

Eurogas Position on the Revised European Sustainability Reporting Standards (ESRS)

Eurogas recognises the efforts undertaken by EFRAG to simplify the European Sustainability Reporting Standards (ESRS). Transparency, comparability, and useful sustainability information remain essential for the energy transition.

However, based on experience from the first reporting cycle and an assessment of EFRAG's technical advice to the European Commission, Eurogas considers that **the proposed revisions do not yet deliver genuine and effective simplification**. While headline reductions in data points are welcome, the underlying reporting effort, data collection burden, and audit complexity remain largely unchanged for many undertakings. In some cases, the revisions risk increasing complexity and an increasing reporting demand, particularly through the introduction of new concepts and additional mandatory disclosures. In addition, we are concerned that the increased complexity and uncertainty introduced by the proposed revisions may negatively affect disclosure quality, leading to more generic, compliance-driven reporting.

This paper outlines our key observations and recommendations and highlights the need for an ESRS framework that ensures a proportionate and principle-based approach to sustainability reporting.

I. General Assessment of the Revised ESRS

Eurogas acknowledges a number of positive developments in the revised ESRS, notably:

- a more streamlined architecture of the standards;
- reduced duplication through the consolidation of General Disclosure Requirements;
- a clearer focus on mandatory disclosures following the removal of voluntary data points; and
- the explicit inclusion of relief mechanisms addressing data availability and methodological constraints
- the fair presentation framework that gives the opportunity to include relevant information for central stakeholders on top of the ESRS requirements

These changes respond to concerns raised by preparers during the first reporting cycle and demonstrate EFRAG's willingness to engage constructively with stakeholders.

Nevertheless, we believe that meaningful burden reduction has not yet been achieved. The aim of the changes was, among other things, to reduce the labour intensity of reporting, simplify the rules and reduce uncertainty when working with auditors. However, reductions in the length of the standards and

in the number of data points often reflect the removal of introductory, duplicative, or optional content, rather than a reduction in the substantive reporting effort required to comply with the ESRS.

II. Structural Changes and Elimination of Sub-Sub-Topics

Eurogas recognises the intention to simplify the structure of the ESRS through the removal of third-level sub-sub-topics, which is a welcome simplification.

We would like to point out that the revised structure bundles multiple aspects within a single sub-topic that were previously addressed separately or could be excluded if immaterial at a finer level. This creates uncertainty as to what must be disclosed and increases the risk that undertakings will feel compelled to report on all aspects of a broad sub-topic in order to demonstrate completeness and avoid audit challenges. This would effectively widen the reporting burden for companies.

We note in particular the lack of clarity regarding:

- the meaning and regulatory status of bracketed elements within sub-topics;
- whether these elements are illustrative or mandatory;
- whether additional data points are required when only part of a sub-topic is material; and
- whether management approaches should be reported at topic level or at the level of individual impacts, risks, and opportunities (IROs).

We believe that bracketed elements within sub-topics should be eliminated, and that reporting should ideally be permitted at the level of the topic or sub-topic, as IRO level reporting is complex.

Without clear guidance, the removal of sub-sub-topics risks inconsistent interpretation and divergent audit outcomes across Member States.

III. Implications of Materiality Assessment for Aggregation and Disaggregation

Even though the DMA process has been streamlined compared to Set 1 and the July exposure draft, it is still unclear - both for materiality and for the topical standards - how data are expected to be disaggregated. In fact, the standards now pose considerable emphasis on the “geographies”. This point has been reiterated many times in the standards, yet without clear safeguards to specify that not everything must be disaggregated. Moreover, the standards place considerable focus on requiring site-level disclosure. Given the lack of clarity, the risk is that the auditor may ask for a very granular level of detail, which would not be feasible in the financial statements.

Further clarification would help reduce uncertainty and support a more consistent interpretation in practice.

IV. Anticipated Financial Effects (AFE)

Anticipated financial effects remain among the most complex and burdensome disclosure requirements under the ESRS, including ESRS 2-SBM-3 (§§27–32) and ESRS E1-11.

Eurogas considers that anticipated financial effects are inherently forward-looking and subject to a high degree of uncertainty, particularly beyond the short-term strategic planning horizon. The workload is already enormous for large capital groups, and cooperation with the auditor to clarify the approach is cumbersome. Methodologies for estimating such effects are not sufficiently mature or standardised, and the further projections extend into the medium and long term, the less reliable and meaningful they become.

Although EFRAG has introduced reliefs and phase-in provisions, Eurogas notes that:

- the number and complexity of reliefs indicate that the underlying disclosure requirement remains immature;
- reliefs may be difficult to apply in practice due to evidentiary expectations from auditors;
- preparers may still be required to justify in detail why quantitative information cannot be provided, thereby limiting the effectiveness of reliefs in reducing burden.

Eurogas also identifies internal inconsistencies in the drafting, including references to anticipated financial effects arising from material IROs that are not reflected in financial statements, which raises questions regarding coherence with financial reporting and the exclusion mechanisms in ESRS 1 §§125(b)–(c).

If the disclosure of anticipated financial effects is retained, it should be strictly limited to qualitative information, even beyond 2030, with any quantitative disclosure remaining entirely voluntary. Moreover, in the absence of clear, consistent and standardised methodological guidance, any disclosure should, as a matter of principle, remain voluntary. The establishment of a robust and harmonised methodology should therefore be treated as a precondition for the introduction of any reporting requirement.

V. Disclosure of fines, penalties, and compensation related to discrimination and human rights incidents (ESRS S1-16 §42; AR36)

Eurogas acknowledges the effort made in the revised ESRS to clarify the scope of cases to be considered under ESRS S1-16, in particular through the revised wording of Application Requirement AR36. This clarification represents a step forward compared to earlier drafts.

However, Eurogas remains concerned that the current formulation continues to raise significant challenges in terms of scope, legal certainty, and auditability, particularly with respect to the definition of reportable human rights incidents, the treatment of severity, and the types of cases captured.

1. Scope of reportable cases

As currently drafted, the standards requires disclosure not only of confirmed cases, but also of:

- judicial and non-judicial proceedings that have been initiated (including cases before courts, tribunals, mediation procedures, and complaints filed with OECD National Contact Points), and
- incidents identified through internal company processes.

This approach risks capturing allegations, claims, or proceedings that have not been substantiated, and that may ultimately be dismissed or resolved without confirmation of wrongdoing. From Eurogas' perspective, this creates a high risk of:

- over-reporting,
- frequent ex post corrections between reporting periods, and
- disclosures that may be misleading for users, particularly where the existence of a case is interpreted as evidence of a confirmed incident.

Eurogas therefore considers it essential that the final ESRS explicitly clarify that disclosures under ESRS S1-16 are limited to confirmed cases only, reported within a clearly defined time frame and based on objective and verifiable criteria, such as final court rulings.

2. Severity and relevance of incidents

We also notes that the current drafting does not sufficiently distinguish between:

- incidents involving individual employees or third parties, and
- cases that indicate systemic or structural issues within an undertaking.

In addition, the standards do not adequately differentiate the severity of incidents, for example by failing to distinguish between:

- minor infringements and serious violations,
- convictions of natural persons versus sanctions imposed on the undertaking itself, or
- financial penalties versus other forms of sanctions, such as custodial sentences.

Without clearer guidance, there is a risk that disclosures aggregate fundamentally different situations under a single metric, reducing the decision-usefulness of the information and impairing comparability across undertakings.

3. Implications for assurance and auditability

These issues are particularly problematic in a limited assurance context. Auditors may be required to assess disclosures based on:

- unresolved legal proceedings,
- unsubstantiated allegations, or
- internally identified incidents that lack external validation.

This creates uncertainty regarding:

- the evidentiary basis required to support disclosures,
- the consistency of audit outcomes across Member States, and
- the extent of preparers' legal and reputational exposure.

From Eurogas' perspective, clearer boundaries are essential to ensure that disclosures are auditable, legally robust, and aligned with the limited assurance framework applicable under the CSRD.

Eurogas therefore calls for the final ESRS to:

- explicitly limit disclosures under ESRS S1-16 to confirmed cases only;
- provide clearer guidance on how severity should be assessed and reflected in disclosures;
- ensure that the scope of reported cases supports comparability, auditability, and legal certainty, rather than creating incentives for defensive or excessive reporting.

VI. Introduction of new data points and reclassification of voluntary disclosures

Eurogas is very concerned that the revision of the ESRS has been used to introduce new mandatory data points and to reclassify previously voluntary disclosures as mandatory, which goes beyond the Commission's mandate to EFRAG to simplify the standards and reduce administrative burdens.

In particular, the revised ESRS introduce new mandatory data points and new paragraphs, including:

- **ESRS E1-1 §11(c) AR33**, requiring additional disclosures on key assumptions and dependencies underpinning climate transition plans;
- **ESRS E2-4 §15(b)/AR44**, introducing mandatory disclosure on secondary microplastics;
- **ESRS E5-4 §135**, involving a substantial restructuring of the data point and the introduction of new concepts such as critical and strategic raw materials;
- **ESRS E5 §16(e)**, requiring disclosure of the proportion of waste for which the final destination is unknown.
- **ESRS 1 5.3 Reporting Boundaries**: Paragraph 71 is newly added, but its complexity and relevance are unclear. We request either its removal or a clearer explanation with ARs on requirements and reader benefits.
- **New MDR-M Requirement Not Comprehensible**: MDR-M: 41b paragraph was added for environmental metrics with the requirement that specific environmental conditions and characteristics of the area where the impact is occurring shall be reported. The information requirement behind this new paragraph is not clear and creates additional complexity.

In addition, several data points that were voluntary in the original ESRS have now been made mandatory, including:

- **ESRS E3 §15(c) and §15(d)** on total water withdrawal and total water discharge; and
- **ESRS E4 §109** on the biodiversity and ecosystems transition plan, where such a plan has been made publicly available.
- **ESRS G1 §11** Sanctions are added to the metrics related to corruption or bribery, extending the current ESRS.

We consider that these changes contradict the stated objective of simplification and risk increasing reporting complexity and administrative burden without delivering commensurate benefits for report users. In many cases, the newly introduced or newly mandatory data points relate to:

- **concepts that are not yet sufficiently defined or stabilised**, and remain subject to ongoing methodological development;
- **data that are not consistently available across geographies or value chains**, particularly where information must be collected several tiers upstream or downstream;

We are particularly concerned that some of these data points require undertakings to report on information that is highly uncertain, difficult to verify, or only partially within their control, while offering limited decision-useful value to users. This is likely to lead to defensive reporting practices, increased use of assumptions and proxies, and divergent interpretations by auditors across Member States.

Eurogas therefore considers that the introduction of new mandatory data points, or the reclassification of voluntary disclosures as mandatory, should not form part of a simplification exercise. Where additional data points are considered potentially useful in the future, they should instead be:

- subject to further testing and methodological development, and
- included, where appropriate, in the Non-Mandatory Implementation Guidance (NMIG) rather than in binding disclosure requirements.

In addition, Eurogas considers that any newly introduced mandatory data points should be subject to an appropriate transition phase. Such a phase-in would be necessary to ensure feasibility, legal certainty, and high-quality implementation.

VII. Social Standards (ESRS S1)

1. Workforce Composition and Geographic Disaggregation

Eurogas notes that the revised requirement to report workforce data for the top 10 countries, rather than countries representing approximately 10% of the workforce, significantly broadens the scope of disclosure. This may require reporting on countries representing a very small proportion of total employees, increasing administrative burden without providing commensurate analytical value.

We recommend reverting to the previous workforce-based threshold.

2. Financial Resources for Key Actions (ESRS 2 §38)

Eurogas welcomes the shift towards focusing on “key actions” rather than exhaustive lists of actions and action plans. However, the mandatory disclosure of associated financial resources is particularly challenging for workforce-related topics.

Many S1-related actions are not budgeted separately or involve policy, governance, or process changes with limited direct expenditure. In such cases, quantifying financial resources is artificial and of limited usefulness, while creating additional reporting and assurance challenges.

3. Remuneration, Pay Gap, and Related Metrics

Eurogas identifies significant challenges with remuneration-related disclosures, including ESRS S1-15. In particular:

- the requirement to report the ratio between the highest paid person and the median remuneration is not meaningful for globally operating groups due to geographic wage differences;
- legal and regulatory constraints, including sector-specific unbundling rules, may prevent access to remuneration data from certain subsidiaries;
- the relief clause in ESRS 1 §101 does not sufficiently address these constraints.

Eurogas considers that greater methodological flexibility is needed, including the possibility to use average remuneration instead of median remuneration, with appropriate transparency regarding methodology.

VIII. Environmental Standards (E1-E5)

1. Pollution (E2)

Eurogas notes that pollutant scoping requirements may require undertakings to assess hundreds of pollutants across sites, particularly through reference to the E-PRTR list combined with other monitored substances. This approach risks imposing disproportionate burden and should allow companies to define material pollutants centrally based on activity and sector relevance.

On SOCs and SVHCs, maintaining this Disclosure Requirement (DR) on a quantitative basis is particularly complex. Measuring the quantity of SVHCs/SOCs and their trends over time is not particularly informative and remains highly complex to consolidate, especially for SOCs, as they are not clearly identified and there is a significant risk of double counting. In addition, letter (c) introduces a new requirement not mentioned by EFRAG during the consultation: reporting the total weight of SVHCs released into the environment (as opposed to the current standard, which requires reporting the amount of substances leaving facilities as part of products).

- Secondary microplastics;

- the disclosure requirement under ESRS E2 introduces a new reporting obligation that expands the scope of reporting and does not provide proportionate, decision-useful information. Eurogas therefore considers that this requirement should be removed
- SOCs and SVHCs;
 - this requirement overlaps with existing REACH obligations. Removing it would avoid duplication and unnecessary administrative burden

2. Water, Biodiversity, and Resource Use (E3–E5)

Eurogas raises concerns regarding:

- The removal of the specific reference to “freshwater” in E3-4 Water Metrics; in this way the disclosures are far less relevant. From an environmental perspective, freshwater indicators are the only ones that truly matter when assessing water-related impacts.
- Mandatory biodiversity transition plan disclosures;
- In relation to the “buffer” concept in E4, defining buffer distances for every single type of activity is extremely difficult.
- Extensive disaggregation of resource inflows.

In several cases, these changes add complexity and administrative burden and are not aligned with the stated objective of simplification, while their contribution to decision-useful sustainability information remains unclear.

IX. Interoperability and Application

Eurogas welcomes efforts to improve interoperability between the ESRS and international sustainability reporting standards, including IFRS S1 and S2. Maintaining alignment is important for companies operating globally and subject to multiple reporting frameworks. **This support for interoperability is without prejudice to the treatment of organisational boundaries, which should be addressed explicitly in the relevant legal framework.**

Finally, although the revised ESRS are expected to apply from the FY2027 reporting cycle, Eurogas considers it essential that Wave 1 companies are explicitly allowed to apply the revised standards, or only certain revised datapoints, on a voluntary basis for FY2026. This early application should not result in the loss of existing transitional reliefs. Furthermore, it allows companies to dry run the auditing process and anticipate challenges before the final application from FY2027 onwards. Most importantly, if such voluntary application is given as a possibility, companies and auditors need clear guidance on this.

Conclusion

The revised ESRS do not yet achieve genuine simplification. While certain positive changes have been introduced, reporting complexity, audit uncertainty, and administrative burden remain significant and, in some areas, even increase. Effective simplification must be grounded in proportionality, clarity, and auditability. A principle-based and legally coherent ESRS framework is essential to ensure consistent application and to deliver reliable, decision-useful sustainability information without disproportionate burden.