined in para 59 of ESRS 1 (equivalent to the financial control boundary of the GHG Protocol).

New para AR 19 of ESRS E1 requires that when, due to specific facts and circumstances, the information reported for GHG emissions (equivalent to the financial control organisational boundary) fails to convey a fair presentation of the emissions deriving from operated assets that are outside the reporting undertaking, the undertaking shall also separately disclose its Scope 1 and Scope 2 based on the operational control boundary, as defined in the GHG Protocol Corporate Standard (2004).

In the view to improve the interoperability with the ISSB, ESRS E1 should directly require to measure GHG in accordance with the GHG Protocol.

- New para 16 (a) and AR 2 of ESRS E2 introduce new disclosure on pollutants based on environmental permits. In the view of simplification, this information should be deleted as it expands the list of pollutants to be reported.
- ESRS E2 para 16(b)(i) requires disclosure on the quantities of primary microplastics manufactured or used in products, and separately, those directly released into the environment.

Manufacturing and the use of microplastics should not be included in this para as the production of microplastics is not a pollutant per se and, as such, it should be treated (in case) as a key product in ESRS E5-5 Resource outflows.

Moreover, the information on primary microplastic production and use could be sensitive and confidential.

It is not clear whether the information related to the release refers to an intentional release or an accidental one.

Finally, it should be specified whether, in the case of an accidental release, the actual quantity released or only the quantity remaining after remediation activities should be considered.

- ESRS E2 para 16(b)(ii): With regard to the disclosure on secondary microplastics we note that:
 - quantitative estimation is not feasible, as there are no widely accepted methodologies in place (as also noted by EFRAG). Such estimates are highly variable, as they are based on assumptions regarding a significant number of variables (e.g. manufacturing processes, usage phase, conditions of usage, etc.);
 - qualitative information may not meet the necessary comparability requirements to ensure a meaningful and effective disclosure.

Therefore, the suggestion is to delete this information.

- ESRS E2 DR E2-5: the disclosure related to substances of concern (SOC) (in particular) and substances of very high concern (SVHC) is complex.

The challenge stems from the lack of a harmonized definition and the broad scope which requires undertakings to assess thousands of substances whose 'concern' status is highly dependent on specific product use and context. Without clear and consistent criteria, any reported data would be based on individual undertaking interpretations.

Mandating this disclosure would therefore force the generation of low-quality and potentially misleading information.

Another issue is due to the collection of these data outside Europe, where there are different definitions of SOC/SVHC. Therefore, a worldwide consolidation of these data would not be feasible.

Therefore, the Disclosure requirement should focus on which SOC/SVHC are used and what the undertaking is doing to replace or reduce their use rather than on the quantities.

- With regard to para 17 of ESRS E3 it should be useful to clarify the quality of water. Total water generally refers to the sum of all water volumes of all qualities (e.g. fresh, brackish, ...) but disclosing all metrics in para 17 as the sum of all water volumes of whatever quality does not seem a useful information for storage or recycle or consumption. A clear reference to freshwater in these metrics would be more relevant and in line with NMIG 4 for para15 related to the targets.
- ESRS E3 para AR 1: the definition provided in ESRS E3 for calculating water consumption has changed but it does not seem clear enough and a more detail explanation would be useful (for example in relation to water storage).
- ESRS E4 DR E4-2 Policies related to biodiversity and ecosystems (para 14b) requires the description of the content of biodiversity and ecosystems-related policies related to sites in own operations that are in or near a biodiversity sensitive area: it is unclear whether the policies should refer to each individual site or to an overarching policy for sites near biodiversity-sensitive areas.
- ESRS E4 para AR8: in an attempt to clarify the concept of “near,” the text considers as near any site “not inside” a sensitive area. This would effectively imply conducting ad hoc analyses for hundreds of sites (all those not overlapping), in order to identify a science-based buffer based on the ecological specificities of each site. This represents an operational burden that is disproportionate to the goal of simplification.

Moreover, IBAT does not provide a buffer on a scientific basis (it is the user who enters the desired buffer to perform the mapping).

Therefore, this requirement should be deleted.

- ESRS E4 DR E4-4: it is not considered appropriate to integrate additional specific methodological guidance on biodiversity and ecosystems-related targets within the revision of ESRS E4, particularly regarding any alignment with science-based frameworks such as SBTN (that are voluntary).
- ESRS E4 Metrics: Biodiversity is an area characterized by high complexity and variability, so leaving wide discretion in defining metrics could compromise the comparability and reliability of information between undertakings. Therefore, maintaining clear methodological guidelines is essential to support undertakings in defining consistent and comparable objectives and to ensure the usefulness of information for stakeholders.

It is recommended to specify whether the standard is referring to impact metrics (of the undertaking on these topics) or to ecological status metrics of the area and species.

- The disclosure in para 15 of ESRS E5 should be limited not only to key materials (as already in the current ESRS E5 ED) but also to "key products and services" to reduce the reporting burden while maintaining a comprehensible level of disclosure.

- It is suggested to clarify that para 15c) of ESRS E5 applies only to undertakings that are subject to the Critical Raw Materials (CRM) Act: "the percentage of total weight of critical and strategic raw materials, whenever the undertaking is required to assess those material flows according to the CRM Act".
- Para 15 (e) of ESRS E5 requires to disclose the percentage of total weight of key biological materials sustainably sourced.
We suggest providing a more precise description of what "sustainably sourced" means, so that undertakings can better understand what should be reported.
- ESRS S1 DR S1-9: it is necessary to provide greater clarity on the description of how the adequate wage is calculated in non-EU countries. A single authoritative reference for defining adequate wage is essential, as allowing undertakings to choose different—or potentially more convenient—providers could result in inconsistent and non-comparable disclosures, ultimately compromising data quality.
- ESRS S1 para 40 (e): With reference to the disclosure on the number of days lost due to work-related ill health, it is important to highlight that, once an employee submits a medical certificate to justify their absence, the nature of the illness—whether work-related or not—is typically not specified.
In many countries, employees are not allowed to self-declare a work-related illness. Instead, they must submit a formal request to the National Institute for Social Security, which is the only authority entitled to assess and officially recognize the illness as work-related. As a result, undertakings are generally unable to determine how many of the days lost are attributable to occupational diseases, since this information depends on external validation and is not systematically reported to employers.
- ESRS S1 DR S1-15 Remuneration metrics (para 44) requires information on the unadjusted gender pay gap: this indicator (unadjusted gender pay gap) is not very representative. Therefore, it could be appropriate to replace this metric with the gender pay gap breakdown by employee category for the following reasons:
 - starting from 2027, the European Directive on Pay Transparency (EU Directive 2023/970) will come into force, requiring the use of the adjusted pay gap indicator;
 - the adjusted pay gap indicator provides meaningful insights as it accounts for legitimate factors that influence pay—such as job level, experience, location, and performance—thereby offering a more accurate representation of pay equity.
- ESRS S1 DR S1-16 Incidents of discrimination and other human rights incidents (para 46b) requires the disclosure of number of human rights incidents: The term 'severe' has been removed from the concept of 'human rights incident', broadening the reporting obligation to any human rights incident with the risk of having to carry out very thorough investigations even in the value chain, as that term has also been removed from the ESRS S2. It would be preferable to reintroduce the concept of "severe", defining it more clearly. Moreover, it is importance to clarify if incidents are referred basically to social aspects (child labor, restrictions, overtime not recognized or not compensated) or if they are referred also to security aspects and healthy environment.
- ESRS S2 para 14 (a): the concept of "migrant worker" needs to be clarified, as it often varies across contexts and legal frameworks. Understanding the condition of migrant workers within global value chains remains particularly challenging,

especially given the complexity of multinational operations across diverse regions, labor markets, and regulatory environments.

Therefore, the suggestion is to reintroduce "Where applicable" as per former para 23 of ESRS S2.

- ESRS G1 DR G1-5 Metrics related to political influence and lobbying activities (para 9) requires to disclose for lobbying activities the main topics covered by these activities: the concept of lobbying activities should be better defined.
- Para AR 4 of ESRS G1 provides that convictions for the violation of anti-corruption and anti-bribery laws refer to final decisions issued by a criminal court against an individual or undertaking ... In the view of simplification, we suggest to limit the disclosure related to "individual" to cases of corruption of the top management and not to all individuals.
- Para 18 of ESRS G1 requires information about the appointment of any members of the administrative, management and supervisory bodies during the current reporting period, who held a comparable position in public administration (including regulators) in the two preceding years.

It is not clear what is intended for "comparable position". The Standard should give clear guidance in order not to over report on comparable positions, as not all the positions held in public administration could have the same relevance (e.g. if someone was in the board of statutory auditors of an hospital is not probably a relevant information).

Furthermore, a clarification of what is included in the definition of "public administration" is critical.

- Para 20 a) of ESRS G1 requires an undertaking to disclose the percentage of payments aligned with the payment standard terms.
The calculation of this indicator could be complex, especially for undertakings operating in several different countries. Therefore, we suggest to limit this disclosure to the most relevant countries.
- We propose to re-integrate from NMIG for ESRS 1 the "NMIG 3 for para. 42 (Identification of risks and opportunities, likelihood and magnitude)" in the main standard, as it could be a useful information for undertakings.
- We propose to re-integrate from NMIG for ESRS 1 the "NMIG 4 for para. 43 (Negative impacts or material impacts on other topics)" in the main standard, as it could be a useful information for undertakings.
- We propose to re-integrate from NMIG for ESRS 1 the "NMIG 5 for para. 51 (Group and subsidiary level) " in the main standard as a new Application Requirement to ESRS 1 para 51, as it could be a useful information for undertakings.
- We propose to re-integrate from NMIG for ESRS 1 the "NMIG 7 for para. 70 (Leased assets)" in the main standard as a new Application Requirement to ESRS 1 para 70, as it could be a useful information for undertakings.
- We propose to re-integrate from NMIG for ESRS 1 the "NMIG 8 for para. 82 (Impracticability to adjust comparative data) " in the main standard as a new Application Requirement to ESRS 1 para 82, as it could be a useful information for undertakings.
- We propose to re-integrate from NMIG for ESRS 1 the "NMIG 12 for para. 114 (Direct/indirect connectivity with financial statements and consistency of assumptions)" in the main standard as a new Application Requirement to ESRS 1 para 114, as it could be a useful information for undertakings.



- We propose to re-integrate from NMIG for ESRS 1 the section “Mapping of sub-topics to disclosures in topical standards” into ESRS 1 considering that such part provides useful indication for undertakings in linking topic to material information.
- We propose to re-integrate from NMIG for ESRS 2 the "NMIG 5 for para. 17(b)" in the main standard as a new Application Requirement to ESRS 2 para 17, as it could be a useful information for undertakings.