

Mazars contribution to the European Commission consultation on the 1st set of European Sustainability Reporting Standards (ESRS)

7 July 2023

Mazars welcomes the draft DA on the proposed ESRS released on 9 June 2023 and the consultation on the first set of standards. We applaud the huge amount of work that has been done within a very short period of time by the EC and EFRAG. We believe an appropriate balance should be struck between (i) the need to meet CSRD's ambition as regards the broad coverage of ESG matters to be addressed by the ESRS and (ii) the challenge to avoid adding too much to companies' reporting burden. In our opinion, the ESRS should be structured to be scalable for all types of companies and to meet the needs of all users of sustainability statements.

While the core of EFRAG's work has been preserved, acknowledging that EFRAG's proposals had been streamlined compared to the Exposure Drafts, flexibilities have been added in certain disclosures in such a way that they help to remove unnecessary complexity and granularity in applying ESRS (notably ESRS E4 on biodiversity and ESRS S1 on own workforce), especially in the first years of application and for the smallest companies (with additional phase-in measures). However, we caution that reporting under these new standards and providing the high quality of information that stakeholders expect will be a real challenge for the undertakings that will have to comply with the ESRS as soon as 1 January 2024.

Support for the double materiality approach and need for additional guidance

We commend that materiality assessment is the starting point for sustainability reporting under the double materiality perspective with only the DRs in ESRS 2 being mandatory. Identifying material ESG matters will require additional efforts and time, but, if properly done, it will ensure that the information presented does not obscure relevant and material information. The forthcoming guidance from EFRAG on this key process will be critical to ensure consistent application of the ESRS. Assurance providers will play a key role when presenting their conclusions on the process carried out to identify the information to be reported in accordance with these standards.

Concern over the non-alignment of EU regulation on materiality of information

Given the extended scope of the materiality assessment, a major concern refers to the lack of coherence between ESRS and other EU legislation, notably SFDR. Since datapoints in the ESRS that emanate from other EU law are no longer mandatory, the related information will be provided only if it is material for the undertaking, whereas financial market participants need this information to meet their reporting requirements under the SFDR. Hence, the adoption of the ESRS triggers the need to adjust sustainable finance regulations (SFDR, EBA Pillar 3, Green Taxonomy) and ensure the consistency of the requirements so as to embed the principle of materiality of information in and align these regulations.

Identification of additional targeted improvements

At this final stage of the ESRS development, we have identified remaining room for improvements (e.g. clarify how to determine what is material information, how to calculate metrics including the value chain, what are the precise expectations as regards entity-specific disclosure requirements etc.) to further enhance the usability of the standards.

Call for greater interoperability between ESRS and IFRS SDS

Finally, for this first set of ESRS to deliver all its potential added value to sustainability reporting and be recognised as a comprehensive and useful benchmark, a route to greater interoperability with ISSB's IFRS Sustainability Disclosure Standards should be found regarding what is material sustainability-related financial information. We urge the EC and the ISSB to work toward avoiding duplication of efforts for European companies with international reach. Interoperability allowing companies complying with ESRS to be considered also as compliant with IFRS SDS will be key.

[Read the contribution on the European Commission website.](#)