ECB staff opinion on the revised European Sustainability Reporting Standards (ESRS)

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Contents

1 Introduction, legal basis and key message 2

2 How the ESRS disclosures support the tasks of the ECB and the stability of the Union's financial system 4

3 General assessment of the revised ESRS 5

3.1 Concerns on reliefs, phase-in provisions and exemptions 5

3.2 Interoperability with international standards 7

3.3 Appropriateness of the revised ESRS for disclosures by banks 8

4 Additional considerations 12

4.1 Importance of the prompt adoption of standards for auditors 12

4.2 Publication of the non-mandatory illustrative guidance 12

4.3 Increased role of voluntary standards 12

4.4 Importance of reviews going forward 14

5 Annex: Specific observations and suggestions on the revised ESRS 15

5.1 ESRS 1 – General Requirements 15

5.2 ESRS 2 – General Disclosures 17

5.3 ESRS E1 – Climate Change 20

5.4 ESRS E4 – Biodiversity and Ecosystems 22

1 Introduction, legal basis and key message

The European Central Bank (ECB) has been a long-standing supporter of the EU's corporate sustainability disclosure framework and has closely followed the Commission's proposals to streamline and simplify corporate sustainability reporting and due diligence requirements (the "Omnibus I" proposals)[1] and the provisional agreement reached thereon by the Union legislators ("provisional agreement on Omnibus I").[2] On 8 May 2025 the ECB published ECB Opinion CON/2025/10 on the Commission's "Omnibus I" proposals[3] , generally supporting the Commission's goal of enhancing the European economy's long-term competitiveness while maintaining the objectives of the European Green Deal[4] and Sustainable Finance Action Plan,[5] and contributing with technical suggestions in that regard. Since then, the ECB has closely followed the revision of the ESRS within EFRAG, contributing in its capacity as observer at the EFRAG Sustainability Reporting Board (SRB) and Technical Expert Group (SR TEG). On 24 September 2025, ECB staff responded to the EFRAG public consultation on the draft revised ESRS[6], generally appreciating the proposal as a good starting point for improvements in the future when more reporting experience has been gathered, and raising some points of concern.

On 16 December 2025 the ECB was invited by the European Commission to provide an opinion on the draft revised European Sustainability Reporting Standards (ESRS) published by EFRAG on 3 December 2025.[7] This consultation is based on Article 49(3b) of the Accounting Directive[8] as amended by the Corporate Sustainability Reporting Directive (CSRD)[9]. On that basis, ECB staff have prepared the following opinion focusing on the revised ESRS most relevant to the ECB's

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[1] See Proposal for a Directive of the European Parliament and of the Council amending Directives 2006/43/EC, 2013/34/EU, (EU) 2022/2464 and (EU) 2024/1760 as regards certain corporate sustainability reporting and due diligence requirements, COM(2025) 81 final of 26 February 2025.

[2] See Council of the European Union, "Letter sent to the European Parliament", 16702/25, 10 December 2025; and European Parliament "Position adopted at first reading," 16 December 2025.

[3] Opinion of the European Central Bank of 8 May 2025 on proposals for amendments to corporate sustainability reporting and due diligence requirements.

[4] Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions, The European Green Deal, COM(2019) 640 final of 11 December 2019.

[5] Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, Strategy for Financing the Transition to a Sustainable Economy, COM/2021/390 final of 6 July 2021.

[6] ECB staff response to the EFRAG consultation on the revised ESRS standards, 24 September 2025.

[7] Available at Draft Simplified ESRS, EFRAG. The ESRS will be adopted by means of a Commission delegated act, as provided for under the Corporate Sustainability Reporting Directive.

[8] Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (OJ L 182, 29.6.2013, p. 19).

[9] Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting (OJ L 322, 16.12.2022, p. 15).

tasks: ESRS 1 (General Requirements), ESRS 2 (General Disclosures), E1 (Climate change) and E4 (Biodiversity and ecosystems). The disclosures under these ESRS provide critical input for the identification, assessment and management of financial risks that stem from climate-related and nature-related physical and transition risk factors to which companies and financial institutions are exposed.[10]

ECB staff appreciate the very significant simplification of the standards that has been achieved by EFRAG. The revised ESRS are more focused, and several changes serve to streamline their internal structure, facilitating their application. In this regard, both reporting companies and users will, for example, benefit from the clear-cut distinction between what needs to be disclosed (disclosure requirements – DRs) and the methodological instructions on how it needs to be disclosed (application requirements – ARs); the distinction between mandatory methodological guidance within the ARs, and non-mandatory implementation guidance (outside the draft standards); and the improved visibility on the use of the materiality-of-information filter. Collectively, these proposed revisions can be seen as improvements which will have tangible practical consequences in the form of improved applicability of the standards and of the ensuing sustainability statements.

At the same time, the revised standards must continue to ensure sufficient transparency for investors and availability of high-quality information for adequate financial risk management and financial stability purposes. ECB staff have identified three critical points for improvement to ensure that the revision strikes the right balance between the need for simplification and the need to preserve the EU policy objectives of the CSRD. First, the introduction of numerous permanent relief measures, phase-ins and exemptions from disclosure requirements, together with the removal of some critical datapoints, will limit the availability of meaningful data and hamper the comparability of disclosures across companies. Furthermore, removing incentives to improve data collection and methodological efforts would run contrary to the CSRD objective of generating a reliable, consistent and comparable data ecosystem. Transparent, comparable, and reliable sustainability information is critical for providing insights into financial risks, effectively guiding capital flows and supporting a smooth transition to a sustainable economy and the fulfilment of the EU's Paris Agreement commitments. Second, while improvements have been made to increase interoperability with international standards like those published by the International Financial Reporting Standards/International Sustainability Standards Board (IFRS/ISSB), ECB staff have identified some critical deviations, in particular related to the inclusion of reliefs beyond those in IFRS/ISSB. Third, ECB staff have identified some key points where clarification is needed to ensure that the revised draft ESRS are appropriate for meaningful disclosures by the financial sector. Finally, this ECB staff opinion includes some additional considerations.

[10] Notwithstanding the fact that other environmental topics – covered in the ESRS E2 (pollution), E3 (water) and E5 (resource use and circular economy) topical standards – are also sources of material financial risks and hence relevant for the identification, assessment and management of these risks.

2 How the ESRS disclosures support the tasks of the ECB and the stability of the Union's financial system

Physical and transition risks related to the climate and nature crises have profound implications for both price and financial stability because of their impacts on the structure and cyclical dynamics of the economy and the financial system. High-quality sustainability reporting by companies is essential for effectively monitoring economic impacts and financial risks arising from climate-related and nature-related factors at both the systemic and individual company and bank levels. Hence, ESRS disclosures play a crucial role in enabling the central banks, including the ECB, to adequately take into account climate-related and nature-related risks when discharging their mandates, in the fields of banking supervision, financial stability, monetary policy and the collection of statistical information.[11] Information provided under ESRS is expected to provide support in a number of areas including the following: (a) the analysis and monitoring of climate-related and nature-related financial risks, in turn supporting financial stability and the banking supervision mandate of the ECB; (b) enhanced management of risks in the Eurosystem's balance sheet, in turn supporting the ECB's price stability mandate (e.g. accurately calibrating monetary policy portfolios, adjusting collateral frameworks and assessing the climate-related and nature-related risk profile of eligible assets); (c) the incorporation of climate-related and nature-related considerations into monetary policy operations; and (d) the compilation and publication of climate change and sustainable finance indicators as part of the ECB's statistical function.

In addition to being critical for the ECB's tasks, meaningful, reliable, and comparable sustainability information is also essential for banks. It serves as a key input for their effective risk management, transition strategies and product development. Over 90% of banks supervised by the ECB have identified climate-related and nature-related factors as material sources of financial risk. While banks have already made notable progress towards identifying and managing these risks, they require access to relevant sustainability data to evaluate their clients' creditworthiness, to price their products, and to assess collateral – needs acknowledged by the banks themselves. ESRS sustainability disclosures are critical in providing relevant and harmonised information in a way that is efficient for both banks and their clients.

[11] Climate change and nature degradation feature in the ECB's 2025 monetary policy strategy assessment, 30 June 2025.

3 General assessment of the revised ESRS

ECB staff have identified a number of key issues that reduce the overall availability, quality and comparability of ESRS disclosures, and they provide concrete recommendations to ensure that the revised ESRS remain fit for purpose. Section 3 of this opinion provides recommendations to remediate the overarching shortcomings identified. These relate to reliefs and phase-ins, interoperability with international standards, and the appropriateness of the ESRS for disclosures by banks. Section 4 considers the wider context of the revised ESRS, namely the EU's sustainability reporting framework, and puts forward additional considerations in this regard. It highlights the usefulness of promptly adopting standards for auditors, comments on the increased role of the voluntary standards, and stresses the value of ESRS reviews going forward. Finally, the Annex provides further details and drafting suggestions for specific standards, namely ESRS 1 (General requirements), ESRS 2 (General disclosures), E1 (Climate change) and E4 (Biodiversity and ecosystems).

3.1 Concerns on reliefs, phase-in provisions and exemptions

The revised ESRS introduce a wide-ranging set of cross-cutting flexibility measures, namely, a long list of permanent reliefs and phase-in provisions applicable to many disclosure requirements, as well as certain explicit and implicit exemptions for the financial sector – regarding emission reduction targets and value chain disclosures. These will significantly reduce transparency for investors and other market participants, as well as negatively affecting the overall availability and comparability of financial risk-relevant information necessary for adequate risk management and financial stability purposes. The ESRS E1 (climate change) and E4 (biodiversity and ecosystems) topical standards, which are particularly important for assessing and managing physical and transition risks, have been significantly cut down in the revised ESRS. They are further affected by the horizontal relief measures and phase-in periods for disclosure requirements, which have been introduced at all levels in ESRS 1 and ESRS 2. These reliefs affect not only the identification of impacts, risks and opportunities (IROs) as part of the double materiality assessment, but also the definition of the scope of disclosed metrics and the consideration of time horizons and the value chain. Altogether, these changes can significantly weaken the availability, comparability, and decision-usefulness of the topical disclosures considered most relevant by the ECB. At system level, the accumulation of the effects of different relief measures also hampers the CSRD goal of enabling the creation of a reliable and standardised data ecosystem that allows for benchmarking and risk differentiation.

In this regard, ECB staff recommend adding a time limit to the reliefs related to the disclosure of metrics and to lack of data quality, so as to avoid creating permanent blind spots for users and hindering appropriate risk management. ECB staff acknowledge that reporting companies need some initial flexibility as it could take time to put data collection processes in place and to develop estimation methodologies. However, reliefs related to lack of data or lack of data of sufficient quality should be limited in time, so as to avoid creating indefinite data gaps and disincentivising efforts to start collecting data and to improve coverage and data quality. ECB staff therefore recommend adding a three-year time limit (phase-out)[12] to the relief for "undue cost or effort" for metrics (ESRS 1, paragraph 94(d)) and to the relief that allows a company to report a metric only on a partial scope if it can only partially provide data or estimates of sufficient quality without incurring undue cost or effort (ESRS 1, paragraph 92). A time limit would create certainty for both reporting companies and users. In addition, the proposed extension of the undue cost or effort relief to all metrics goes beyond its scope under IFRS/ISSB (where it only applies to metrics on anticipated financial effects – AFEs) and hence hampers interoperability.

ECB staff also recommend removing the additional three-year phase-in that allows the first-to-report undertakings to omit quantitative information about AFEs for a total of six years, beyond the three years already foreseen for AFE disclosures as a whole. The transitional provisions that were embedded in the ESRS Set 1 2023 Delegated Act[13], those introduced by the "quick fix" amendments[14], and the additional flexibility provided in the provisional agreement on Omnibus I already respond to the data-related and effort-related challenges initially faced by reporting companies.[15] In particular, companies are already allowed to omit all information about their AFEs until the fourth year in which they publish ESRS disclosures. Hence, ECB staff strongly recommend removing the additional three-year phase-in period for omitting quantitative information about AFEs that has been granted in the revised ESRS to the companies that already started publishing ESRS disclosures for financial year 2024[16]. Such a phase-in would only delay the start of the data collection efforts still further so that quantitative information on AFEs would not be publicly disclosed until 2030.

More generally, ECB staff also recommend adding an explicit provision stating that the use of reliefs must remain exceptional and not become the norm. The

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[12] For the reasons mentioned, ECB staff recommend that these two reliefs be applicable up to and including the 2029 financial year for publication in 2030.

[13] Commission Delegated Regulation (EU) 2023/2772 of 31 July 2023 supplementing Directive 2013/34/EU of the European Parliament and of the Council as regards sustainability reporting standards (OJ L, 2023/2772, 22.12.2023).

[14] Commission Delegated Regulation (EU) 2025/1416 of 11 July 2025 amending Delegated Regulation (EU) 2023/2772 as regards the postponement of the date of application of the disclosure requirements for certain undertakings (OJ L, 2025/1416, 10.11.2025).

[15] Such provisions include (i) a transitional three-year relief pertaining to value chain information and the possibility to omit the disclosure of AFEs for the first three years already embedded in the original ESRS (Set 1); (ii) a one-year delay in the application of the CSRD for "wave 2" companies introduced by the "quick-fix" amendments; and (iii) newly agreed reliefs under the provisional agreement on Omnibus I pertaining to the use of estimates where value chain data are not available and the omission of certain information that could prejudice the commercial position of an undertaking and that would qualify as trade secrets and classified information.

[16] These are referred to as "wave 1" companies and include the largest listed companies.

compound effect of reliefs must be assessed against the requirement to ensure a fair presentation. ECB staff note that the draft revised standards do not constrain companies in terms of the number or extent of reliefs they apply, and nor do they limit the number of topics, metrics, business lines or geographies to which they apply them. Furthermore, paragraph 2 of ESRS 1 AR 6 ex ante concludes that, regardless of the circumstances, making use of reliefs is not detrimental to fair presentation. ECB staff agree that a prudent, well-justified and time-bound use of certain reliefs need not be detrimental to fair presentation. However, depending on the circumstances, an excessive use of reliefs is likely to breach the fair presentation requirement and could be in contradiction with the requirement to consider the overall picture, as per paragraph 1 of the same AR. To prevent misinterpretation, ECB staff suggest deleting paragraph 2 of ESRS 1 AR 6 and note that this would also contribute to interoperability as IFRS/ISSB does not include an ex ante conclusion on the use of reliefs. ECB staff recommend adding an explicit guardrail in the standards to ensure that fair presentation is not undermined by an excessive application of reliefs. This could for example take the form of an explicit AR stating that the use of reliefs should be restricted to exceptional, duly justified circumstances; and that particular attention should be given to assessing the compound effect of reliefs, when a company uses more than one relief and/or phase-in, as part of the overall picture when assessing fair presentation.

The concerns expressed on reliefs, phase-in provisions and exemptions and proposed amendments should also be seen in the light of the size of the companies that have remained in scope of the CSRD. ECB staff note that, as a result of the provisional agreement on Omnibus I, the revised ESRS will be applicable only to the largest companies in Europe, specifically those with over 1,000 employees and over €450 million in turnover. These companies have the most consequential environmental, social and governance (ESG) impacts, risks and opportunities and can be expected to be adequately equipped overall in terms of resources and skills to meet the requirements imposed by the revised ESRS. Hence, ECB staff recommend reassessing whether some of the wide-ranging relief measures proposed in the draft revised ESRS are needed from a proportionality perspective.

3.2 Interoperability with international standards

ECB staff generally welcome efforts to strengthen interoperability with international standards, while noting that European policy objectives remain paramount. A high level of interoperability between ESRS and global reporting frameworks such as the IFRS/ISSB, the Global Reporting Initiative (GRI) and the Taskforce on Nature-Related Financial Disclosures (TNFD) makes it easier to integrate and compare frameworks and reporting systems and tangibly reduces the costs of reporting for undertakings, especially those that operate in multiple jurisdictions. ESRS Set 1 was interoperable with the corresponding IFRS sustainability disclosure standards (S1 and S2),[17] with more granular guidance and

[17] See ESRS-ISSB Standards: Interoperability Guidance, IFRS Foundation and EFRAG, May 2024.

detail in some areas.[18] ECB Opinion CON/2025/10 recommended that the ESRS simplification seek to maintain this high degree of interoperability. ECB staff welcome the fact that the revised ESRS have in parts been further aligned with international standards and supports continuing the close cooperation between EFRAG and the ISSB, including on the development of guidance e.g. for disclosures on anticipated financial effects (see also Section 5.2.1).

However, some of the newly proposed reliefs go beyond IFRS and hence constitute a loss of interoperability with IFRS, as described in more detail in Section 3.1 and in the Annex. A widening gap between EU and international disclosure requirements could weaken the comparability of EU corporate data, reduce investor confidence and hamper the ability of EU firms to attract sustainable finance. Such a divergence risks placing EU undertakings at a competitive disadvantage in global capital markets, where investors increasingly rely on detailed, decision-useful sustainability metrics. Maintaining a robust degree of interoperability with international norms is therefore essential to preserve the competitiveness and credibility of the EU sustainability reporting framework.

3.3 Appropriateness of the revised ESRS for disclosures by banks

The sector-agnostic ESRS standards are by construction not tailored to disclosures by the financial sector and ECB staff recommend clarifying the application of the standards by the financial sector with regard to five points, as described in this section. As explained in ECB Opinion CON/2025/10, the role of ESRS sector-specific standards – which have been replaced in the Omnibus by the possibility for the Commission to adopt sector-specific guidelines – was to create comparability of reporting by undertakings in the same sector, which is valuable for investors, public authorities and other users of sustainability information. The need for additional guidance, including sector-specific guidance, was a recurring theme at EFRAG outreach events on the revised ESRS E1 standards as reflected in the Basis for Conclusions accompanying the EFRAG technical advice on the draft amended ESRS. The benefits of sector-specific guidance would be particularly relevant for financial institutions, as aggregators of information from multiple economic sectors.

ECB staff consider it critical for disclosures by the financial sector to focus on the value chain, which is where their risks and impacts are concentrated. For credit institutions, most ESG risks, impacts and opportunities are concentrated in the downstream part of the value chain, as they are related to the activities of the European and international clients that they fund.[19] ECB staff are therefore concerned that some of the changes made to the ESRS lead to a curtailing of the value chain dimension of the disclosures, and this could be detrimental to the quality

[18] See the ECB staff opinion on the first set of European Sustainability Reporting Standards, ECB, January 2023.

[19] With regard to disclosures on GHG emissions by financial institutions, the focus should be therefore on financed, facilitated and insurance-related emissions, as reflected by the existence of dedicated industry standards published by the Partnership for Carbon Accounting Financials (PCAF).

of disclosures by banks. This weakening of the value chain dimension affects the double materiality assessment (DMA), as well as the topical standards.

Regarding the DMA, ECB staff recommend the addition of guardrails so that the new DMA value chain flexibilities do not lead to the non-identification of material IROs which would ultimately compromise a fair presentation and lead to financial risks not being disclosed and managed by banks. The double materiality assessment is a fundamental step which shapes the whole set of disclosures of an undertaking. ECB staff note with concern the insertion of certain new flexibilities in the double materiality section of ESRS 1 such as the explicit permission not to collect information from the value chain and not to scan all time horizons, and the fact that a brief top-down approach can also be used to decide that a topic is not material.

Regarding the topical standards, ECB staff recommend giving prominence to the new clarification that companies must define adequate metrics to cover their value chain IROs, given that ESRS topical metrics are focused on own operations. ECB staff point out that the reinforced, explicit restrictions of the scope of all topical metrics to own operations might be interpreted as exempting banks from disclosing topical metrics. ECB staff therefore welcome the introduction of ESRS 1, AR 36 for paragraph 63, which partly alleviates these risks, by explicitly clarifying that where an undertaking has identified material IROs in its value chain, it is required to define appropriate value chain metrics and to disclose these metrics as part of its entity-specific disclosures. To ensure the consistent application of this provision, ECB staff recommend the inclusion of cross-references to this AR in all topical standards. For example, when applying ESRS 1, AR 36 to the E4 standard, financial undertakings would define entity-specific metrics reflecting the biodiversity-related risks and impacts that stem from the client activities that they finance.[20]

Regarding the topical standards, ECB staff recommend either reversing the new restrictions or clarifying that references in the E1 (climate change) and E4 (biodiversity and ecosystems) standards to "(own) physical assets" and "physical products" nevertheless require financial sector undertakings to also disclose the relevant information about financial assets and products, including those on their balance sheet and what they hold as collateral. The E1-11 section in the climate standard is of critical importance to the ECB from a risk management perspective, as it includes disclosure requirements about assets at physical and transition risk. It is of great concern that the revised E1, AR 29 for paragraphs 38-41 restricts the definition of "assets" to a company's "own physical assets". By construction, this rules out the relevant set of assets at climate risk for a bank, including notably the financial assets on its balance sheet (e.g. loans to clients in high climate impact sectors) and the real estate assets of their clients which are held as collateral by the bank (which might be vulnerable to physical risks, such as floods, landslides, etc.). ECB staff also note with concern the restriction of E1-1 on

[20] ECB staff observed that in wave 1, several major banks did not disclose under the E4 biodiversity standard, although banks in the euro area are critically dependent on ecosystem services and they simultaneously contribute to biodiversity loss through their biodiversity footprint (see Ceglar et al. (2025), "European banks face significant vulnerability to ecosystem degradation and climate change", Communications Earth & Environment, No 6, Article number 750, 17 September).

locked-in greenhouse gas (GHG) emissions to key physical assets and products. Similarly, the restriction of “products” in section E4-2 on policies related to biodiversity and ecosystems to “physical products” (by virtue of the new glossary definition of “product” as “physical good”) rules out the consideration that financial products also have biodiversity impacts and associated financial risks that need to be disclosed and managed.

Financial institutions should not be exempted from providing transparency on their greenhouse gas emission reduction targets under ESRS E1-6. ECB staff consider that complementing the disclosure of a GHG intensity target with information on the associated absolute figure as per Set 1 is necessary to achieve a fair presentation, to enable a better understanding of the target[21] and to avoid misleading users (given that intensity targets might show a decrease whereas in fact absolute emissions are expected to increase). Exempting the financial sector from providing transparency on their emissions reduction commitments could give rise to systemic greenwashing risk and create opacity, possibly resulting in an underestimation of risks by investors and the misallocation of funds. Hence, the requirement should apply regardless of the sector. ECB staff further consider that methodological challenges in the application of the requirement to the financial sector can be addressed through the publication of sectoral guidance. Should the exemption be retained in the revised ESRS, ECB staff recommend adding a three-year limit (phase-out) to the exemption, to limit its detrimental effects on transparency.

Regarding the development of sectoral guidance for the financial sector, ECB staff recommend ensuring that such guidance adequately covers/compensates for the deletion of company-level datapoints that were specifically tailored to the financial sector and are proposed to be deleted from the Sustainable Finance Disclosure Regulation (SFDR) as part of its simplification.[22] The review of the SFDR is taking place in parallel with the ESRS/Omnibus I revision. This may lead to unintended negative consequences when it comes to financial sector disclosures. In particular, the intention of the proposed deletion from SFDR of company-level disclosure requirements is to remove duplications of CSRD provisions. This is under the assumption that the ESRS would adequately cover company-level sustainability disclosures, while the SFDR would cover only product-level disclosures.[23] However, because the ESRS are sector-agnostic, Set 1 did not include adequately defined metrics for the financial sector’s value chain, such as the energy intensity of portfolios,[24] which was by contrast an explicit datapoint under the SFDR. Under the SFDR, all metrics were by

[21] See also section 5.2.2 on the importance of transparency on the progress achieved with respect to the previously adopted targets, and on any changes made to targets – two other disclosure requirements which have been deleted during the revision.

[22] Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR), COM/2025/841 final, of 20 November 2025.

[23] See the European Commission’s website, Questions and answers on the Sustainable Finance Disclosure Regulation (SFDR) review, 20 November 2025.

[24] In the climate change ESRS standard, the E1-7 section on energy consumption and mix is restricted to own operations. For banks, a disclosure of the energy characteristics and intensity of their portfolios and client activities (e.g. fossil fuel share) would be much more informative for users than a disclosure of the energy consumption of their own operations (e.g. of the bank’s headquarters).

construction focused not on the financial company's own operations, but on the company's value chain (i.e. its investee companies), where the sustainability impacts are concentrated.

In the light of the above-mentioned observations, ECB staff recommend clarifying and revising where needed the language of the ESRS on these five points and working towards developing sectoral guidance for the financial sector. The ESRS revision provides a valuable opportunity to review the language of the sector-agnostic standards so that they do not hinder adequate disclosures by financial sector companies as an unintended side effect via the implicit exemptions described in the above paragraphs. The development and adoption of financial sector guidance will ensure comprehensive, appropriate application of the ESRS by financial sector undertakings.

4 Additional considerations

4.1 Importance of the prompt adoption of standards for auditors

ECB staff welcome the mandate given to the Commission to adopt standards on limited assurance engagements by July 2027, as these will make a crucial contribution to the quality and comparability of disclosures under the revised ESRS. These standards will provide an essential basis for making disclosures comparable across jurisdictions and harmonised within and across sectors, ultimately enabling better benchmarking and risk differentiation. Ultimately, they facilitate the application of ESRS requirements and lead to more streamlined and meaningful reporting.

4.2 Publication of the non-mandatory illustrative guidance

ECB staff recommend that EFRAG finalise and publish the non-mandatory illustrative guidance (NMIG) documents in a timely manner. As part of the simplification process, part of the mandatory content of the ESRS Set 1 2023 Delegated Act, as well as all voluntary datapoints, have been deleted or moved to the NMIG. While EFRAG had initially considered publishing the NMIG alongside its technical advice to the Commission, the EFRAG SRB ultimately decided to refrain from finalising the NMIG at this stage in order to develop a more mature version of the guidance in the future. In order to avoid a loss of illustrative guidance already developed for ESRS Set 1 and to foster a harmonised approach to the disclosure of voluntary data points, ECB staff recommend that the NMIG be finalised and published in a timely manner. A similar consideration is applicable to the implementation guidance already developed by EFRAG in 2024 to help inform disclosures under E1-1 on transition plans for climate change mitigation.

4.3 Increased role of voluntary standards

The intended voluntary standards (VSME) were developed for voluntary disclosures by non-listed SMEs (with fewer than 250 employees) but they will now potentially be applied by a very large and diverse population of more than 40,000 companies, including large and listed companies with global reach and a complex risk profile. As part of the provisional agreement on Omnibus I, the European Commission is mandated to adopt sustainability reporting standards for voluntary use by the ~90% of companies that fall outside the original scope of the

CSRD.[25] ECB staff note that the voluntary standards that are referred to in the provisional agreement on Omnibus I for this purpose, i.e. the VSME, were developed for a very different purpose, as they are tailored by design to the characteristics of non-listed micro, small and medium-sized enterprises with fewer than 250 employees (SMEs). These companies have a significantly different sustainability risk profile and level of complexity compared with large companies, specifically those having up to €450 million in turnover and/or up to 1,000 employees, which fall outside the scope of the CSRD and are thus expected to make voluntary use of the VSME in the future.

ECB staff support the possibility that the revised ESRS may be recommended for voluntary reporting,[26] while noting that the voluntary use of the standards should be accompanied by guidance and guardrails to minimise the associated greenwashing risks. The revised ESRS would be a preferable alternative to the VSME for use as voluntary standards, especially considering that – contrary to the VSME – they can flexibly cater for a wide range of companies in terms of size and complexity thanks to the materiality principle which lies at their core. Furthermore, the revised ESRS have explicitly strengthened the role of materiality of information.[27] The significant streamlining of the ESRS also means that they have become much closer to the standard originally foreseen for listed SMEs (LSME) than to the original ESRS Set 1 when it comes to the number of datapoints. However, the voluntary use of the revised ESRS should not be interpreted as allowing companies to arbitrarily choose which parts of the revised standards they apply, as this could open the door to systematic greenwashing risk if companies choose to disclose only positive impacts and favourable-looking metrics while obscuring material negative information.

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[25] The share of companies that fall outside the scope of the CSRD varies depending on the Member State. In some Member States, the share could be higher than 95%. The ultimate number of companies will also depend on how many subsidiaries choose to apply the subsidiary exemption. Hence the existence of a margin of uncertainty around the approximate aggregate figure of ~90% scope reduction.

[26] As mentioned in the speech by Commissioner Albuquerque at the EFRAG annual conference dedicated to the Draft Simplified European Sustainability Reporting Standards (ESRS), 4 December 2025.

[27] The CSRD/ESRS materiality-based approach acts as an automatic embedded proportionality mechanism, requiring by design smaller efforts (and shorter disclosures) from smaller and less complex companies, i.e. disclosures are expected to be commensurate with the ESG risks and impacts of the company. The VSME, on the contrary, is not based on materiality, so it is unlikely to adapt organically to the varied needs of the more than 40,000 companies that now fall outside the scope of the CSRD. In particular, the VSME would most likely not allow the larger companies (e.g. those which already reported under ESRS for financial year 2024 and used to report under NFRD) to adequately portray their transition efforts and provide critical decision-useful information to clients and investors. The VSME consists of two modules (basic and comprehensive), with 20 disclosures in total (~40 datapoints). It can scale down, e.g. for disclosures by a micro-enterprise, as only ~14 datapoints are mandatory, and many are narrative or binary (yes/no) datapoints, but it cannot scale up in its current form. The VSME contains ~15 datapoints related to climate and biodiversity, of which seven are quantitative and two are mandatory (Scope 1 and 2 emissions and energy consumption). The VSME therefore does not ensure a minimum harmonisation and comparability that would allow for risk differentiation. For instance, under the VSME, transition plan information is voluntary and is not standardised; similarly, Scope 3 emissions are not necessarily disclosed, so the VSME would not be well suited for disclosures by financial sector companies.

4.4 Importance of reviews going forward

The compound, multiplicative impact of the CSRD scope reduction at Level 1 and the ESRS simplification at Level 2 significantly lowers the aggregate volume of disclosures relative to what was envisaged under the original CSRD framework, thereby limiting the capacity for consistent risk identification, something crucial for the macroprudential policy of the ECB and national supervisory authorities. Granular, reliable and comparable sustainability information is necessary for integrating environmental and social risks into capital adequacy assessments and climate-related stress tests. It is essential to preserve a clear pathway to the implementation of the CSRD goals within a reasonable timeframe. This means keeping in place incentives to take a structured approach, under which efforts towards improving the comprehensiveness and quality of data go hand in hand with the development of more mature methodologies.

Finally, ECB staff emphasise the need for the EU sustainability reporting framework to remain fit for purpose in supporting financial stability in a rapidly evolving risk environment and reiterate the importance of timely reviews of the ESRS, in line with Article 29b of the Accounting Directive. Regular reviews of the sustainability reporting standards will help ensure that the standards remain up to date, appropriate and relevant, as the demand for information increases and methodologies mature. In this regard, ECB staff consider the draft revised ESRS as a good starting point for improvements in the future when more reporting experience has been gathered, and noting the fact that physical risks and transition risks are rising, and are expected to continue to rise, over the next decades.

5 Annex: Specific observations and suggestions on the revised ESRS

The role of this Annex is to provide concrete comments and suggestions for improvement, cross-referenced with the specific paragraphs in the draft revised ESRS. It is conceptually aligned and consistent with the main points explained in the body of this ECB staff opinion.

5.1 ESRS 1 – General Requirements

5.1.1 Relief measures that go beyond the IFRS/ISSB international standards

The relief for undue cost or effort has been expanded in comparison with its scope under IFRS. ECB staff recommend adding a time limit of three years to its application to metrics (as explained in section 3.1 of this opinion) in order to mitigate the loss of interoperability and the potential for creating blind spots. While ECB staff recognise the benefits in terms of simplification of the relief that allows an undertaking to (only) use all reasonable and supportable information that is available to the undertaking at the reporting date without undue cost or effort ("undue cost or effort relief"), the scope of this relief is wider under the draft revised ESRS than under IFRS. Under IFRS/ISSB, the undue cost or effort relief is limited to (i) the identification of material risks and opportunities, (ii) determining the scope of the value chain in relation to each risk and opportunity, and (iii) AFE metrics. In the revised ESRS 1, paragraph 94(d), by contrast, this relief is additionally applied to the information for the preparation of all metrics – including those on own operations. Furthermore, ESRS 1, paragraph 91 allows undertakings to restrict the scope of the metrics they report, omitting the parts where it does not have reliable direct or estimated data without incurring undue cost or effort. This is a permanent relief that is applicable not only for restricting the coverage of the value chain but also for omitting the coverage of own operations metrics, i.e. of metrics of the company's own factories, production plants etc.

ECB staff recommend that the relief for joint operations be accompanied by guardrails to prevent greenwashing in a situation where risks or impacts end up not being disclosed by any of the companies involved in the joint operations. As it stands, ESRS 1, paragraph 93, allows an undertaking to exclude joint operations over which it does not have operational control from the scope of calculation of environmental metrics reported under E2, E3, E4 and E5. Without any guardrails, this may give rise to greenwashing risks by generating permanent blind spots for users. It may also provide an incentive to artificially structure operations in

order to circumvent disclosure. Furthermore, this relief is not in IFRS and leads to a loss of interoperability.

ECB staff recommend that the relief for acquisitions and disposals, which is currently unconditional, be made conditional on lack of data. ESRS 1, paragraph 75 allows an undertaking that acquires a subsidiary or business in the reporting period to defer the inclusion of the subsidiary or business in its materiality assessment and sustainability statement to the subsequent reporting period; a symmetric relief has been added for disposals. The relief is currently unconditional, allowing the omission of material IROs even in situations where all the information is available to the undertaking (e.g. in the ESRS published by the subsidiary itself prior to the acquisition). ECB staff recommend that the relief be made conditional on a lack of data. Perhaps the relief for acquisitions and disposals might not be needed, because the existing (time-limited) relief for lack of data would apply in such a situation, tackling the root cause. Furthermore, this relief is not in IFRS/ISSB and leads to a loss of interoperability.

5.1.2 Reliefs that weaken the materiality assessment and could lead to blind spots, affecting risk management

ECB staff recommend deleting the relief that allows subsidiaries to be omitted from the scope of the ESRS if they are not financially material, as it contradicts the double materiality concept and could lead to the omission of material IROs, resulting in possible blind spots or greenwashing risks. The last sentence in ESRS 1, paragraph 62 allows an undertaking to exclude from the sustainability reporting boundary a subsidiary that has been excluded from the scope of the consolidated financial statements due to its non-materiality from a financial perspective, unless there are specific facts and circumstances that expose the group to impacts arising from the subsidiary in question. However, risks are not mentioned in this last sentence. This clause seems to interfere with the double materiality concept at the core of the ESRS, in particular contradicting ESRS 1, paragraph 47, because sustainability risks could arise in a subsidiary independently of whether it is part of the consolidated financial statements. It also seems to interfere with fair presentation, as the ex ante exclusion of a subsidiary in this way could lead to the omission of material IROs from the undertaking's ESRS disclosures.

ECB staff recommend considering deleting the relief that allows the exclusion of activities from metric calculations if the activities in question are not a significant driver of the IROs that the metric purports to represent, as this relief seems redundant. The new provision in ESRS 1, paragraph 91, can be interpreted in different ways, possibly leading to inconsistent application and/or greenwashing risk. It could be interpreted as being redundant in the context of the materiality assessment criteria: if an activity does not give rise to an IRO, or only does so to a very small extent, it will naturally not contribute much to the metric, so a relief would not be required. Or, by contrast, the new provision could be interpreted as allowing for arbitrary reductions of the scope of reported metrics – not based on undue cost or effort for collecting data – as an override of the outcome of the

materiality assessment (given that “scope limitations resulting from it” are mentioned explicitly). Therefore, ECB staff recommend clarifying this relief to remove the ambiguity described, or deleting the relief.

5.1.3 Reliefs or deletions that run contrary to the goal of high-quality comparable data

ECB staff regret the deletion of the concept of a data hierarchy that existed in ESRS Set 1, and recommend its reintroduction, as it is a key mechanism for good quality disclosures and adequate risk differentiation. When it comes to the identification of material IROs in the value chain and to reporting on value chain metrics, the revised ESRS 1, paragraph 66 puts directly-collected data on an equal footing with estimates. This runs contrary to ESRS Set 1 which established an explicit preference for directly-collected data, while allowing for the use of estimates (such as sector-average data and other proxies) when the circumstances were such that the undertaking could not collect information after making reasonable efforts to do so (ESRS Set 1, ESRS 1, paragraph 69; to be read in conjunction with the overarching requirements related to the qualitative characteristics of information). The revised ESRS allow direct data or estimates to be used “depending on practicability and reliability considerations related to the necessary input”. This will lead to a loss of consistency and harmonisation, runs contrary to commonly used best practices for data management and removes incentives for companies to improve data quality, which goes against the CSRD objective of a high-quality data ecosystem.

5.2 ESRS 2 – General Disclosures

5.2.1 Reliefs that weaken the disclosures on anticipated financial effects

ECB staff fully support the decision to retain anticipated financial effects (AFEs) as quantitative disclosures but would strongly caution against the newly introduced extra phase-in. ECB staff welcome the retention in the revised ESRS 2, paragraph 27, of the requirement to disclose qualitative and quantitative information on how the undertaking expects its financial position, financial performance, and cash flows to change over the short, medium and long term, given its strategy to manage material risks and opportunities (“anticipated financial effects”). Quantitative information about AFEs is critical for a proper assessment and management of the financial impact of ESG risks, as well as for informed decision-making by investors,[28] and is the foundation of the financial materiality perspective at the core of the CSRD. A lack of forward-looking information on potential financial impacts may result in investors underestimating risks and misallocating investments, ultimately creating risks for financial stability at system level. ECB staff also recall

[28] As noted in the Basis for Conclusions, one of the key messages from investors during the public consultation was that quantitative disclosures for AFEs should remain mandatory.

and support the Commission's stated guidance for the ESRS revision to prioritise quantitative disclosure.

ECB staff consider that the existing three-year phase-in for all AFE disclosures (including quantitative information) is adequate, and recommend developing guidance on methodologies for quantitative AFE disclosures during that period. The draft revised ESRS 1, paragraph 125(c) proposes an additional phase-in period of three years for quantitative AFE disclosures (on top of the existing three-year phase-in under paragraph 125(b), which allows AFE disclosures to be omitted altogether) leading to a total phase-in of six years, during which wave 1 companies can omit quantitative information from their AFE disclosures. This would mean postponing the deadline for disclosing quantitative AFEs from financial year 2027 to 2030 for wave 1 companies, i.e. very large, listed companies that have already started disclosing for the financial year 2024. ECB staff consider that existing phase-ins should not be prolonged further. Further delays run contrary to the core CSRD objective of providing transparency to investors. In this context, ECB staff further note that delaying the disclosure of quantitative information on AFEs risks creating additional challenges for policymakers, investors and supervisors alike when assessing progress towards meeting the EU 2030 climate targets. Furthermore, the introduction of phase-ins for quantitative AFEs constitutes a loss of interoperability with IFRS. ECB staff therefore recommend that the additional three-year phase-in for quantitative AFEs for wave 1 companies proposed in the draft revised ESRS should not be granted.

ECB staff recommend reconsidering the necessity for the relief allowing the omission of quantitative information on AFEs due to a lack of skills or resources, noting that only the largest companies are left in scope of the CSRD after the provisional agreement on Omnibus I. The draft revised ESRS 2, paragraph 29 introduces a new relief allowing the quantification of AFEs to be omitted in cases where a company does not have the necessary skills, capabilities or resources to provide quantitative information. Following the provisional agreement on Omnibus I on the revised CSRD scope, ECB staff would generally expect companies in scope to be adequately equipped in terms of resources and skills. Therefore, ECB staff recommend reconsidering the necessity of this relief measure, also in the light of existing phase-in arrangements allowing sufficient time for the build-up of relevant capabilities.

ECB staff recommend reconsidering the need for the relief that allows quantitative information on current or anticipated financial effects to be omitted if the undertaking determines that the effects are not separately identifiable. The underlying practical challenges can already be catered for by the separate relief for uncertainty, and in any case the relief could lead to the omission of material IROs given the inter-relatedness of climate and nature factors. The challenge that this relief is intended to address might have the same root cause as the relief for uncertainty, which is that it might be difficult, especially at first, to measure and monitor the effects of various factors. It should therefore be considered whether the revised ESRS 2, paragraph 28(a) relief for effects that are not separately identifiable is already sufficiently covered by the relief in paragraph

28(b) on measurement uncertainty. Also, the phrase “separately identifiable” is a well-known concept in the accounting realm, where there is a common understanding of separately identifiable factors. However, this is not the case in the sustainability reporting realm, where the concept might warrant further guidance and guardrails to avoid the risk of omissions of material IROs due to this relief. This is particularly concerning considering that certain sustainability topics are causally related (e.g. climate-nature nexus).

5.2.2 Other reliefs and deletions of decision-useful information relevant for risk management

ECB staff recommend reversing the deletion of the ESRS 2 Set 1 requirements to disclose the progress of actions disclosed in prior periods and performance against the undertaking’s disclosed targets, and to provide transparency on changes to targets/metrics. In Set 1, ESRS 2 paragraph 68(e) required information regarding the progress of actions or action plans disclosed in prior periods. In turn, Set 1, ESRS 2, paragraph 80(j) required a company to disclose performance against its disclosed targets. ECB staff note with concern that both of these provisions have been deleted in the revised standards, in which ESRS 2 GDR-M and GDR-T do not provide to the user sufficient information to answer the key question of whether a company is making progress, and what is the extent of that progress, as measured against the targets that it had initially set. This constitutes critical, decision-useful information. It helps in assessing the credibility of the targets and the ability of the undertaking to deliver on its strategic ambitions, which are both essential information items for users, including investors. ECB staff also recommend reversing the deletion of ESRS 2 Set 1, paragraph 80(i) requiring undertakings to provide transparency on changes to targets, which is essential for credibility and helps to avoid potential greenwashing. Reintroducing these disclosure requirements would provide crucial information for assessing the company’s trajectory, as it would allow users to see year-on-year improvements or stagnation and to understand whether initial targets are being revised. Finally, these deletions constitute a departure from IFRS and hence a loss of interoperability.

ECB staff recommend removing the relief whereby the disclosure of financial resources allocated to the implementation of key actions may be limited to those actions that have already been announced, as this could lead to the omission of material information and run contrary to the fair presentation requirement. ECB staff note with concern the ESRS 2, AR 42 provision which allows an undertaking to restrict its disclosures on resources for actions to actions already announced. This goes against the goal of simplification, as this seems to enforce a duplication of announcements outside the ESRS sustainability statement. This could also result in a risk of greenwashing given the implicit optionality with regard to the disclosure of financial resources associated with actions.

ECB staff regret the deletion of the ESRS Set 1 provisions that allowed an undertaking to disclose the timeframes in which it aimed to adopt policies, actions and/or targets in cases where it had identified a material IRO but had

not yet adopted policies, actions and/or targets. These provisions were useful for the CSRD goal of encouraging transparency. They were also useful for giving users information on the internal consistency of the undertaking's strategy with respect to sustainability risks, particularly considering that the adoption of a policy is an essential step for risk management.

5.3 ESRS E1 – Climate Change

5.3.1 Loss of critical datapoints for the management of climate-related financial risks

ECB staff recommend the reinstatement of the datapoint on the location of key assets at material physical risk, given its critical importance for adequate risk management and noting that this information is readily available to the undertaking. The location of an undertaking's key factories, production sites, etc. is well known to the undertaking, which can be reasonably expected to have already assessed whether these key assets are at material physical risk (e.g. flood risk) as part of their climate risk assessment and disclosures under the other sections of the E1 climate change standard. Hence, the cost of the disclosure under ESRS 1, E1-11 of the geolocation of such key assets is very limited, given that the materiality principle applies here too. Furthermore, the omission of this information could be interpreted as obscuring material information which is critical for decision-making. For instance, sufficiently granular information on the geolocation of real estate assets is a necessary precondition for evaluating flood risk and the associated potential financial losses if such risks are not adequately mitigated via flood protection, insurance, appropriate haircuts to the value assigned to those assets when used as collateral, etc.

ECB staff recommend maintaining a gross approach in the disclosure requirements on assets at material transition risk (including potential stranded assets), and on revenues at physical and/or transition risk. It is concerning that the E1-11, paragraph 39(a) datapoint on the carrying amount of assets at material transition risk and potential stranded assets, which was initially similar to the paragraph 38(a) datapoint on assets at physical risk – requiring the disclosure of the values of the assets prior to mitigation measures – has now been modified and no longer requires a gross approach but instead allows the disclosure of net values (see E1, AR 30). The same comment applies to the datapoints on revenues at physical and transition risk in E1-11, paragraphs 38(c) and 39(e). It should be remembered that financial mitigation measures are themselves subject to risk and uncertainty, so it cannot be taken for granted that they will be perfectly efficient. This is why transparency is of the essence, and why it is critical for decision-making to provide the gross and the net view separately, i.e. before and after the consideration of risk mitigation measures. Again, this is information that is already readily available to the undertaking, so there is no justification for allowing this transparency to be removed.

5.3.2 Other comments related to the climate change standard

ECB staff recommend removing the provisions that now make disclosures on climate scenario analysis non-mandatory, given the standard, widespread consideration of scenario analysis as an essential part of adequate climate risk analysis, and also given that the proposed changes could have consequences for interoperability. Climate-related physical and transition risk factors constitute a material source of financial risk and therefore warrant adequate risk analysis. Given the intrinsic uncertainties and high dependency on the future paths of the climate developments, along with policy developments, scenario analysis has grown into a standard, fundamental tool for carrying out such risk assessments. Thus, ECB staff note the changes made in E1 paragraphs 16 and 18(a), and consider them to be an undue regression from the Set 1 wording, when considering existing practices that are in accordance with climate change science. In addition, the treatment of scenario analysis under the revised ESRS departs from the IFRS/ISSB standards.

ECB staff recommend removing the relief that has restricted resilience analysis to "qualitative only", given that resilience analysis has, by its nature, quantitative aspects which constitute decision-useful information if material and so warrant being disclosed under a fair presentation regime. It is unlikely that a company will limit its assessment of resilience to a purely qualitative assessment; many companies already assess whether they can withstand different scenarios using quantitative data, e.g. as part of internal stress tests. ECB staff therefore recommend deleting the word "qualitative", i.e. not specifying the nature of the disclosures and leaving that choice to the undertaking.

ECB staff recommend reinstating the Set 1 datapoint on whether the undertaking is excluded from any Paris-aligned benchmarks, given that its deletion may shift the burden and require increased efforts on the part of users of the disclosures. Set 1, ESRS E1-1, paragraph 16(g) was a yes/no disclosure on exclusion from EU Paris-aligned benchmarks. It is a decision-useful datapoint for investors. Obtaining this datapoint is likely to be easier for the reporting company, while its deletion means that each user will have to make greater efforts to ascertain whether or not the undertaking is excluded.

ECB staff regret the deletion of the ESRS Set 1 provisions that enabled connectivity with the financial statements by indicating to the users the revenue-related normalisation factors necessary for computing GHG and energy intensity, as well as other derived metrics that are decision-useful. As part of the ESRS simplification effort, the Set 1, E1, AR 38 on energy intensity and AR 55 on GHG intensity have been deleted. These ARs indicated the denominators from the financial statements that had been used to compute the revenue-intensity ratios disclosed under ESRS. With the deletion of these intensity metrics from the ESRS, the clarification on the normalisation denominators cross-referencing the financial statements has been deleted too. These deletions are not really a removal of duplication, and users cannot necessarily easily re-compute those ratios. Often, it will not be evident to the users which is the correct normalisation factor to take from

the financial statement. In fact, in some cases the financial statement may not even explicitly provide the relevant normalisation factor. Hence, the deletion leads to a loss of harmonisation and shifts the burden from the reporting companies to the users of the disclosures. Disclosing the ratios and denominators is effort-saving for users. What is more, these are rather simple datapoints for reporting companies to disclose, since they relate to information that is readily available to the reporting company.

5.4 ESRS E4 – Biodiversity and Ecosystems

5.4.1 Applicability of the biodiversity standard for financial sector disclosures

ECB staff recommend making the value chain dimension an explicitly integral part of the ESRS E4 (biodiversity and ecosystems) standard to avoid omissions which might stem from the reinforced focus on own operations throughout the standard. This is particularly relevant for, but not limited to, the financial sector, where risks and impacts are concentrated chiefly in the value chain. The draft revised standard includes restrictions to "own operations" in three places: in E4-2, paragraph 12 on policies with respect to sites of its own operations that are in or near a biodiversity-sensitive area; and twice in the E4-5 section on metrics on the locations of its own operations to which the material IROs relate (paragraph 18 and AR 8 for paragraph 18). The value chain is only mentioned in paragraph 12 on the traceability of physical products and materials; and in AR 7 for paragraph 15 on biodiversity targets, which explicitly refers only to the upstream value chain. Therefore, there is no indication of the need for undertakings to look into their downstream value chain impacts on biodiversity-sensitive areas, or into other value chain sources of IROs. This can hamper the meaningful application of the standard by financial sector companies, for which risks and impacts are concentrated in the value chain. For example, the financing of client activities in the chemical, manufacturing and fossil fuel sectors that are located in or near biodiversity-sensitive areas could be a source of material biodiversity-related risks for the bank itself. ECB staff recommend the deletion of the word "upstream" in AR 7 for paragraph 15 on targets, the inclusion of an explicit reference to the new ESRS 1, AR 36 for paragraph 63 in the E4-5 section on metrics, and the inclusion of references to the value chain in the E4-3 section on policies.

ECB staff recommend making similar checks and clarifications to the E2 (pollution), E3 (water) and E5 (resource use and circular economy) standards to ensure they do not contain implicit exemptions for the financial sector due to an undue focus on own operations, noting in particular the critical importance of site-level assessment and disclosures when it comes to water-related and pollution-related IROs. The same concern as explained for E4 applies to the other environmental standards, which warrant a careful assessment to ensure

their provisions do not inadvertently exclude adequate application by the financial sector.

5.4.2 Deletion of all metrics related to biodiversity risks and impacts

ECB staff regret the deletion of all concrete metrics from the E4 standard on biodiversity and ecosystems, and recommend the prompt development of guidance given the CSRD objective of producing harmonised, comparable disclosures. The Set 1 version of the E4 standard was much more detailed and conducive to standardised disclosures, as well as being useful for undertakings in navigating this relatively novel field. ECB staff note, in particular, the deletion of impact-related metrics about land-use change, freshwater-use change, and sea-use change.

5.4.3 Biodiversity transition plans

ECB staff welcome the requirement to disclose the key elements of a biodiversity transition plan if the undertaking has adopted one. ECB staff note that this requirement has been made conditional on the prior publication of such elements by the undertaking and suggest deleting this conditionality. ECB staff appreciate the strengthening of the provision on biodiversity transition plans in comparison with ESRS Set 1, in particular noting the increased widespread awareness of (i) the critical dependence of the economy on nature, and (ii) the importance of counteracting biodiversity loss and nature degradation, which are also a source of financial risks and ultimately pose threats to financial stability. ECB staff additionally appreciate the explicit bridge that has been established between the E4-1 section on biodiversity and ecosystems transition plans, and the E1-1 section on transition plans for climate change mitigation, given the close interdependence of climate and biodiversity risks and impacts. ECB staff note that the newly introduced conditionality on a previous disclosure seems to go against the objective of simplification and the removal of duplications.

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For specific terminology please refer to the SSM glossary (available in English only).