



PLATFORM ON
SUSTAINABLE FINANCE

Statement on the European Sustainability Reporting Standard for non-EU companies (ESRS 40-a)

26 October 2026

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Overview

Consistent requirements across all large companies with significant activities within the EU are essential to ensuring a level-playing field.

CONSISTENCY ACROSS THE SINGLE MARKET

Ahead of the publication of EFRAG's technical advice, this statement reflects the views of the Platform on Sustainable Finance on the ESRS for certain non-EU undertakings (ESRS 40-a).

The Platform stresses the need to maintain consistency in sustainability reporting across the European Single Market to the greatest extent possible and therefore supports several elements of EFRAG's Exposure Draft that maintain alignment with the ESRS applicable to EU undertakings.

This includes the definition of users of information, the inclusion of the fair presentation principle and of environmental and social topics beyond climate change.

TWO AREAS OF STRONG CONCERN

However, the Platform expresses strong concerns over two subjects:

1. The exclusion of EU Taxonomy-related information from some ESRS 40-a reports
2. The proposed "mixed approach" on reporting boundaries for sustainability impacts.

The Platform's members acknowledge the importance of promoting uptake of the ESRS 40-a in a challenging geopolitical and regulatory environment via proportional measures. Nonetheless, these proposals would lead to materially different transparency requirements for EU and non-EU undertakings competing within the same market. These would establish an unlevel-playing field for preparers of information, and deprive financial institutions, investors and other users from the comparable and reliable data needed to make informed decisions. In turn, this inconsistency may hinder the achievement of key policy objectives under the EU Green Deal and EU Climate Law.

1. Exclusion of EU Taxonomy-related information

A GAP IN CONSOLIDATED REPORTING

The Platform acknowledges that mandatory EU Taxonomy reporting does not directly apply to third-country companies with significant activities in the EU. However, where consolidated sustainability reporting is prepared in accordance with the full ESRS framework, Taxonomy disclosure concerning the activities of the EU subsidiary remains mandatory for the purposes of exempting an EU subsidiary from standalone reporting obligations.

In view of this, the Platform recommends that non-EU undertakings preparing reports under ESRS 40-a voluntarily disclose Taxonomy-related information pertaining to their EU subsidiaries. Absence of such disclosures would give rise to material information gaps and consistency concerns within the consolidated reporting framework.

WHY TAXONOMY DATA MATTERS

EU Taxonomy data supports decision-making by companies and financial institutions and contributes to the implementation of several EU legislative frameworks. Under the Sustainable Finance Disclosure Regulation (SFDR), it provides end investors with information on environmentally sustainable investments. It is also needed by EU companies and financial institutions to meet their own reporting and prudential obligations.

The absence of Taxonomy-related disclosures from non-EU companies with significant activities in the EU would therefore create a two-tier system, generate significant data gaps and weaken the EU sustainable finance framework.

Without Taxonomy-related disclosures from non-EU companies with significant EU activities, Europe would create a two-tier system, generate significant data gaps and weaken its sustainable finance framework.

2. Introduction of the “mixed approach”

Under this approach, non-EU undertakings could exclude significant parts of their global impacts from disclosures on topics other than climate change. Although the Platform recognises the objective of ensuring proportionate requirements for non-EU undertakings, the proposed approach would weaken comparability, create an uneven playing field for transparency between EU and non-EU companies and reduce the usefulness and reliability of sustainability information. The mixed approach raises three practical issues in particular:

FEASIBILITY, COST AND LEGAL UNCERTAINTY

In global value chains, separating EU-related impacts is complex.

This difficulty would translate in challenging reporting and assurance processes, opening the door to inconsistent application and casting doubt over the reliability of reported information. Undertakings may also need to establish additional systems and processes to identify, separate and substantiate EU-linked impacts across their global operations and value chains. This could increase complexity and reporting costs.

OMISSION OF MATERIAL INFORMATION

The mixed approach would obscure severe environmental and human rights impacts occurring outside the EU. Environmental impacts such as biodiversity loss, deforestation and pollution, as well as impacts on workers and communities, do not follow geographical market boundaries. Such information is material for financial institutions as it may reveal quantifiable financial risks and is needed for them to meet requirements under the SFDR, the EU Benchmarks Regulation and Pillar 3 of the Capital Requirements Regulation. Financial institutions would need to purchase supplementary data to fill the resulting gaps, leading to additional costs.

INCONSISTENCY OF REPORTS

The possibility to select the reporting boundary by topic, sub-topic or groups of impacts will fragment the reporting landscape for non-EU companies, while preventing meaningful comparison with ESRS reporting from EU companies. In turn, this would create significant usability and comparability challenges for users of sustainability information.

Recommendations

A LEVEL-PLAYING FIELD FOR ALL LARGE COMPANIES ACTIVE IN THE EU

Consistent requirements across all large companies with significant activities within the EU are essential to ensuring a level-playing field. Non-EU companies operating at significant scale in the EU market should be subject to robust and meaningful reporting requirements, in line with the ESRS required from EU companies.

The Platform therefore recommends that the final ESRS 40-a:

- **Preserve a high degree of alignment** with ESRS applicable to EU undertakings, while reflecting the specific legal mandate applicable to non-EU companies;
- **Promote appropriate EU Taxonomy-related information** necessary for the effective functioning of the EU sustainable finance architecture;
- **Maintain a consistent global reporting perimeter** for sustainable impacts rather than introducing a “mixed approach”.

These elements are essential for the integrity of reporting, the coherence of the wider EU sustainable finance framework, to create a level-playing field between EU and non-EU companies operating in the EU and to fulfil its objective of directing financial flows towards the transition. ■