



PLATFORM ON
SUSTAINABLE FINANCE

EU Platform on Sustainable
Finance

Platform Response to the European Commission Consultation on ESRS

16th March 2026

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Table of Contents

Introduction	4
Platform's approach and key recommendations	5
1. Detailed recommendations	13
1.1 <i>Interconnectivity and consistency with the EU Taxonomy: towards one integrated report.</i>	13
1.2 <i>Bridging ESRS Disclosures and EU Taxonomy Criteria</i>	14
1.3 <i>CapEx Alignment and Transition Planning</i>	20
1.3. <i>Allowing the use of the EU Taxonomy activity classification in AR 12</i>	25
2. One Integrated Transition Plan	27
2.1 <i>One template</i>	27
2.2 <i>One consistent terminology</i>	28
3. Consistency with the wider sustainable finance framework	30
3.1 <i>Sustainable Finance Disclosure Regulation (SFDR)</i>	30
3.2 <i>Benchmarks Regulation</i>	31
3.3 <i>Consistency with EU Regulatory Framework regarding terminology, definitions and underlying methodologies</i>	32
4. Overarching issues affecting effectiveness or preparedness	38
4.1 <i>Additional guidance for consistent understanding of the Fair Presentation concept</i>	38
4.2 <i>Regarding the Double Materiality Assessment (DMA)</i>	39
5. Availability of voluntary reporting data via a digital platform	41
5.1 <i>Voluntary use requires proper safeguards to avoid greenwashing</i>	41
5.2 <i>Improving data availability and accessibility for FMPs and FIs</i>	42
6. Interoperability	43
7. Other points to be taken into consideration	45
7.1 <i>Removal of preference for direct data</i>	45
7.2 <i>Ensuring stability and allowing early adoption</i>	46
Annex I – Additional proposed changes to ESRS aimed at ensuring consistency of definitions and methodologies across the EU normative framework	47
Annex II – Proposal to reflect the interconnectivity between the data points and metrics of the Taxonomy Regulation and those of the ESRS, with the aim of supporting reporting, ensuring future consistency, and eliminating redundancies	55
Annex III – PSF2.0 Transition Plan report: Targets	64
Annex IV – EU Transition Plan-related Policy Architecture for non-financial companies	68
Annex V – Platform members and observers	70

Introduction

The EU Platform on Sustainable Finance welcomes the opportunity to input into the Commission's Delegated Act on the European Sustainability Reporting Standards (ESRS). These standards are vital for ensuring consistent, comparable, and reliable sustainability-related information in line with the objectives of the European Green Deal, the EU Biodiversity Strategy for 2030, and the EU Climate Law. They are of crucial importance in addressing data gaps across the EU sustainable finance framework.

The Platform's response is based on five key principles:

- **Precautionary principle** – disclosure requirements should neither overestimate positive, nor underestimate negative information (“if in doubt, err on the side of the environment”). This principle is considered overarching to protect environmental integrity - in line with Article 191 of the Treaty on the Functioning of the European Union.¹
- **Relevance** – indicators ought to be meaningful and methodologies accurate.
- **Consistency** of ESRS indicators with the wider sustainable finance framework (especially the EU Taxonomy).
- **Proportionality** of the requirements - the reporting burden ought to be fairly and evenly distributed among the different players within the reporting value chain, taking into consideration their different capabilities and responsibilities, and the overall scale of the burden itself.
- **Applicability** of the requested information - including indicators and other data points - should be practical and actionable, measurable and/or easily estimated, and, where possible, aligned with international standards.

¹ <https://eur-lex.europa.eu/EN/legal-content/glossary/precautionary-principle.html>

Platform's approach and key recommendations

The European Financial Reporting Advisory Group (EFRAG) has made meaningful progress in improving the structure and usability of the European Sustainability Reporting Standards (ESRS). The proposed revisions to the ESRS Delegated Act streamline the framework by reducing redundancies, enhancing readability, and maintaining a clear separation between environmental, social, and governance (ESG) topics.

Consistent with the Commission's simplification objective, an interpretative, objectives-based application of the standards should be encouraged to ensure a genuine reduction in reporting burden while supporting competitiveness. Adjustments should avoid excessive prescriptiveness, preserve trust in preparers, auditors, and supervisors, and ensure that ESRS remain a transparency and harmonisation framework rather than a tool for mandating behaviour.

Notable improvements include the integration of Application Requirements (ARs) under the relevant Disclosure Requirements (DRs), clearer articulation of the core elements of financial materiality, and greater flexibility in applying double materiality through a focus on decision usefulness, the exclusion of immaterial information, and providing the option to follow a top-down approach to the Double Materiality Assessment (DMA). The option to use ranges for anticipated financial resources further reflects practical implementation realities.

Overall, the revisions contribute to a more proportionate, user-friendly, and globally interoperable sustainability reporting framework.

Despite these advances, further simplification depends on strengthening the integration of the ESRS within the wider EU sustainable finance framework, notably with the EU Taxonomy – wherever meaningful. Making these interconnections explicit does not add burden. It reduces duplication by allowing overlapping ESRS datapoints - across environmental objectives and minimum safeguards - to serve both frameworks through a single, integrated reporting and assurance process, as demonstrated by the initial mapping work of the Platform on Sustainable Finance.

Relegating the Taxonomy to an annex, risks weakening this connectivity, despite the significant alignment between ESRS E1 to E5, social and governance standards, and the criteria of the EU Taxonomy Regulation, including those related to climate mitigation, water, adaptation, and minimum safeguards. This connectivity currently provides a coherent structure linking sustainability disclosures with the Taxonomy's classification of environmentally sustainable activities. Moving the Taxonomy outside the core framework could therefore undermine these synergies and reduce the potential for genuine effort reduction for companies, users, and assurers.

In particular, the ESRS should more clearly link transition planning and financial disclosures (CapEx, and, when and if relevant, OpEx) across all environmental objectives, but very especially to climate Taxonomy alignment, to enable consistent interpretation and credible assessments of Paris alignment.

Greater coherence is both feasible and necessary: ESRS sector relevance criteria already mirror Taxonomy concepts, and explicitly permitting the use of the Taxonomy activity classification would further streamline reporting. Strengthening connectivity in both directions would reduce calculation and verification efforts, enable reciprocal use of ESRS indicators in Taxonomy assessments, and deliver a unified, consistent framework benefiting preparers, users, and assurers alike.

Similarly, ESRS disclosures underpin key EU requirements, including those under SFDR, prudential (Pillar 3), benchmarks, and the Climate Law. Recent deletions - such as the removal of disclosures on exclusion from Paris-Aligned Benchmarks - risk reducing transparency and weakening investor decision-making who are the primary users of both financial and sustainability reports which in turn may potentially weaken investment in line with EU ambitions. Where requirements lack clarity or consistency with other regulations, this should be addressed through clarification rather than the removal of disclosures. In this context, the Platform on Sustainable Finance calls for greater clarity and/or consistency in several areas and for the reinforcement of disclosures on sustainability transition plans – starting with climate and biodiversity transition plans - which are essential to safeguarding the coherence, credibility, and effectiveness of the EU sustainability reporting framework.

At the same time, as the current revision is intended to support simplification, it would be important to ensure that the revised ESRS remain aligned with the scope and structure of ESRS Set 1, and do not introduce additional concepts or data points. In this context, particular

attention could be given to avoiding new requirements to preserve the overall objective of reducing complexity and reporting burden.

The Platform welcomes the greater interoperability between ESRS, GRI and ISSB standards but warns that certain provisions risk positioning the ESRS below the global baseline. Requirements must meet - and where appropriate exceed - international ambition. The shift from mandatory to optional scenario analysis is especially concerning, as it could significantly weaken climate resilience assessments. Furthermore, ESRS must remain firmly embedded in the European regulatory and policy framework, uphold the double-materiality principle, and reflect the EU's economic, social, and environmental objectives, while maintaining strong interoperability with ISSB standards.

This briefing report outlines and explains the Platform's recommendations, with specific recommendations to the European Commission highlighted in the green call-out boxes at the end of each section.

The Table below summarises the key recommendations, prioritised as high (1), medium (2), low (3), based on the urgency with which they need to be addressed to support upcoming ESRS Delegated Acts. This prioritisation does not reflect the relative importance or impact of the recommendations; all are considered valuable for the usability and effective application of the ESRS.

Recommendations classified as high priority require immediate attention by the European Commission in the drafting of the Delegated Acts. Medium-priority recommendations require the European Commission to initiate or mandate further work as soon as possible, the outcomes of which may extend beyond the drafting and adoption of the ESRS Delegated Acts. Low-priority recommendations can only be addressed once ESRS Delegated Acts are adopted and generally involve additional parties beyond the Commission, EFRAG and/or the Platform.

Topic	Recommendation	Priorities based on the ESRS adoption calendar
<p>Consistency and connectivity between ESRS and the Taxonomy Regulation: towards one integrated report</p>	<p>The Platform recommends explicitly referencing Taxonomy disclosures in the ESRS 1 section on incorporation by reference. This could enhance interconnectivity between the ESRS and Taxonomy sections of the sustainability statement.</p> <p>A proposed amendment to the revised ESRS might read as follows:</p> <p>ESRS 1 – 9.3. Incorporation by reference</p> <p>118. (119) Provided that the conditions in paragraph 119 are met, information or a specific datapoint prescribed by a Delegated Regulation may be incorporated into the sustainability statement by cross-reference to:</p> <p>(a) another section of the management report, including disclosures pursuant to Article 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council, and to Commission Delegated Regulation (EU) 2021/2178, where such disclosures are included in the sustainability statement or in a separate appendix within the management report.</p>	<p>1</p>
<p>Consistency and connectivity between ESRS and the Taxonomy Regulation: towards one integrated report</p>	<p>The Platform recommends that the European Commission mandate EFRAG and the Platform to jointly:</p> <ul style="list-style-type: none"> - establish granular cross-referencing between ESRS disclosures and the EU Taxonomy Substantial Contribution, Do No Significant Harm (DNSH) criteria, and Minimum Safeguards. This should result in explicit, structured links between Taxonomy criteria and relevant ESRS datapoints, reflected in both the EU Taxonomy Compass and the EFRAG ESRS Knowledge Hub. 	<p>2</p>

	<ul style="list-style-type: none"> - develop practical implementation guidance on the interconnectivity between the two frameworks based on the finalised ESRS-EU Taxonomy mapping. <p>The objective should be to reduce duplication by enabling overlapping ESRS datapoints across environmental objectives and minimum safeguards — to be used for both frameworks through a single, integrated reporting and assurance process.</p> <p>This mapping and guidance will serve as tools available to companies, should they choose to use them. They will be accessible to companies and other stakeholders via the EU Taxonomy Compass and the ESRS Knowledge Hub and will evolve over time in line with market practice.</p>	
<p>CapEx Alignment and Transition Planning to support transition finance</p>	<p>The Platform recommends ESRS E1.1 (DR 11) to explicitly ask non-financial companies to disclose - or refer to their disclosures by cross-referencing (using a link) where the disclosures can be found - either alongside DR 11 (b) or as new 11 (c):</p> <ul style="list-style-type: none"> - Whether their activities align with the Climate Mitigation Taxonomy (if eligible and the extent to which they are eligible), - The extent to which they are aligned with its Substantial Contribution criteria and/or Do No Significant Harm criteria, and - Any targets set for CapEx size and/or percentage alignment, where relevant. <p>Please note that any targets set may alternatively be mentioned under E1-6, as they form part of the climate change targets established by the undertaking. In such cases, companies that have also set targets for turnover alignment may disclose them there as well.</p>	1

	<p>Similarly, where companies have transition plans or targets, including CapEx plans, and their activities are eligible under one of the non-climate Taxonomy objectives, these could be disclosed in their respective ESRS E2-E5 DRs.</p> <p>The Platform also recommends that, under ESRS 1-1 (AR2, paragraph 11), disclosures on significant financial resources allocated—or expected to be allocated—to climate transition plans should explicitly permit references to CapEx and OpEx, where relevant, that is already aligned with, or planned to align with, the Taxonomy. Furthermore, it should allow for references to CapEx that complies with the DNSH criteria, serving as a first step toward full alignment for companies that opt to pursue this approach, in addition to their broader CapEx plans.</p> <p>The Platform suggests the following amendment to AR 2 in ESRS E1-1: (16(c) amended) The amount of significant financial resources (operational or capital expenditure, whereby the disclosure of capital expenditure should include a distinction between CapEx and OpEx as disclosed pursuant to Article 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council, where available, and other types of operational or capital expenditure respectively), allocated or expected to be allocated for the implementation of its transition plan for climate change mitigation. This should include an indicative range of future financial resources expected (with reference to ESRS E1-5 and ESRS 2 GDR-A).</p> <p>Important note: the only requirement is for companies to cross-reference their taxonomy disclosures within the ESRS via a link. All other information <u>remains voluntary</u> for companies that choose to disclose it in the context of their transition planning.</p>	
One Integrated Transition Plan	The Platform recommends that the European Commission develop a standardised transition plan template for non-financial undertakings. The template should use a modular	1 or 2

	<p>"building blocks" approach to provide flexibility in addressing different sustainability dimensions, maintain alignment with existing EU tools and across EU legislative frameworks, and where possible, with international guidance.</p> <p>The template is intended to supplement the European Sustainability Reporting Standards (ESRS) and its adoption should remain entirely voluntary. If included in the delegated acts, any such template could be incorporated into a non-binding, illustrative appendix to ensure clarity regarding its legal status.</p>	
<p>Scenario Analysis to foster resilience assessments and financial risk management</p>	<p>The Platform recommends that the European Commission realign the ESRS scenario analysis requirement with the global baseline set out in IFRS S2, paragraph 22. Scenario analysis is a cornerstone of international transition planning and essential for assessing climate resilience. This alignment would ensure consistency with global frameworks, including the ISSB and TCFD, while providing financial market participants and institutions with critical information for risk management and financial stability.</p>	<p>1</p>
<p>Greater consistency with the wider sustainable finance framework</p>	<p>The Platform recommends that the Commission ensure that any future SFDR Level 2 disclosures build on the ESRS—including the datapoints retained that are linked to the original PAI indicators and the recommendations made in this brief to integrate Taxonomy CapEx disclosures—to maintain consistency and regulatory coherence between the ESRS and SFDR.</p> <p>The Platform recommends that the European Commission reinstate the requirement to disclose whether a company is excluded from the EU Paris-aligned Benchmark (PAB) to ensure transparency and enable investors to apply the Benchmark Regulation and make informed decisions.</p> <p>The Platform recommends that the European Commission undertake a review of environmental, social, and governance</p>	<p>1</p>

	<p>definitions and datapoints to ensure full consistency between the ESRS and the wider EU normative framework, and to address the inconsistencies identified by the Platform in Annex I as well as in the previous Platform's mapping.</p>	
<p>Overarching issues affecting effectiveness or preparedness</p>	<p>The Platform welcomes the inclusion of the fair presentation concept as an element in the Commission's mandate to the CEAOB on the development of limited assurance standards. The Platform supports the European Commission provide guidance to both preparers and assurers on the application of the fair presentation concept under the limited assurance standards that will be developed by the Commission.</p> <p>The Platform also recommends publishing a stand-alone guidance specifically addressed to preparers. This guidance should be developed in collaboration with EFRAG, IFRS/ISSB for its application by users, taking into consideration the double materiality angle for European application.</p> <p>To make ESRS 1 workable, the Commission should, when developing the limited assurance standards by June 2027, clearly indicate that companies are not required to meet every need of different user groups.</p>	1
<p>Easing reporting by mapping interoperability</p>	<p>The Platform recommends that the Commission develop and publish a formal interoperability mapping at datapoint level between the ESRS and the ISSB standards building on the work already conducted in 2023 and 2024. This would help avoid duplicative reporting efforts for multinational companies and support consistent outcomes in both reporting and assurance.</p>	3

1. Detailed recommendations

1.1 Interconnectivity and consistency with the EU Taxonomy: towards one integrated report

Better integration of the EU Taxonomy into the ESRS enables a single, integrated report and provides a comprehensive overview, while streamlining the application of and compliance with both the Taxonomy and the ESRS, thereby improving efficiency and effectiveness.

The EU Taxonomy is the cornerstone of the EU Sustainable Finance Framework, playing a pivotal role in mobilising capital towards sustainable investments. Its strong connectivity with the ESRS—where the ESRS addresses group - or entity-level reporting while the Taxonomy focuses on activity-level assessment—makes the integration of Taxonomy references and linkages essential for simplifying reporting, verification, and assurance processes. Recognising this connection aims to provide companies with the possibility of strengthening disclosures and facilitating assessments for those that wish to leverage this opportunity. Relegating Taxonomy reporting to an annex and removing explicit references to Taxonomy-aligned metrics undermine clarity and weaken regulatory consistency.

Conceptual consistency and complementarity between the ESRS standards and the EU Taxonomy will help reduce the reporting burden for companies, as well as ensuring the effectiveness of environmental reporting in the EU. While the entity-level ESRS indicators provide an overview of a company's plans to ensure that its strategy and business model are compatible with the transition to a sustainable economy, the Taxonomy acts as a zoom-in, allowing investors and other stakeholders to identify the proportion of that company's turnover and investment that are making (or plan to make) a substantial contribution to an environmental objective. While the ESRS reflects the overall direction of travel of the company and performance (top-down), the Taxonomy provides details on the impact and direction of its activities and, in many cases, at asset-level (bottom-up). Often the "general" applies directly to individual activities, which makes for a natural integrated disclosure. These opportunities for reducing reporting duplication need to be actively identified and referenced in the revised ESRSs.

The Platform recommends explicitly referencing Taxonomy disclosures in the ESRS 1 section on incorporation by reference. This will enhance interconnectivity between the ESRS and Taxonomy sections of the sustainability statement.

A proposed amendment to the revised ESRS might read as follows:

ESRS 1 – 9.3. Incorporation by reference

118. (119) Provided that the conditions in paragraph 119 are met, information or a specific datapoint prescribed by a Delegated Regulation may be incorporated into the sustainability statement by cross-reference to:

(b) another section of the management report, including disclosures pursuant to Article 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council, and to Commission Delegated Regulation (EU) 2021/2178, where such disclosures are included in the sustainability statement or in a separate appendix within the management report.

1.2 Bridging ESRS Disclosures and EU Taxonomy Criteria

The platform has undertaken a full review of the newly proposed ESRS data points and metrics, for which it has analysed the conceptual consistency between ESRS data points and the taxonomy, with the aim of supporting reporting and ensuring future consistency.

There are several ESRS indicators for which the overall EU Taxonomy eligible and aligned CapEx, and Revenue entity-level reporting are highly relevant and strongly linked from a conceptual as well as metric perspective. In the Platform's view, these limited ESRS indicators can be addressed in full, or at least substantially supported, through the use of entity-level Taxonomy reporting indicators. Taxonomy CapEx (and OpEx where and if relevant) indicators can help meet a few ESRS disclosure requirements regarding the (financial) resources allocated to key actions across different environmental objectives (see Annex II, Table A.II.1). Taxonomy CapEx alignment is critical to the transition plan for climate change mitigation. It can also be linked to anticipated financial effects ESRS disclosures related to climate, as well as actions and resources for all environmental objectives. In line with and complementing section 1.2 below, we specify the relevance of CapEx and Revenue entity-level taxonomy disclosures in Table A.II.1.

The Platform has already conducted an initial conceptual alignment between ESRS indicators and the relevant EU Taxonomy Substantial Contribution or DNSH annexes, for which it illustrates its top-level findings in Figure 1. The Platform rated the consistency as weak, moderate or strong. In cases where a consistency assessment was not warranted because the indicator is ESRS specific with no correspondence to Taxonomy, the Platform noted the consistency check as not applicable (N/A).

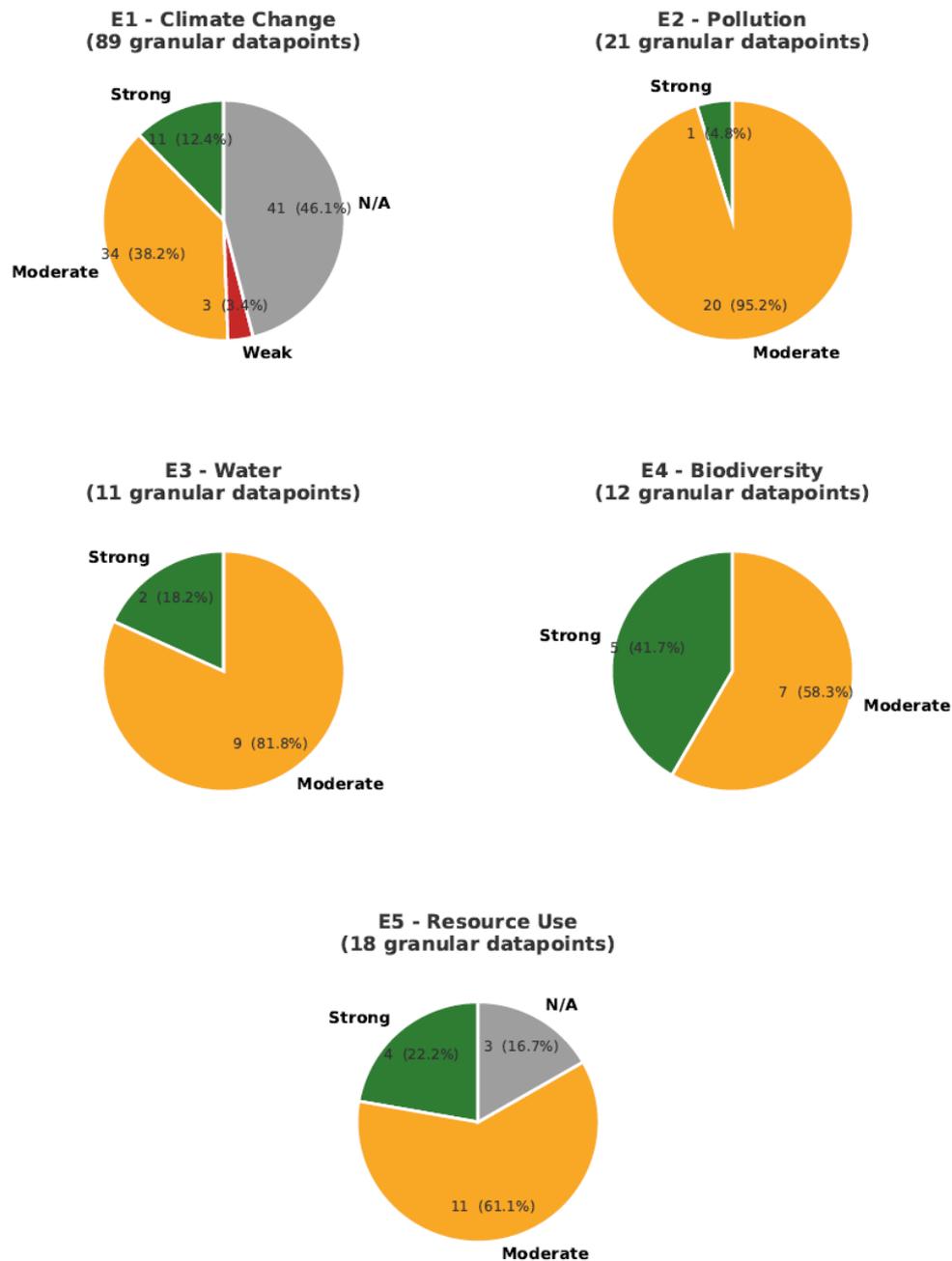


Figure 1: Conceptual consistency between granular ESRS datapoint requirements and EU Taxonomy Substantial Contribution, DSNH and overall entity level Taxonomy reporting eligibility and alignment indicators.

The Platform acknowledges that, at its core, there is an inherent difference between ESRS indicators and Taxonomy technical screening criteria in that the former are meant to be group- or entity-level criteria whereas the latter are economic activity criteria.

Certain ESRS indicators, such as those requiring disclosure of climate transition plans, policy content related to sites located in biodiversity-sensitive areas, or key actions addressing water stress, can, in many cases, be directly leveraged to demonstrate compliance with the Taxonomy's DNSH requirements. Two of the most tangible examples are presented below for illustrative purposes.

Minimum safeguards: a case in point

The Minimum Safeguards (MS) provide a clear illustration of how identifying the connectivity between both regulations could support companies in reducing reporting and assurance burden. MS are a case in point on how selected ESRS disclosures - particularly under ESRS 2, S1 to S4 and G1 - may serve as evidence to demonstrate compliance with the Taxonomy's MS because, as opposed to SC and DNSH criteria, MS are applied at entity-level like ESRS.

Elements assessed under the cross-cutting standards, social and governance dimensions of MS - such as human rights due diligence, governance arrangements, risk management, supply-chain oversight and remediation processes - are already addressed within ESRS disclosures (notably ESRS 2, S1, S2 and G1). These are areas commonly used by companies when assessing MS compliance, often with reference to the Platform's 2022 report on Minimum Safeguards, which is widely used in practice by companies to assess their compliance² despite not constituting formal regulatory guidance.³ This alignment reduces the need for companies to perform different assessments and avoids duplicative assurance reviews.

While such disclosures can support companies in evidencing compliance, the omission of specific datapoints - where these are deemed immaterial - should not be interpreted either as

² In France, nearly 80% of companies refer to all four topics recommended in the Platform's report (Human Rights, Corruption, Taxation and Fair Competition) when assessing their alignment with the Minimum Safeguards. KPMG France (2025) "Taxonomie 2025 : Révélateur de la maturité ESG dans le cadre de la première année de la CSRD", available at: <https://link.kpmg.fr//700423/2025-09-26/3wsnkb>

³ EU Platform on Sustainable Finance (2022) "Final report on minimum safeguards", available at: https://finance.ec.europa.eu/system/files/2022-10/221011-sustainable-finance-platform-finance-report-minimum-safeguards_en.pdf

non-compliance or as confirmation of compliance with the Minimum Safeguards set out in Article 18 of the EU Taxonomy Regulation.

Formally recognising this linkage would support companies, reduce compliance and assurance burdens, prevent inconsistencies, and enhance the effectiveness of corporate disclosures, while preserving companies' discretion on whether and how to leverage this interconnection in relation to human and labour rights due diligence.

To operationalise this linkage, the Platform has undertaken an initial mapping of the ESRS data requirements that can contribute to MS assessments, illustrating their high-level interconnection in Annex II, Table A.II.3. A more detailed exercise at data-requirement level has also been performed, with an illustration provided in Annex II, Table A.II.4.

An Adaptation plan supports compliance with adaptation DNSH of the Taxonomy Regulation

The Platform welcomes the explicit recognition of the flexibility to integrate climate change mitigation and adaptation into a single transition plan, as permitted under AR 1 of ESRS E1, allowing companies to choose the approach best suited to their circumstances. Similarly, under the EU Taxonomy, the format of an Adaptation Plan - whether standalone or integrated with mitigation - is fully flexible.

Any information disclosed under ESRS regarding adaptation or climate-resilience plans should inform both DNSH and SC assessments for the activities involved.

Reporting entities that disclose an adaptation plan - under any title (e.g., "Resilience Plan" or "Climate Risk Management") and in any form, including integration with Enterprise Risk Management systems - that:

- includes a physical climate risk and vulnerability assessment based on forward-looking climate information proportionate to the scale of the activity and its expected lifespan; and
 - identifies key physical climate risks and how to address them,
- meet the EU Taxonomy adaptation DNSH criteria - provided the plan also:
- meets the quality criteria and maladaptation safeguards listed in the generic adaptation DNSH criteria, and
 - complies with implementation deadlines for adaptation measures, for new activities or assets, covering all or at least Taxonomy-eligible activities.

In addition to disclosure under the ESRS regarding adaptation plans defined above as relevant for meeting the adaptation DNSH criteria, where adaptation measures (solutions) are fully implemented, key risks addressed, and monitoring included, the adaptation solutions implemented by the entity can also meet the adaptation Substantial Contribution (SC) criteria.

Robust monitoring of the effectiveness of these adaptation measures (solutions) is essential, as required under adaptation SC criteria.

The information disclosed under ESRS should therefore inform both DNSH and where relevant, SC, for the activities covered.

By including in the ESRS datapoints reported, information on adaptation plans that demonstrate compliance with the Taxonomy criteria - as detailed in Annex II - and where a company has disclosed and has implemented, or is implementing, its adaptation plan, this could be recognised as meeting the adaptation DNSH criteria.

Additionally, if further ESRS datapoints are reported covering the physical and non-physical adaptation solutions implemented and, if these solutions are monitored as noted above, the expenditures on those adaptation solutions could be recognised as meeting the adaptation SC criteria.

In conclusion

An in-depth ESRS–EU Taxonomy mapping could be used as a basis for developing guidance that supports burden reduction by enabling companies to leverage ESRS disclosures for EU Taxonomy reporting, and vice versa, avoiding duplicated efforts.

While strongly recommending explicit linking ESRS datapoints where the EU Taxonomy is more granular, the Platform acknowledges the more pragmatic and streamlined approach reflected in the revised ESRS and therefore proposes an alternative referencing proposal that fully respects both the spirit and the letter of this updated approach. Enabling companies to report in a more integrated and coherent manner is essential. Clearly articulating the linkages between the ESRS and the EU Taxonomy would help companies avoid duplicative analyses, reduce costs, and support more efficient assurance processes thanks to greater overall consistency. To operationalise this objective and ensure consistent application of both frameworks, the Platform recommends that EFRAG and the Platform jointly finalise the ESRS–EU Taxonomy mapping and develop accompanying practical implementation

guidance. This mapping would act as a practical tool, providing companies with a clear and structured view of the interconnections between both frameworks. It could be made available through the EU Taxonomy Compass and the ESRS Knowledge Hub and evolve over time to ensure continued alignment with developments in market practices.

The Platform recommends that the European Commission mandate EFRAG and the Platform to jointly:

- address the deep interconnections between ESRS indicators and the EU Taxonomy Substantial Contribution and Do No Significant Harm criteria, and minimum safeguards, through granular cross-referencing in the EU Taxonomy Compass. This work should establish explicit links between Taxonomy criteria and relevant ESRS datapoints and disclosure requirements and be reflected both in the EU Taxonomy Compass and the EFRAG ESRS Knowledge Hub.
- develop practical implementation guidance on the interconnectivity between the ESRS and the EU Taxonomy. The objective should be to reduce duplication by enabling overlapping ESRS datapoints - across environmental objectives and minimum safeguards - to serve both frameworks through a single, integrated reporting and assurance process.

This mapping and guidance will serve as tools available to companies, should they choose to use them. They will be accessible to companies and other stakeholders via the EU Taxonomy Compass and the ESRS Knowledge Hub and will evolve over time in line with market practice.

Clarifying these interconnections therefore supports the Platform's simplification objective since it enables a single, integrated verification process that serves both ESRS and the EU Taxonomy, streamlining workflows, reducing resources and audit costs and improving consistency across the sustainable finance framework.

The Platform will take ESRS indicators into high consideration while reviewing the Taxonomy; for coherence and burden reduction this must go both ways.

1.3 CapEx Alignment and Transition Planning

The Commission should ensure stronger integration of EU Taxonomy–related information – particularly regarding capital expenditure (CapEx) alignment, CapEx plans, and, where relevant, operating expenditure (OpEx) - into ESRS climate transition plan disclosures (ESRS E1-1), as well as into other environmental action or transition plan disclosures where applicable (ESRS E2-2, E3-2, E4-1, E4-3, and E5-2).

This approach is consistent with the [Commission’s communication on transition finance](#), which promotes the use of the EU Taxonomy - particularly activity-level CapEx plans - as a core component of companies’ transition planning. It would support financial market participants in building transition-oriented portfolios, of relevance under the proposed product categorisation framework of the Sustainable Finance Disclosure Regulation (SFDR). In addition, it would help issuers of green bonds, especially under the EU Green Bond Standard, to clearly demonstrate the link between their investments and their transition plans.

The importance of CapEx alignment for credible transition planning is further evidenced by market practice. The Platform’s report “Building trust in transition: core elements for assessing corporate transition plans” (January 2025) highlights the close link between CapEx alignment and transition credibility. Early CSRD reporting in France shows that 67% of companies referring to transition plans already use Taxonomy indicators, and the Platform’s Compendium of Market Practices confirms that CapEx alignment, targets, and plans are among the most widely used and decision-useful metrics for investors. This information enables investors and financiers to make well-informed portfolio decisions and to allocate capital effectively in support of the transition.

Supporting compatibility with a 1.5°C trajectory

The role of the Taxonomy in transition planning should be explicitly reinforced – starting with the Climate Taxonomy. Compatibility with a 1.5°C pathway remains insufficiently defined, creating a risk of inconsistent interpretation. For Taxonomy-eligible activities, alignment of CapEx - and over time, revenues - with the Substantial Contribution (SC) criteria provides a clear, credible, and auditable way to demonstrate alignment with the 1.5°C goal, while also respecting Do No Significant Harm (DNSH) requirements and entity-level minimum social safeguards. While ‘Substantial Contribution’ may be an ambitious metric that exceeds Paris Agreement alignment, using ‘Do No Significant Harm’ (DNSH) as a metric—complemented, where relevant, by disclosures on the phase-in of transitional technologies—can for some

activities provide a more proportionate and relevant measure. Both options should therefore remain available to companies.

Disclosure of Taxonomy-aligned CapEx alongside fossil fuel exposure is particularly important to assess whether investments are compatible with the Paris Agreement's 1.5°C objective.

Allowing voluntary disclosures of partial alignment

Against this background, the Platform supports allowing companies to disclose, where relevant, the extent to which their activities and investments are aligned with the Taxonomy's Substantial Contribution and/or DNSH criteria. Allowing both options provides needed flexibility while maintaining credibility. This could include simple references to existing Taxonomy disclosures, or supplementary optional information on partial alignment, planned improvements, and relevant time horizons. Where companies choose to do so voluntarily, and wherever relevant, references to OpEx alignment and related plans could also be included.

CapEx eligibility

It is worth highlighting that Taxonomy CapEx eligibility can also play a role in this context, as it allows companies to assess capital expenditure over longer-term transition horizons beyond the five-year CapEx plans required under the Taxonomy Regulation. This is also why some companies set longer-term CapEx targets, providing investors with a clearer view of their strategic direction and a stronger basis for assessing the robustness and credibility of their transition plans.

Limitations

The Platform nevertheless recognises that Taxonomy-eligibility levels remain low in certain sectors, particularly in some manufacturing industries such as chemicals, which can limit today's usefulness of the Taxonomy for transition planning. This underlines the importance of expanding the scope and usability of the Taxonomy over time.

It should also be noted that CapEx may cover only a portion of a company's activities, and where activities fall outside the scope of the Taxonomy, it represents only part of the overall picture.

Capital expenditures (CapEx) may also contribute to disclosures on significant financial resources allocated.

For disclosures on significant financial resources allocated—or expected to be allocated—to climate transition plans under AR2 for paragraph 11, the Platform recommends explicitly permitting references to CapEx that is aligned with, or planned to align with, the Taxonomy. Additionally, it should allow for references to CapEx that adheres to the DNSH criteria as a first step towards full alignment for companies that choose to do so, alongside their broader CapEx plans.

ESRS E1-1 should therefore explicitly require—or, at minimum, clearly reference—disclosures on climate Taxonomy coverage, degree of alignment, aligned CapEx, and fossil fuel exposure. These disclosures should be supported by investment plans that link strategy to financial commitments.

The revised ESRS E1-1 disclosure on transition plans should though clearly distinguish between CapEx as defined by the Accounting Directive and CapEx that is aligned with the Taxonomy. While the extension of the definition of CapEx in revised ESRS E1-1 to include all types of CapEx is useful, users of the sustainability statement should be able to clearly differentiate between CapEx that is Taxonomy-aligned and CapEx that is not within the transition plan disclosure.

Therefore, the Platform also recommends the following amendment to AR 2 in ESRS E1-1: (16(c) amended) The amount of significant financial resources (operational or capital expenditure, whereby the disclosure of capital expenditure should include a distinction between CapEx and OpEx as disclosed pursuant to Article 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council, where available, and other types of operational or capital expenditure respectively), allocated or expected to be allocated for the implementation of its transition plan for climate change mitigation. This should include an indicative range of future financial resources expected (with reference to ESRS E1-5 and ESRS 2 GDR-A).

Other environmental objectives

Similar considerations apply to transition planning for all other environmental objectives. While transition plans for non-climate objectives - except for biodiversity - are generally less developed and CapEx investments in non-mitigation alignment are still limited, CapEx plans will increasingly be relevant across all six environmental objectives. Where companies have

transition plans or targets, including CapEx plans, and their activities are eligible under one of the non-climate Taxonomy objectives, these should be disclosed. In particular, under the biodiversity standard, the credibility of biodiversity transition plans would be enhanced by disclosing CapEx and/or OpEx (where and if relevant) aligned with clearly defined biodiversity objectives, including investments aimed at avoiding, reducing legacy biodiversity impacts and restoring biodiversity in impacted areas. To support this, the scope of eligible activities under the biodiversity objective should be expanded to capture a sufficiently broad range of relevant economic activities.

Additional notes

The Platform notes that the DELEGATED REGULATION (EU) 2026/73 removes the requirement to demonstrate alignment or misalignment with DNSH, making disclosures “where relevant” and “and/or” fully voluntary, with full alignment remaining the default option. By using this language, or a similar formulation (i.e. “the extent to which companies are aligned with the EU Taxonomy’s Substantial Contribution (SC) and/or Do No Significant Harm (DNSH) criteria) is intended to give companies the option to:

- Simply report, or provide a link to, their climate mitigation alignment disclosures in the Annex.
- Where relevant, indicate the degree of alignment with the SC and/or DNSH criteria for partially aligned activities.

Ideally, and always as voluntary supplementary information, companies could also include any actions taken to improve alignment and the associated time horizon.

Reporting entities should not be required to treat environmental transition plans and EU Taxonomy-aligned CapEx plans as separate documents. These elements are highly complementary - the transition plan outlines the actions to be taken, while the CapEx plan specifies the financing of those actions - and can be presented in an integrated manner, enhancing the overall coherence of environmental action planning within the entity.

The Platform recommends ESRS E1.1 (DR 11) to explicitly ask non-financial companies to disclose - or refer to their disclosures by cross-referencing (using a link) where the disclosures can be found - either alongside DR 11 (b) or as new 11 (c):

- Whether their activities align with the Climate Mitigation Taxonomy (if eligible and the extent to which they are eligible),
- The extent to which they are aligned with its Substantial Contribution criteria and/or Do No Significant Harm criteria, and
- Any targets set for CapEx alignment, where relevant.

(Please note that any targets set may alternatively be mentioned under E1-6, as they form part of the climate change targets established by the undertaking. In such cases, companies that have also set targets for turnover alignment may disclose them there as well).

Similarly, where companies have transition plans or targets, including CapEx plans, and their activities are eligible under one of the non-climate Taxonomy objectives, these could be disclosed in their respective ESRS E2-E5 ARs.

The Platform also recommends that, under ESRS 1-1 (AR2, paragraph 11), disclosures on significant financial resources allocated—or expected to be allocated—to climate transition plans should explicitly permit references to CapEx that is already aligned with, or planned to align with, the Taxonomy. Furthermore, it should allow for references to CapEx that complies with the DNSH criteria, serving as a first step toward full alignment for companies that opt to pursue this approach, in addition to their broader CapEx plans.

The Platform suggests the following amendment to AR 2 in ESRS E1-1: (16(c) amended) The amount of significant financial resources (operational or capital expenditure, whereby the disclosure of capital expenditure should include a distinction between CapEx and OpEx as disclosed pursuant to Article 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council, where available, and other types of operational or capital expenditure respectively), allocated or expected to be allocated for the implementation of its transition plan for climate change mitigation. This should include an indicative range of future financial resources expected (with reference to ESRS E1-5 and ESRS 2 GDR-A).

Important note: the only requirement is for companies to cross-reference their taxonomy disclosures within the ESRS via a link. All other information **remains voluntary** for companies that choose to disclose it in the context of their transition planning.

1.3. Allowing the use of the EU Taxonomy activity classification in AR 12

In AR12 (paragraphs 20(b) and (c)) of ESRS 2, where the standard outlines the acceptable systems for classifying business activities, the Platform recommends including an additional option explicitly permitting the voluntary use of the EU Taxonomy activity classification.

The ESRS criteria for identifying significant sectors are already aligned with the EU Taxonomy through two key elements:

- The 10% revenue threshold
- The link to IFRS 8, which is closely aligned with the concepts reflected in the recent EU Taxonomy FAQs⁴
- Incorporating the Taxonomy classification in this section would enhance coherence across frameworks, streamline reporting, and reduce duplicated mapping and verification efforts.

The box below contains a suggested amendment to the text, with proposed changes shown in red.

⁴ Question 15 (and question 19) https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ%3AJOC_2022_385_R_0001

ESRS 2, AR 12. For para. 20 (b)(c) (AR 13 amended)

A sector, a market, and a group of products, services or costumers shall be considered significant if:

- (a) it accounts for more than 10 per cent of the undertaking's revenue¹; or
- (b) it is connected with the undertaking's **actual** or **potential** material **impacts**.
- (c) it is connected with a reportable operating segment considered material when applying the requirements of IFRS 8¹.

For significant sectors arising from activities that are internal to the group only the criterion in letter (b) applies.

ESRS 2 does not mandate a specific classification system of business activities. When disclosing its significant sectors, the undertaking may apply one of the following approaches:

- (a) the NACE classification system (Nomenclature générale des Activités Economiques dans les Communautés Européennes NACE Rev.2.1);
- (b) the reportable segments disclosed in the financial statements in accordance with IFRS 8 Operating segments² or local generally accepted accounting principles; or
- (c) available classification best practices, ~~or~~ frameworks, **or regulations**, such as the IFRS industry-based guidance, ~~and~~ GRI Standards defined in ESRS 1 AR 5, **and EU Taxonomy Regulation activities**.

¹ *Criteria aligned with the EU Taxonomy Regulation of 4 July 2025 amending Delegated Regulation (EU) 2021/2178 as regards the simplification of the content and presentation of information to be disclosed concerning environmentally sustainable activities and Delegated Regulations (EU) 2021/2139 and (EU) 2023/2486 as regards simplification of certain technical screening criteria for determining whether economic activities cause no significant harm to environmental objectives.*

² *IFRS 8 on Operating Segments aligned with Taxonomy activities classification in accordance with DRAFT COMMISSION NOTICE on the interpretation and implementation of certain legal provisions of the Disclosures Delegated Act under Article 8 of the EU Taxonomy Regulation, as amended by the Omnibus Delegated of 17 December 2025.*

2. One Integrated Transition Plan

2.1 One template

Companies should have the flexibility to aspire to develop a single, comprehensive transition plan encompassing climate change mitigation, adaptation and resilience, just transition, as well as biodiversity and ecosystems, circular economy, sustainable water use, and pollution prevention - addressed progressively, to the extent that each objective is deemed material and aligned with the company's priorities.

To ensure consistency and comparability, such a plan should follow a unified template aligned with ESRS disclosure requirements and other relevant regulatory obligations. The template should minimise duplication, be usable across EU legislative frameworks, and support the integration of all environmental objectives and just transition considerations. A modular, “building blocks” approach would allow companies to select the modules relevant to them – whether in terms of environmental objectives or in response to different regulations that applied to them - and, if desired, apply a phased implementation.

Given that the development of climate transition plans and their associated disclosures have advanced most significantly, both methodologically and in practical application among companies, the development of the climate change module should be prioritised, if necessary, to ensure timely progress while the full template is being developed. Its development should draw on established frameworks and best practices - including the 2.0 report “Building Trust in Transition: Core Elements for Assessing Corporate Transition Plans” (January 2025), as well as EFRAG’s draft implementation guidance on transition plans - while ensuring alignment with existing EU tools and, where relevant and possible, interoperability with international guidance.

The biodiversity module should be the second to be finalised after the climate module, given the progress achieved in recent years. Significant advances have been made—beyond the work of EFRAG⁵ and the Platform—by initiatives such as NGFS, GRI, the Taskforce on Nature-

⁵ EFRAG has already issued guidance, which will require updating to reflect the requirements of the new ESRS.

<https://www.efrag.org/system/files/sites/webpublishing/Meeting%20Documents/2411071010244152/06-03.1%20Transition%20Plan%20ESRS%20Implementation%20Guidance%20V1.13%20-%20SRB%2020250226%20clean.pdf>

related Financial Disclosures (TNFD), the Science Based Targets for Nature (SBTN), and others, particularly in relation to the identification of dependencies and risks, impact mitigation, target setting, and the disclosure of biodiversity-related actions. The objective is to enable a holistic and credible sustainability transition strategy that reflects each company's material priorities, reduces the reporting burden, and facilitates investor analysis through greater standardisation.

Use of the template should remain fully voluntary. Reporting entities should retain full flexibility to address each environmental objective in separate transition planning documents if they so choose. In either case, interlinkages between plans and the application of the Do No Significant Harm principle should be duly considered.

If included in the delegated acts, any such template could be incorporated into a **non-binding, illustrative appendix** to ensure clarity regarding its legal status. Annex IV provides an illustrative chart showing how the architecture of an EU transition plan policy could be structured, highlighting the interaction between different regulatory frameworks and environmental objectives.

2.2 One consistent terminology

The Platform recommends the equal application of harmonised transition/action plan language to all environmental objectives. Planned objective/target and action disclosures are foreseen for all environmental objectives in the ESRs, however only two formulate these plans as "transition plans". The definition provided in Annex II states that "an entity-specific action plan organised as a structured set of targets and actions, associated with:

- i) a key strategic decision;
- ii) a major change in business model; and/or particularly
- iii) important actions and allocated resources."

This can cause significant confusion regarding how to differentiate between transition plans and action plans, and when to report which (e.g. if a company has a mitigation action plan, but not a mitigation transition plan - how is that to be reported? Or if the entity has called it "Transition Plan", but it does not align with this definition -i.e. it does not lead to business model change - should it then not be reported?). For simplification, the language can be combined into a requirement to report either transition or action plans, if they exist, applied consistently across all environmental objectives.

CapEx planning can be integrated in either plan type as a resource planning component. It needs to be noted, that not only action plans, but also transition plans may be in place in reporting entities for any of the environmental objectives (e.g. considerations on circular economy may be integrated in a plan that leads to business model change, etc.). The same applies to CapEx Plans in the Taxonomy - they may address any environmental objective. Notable confusion between different types of plans may also arise in the context of other EU regulations; therefore, a harmonised approach needs to be adopted.

The Platform recommends that the European Commission:

1. develop a standardised transition plan template for non-financial undertakings. The template should use a modular "building blocks" approach to provide flexibility in addressing different sustainability dimensions, maintain alignment with existing EU tools and across EU legislative frameworks, and where possible, with international guidance.

The template is intended to supplement the European Sustainability Reporting Standards (ESRS) and its adoption should remain entirely voluntary. If included in the delegated acts, any such template could be incorporated into a non-binding, illustrative appendix to ensure clarity regarding its legal status.

2. harmonise the terminology and reporting requirements for transition and action plans across all environmental objectives in the ESRS. Reporting entities should be permitted to disclose either transition plans or action plans, as applicable, in a consistent manner. CapEx planning should be fully integrated into either type of plan as a resource allocation component. This approach should reduce reporting confusion, enhance comparability, and ensure alignment with related EU regulations, including the EU Taxonomy, while accommodating the varying practices and priorities of companies.

3. Consistency with the wider sustainable finance framework

Consistency of the standards with other policies in the EU sustainable finance framework is of critical importance to ensure the effectiveness of the wider system. Consistency is also essential to reducing the overall reporting burden and avoiding regulatory fragmentation. At the same time, uncertainty and ongoing developments around other regulatory frameworks should not be used as a justification to weaken or delay disclosures under the ESRS.

3.1 Sustainable Finance Disclosure Regulation (SFDR)

The alignment of the Sustainable Finance Disclosure Regulation (SFDR) with the ESRS framework remains a critical element for regulatory consistency and transparency in sustainability reporting. ESRS disclosures continue to broadly align with the SFDR—even if not entirely (e.g. ESRS S1, paragraph 40(b), CEO Pay Ratio)—as many ESRS metrics directly support the calculation of current SFDR Principal Adverse Impact (PAI) indicators. Preserving this interoperability ensures coherence between the two frameworks.

The Platform welcomes the retention of the underlying datapoints of all relevant PAI indicators for two reasons. First, as EFRAG has highlighted, they are relevant in their own right, independent of their link to SFDR. Second, even if the ongoing SFDR review results in eliminating the mandatory nature of some or all of them, many financial market participants (FMPs) have already invested in calculating them or using them for portfolio construction, as screening criteria, or for their periodic disclosures, and may wish to maintain them.

The Platform would like to refer to its previous recommendations regarding the methodological robustness of some of these indicators and would welcome the Commission’s consideration of the methodological suggestions made previously made.⁶

For the proposed SFDR “Transition” category, if approved, clear and consistent disclosure aligned with ESRS - particularly ESRS E1, incorporating the recommendations made in this brief to integrate Taxonomy CapEx disclosures – will be essential. Access to reliable

⁶ Annex III of Platform’s response to the previous ESRS Consultation https://finance.ec.europa.eu/document/download/859589aa-83a0-4950-8310-0a384c9a9418_en?filename=230707-sustainable-finance-platform-response-esrs-delegated-act_en_0.pdf

information on corporate transition plans, integrated Taxonomy CapEx disclosures, and broader sustainability data will enable investors to assess transition-related efforts effectively.

Lastly, the Platform recommends that any datapoint or information that might be included under SFDR Level 2 build upon the ESRS datapoints to maintain consistency and comparability.

The Platform recommends that the Commission ensure that any future SFDR Level 2 disclosures build on the ESRS—including the datapoints retained that are linked to the original PAI indicators and the recommendations made in this brief to integrate Taxonomy CapEx disclosures—to maintain consistency and regulatory coherence between the ESRS and SFDR.

3.2 Benchmarks Regulation

The removal of the requirement to disclose whether a company is excluded from the EU Paris-aligned Benchmark (PAB) is concerning. It remains essential for investors and stakeholders to have clarity on a company's inclusion or exclusion from the PAB, as this information is critical for assessing the company's alignment with climate objectives and its commitment to the goals of the Paris Agreement. Given the enhanced role that PABs exclusions will play in SFDR categories, the disclosures will ensure consistency in their application by FMPs and benchmark providers. Without such disclosure, comparability is undermined and investors are unable to reconcile fossil-fuel thresholds or other exclusions with company-level data.

The Platform recommends reinstating the requirement to disclose whether a company is excluded from the EU Paris-aligned Benchmark (PAB) to ensure transparency and enable investors to apply the Benchmark Regulation and make informed decisions.

3.3 Consistency with EU Regulatory Framework regarding terminology, definitions and underlying methodologies

Regarding definitions and methodologies

The ESRS naturally include a wide range of concepts, definitions, and methodologies that also appear in other EU regulatory instruments. Consistency of underlying indicators and datapoints remains critical to the coherence and effectiveness of the wider framework.

The Platform has identified a limited number of small but important inconsistencies in definitions, scopes, or underlying methodologies, which are set out in Annex I. The Commission should further align ESRS social and governance datapoints with other EU legislation. For example, ESRS S1-15 should reference the disclosure requirements of the Pay Transparency Directive for companies subject to both regimes, thereby avoiding duplication.

The Platform acknowledges, however, that given the short timeframe available for review, a comprehensive consistency check is not feasible. It therefore recommends that the European Commission undertake a further review to better align environmental, social, and governance datapoints with other EU regulations. This work should build on the mapping of datapoints across several (though not all) EU policies conducted by the previous Platform and published during an earlier ESRS consultation, with the aim of further improving consistency and coherence where alignment gaps remain.

The Platform recommends that the European Commission undertake a review of environmental, social, and governance definitions and datapoints to ensure full consistency between the ESRS and the wider EU normative framework, and to address the inconsistencies identified by the Platform in Annex I as well as in the previous Platform's mapping.

Regarding Greenhouse Gas emission disclosures, target setting, and transition pathways

The Platform supports the inclusion of net-zero targets under E1-6 and the retention of their definition in Annex II of the Draft Revised ESRS. The Platform would like to make three observations:

1. Regarding Scope 3 “significant” emissions

The ESRS requires disclosure of Scope 3 emissions for significant categories, aligning with the developments of the GHG Protocol and IFRS. The Platform recommends full alignment with the updated GHG Protocol by:

- Explicitly referencing the five GHG Protocol principles for Scope 3 inventories in AR24c: relevance, completeness, consistency, transparency, and accuracy.
- Where the criteria mentioned in AR24 (c) are met, defining a materiality threshold of 5% of total Scope 3 emissions to reduce misinterpretations of significance, consistent with prior GHG Protocol materiality guidance: *“While the concept of materiality involves a value judgment, the point at which a discrepancy becomes material (materiality threshold) is usually pre-defined. As a rule of thumb, an error is considered to be materially misleading if its value exceeds 5% of the total inventory for the part of the organisation being verified”*⁷;

Regarding the latter, the ESRS could build on the changes being considered by the GHG Protocol⁸ as of December 2025⁹: The GHG Protocol Technical Working Groups “recommended a more prescriptive and quantitative approach, defining the scope 3 requirement with a proposed quantitative exclusion threshold of 5%. This would mean that companies would be required to report at least 95% of required scope 3 emissions. This scope 3 requirement would apply to all required (formerly, “minimum boundary”) scope 3 emissions as specified in the Scope 3 Standard.”

The Platform also notes that ESRS E1-6 (AR13) exempts financial institutions from disclosing absolute values for financed emissions intensity targets, but the current wording is ambiguous. The Platform recommends clarifying this requirement to avoid misinterpretation.

Generally, the Platform recommends that emission data should always be published in tabular form to enable easy evaluation by users (ESRS E1.1, AR 26 ‘table of GHG emissions’). The Partnership for Carbon Accounting Financials (PCAF) launched updated GHG accounting standards for the financial industry in December 2025¹⁰. ESRS E1 AR 24 for paragraph 29(c) needs to be updated to include the most recent reference.

⁷ <https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf>

⁸ See here for a summary of phase 1 proposals made on updates to the Corporate Standard as of December 2025:

<https://ghgprotocol.org/sites/default/files/2025-12/CS-Phase1-ProgressUpdate.pdf>

⁹ Please note that this version is not adopted yet and may be subject to changes after public consultation scheduled mid-2026.

¹⁰ <https://carbonaccountingfinancials.com/en/newsitem/pcaf-launches-updated-ghg-accounting-standard-2025>

2. Target setting and transition pathways

The Platform highlights unresolved issues hindering target-setting:

- Lack of clarity on science-based contraction pathways beyond 2030¹¹, and
- Uncertainty over authoritative long-term reference points for target-setting and credibility assessments of counterparty targets.

Consistent with Platform 2.0 recommendations, the European Commission should:

- Develop EU-level transition pathways for high-emitting sectors, including technology roadmaps¹². When developing EU-level sectoral transition pathways, the Commission should ensure that pathways reflect sector-specific technological feasibility constraints, long investment cycles, and operational dependencies.
- Provide guidance for selecting scenarios for science-based corporate target-setting and transition planning.
- Establish criteria for qualifying targets as credible and science-based.

These are in line with previous recommendations of the Platform 2.0¹³.

In the meantime, voluntary initiatives such as SBTi remain relevant. The Commission's November 2025 publication of 24 sector-specific, climate-law-aligned decarbonisation pathways is a useful reference for aligning corporate transition plans.¹⁴

For more detailed insights see the transition plan publication of the PSF2.0¹⁵, excerpts of which have been copied to Annex III.

¹¹ Illustrative examples of the EU Climate Law-aligned EU sectoral decarbonisation pathways as specified in Commission guidance, namely [European climate law-aligned transition pathways - Publications Office of the EU](#), and [European climate law-aligned transition pathways - Publications Office of the EU](#).

¹² The European Commission's website hosts several sections and related workstreams; see here for the work related to the Single Market in this area: https://single-market-economy.ec.europa.eu/industry/transition-pathways_en

¹³ https://finance.ec.europa.eu/publications/platform-sustainable-finance-report-building-trust-transition-core-elements-assessing-corporate_en

¹⁴ see 24 sectoral fiches (+1 generic one): <https://op.europa.eu/en/publication-detail/-/publication/e2f59537-bf8b-11f0-a612-01aa75ed71a1>

¹⁵ https://finance.ec.europa.eu/document/download/ec293327-af1d-432c-8523-cfe7eec8367e_en?filename=250123-building-trust-transition-report_en.pdf

The Platform recommends the European Commission:

- develop a set of criteria for qualifying targets as credible science-based.¹ This set of criteria will serve as a robust framework to guide companies, financial institutions, and third-party verifiers in developing and accessing credible science-based targets, minimising the risk of greenwashing while effectively supporting the transition to net zero; and,
- establish independent scientific reference sources for post-2030 climate pathways to ensure consistent long-term target setting and assessments beyond the Science Based Targets initiative (SBTi) framework or other third-party assessment to verify its validity and reliability.

Regarding Scenario Analysis

The change from a mandatory requirement to an “if used” approach for scenario analysis in the identification and assessment of impacts, risks, and opportunities (IROs) is a matter of serious concern.

First, scenario analysis is essential for assessing climate resilience. It enables companies to evaluate how their strategy and business model perform under different climate-related scenarios, including policy developments, physical risks, and transition pathways. By identifying vulnerabilities and opportunities across a range of plausible futures, scenario analysis supports informed decision-making, enhances transparency, and underpins credible alignment with global climate objectives. In its absence, subsequent disclosures risk lacking analytical depth and cannot be fully relied upon to assess the financial implications of sustainability-related risks and opportunities.

Second, scenario analysis has become a cornerstone of transition planning within the EU’s prudential framework and among financial regulators and supervisors at the international level recognising the role of scenario analysis in addressing climate. This is reflected in recent updates to prudential regulation for financial institutions, such as the Capital Requirements Directive (CRD) and Solvency II, as well as in the Network for Greening the Financial System’s (NGFS) guidance documents, including the *“Guide to Climate Scenario Analysis for Central Banks and Supervisors”*.¹⁶ It is also evident in the requirements set out in the International Sustainability Standards Board (ISSB) Standards. In particular, **IFRS S2 Climate-related Disclosures** requires entities to use climate-related scenario analysis to assess the resilience

¹⁶ [Guide to climate scenario analysis for central banks and supervisors - 2025 version | Network for Greening the Financial System](#)

of their strategy and business model in a manner proportionate to their circumstances. The IFRS S2 Climate-related Disclosures (June 2023), Paragraph 22:

“An entity shall disclose information that enables users of general-purpose financial reports to understand the resilience of the entity’s strategy and business model to climate-related changes, developments and uncertainties, taking into consideration the entity’s identified climate-related risks and opportunities. The entity shall use climate-related scenario analysis to assess its climate resilience using an approach that is commensurate with the entity’s circumstances (see paragraphs B1–B18).”

This approach is also consistent with the Task Force on Climate-related Financial Disclosures (TCFD) and has become standard practice in global climate reporting.

Thirdly, limiting the identification of climate-related risks under ESRS E1-2 to financial materiality, when combined with the revised “if used” approach to scenario analysis, may reduce the visibility of certain climate-related impacts. In particular, there is a risk that human rights implications arising from physical climate impacts are not sufficiently captured, as these may not be immediately reflected through a financial materiality lens alone. Ensuring that such risks are appropriately identified would support a more comprehensive and robust assessment of climate-related impacts, risks, and opportunities.

Weakening the role of scenario analysis in ESRS risks undermining the coherence with the wider sustainable finance framework, credibility of transition planning, and risks positioning European Sustainability Reporting Standards below international standards and frameworks. Maintaining a robust requirement for scenario analysis would therefore strengthen global alignment, enhance the decision-usefulness of disclosures, and reinforce the credibility of European sustainability reporting. It can potentially also limit the capacity of the non-financial undertaking to timely prepare for potential requirements from financial undertakings.

The Platform recommends that the European Commission realign the ESRS scenario analysis requirement with the global baseline set out in IFRS S2, paragraph 22. Scenario analysis is a cornerstone of international transition planning and essential for assessing climate resilience. This alignment would ensure consistency with global frameworks, including the ISSB and TCFD, while providing financial market participants and institutions with critical information for risk management and financial stability.

Regarding Biodiversity and Ecosystems (ESRS E4)

The Platform believes that, if biodiversity and ecosystems are material to a company, the latter should develop a transition plan and, thus, make it public. The Platform understands that such a plan might take some time and efforts to be developed, Therefore, it stresses the need to ensure that companies for which biodiversity is material and do not have yet a plan in place, communicate whether and, if so, when' a plan will be adopted,

Companies face external constraints (e.g. regulatory) when implementing or advancing their transition towards net zero and more environmentally sustainable activities. Recent assessments by the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) highlight that many economic activities are highly dependent on biodiversity and ecosystem functions, and that ecosystem degradation can generate significant financial and operational risks for undertakings. At the same time, companies rely on natural resources and ecosystem services to sustain their economic activities. It is therefore recommended that companies disclose material dependencies on natural resources and ecosystem services, enabling investors and financiers to better understand companies' transition efforts. Failure to assess and disclose these dependencies may result in an incomplete understanding of exposure to biodiversity-related risks and undermine the relevance and credibility of transition planning.

The Platform highlights the importance of ensuring that undertakings for which biodiversity and ecosystems are material disclose their position on biodiversity and ecosystems transition planning—whether they intend to develop a plan and, if so, by when—while keeping detailed disclosures conditional.

4. Overarching issues affecting effectiveness or preparedness

4.1 Additional guidance for consistent understanding of the Fair Presentation concept

The Platform welcomes the inclusion of the fair presentation principle as an important step toward encouraging companies to move beyond a checklist-based approach, fostering international consistency and enhancing interoperability with ISSB standards (IFRS S1/S2). Additional clarification is however needed to ensure consistent application within a double materiality framework. Guidance should specify how fair presentation interacts with the fundamental qualitative characteristics of information - relevance and faithful representation - and how these apply when companies exercise judgment or apply reliefs.

The challenges of implementing fair presentation in a double materiality context must not be overlooked. Without robust oversight, companies may omit material topics, undermining the integrity of sustainability reporting. Auditors play a critical role in assessing whether material topics are appropriately included, and they must possess specialised sustainability expertise. The Platform welcomes the inclusion of a clarification of the fair presentation principle as an element in the Commission's mandate to the Committee of European Auditing Oversight Bodies (CEAOB) for the development of limited assurance standards.¹⁷

It is critical that guidance ensures that fair presentation does not disproportionately increase reporting burden or require excessive entity-specific information.

To support consistent application, clearer guidance is needed, including a precise definition, a well-specified target audience, and strengthened connectivity with financial statements to enhance coherence and consistency between sustainability and financial reporting. Careful design is essential to balance compliance, decision-usefulness, and proportionality, avoiding overreporting while maintaining credibility and reliability of disclosures.

¹⁷ Mandate: a41f3678-d774-40be-884f-2caecabb4b93_en.

The Platform welcomes the inclusion of the fair presentation concept as an element in the Commission’s mandate to the CEAOB on the development of limited assurance standards. The Platform supports the European Commission provide guidance to both preparers and assurers on the application of the fair presentation concept under the limited assurance standards that will be developed by the Commission.

The Platform also recommends publishing a stand-alone guidance specifically addressed to preparers. This guidance should be developed in collaboration with EFRAG, IFRS/ISSB for its application by users, taking into consideration the double materiality angle for European application.

To make ESRS 1 workable, the Commission should, when developing the limited assurance standards by June 2027, clearly indicate that companies are not required to meet every need of different user groups.

4.2 Regarding the Double Materiality Assessment (DMA)

While the definition and structure of the double materiality assessment have improved, significant areas of ambiguity and inconsistency remain in its practical application. These relate, in particular, to the distinction and interaction between impacts, risks and opportunities; the treatment of gross versus net impacts; the risk of excluding emerging or previously unrecognised topics; and uncertainty around assessment boundaries. Further ambiguity persists regarding the frequency of updates, which may lead to an unduly narrow interpretation of when and how the double materiality assessment should be reviewed. The current wording limits revisions to “significant changes” in a company’s activities or business model, without adequately capturing material changes arising from external developments beyond the company’s direct control.

In an increasingly volatile and fast-changing environment, material impacts, risks and opportunities may arise independently of internal business decisions. The concept of “significant changes” therefore needs to be broadened to explicitly include relevant external events. At the same time, while regular reviews of the double materiality assessment are necessary and should be made explicit to ensure it remains dynamic and forward-looking, their frequency should be determined by companies themselves, aligned with their internal

cycles, risk management processes and operational needs, rather than being prescribed rigidly.

Given these unresolved issues and the diversity of approaches currently observed in practice, the Platform recommends that, before developing further prescriptive guidance on the application of double materiality, a compendium of market practices be conducted. Any subsequent guidance should be grounded in evidence from real-world implementation, ensuring that it reflects how companies apply and interpret the concept in practice and supports consistent, proportionate and decision-useful reporting.

It is also recommended to specify the methodology for assessing impacts (net vs. gross) with the aim of simplifying the analysis. In particular, considering the relevance of the connectivity topic, it is recommended that the impact assessment adopt an approach consistent with the methodology used by the company in Risk Management and Financial Statements. For example, if impacts are assessed net of mitigation measures in those contexts, they should also be assessed on a net basis for the purposes of the double materiality assessment, ensuring methodological alignment and greater clarity in the analysis.

On another note, the Platform recommends referring to the Taxonomy in **ESRS 1 3.2.1 – Impact Materiality Assessment**, as the EU Taxonomy, being a science-based tool, provides meaningful input for assessing the materiality of economic activities from an inside-out perspective and the intimate link between Taxonomy eligibility and materiality: eligible activities can contribute significantly to one or more environmental objectives while limiting negative impacts on other environmental or social standards (Annex I contains the specific proposal and wording).

The Platform recommends that the European Commission mandates a compendium of market practices on the application of double materiality based on the outcome of discussions within companies that allow for sharing best practices. Any future guidance should be evidence-based and grounded in observed practice, reflecting how companies interpret, and how assurers apply the double- materiality concept and operationalise it in real-world conditions; and, clarify the concept of “significant changes” in the double materiality assessment to include relevant external developments, while requiring regular reviews of the assessment with the frequency left to companies’ discretion, with the understanding that auditors or other independent actors may play a role in supporting the objectivity of these judgments.

5. Availability of voluntary reporting data via a digital platform

5.1 Voluntary use requires proper safeguards to avoid greenwashing

Following the final adoption of Omnibus I, the scope of application of the ESRS has been significantly reduced, with an estimated contraction of approximately 85 to 93%¹⁸. The Platform acknowledges, and welcomes, the European Commission's intention to adopt a Voluntary Standard (VS) to provide a framework and reference point for companies that wish to continue, or begin, disclosing sustainability information. This is particularly relevant given the strong link between ESG transparency and companies' eligibility for inclusion in investors' investment universes and financial institutions' financing scopes. The future VS will effectively replace the current VSME and supersede the Commission's July 2025 recommendation on the use of the VSME. It is intended to apply to SMEs as well as listed and non-listed companies with up to 1,000 employees.

At the same time, some large, listed companies may wish to continue reporting against the ESRS, or to report selectively on certain indicators or datapoints - for instance, to enhance eligibility for sustainable or transition-focused financial products. The VS should therefore not prevent large companies from voluntarily reporting under the ESRS, particularly as some have already done so under the existing standards.

To mitigate the risk of inconsistent or misleading voluntary disclosures linked to ESRS, the Commission should incorporate clear and robust provisions in the finalised ESRS. These provisions should ensure that voluntary use of the standards is applied in a consistent and transparent manner, while not discouraging companies from reporting only parts of the ESRS where this information remains useful to investors. The objective should be to prevent selective or alternative disclosures that deviate from ESRS definitions and methodologies, as such practices could increase the risk of greenwashing and the proliferation of alternative performance measures (APMs) to support financial risk assessment and decision-making.

¹⁸ Rasche, A., Cojoianu, T., Hoepner, A. G. F. and Schneider, F. 'Scenarios for CSRD Scope Amendments - Advancing Reporting Scope while Reducing Further Burden' (2025). Available at: <http://dx.doi.org/10.2139/ssrn.5350977>

5.2 Improving data availability and accessibility for FMPs and FIs

The Platform recommends exploring the establishment of a centralised reporting platform for SMEs and large companies falling outside the scope of the CSRD. This platform could be based on EFRAG's digital reporting template and complemented by reporting tools and guidance, significantly reducing reporting costs. It should generate machine-readable reports that can be integrated via API into the datasets of the European Single Access Point (ESAP), or at least be linked to it, thereby improving access to key data for investors and credit institutions.

The Platform recommends exploring the possibility of establishing a centralised reporting platform that aligns with the VSME standard (including VSME-required data points) as well as key data points relevant for risks management purposes and investment decisions to improve data accessibility for investors and credit institutions.

The Platform recommends that the European Commission include clear and robust provisions in the finalised ESRS to govern voluntary use, ensuring disclosures are applied consistently and transparently. These safeguards should prevent selective or alternative disclosures that diverge from ESRS definitions and methodologies, while not discouraging partial voluntary reporting where such information remains useful to investors.

The Commission should ensure that the future Voluntary Standard does not prevent large companies from voluntarily reporting under the ESRS where this supports investor and financial institutions needs and market eligibility.

The Platform recommends exploring the establishment of a centralised reporting platform for SMEs and large companies outside the CSRD scope, based on EFRAG's digital reporting template. This centralised reporting platform should generate machine-readable reports and be integrated with - or linked to - the European Single Access Point (ESAP) via an API to improve data accessibility for investors and credit institutions.

The Platform strongly supports the timely development of the EU assurance standard by mid-2027, as mandated by law, and highlights the importance of reducing reporting burdens arising from inconsistent or misaligned auditor expectations.

6. Interoperability

The Platform welcomes greater compatibility with ISSB standards, while recognising that the ESRS must remain consistent with the European normative and regulatory framework, the double-materiality principle, and the EU's economic, social, and environmental objectives. This may require certain reporting requirements tailored to the European context, while maintaining strong interoperability with ISSB standards. ESRS requirements must meet - and where appropriate exceed - international ambition, while remaining firmly embedded in the EU policy framework and supporting the achievement of Europe's sustainability goals.

The definition of materiality in draft revised ESRS 1, paragraph 23, addresses the information needs of various stakeholders - whether focused on financial or impact materiality - in line with both IFRS and GRI standards and their respective materiality perspectives.

The draft revised ESRS 1 also enhances broader interoperability and comparability of entity-specific disclosures by highlighting the role of IFRS industry-based guidance and GRI standards as valuable sources for such disclosures (AR 5 for paragraph 12). Both GRI topical and sectoral standards are explicitly mentioned, as they can provide useful guidance for entity-specific disclosures, particularly in areas where the draft revised ESRS offers limited metrics. For instance, GRI standards can help fill gaps in biodiversity metrics, just transition indicators, or topics not covered by the draft revised ESRS, such as tax, which was frequently reported as an entity-specific issue of regulatory focus (IRO) during the first year of ESRS reporting. Furthermore, GRI standards are acknowledged in paragraph 108 of the draft revised ESRS 1 as a potential source of supplementary information, including non-material information included in the sustainability statement.

While the Platform welcomes the above recognition, it believes that greater interoperability with GRI is important and should be strengthened further. Given GRI's longstanding focus on and expertise in impact reporting, the ESRS can benefit from drawing on this expertise and incorporating links to the GRI standards more explicitly. This would likely help preparers of ESRS reports, as the GRI standards are already widely used by many firms and, thus, duplication can be reduced by clearly highlighting links and providing guidance on equivalents. The ESRS could also benefit from more clearly identifying disclosures, or their parts, which correspond to financially material information in an ESRS/ISSB mapping. Since the ISSB Standards apply only financial materiality, the current four-section ESRS structure (general,

environmental, social, and governance) does not always allow for a clear distinction or easy extraction of purely financially material information. This may create challenges for practical application.

Lastly, ensuring that ESRS requirements do not fall below the ISSB baseline is essential for potential future equivalence work. Areas where ESRS may currently provide a lower level of disclosure include financed emissions for financial institutions (ISSB requires additional Scope 3 Category 15 disclosures), the use of scenario analysis (which ISSB mandates), and reliefs in the ESRS, which may create temporary information gaps where such reliefs are applied.

The Platform recommends that the Commission develop and publish a formal interoperability mapping at datapoint level between the ESRS and the ISSB standards. This would help avoid duplicative reporting efforts for multinational companies and support consistent outcomes in both reporting and assurance, on the contrary strong divergent application practices across jurisdictions would reduce comparability and impair the ability of investors to evaluate climate resilience and transition risk consistently.

The Platform wishes to remind the Commission of the importance of completing the digital interoperability map between the ESRS and IFRS. This step is essential to enable the implementation of a digital XBRL concordance table and achieve full digital interoperability.

7. Other points to be taken into consideration

7.1 Removal of preference for direct data

The Platform expresses a general preference for maintaining the use of direct data and upholding the concept of a data hierarchy, prioritising primary data wherever possible. At the same time, the Platform recognises that in certain cases, collecting direct data may impose a disproportionate burden or compromise data quality, highlighting the legitimate need for sound estimates.

If the removal is nevertheless maintained, it should not undermine the progress of data initiatives such as the European Single Access Point (ESAP), which support the broader use of direct data by market participants. Further, because the removal of the preference for direct data (ESRS 1, paragraphs 34 and 66) will lead to continued reliance on proxy data, it warrants additional guidance on quality controls to minimise reliability gaps.

Guidance is therefore needed on which databases and estimation approaches may or may not be used. It is critical to strike the right balance between flexibility, which is essential to foster innovation in this rapidly evolving area, and the need for a framework—likely principle-based—that provides reassurance to users and end investors, without fundamentally altering the use of primary data.

We must acknowledge that, irrespectively of whether the preference of direct data is reinstated, estimates will often be required given companies' global operations and highly diverse client bases. Such estimates should therefore be subject to robust internal governance and transparent disclosure, including their sources, levels of uncertainty, and underlying assumptions.

Priority should also be given to improving the coverage, accuracy, and open accessibility of sustainability databases. In this context, databases that refine sector averages using entity-specific inputs could help mitigate some of the identified risks by producing more realistic and tailored estimates, while remaining consistent with the precautionary principle enshrined in Article 191 of the Treaty on the Functioning of the European Union.

Finally, it is worth noting, first, that as the Greenhouse Gas Protocol continues to revise its standards—likely requiring greater transparency regarding the type and quality of disclosed data—the proposed amendments may reduce interoperability with international frameworks and legislative requirements in other jurisdictions. Second, any changes should respect the following core principles: trust in preparers, auditors, and supervisors; avoidance of new reporting obligations; and preservation of the European Sustainability Reporting Standards (ESRS) as a transparency and harmonisation framework, rather than a behaviour-mandating one.

The Platform recommends that the Commission retain the preference for direct data while allowing flexibility to use estimates where justified by data-availability or quality constraints. Targeted guidance on data sources and estimation methods, while prioritising the development and accessibility of high-quality sustainability databases, is important to support reporting in accordance with the ESRS.

7.2 Ensuring stability and allowing early adoption

The standards are expected to be published around mid-2026, with mandatory application for the 2027 reporting year. However, it remains unclear whether early adoption will be permitted for 2026. Once adopted, the amended ESRS should remain stable for a defined period (at least three years, in line with the post-implementation review), with no further substantive changes. In parallel, the Commission should ensure the rapid issuance of methodologies, clarifications, and implementation guidance to support effective and consistent application.

Regarding assurance, the Platform strongly supports the development of the EU assurance standard to be adopted by mid-2027, as mandated by law. The Platform recognises that reporting burdens often stem not from ESRS requirements themselves, but from inconsistent or misaligned auditor expectations. Given the procedural steps required, including public consultation and technical advice from the Committee of European Audit Oversight Bodies, adoption ahead of the legal deadline appears unlikely.

The Platform calls for stability once the standards are adopted and recommends allowing early adoption for the 2026 reporting year to enable a smoother and more structured transition to the revised reporting framework.

Annex I – Additional proposed changes to ESRS aimed at ensuring consistency of definitions and methodologies across the EU normative framework

The following table contains additional proposed changes to ESRS aimed at ensuring consistency of definitions and methodologies across the EU normative framework. Text highlighted in red shows the proposed changes, including deletions and additions.

ESRS 1	
ESRS 1, para. 33	<p>'Geographies' – The requirement to identify the geographical areas in which the company or its value chain operates is not yet sufficiently clear.</p> <p>Original wording of ESRS 1 para. 33 in the November 2025 version: 'For geographies identified under paragraph 32(b), the undertaking shall consider the specific context to assess the materiality of impacts, risks, or opportunities.'</p> <p>It should be reworded as follows: "The undertaking shall assess the materiality of topics at an appropriate level, considering the specific context of the geographies where impacts, risks and opportunities occur or may occur".</p>
ESRS 1, 3.2.1 (after proposed paras. 41 and 42)	<p>The following addition at the end of the paragraph (after proposed paragraphs 41 and 42) as part of ESRS 1 3.2.1. Impact materiality assessment:</p> <p>"If an undertaking engages in activities that are eligible for the EU Taxonomy, this indicates that it impacts the environmental objective for which the Taxonomy defines substantial contribution (SC). To this extent, the following information should be an input to the materiality assessment when identifying IROs (i.e., refer to Chapter 3.2 Step B of</p>

	<p>this Guidance): (a) whether the undertaking has in place activities that do or do not comply with the criteria for substantial contribution, including Capex plans; and (b) whether these activities comply or not with one or more of the DNSH criteria.”</p> <p>Alternatively, the Taxonomy framework and related disclosures could be referenced as part of the list of examples for inputs/tools to the Materiality assessment process (in ESRS 2 AR22 for para 35(a))¹⁹.</p>
ESRS 1, AR 16 for paras. 39 - 40	<p>Add: Examples of impacts connected:</p> <p>“[...] this negative impact is connected with the undertaking through its relationship with the undertaking it provides the loans to. This does not imply an obligation to identify or assess environmental breaches at an individual level.”</p>
ESRS 1, AR 23 for para. 43	<p>Change to:</p> <p>Workers' representatives: “[...] the management of the undertaking shall inform workers' representatives at the appropriate level and discuss with them the relevant information and the means of obtaining and verifying sustainability information. This provision aims to promote transparency and dialogue, without introducing additional procedural or co-determination requirements regarding data sourcing and verification. Such a process and, where applicable, the related communication to the relevant administrative, management and supervisory bodies constitute a valuable element of engagement with stakeholders.”</p>
ESRS 1, para. 66	<p>Add:</p> <p>“When developing estimates, the undertaking may use internal and external information, such as data from indirect sources, sector-average data, sample analyses, market and peer groups data, spend-based data or other proxies. Those estimates should be transparent and in line with the precautionary principle.“</p>
ESRS 1, AR 37a for para. 76	<p>Add new AR with regards to acquisitions and disposals:</p> <p>AR 37a for para. 76</p> <p>“(new) When disclosing information on acquisitions and disposals in the reporting year, interoperability with IFRS standards should be</p>

¹⁹ The November ESRS update introduces relevance and materiality criteria in ESRS 2 SBM 1 (Strategy, Business Model, and Value Chain), in line with AR 13, paragraph 20(b). This allows companies to identify and disclose relevant products, services, or business lines, ensuring alignment with the Taxonomy’s materiality criteria and IFRS standards.

	<p>considered. Consequently, the undertaking shall include the following minimum qualitative information:</p> <p>a) For acquisitions: the name and a description of the acquiree, the acquisition date, the primary reasons for the business combination and a description of how the acquirer obtained control of the acquiree (IFRS 3 – B64 a, b and d);</p> <p>b) For disposals: a description of the subsidiary or business sold, a description of the facts and circumstances of the sale, the gain or loss recognised (IFRS 5 – 41 a, b and c).”</p>
ESRS 1, para. 96a	<p>New paragraph to be added with regards to undue cost or effort:</p> <p>”96a. (new) The undertaking shall disclose if the « undue cost or effort » provision is being used and include any relevant information to allow an understanding of the underlying reasons. In this circumstance, the undertaking shall disclose the actions planned or taken to improve the accessibility and quality of information in future periods.”</p>
ESRS 1, AR 43 for para. 94	<p>AR 43 for para. 94 (Reasonable and supportable information available without undue cost or effort):</p> <p>”(new) [...] When assessing whether the preparation of a disclosure would involve undue cost or effort at the reporting date, the undertaking shall first consider the materiality of the information to be disclosed. If the information is not material, the materiality assessment should prevail. If material, the undertaking shall consider, individually or jointly, criteria such as: [...] ”</p>
ESRS 1, AR 43a for para. 96a	<p>AR 43a for para. 96a (Statement for using the « undue cost or effort » provision) - new AR to be added:</p> <p>”(new) The reasons for using the « undue cost or effort » provision could include the lack of available data, the insufficiency of data quality or the absence of robust methodologies that would allow meaningful reporting. ”</p>
ESRS 1, Appendix A	<p>In alignment also with the Glossary and relevant E4 paragraphs, ESRS 1 Appendix A could be rephrased as following:</p> <p>“Drivers of biodiversity and ecosystem change (terrestrial, freshwater and marine habitat change, invasive species)”</p> <p>“The extent and condition of terrestrial, freshwater and marine ecosystems”</p>

ESRS 2	
ESRS 2, Appendix A	<p>Page 21 indicates that E4 2 (policies) corresponds to SFDR RTS indicator #14.2, which may not be entirely accurate. E4 2 focuses on “biodiversity sensitive areas”, whereas SFDR indicator #14.2 refers to “operational sites owned, leased, managed in, or adjacent to, a protected area or an area of high biodiversity value outside protected areas”. SFDR provides a definition for such areas (area of high biodiversity value outside protected areas), while the ESRS draft neither refers to such areas nor provides a definition for them.</p> <p>Appendix A (p. 21) Table 1 seems to suggest that SFDR RTS indicator #14.1 is not addressed in ESRS disclosure requirements. However, it appears to be covered within the ESRS E4 term “Biodiversity sensitive area” and its definition (Annex II, p. 7). Accordingly, #14.1 should be listed in Table 1 under at least ESRS E4 5 (activities/metrics). It is unclear why it is currently listed in Table 2 (p. 25).</p>
ESRS E1	
ESRS E1	<p>The European Union's Climate Law (Regulation (EU) 2021/1119) enshrines the EU's commitment to climate neutrality by 2050 into binding legislation and sets a legally binding target to reduce net CO2e emissions by at least 55% by 2030 vis a vis 1990 levels. Consequently, any corporate sustainability disclosure regulation issued by the European Union should deem any KPI such as Scope 1 or 2 CO2 emissions double material without any need to engage in a burdensome assessment of double materiality. Such a decision to invoke burden reducing Deemed Double Materiality (DDM) instead of burden increasing Double Materiality Assessment (DMA) would advance both European competitiveness and strengthen the European Union's ability to achieve its binding Climate Law.</p>
E1-1, para. 11	<p>Change to: ”Application Requirements for E1-1 – Transition plan for climate change mitigation</p>

	<p>In disclosing the key features referred to in paragraph 11(a), the undertaking shall refer, if applicable, to disclosures on policies, actions, resources and targets made elsewhere (e.g. ESRS E1-5 and E1-6 as well as ESRS 2 General Disclosures). The transition plan disclosure consolidates the key features of the undertaking’s plan into a coherent description that demonstrates that they are strategically aligned to drive business transformation. The relevant disclosures under this paragraph are:</p> <p>(a) (AR 2 amended) a statement on whether the GHG emission reduction targets are science-based and compatible with limiting global warming to 1.5°C (with reference to ESRS E1-6, paragraph 23, and the associated Application Requirements (ARs)), and have been informed by sectoral and – where relevant – regional pathways.”</p>
<p>ESRS E1.2, para. 15</p>	<p>Change to:</p> <p>”15. The undertaking shall describe the process to identify and assess climate-related impacts, risks and opportunities. This description shall include its process in relation to:</p> <p>a) impacts on climate change, in particular, the undertaking’s GHG emissions;</p> <p>(b) climate-related physical risks in own operations and along the upstream and downstream value chain, in particular:</p> <p>i. the identification of climate-related hazards, considering at least high emission climate scenarios; and</p> <p>(c) climate-related transition risks and opportunities in own operations and along the upstream and downstream value chain, in particular:</p> <p>i. the identification of climate-related transition events, considering at least a climate scenario in line with limiting global warming to 1.5°C with no or limited overshoot; and</p> <p>ii. the assessment of how its assets and business activities may be exposed to these climate-related transition events, including the impact of external factors (e.g. evolving carbon pricing mechanisms and the availability of low-carbon technologies), creating gross transition risks or opportunities for the undertaking. [...]”</p>

<p>ESRS E1.3, para. 18</p>	<p>Change to:</p> <p>”18. In addition to the disclosure in ESRS 2 SBM-3, the undertaking shall disclose the following information on the resilience of its strategy and business model to climate-related risks: [...]</p> <p>(b) how and when the resilience analysis has been conducted, including the use of climate scenario analysis, and significant areas of uncertainty in the assessment of its climate resilience; and</p> <p>(c) the results of the resilience analysis including the results from the use of scenario analysis, as well as its capacity to adjust or adapt its strategy and business model to climate change over the short, medium and long term. ”</p>
<p>ESRS E1-6, para. 23</p>	<p>Change to:</p> <p>“Disclosure Requirement E1-6 – Targets related to climate change [...]</p> <p>c) a statement on whether the GHG emission reduction targets are science-based and compatible with limiting global warming to 1.5°C. The undertaking shall state which framework and methodology has been used to determine these targets, including whether they are derived using a sectoral and regional decarbonisation pathway taking into account - where relevant - sources such as the EU climate law-aligned transition pathways, and the underlying climate and policy scenarios. As part of the critical assumptions used for setting GHG emission reduction targets, the undertaking shall briefly explain how it has considered future developments (e.g. changes in sales volumes, shifts in customer preferences and demand, regulatory factors, and new technologies) and how these will potentially impact both its GHG emissions and emissions reductions. ”</p>
<p>ESRS E2</p>	
<p>ESRS E2, AR 6 for paras. 17 and 18</p>	<p>‘Sold’ in AR6 could be changed to ‘placed on the market.’</p> <p>‘Use during production and during the delivery of services’ could be included in last sentence of AR 6.</p> <p>It could be considered to specify a threshold to support the definition of “release into the environment”.</p>

ESRS 2 - SBM-3	<p>Add:</p> <p>Skills, capabilities and resources to quantify anticipated financial effects:</p> <p>29. (new) The undertaking need not provide quantitative information about the <i>anticipated financial effects</i> of material <i>risks</i> or <i>opportunities for a three-year period</i> if it does not have the skills, capabilities or resources to provide that quantitative information.</p>
ESRS E4	
ESRS E4, para. 4	<p>The EU Regulation on Deforestation-free Products (EUDR, (EU) 2023/1115) should be explicitly referenced. Perhaps also EU Directive on Soil Monitoring and Resilience, (EU) 2025/2360, because it aims at protecting and improving soil biodiversity.</p>
ESRS E4, AR 3 for para. 11	<p>EFRAG's draft (Annex II) does not include a definition of the term “sustainable land/agricultural practice” or of the term “sustainable oceans/seas practice”.</p> <p>Change to:</p> <p>When describing the content of its policies, the undertaking shall specify, where applicable, whether they address sustainable land or agricultural practices; sustainable oceans or seas practices; or deforestation what type of practice on land, on freshwater or at sea with actual or potential material impacts on biodiversity and ecosystems in its value chain they aim to address.</p>
ESRS E4, para. 18	<p>The introduction of the new and otherwise unused term ‘location’ is rejected. Instead, “site” and ‘group of sites’ should be used, as these are common and easily applicable terms. In accordance with the materiality principle, only locations where risks may arise should be considered in more detail.</p>
ESRS E4, AR 11 for para 19.	<p>It would be advisable to include guidance consistent with AR 11 for para. 19, which states:</p> <p>“Where possible measurement at site using state of nature metrics is best suited to determine impact on biodiversity and ecosystems. Measurement at site is especially relevant where those sites are in or near biodiversity sensitive areas. Where measurement at site is not</p>

	feasible, estimation using measurement of impact drivers or estimates of state of nature can be used”.
ESRS E4, Annex II	“Deforestation” should be added. The definition can be found in SFRD RTS.
ESRS E4, Annex II	“Area of high biodiversity value” could be added. A definition for such areas is provided in RED III (Directive (EU) 2018/2001 with amendments), Article 29(3), but it is limited to forests and other wooded land, grasslands, and heathlands. It does not cover, for example, wetlands, marine areas (oceans/seas) or freshwater ecosystems.
ESRS S1	
ESRS S1, AR 36 for para. 42(b)	<p>In line with Commission's mandate, S1-16 AR 36 should not mention "non-judicial proceedings":</p> <p>„These incidents are understood as the number of substantiated instances of:</p> <p>(a) judicial and non-judicial proceedings that have been initiated (such as cases before domestic courts and tribunals, mediation and complaints filed with the National Contact Points for OECD Multinational Enterprises); and/or [...]“.</p>

Annex II – Proposal to reflect the interconnectivity between the data points and metrics of the Taxonomy Regulation and those of the ESRS, with the aim of supporting reporting, ensuring future consistency, and eliminating redundancies

In addition, and as a complement to the recommendations and explanations provided in Section 1, the following further demonstrates the interconnectivity between ESRS and the EU Taxonomy. While Table 3 illustrates the interconnectivity and highlights the need for a proper mapping tool, Tables 1 and 2 provide additional recommendations where this connectivity should be explicitly addressed in the ESRS Delegated Acts.

Table A.II.1: ESRS Indicator links with EU Taxonomy Entity Level Eligibility and Alignment for Climate Change Mitigation and Adaptation

Disclosure Requirement	Datapoint Description	Full Text from Standard	Taxonomy Indicators
E1-1: Transition plan for climate change mitigation	Description of key features of the transition plan	The information about the transition plan for climate change mitigation shall include: (a) a description of its key features. This includes GHG emission reduction targets, the decarbonisation levers, key actions, investments and funding needed to support the implementation of the plan, the approval of the plan by the administrative, management and supervisory bodies, and how the plan is embedded in and aligned with the undertaking's overall business strategy. It shall also include information on how the undertaking's strategy	Taxonomy-eligible and/or aligned CapEx for climate change mitigation and/or adaptation activities

		<p>and business model are or will be compatible, pursuant to the implementation of the plan, with the limiting of global warming to 1.5°C in line with the Paris Agreement and with the EU's objective of achieving climate neutrality by 2050</p> <p>AR 2 for para. 11(a) amount of significant financial resources (operational or capital expenditure), allocated or expected to be allocated for the implementation of its transition plan for climate change mitigation</p>	
E1-5: Actions and resources	Resources allocated to climate actions	<p>The undertaking shall disclose its key climate change mitigation and the climate change adaptation actions and resources allocated to their implementation, in accordance with the provisions of ESRS 2 GDR-A.46. (69 amended) (b) disclose the amount of significant financial resources allocated to the key actions in the reporting period (if any), and indicate the corresponding line items or notes where they are included in the financial statements</p>	
E1-11: Anticipated financial effects	Assets or revenue from climate-related opportunities	<p>The undertaking shall disclose the amount of assets or revenue from its business activities related with the identified climate-related opportunities, including their associated time horizons.</p>	<p>Taxonomy-eligible and/or aligned CapEx and where relevant, Turnover for climate change mitigation and/or adaptation activities</p>

Table A.II.2: ESRS Indicator links with EU Taxonomy Entity Level Eligibility and Alignment for additional Environmental Objectives

Disclosure Requirement	Datapoint Description	Full Text from Standard	Taxonomy Indicators
E2-2: Actions and resources related to pollution	Key pollution-related actions and resources	The undertaking shall disclose its key pollution-related actions and resources allocated to the implementation of those actions in accordance with the provisions of ESRS 2 GDR-A.	Taxonomy-eligible and/or aligned CapEx for pollution-related activities
E3-2: Actions and resources related to water	Key water-related actions and resources	The undertaking shall disclose its key water-related actions and resources allocated to their implementation in accordance with the provisions of ESRS 2 GDR-A.46. (69 amended) (b) disclose the amount of significant financial resources allocated to the key actions in the reporting period (if any), and indicate the corresponding line items or notes where they are included in the financial statements	Taxonomy-eligible and/or aligned CapEx for water-related activities
E4-3: Actions and resources related to biodiversity and ecosystems	Key biodiversity and ecosystems actions and resources	The undertaking shall disclose its key biodiversity- and ecosystems-related actions and resources allocated to their implementation in accordance with the provisions of ESRS 2 GDR-A.46. (69 amended) (b) disclose the amount of significant financial resources allocated to the key actions in the reporting period (if any), and indicate the corresponding line items or notes where they are included in the financial statements	Taxonomy-eligible and/or aligned CapEx for biodiversity- and ecosystems-related
E5-2: Actions and resources related to resource use and circular economy	Key resource use and circular economy actions	The undertaking shall disclose its key resource use and circular economy actions in accordance with the provisions of ESRS 2 GDR-A.46. (69 amended) (b) disclose the amount of significant financial resources allocated to the key actions in the reporting period (if any), and indicate the	Taxonomy-eligible and/or aligned CapEx for circular economy activities

		corresponding line items or notes where they are included in the financial statements	
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Table A.II.3: ESRS Indicator links with EU Taxonomy Minimum Safeguards Topics

Human Rights Topic

Minimum Safeguards Requirements	Relevant Disclosure Requirements
1. The company has not established an adequate human rights due diligence process as outlined in the UNGPs and OECD Guidelines for MNEs:	See below.
a. Embedding a commitment to respect human rights into policies and procedures.	ESRS 2 GOV-3 – Statement on due diligence ESRS 2 IRO-1 – Description of the process to identify and assess material impacts, risks and opportunities and material information to be reported ESRS 2 IRO-2 – Material impacts, risks and opportunities and disclosure requirements included in the sustainability statement
b. Identification and assessment of adverse impacts including through stakeholder engagement	ESRS 2 GOV-1 – The role of the administrative, management and supervisory bodies in relation to sustainability ESRS 2 GOV-3 – Statement on due diligence ESRS 2 SBM-2 – Interests and views of stakeholders ESRS 2 IRO-1 – Description of the process to identify and assess material impacts, risks and opportunities and material information to be reported ESRS 2 IRO-2 – Material impacts, risks and opportunities and disclosure requirements included in the sustainability statement ESRS 2 General Disclosure Requirement for policies – GDR-P Topical ESRS: Common DR for the social norms: ESRS S1-1, S1-2, S2-1, S2-2, S3-1, S3-2, S4-1, S4-2

c. Taking actions to cease, prevent, and mitigate adverse impacts	<p>ESRS 2 General Disclosure Requirement for actions and resources – GDR-A</p> <p>Topical ESRS:</p> <p>Common DR for the social norms: ESRS S1-3, S2-3, S3-3, S4-3</p>
d. Track implementation effectiveness	<p>ESRS 2 General Disclosure Requirement for metrics – GDR-M</p> <p>ESRS 2 General Disclosure Requirement for targets – GDR-T</p> <p>Topical ESRS:</p> <p>Common DR for the social norms: ESRS S1-4, S2-4, S3-4, S4-4</p> <p>Specific metrics DR for S1: S1-5 to S1-16 where relevant</p>
e. Communicate	<p>See above and below for each step (the communication is the undertaking's sustainability statement).</p>
f. Remediation, including the establishment of a grievance mechanism	<p>ESRS S1-2 – Engagement with own workforce and workers' representatives, existence of channels for own workforce to raise concerns or needs and approaches to remedy</p> <p>ESRS S1-3 – Actions and resources related to own workforce</p> <p>ESRS S2-2 – Engagement with workers in the value chain, existence of channels for workers in the value chain to raise concerns or needs and approaches to remedy</p> <p>ESRS S2-3 – Actions and resources related to workers in the value chain</p> <p>ESRS S3-2 – Engagement with affected communities, existence of channels for affected communities to raise concerns or needs and approaches to remedy</p> <p>ESRS S3-3 – Actions and resources related to affected communities</p> <p>ESRS S4-2 – Engagement with consumers and end-users, existence of channels for consumers and end-users to raise concerns or needs and approaches to remedy</p> <p>ESRS S4-3 – Actions and resources related to consumers and end-users</p>

<p>2. There are signals that the company did not adequately implement HRDD and/or did abuse HR. These are:</p> <p>a) The company has finally been found in breach of labour law or human rights.</p>	
<p>b) The following two indicators signal that the company does not engage with stakeholders although this is an integral part of the UNGPs.</p> <ul style="list-style-type: none"> • An OECD National Contact Point has accepted a case, however the company refuses to engage with the party which has initiated it, or the company has been found non-compliant with the OECD guidelines by the NCP. • The Business and Human Rights Resource Centre (BHRRC) has taken up an allegation against the company, and the company has not answered to it within 3 months, only if these letters are less than 2 years old. 	<p>ESRS S1-16 – Incidents of discrimination and other human rights incidents</p> <p>ESRS S2-3 – Actions and resources related to workers in the value chain</p> <p>ESRS S3-3 – Actions and resources related to affected communities</p> <p>ESRS S4-3 – Actions and resources related to consumers and end-users</p>

Corruption Topic

Minimum Safeguards Requirements	Relevant Disclosure Requirements
<p>1. The company has no anti-corruption processes in place.</p>	<p>ESRS G1-1 – Policies related to business conduct</p> <p>ESRS G1-2 – Actions related to business conduct</p> <p>ESRS G1-3 – Targets related to business conduct</p> <p>ESRS G1-5 – Metrics related to political influence, including lobbying activities</p>

2. The company or its senior management, including the senior management of its subsidiaries, has finally been convicted in court on corruption.	ESRS G1-4 – Metrics related to corruption or bribery
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Taxation Topic

Minimum Requirements	Safeguards	Relevant Disclosure Requirements
1. The company does not treat tax governance and compliance as important elements of oversight, and there are no adequate tax risk management strategies and processes in place.		ESRS 2 General Disclosure Requirement for policies – GDR-P ESRS 2 General Disclosure Requirement for actions and resources – GDR-A ESRS 2 General Disclosure Requirement for metrics – GDR-M ESRS 2 General Disclosure Requirement for targets – GDR-T ESRS 2 SBM-3 – Interaction of material impacts risks and opportunities with strategy and business model, and financial effects ESRS 2 GOV-4 – Risk management and internal controls over sustainability reporting ESRS G1-1 – Policies related to business conduct ESRS G1-2 – Actions related to business conduct ESRS G1-3 – Targets related to business conduct
2. The company or its subsidiaries have finally been found violating tax laws.		N/A

Fair Competition Topic

Minimum Requirements	Safeguards	Relevant Disclosure Requirements
1. The company does not promote employee awareness of the importance of compliance with all applicable competition laws and regulations.		'ESRS 2 General Disclosure Requirement for policies – GDR-P ESRS 2 General Disclosure Requirement for actions and resources – GDR-A ESRS 2 General Disclosure Requirement for metrics – GDR-M ESRS 2 General Disclosure Requirement for targets – GDR-T ESRS G1-1 – Policies related to business conduct ESRS G1-2 – Actions related to business conduct ESRS G1-3 – Targets related to business conduct
2. The company or its senior management, including the senior management of its subsidiaries, has finally been convicted on violating competition laws.		N/A

Table A.II.4: Illustration of ESRS Data Points Linked to EU Taxonomy Minimum Safeguards

DR	Paragraph	Related AR	Name	Link with MS
S1-1	9	AR 1	Policies for managing material IROs related to own workforce, including whether they cover specific groups or all own workforce	Human Rights (DD process)
S1-1	10		Whether policies address trafficking in human beings, forced or compulsory labour, and child labour	Human Rights (DD process)
S1-16	42c	AR 41	Total amount of fines, penalties and compensation for damages for incidents of discrimination and other human rights incidents	Human Rights (convictions)

S2-1	11		Whether undertaking has a supplier code of conduct	Human Rights (DD process)
S2-3	18	AR6-AR9	Human rights incidents connected to workers in value chain identified in reporting period (for material sub-topics)	Human Rights (convictions)
G1-1	6a		Whether anti-corruption and anti-bribery policies consistent with UN Convention against Corruption are in place	Corruption (processes in place)
G1-1	6 b		Whether policies on the protection of whistle-blowers are in place	Human Rights (DD process) Corruption (processes in place) Fair Competition (processes in place)

Annex III – PSF2.0 Transition Plan report:

Targets

The following are excerpts from the PSF2.0 “Building trust in transition: core elements for assessing corporate transition plans” report published in January 2025²⁰.

Science-based and time-bound targets

Targets play a crucial role in transition plans, as they set the overall level of ambition. In the context of climate change mitigation, FMPs should assess whether transition plan targets are aligned with the goal to limit warming to 1.5°C with no or limited overshoot. This means reaching global net zero emissions by 2050, while remaining within a global carbon budget of ~400-500Gt. Evaluating the ambition of GHG emission targets in the context of corporate climate mitigation transition plans can be a complex exercise. Moreover, the existing EU regulatory framework does not provide a definition of a credible and science-based target, despite referring to this concept as part of the sustainable finance framework - notably in the European Commission’s Recommendation of June 2023 on facilitating finance for the transition to a sustainable economy.

Assessing the use of climate change mitigation scenarios in target-setting and climate alignment Setting science-based targets and assessing alignment of a corporate transition plan with the temperature goal of the Paris Agreement requires the use of reference scenarios that incorporate the latest available scientific evidence. The main scenario sources used by companies and financial institutions for target setting and alignment assessment come from four providers: the International Energy Agency (IEA), the Network for Greening the Financial System (NGFS), the European Joint Research Centre (JRC), and the Institutions for Sustainable Futures (ISF). Beyond target-setting and climate alignment assessments, scenarios can also be used for risk management purposes, including to plan for a disorderly transition. Scenarios are some of the best-available tools today to set targets and plan for the transition, but they also have important limitations.

²⁰ https://finance.ec.europa.eu/document/download/ec293327-af1d-432c-8523-cfe7eec8367e_en?filename=250123-building-trust-transition-report_en.pdf

Select recommendations made to the European Commission

The following recommendations have been formulated by the EU Platform 2.0 with the aim of helping the European Commission enhance the effectiveness of its policy framework to: (i) support companies in developing robust transition plans and setting science-based targets in line with EU goals; and (ii) facilitate the user assessments of the credibility of transition plans. These recommendations are based on existing sustainability transparency requirements at the time in the EU and should not lead to additional reporting for companies.

Sectorial transition pathways, science-based and time-bound targets

Develop sectorial transition pathways for high-emitting sectors at the EU level, complete with technology roadmaps. Such pathways are essential for supporting the preparation and assessment of sector-specific transition plans. They should be science-based and developed in consultation with the relevant industry stakeholders. EU sectorial pathways should be designed using a consistent approach that integrates existing policy tools (e.g., ETS, Taxonomy, CBAM) and sectoral policies (e.g., industrial or transport policy) to provide coherent signals to the market. In addition, such Pathways could be based on "European climate law-aligned transition pathways Guidance document and all 25 sectoral fiches" published in November 2025.²¹ These pathways must be consistent with EU Taxonomy climate mitigation TSC thresholds (and vice versa), EU ETS benchmarks, and upcoming ESRS sectoral standards to ensure coherence in metrics, scenarios, and milestones. This alignment should also clarify the position of the Taxonomy's TSC for transitional activities within future EU pathways and support the integration of activity and asset-level data - such as ETS and IED data - into company-level targets, particularly for high-emitting sectors. New technologies included in the technology roadmaps (e.g. investments in basic research, extending applied research) should also be reflected in future revisions of the EU Taxonomy criteria for climate mitigation. These pathways must align with EU policy ambitions, allowing emissions and production data to be tracked at the macro-level for effective corporate target assessments, ultimately supporting robust and comparable transition planning for companies and FMPs. Provide guidance for selecting scenarios that can be used for credible science-based corporate target setting and transition planning. The criteria could for example, leverage the ESABCC filtering approach: i) for mitigation targets only allow scenarios that limit global warming to 1.5°C with no or limited overshoot, ii) pass a vetting process (e.g. consistency with recent realised emissions, emission data/key assumptions including CDR/temperature outcomes are provided), iii) do not pose high feasibility concerns (e.g. maximum thresholds

²¹ <https://op.europa.eu/en/publication-detail/-/publication/e2f59537-bf8b-11f0-a612-01aa75ed71a1U>

on CCUS, CDR including land related measures, and other variables such as those related to technological challenges), iv) do not pose environmental or social risks (e.g. thresholds related to bioenergy). CDR and CCUS should be defined clearly to ensure gross emissions can be derived from net emission trajectories and that the approach is consistent across actors.

Develop a set of criteria for qualifying targets as credible science-based. These criteria should be built on the following:

1. **Alignment with the Paris Agreement:** Targets must be consistent with limiting global warming to 1.5°C above pre-industrial levels, in line with the Paris Agreement.
2. **Comprehensive Emission Coverage:** Targets should cover all of the company's greenhouse gas (GHG) emissions (Scopes 1, 2, and 3) with clear justification for any exclusions.
3. **Time-Bound and Measurable Commitments:** Include mid-term targets (e.g., 2030) as well as long-term targets, ensuring both near-term action and long-term strategic planning.
4. **Sectoral and Regional Relevance:** Targets should be based on sector-specific and regional pathways that reflect the company's main emission sources and external dependencies; or, to simplify and provide a consistent approach across all operations, adopt an international scenario and corresponding pathway aligned with a 1.5°C target with little to no overshoot. When European pathways, in line with the EU goal of achieving net zero by 2050 and reducing net greenhouse gas emissions by at least 55% by 2030, become fully available, companies could also use these as a default option.
5. **Use of Absolute and Intensity-Based Metrics:** When activities span multiple sectors or geographies, both absolute and intensity-based metrics should be used to account for potential business growth while ensuring emissions reductions.
6. **External Assurance and Review:** Targets should undergo external assurance to validate credibility, using the same pre- and post-issuance review standards as outlined in the European Green Bond Standard.
7. **Compliance with EU Legislation:** Science-based criteria should adhere to European-level guidelines, including the CSRD/ESRS, Green Claims Directive, and Carbon Removal Certification Regulation, to ensure a unified and credible approach.²²
8. **Supervision and Accountability for Reviewers:** Entities providing certification or "second opinions" must be supervised and registered, meeting conditions similar to those set out in the European Green Bond Standard to prevent greenwashing.

²² Please note that the Green Claims Directive is - at the time of writing - on hold. Also note that the 'Empowering Consumers for the Green Transition' initiative (the 'mini Green Claims Directive') is already in force.

9. **Consistency and Comparability:** Targets must enable comparability across sectors and regions, supported by transparent methodologies and data disclosure.
10. **Due Process and Accountability:** A clear process for establishing, monitoring, and enforcing these criteria should be established to ensure the integrity of transition finance mechanisms.

This set of criteria will serve as a robust framework to guide companies, financial institutions, and third-party verifiers in developing and accessing credible science-based targets, minimising the risk of greenwashing while effectively supporting the transition to net zero.

Governance

Develop a monitoring framework or public registry of emission reduction data per sector to track implementation of transition plans at company and sector-level. Corporate emissions should be tracked per sector to inform policy evaluation and potential developments, ensure that GHG budgets are respected as yearly emissions do not factor in the cumulative impact of emissions. Moreover, reliable corporate and sectoral emissions data will be instrumental in refining the calculation of scope 3 emissions for both entities and financial institutions.

Annex IV – EU Transition Plan-related Policy Architecture for non-financial companies

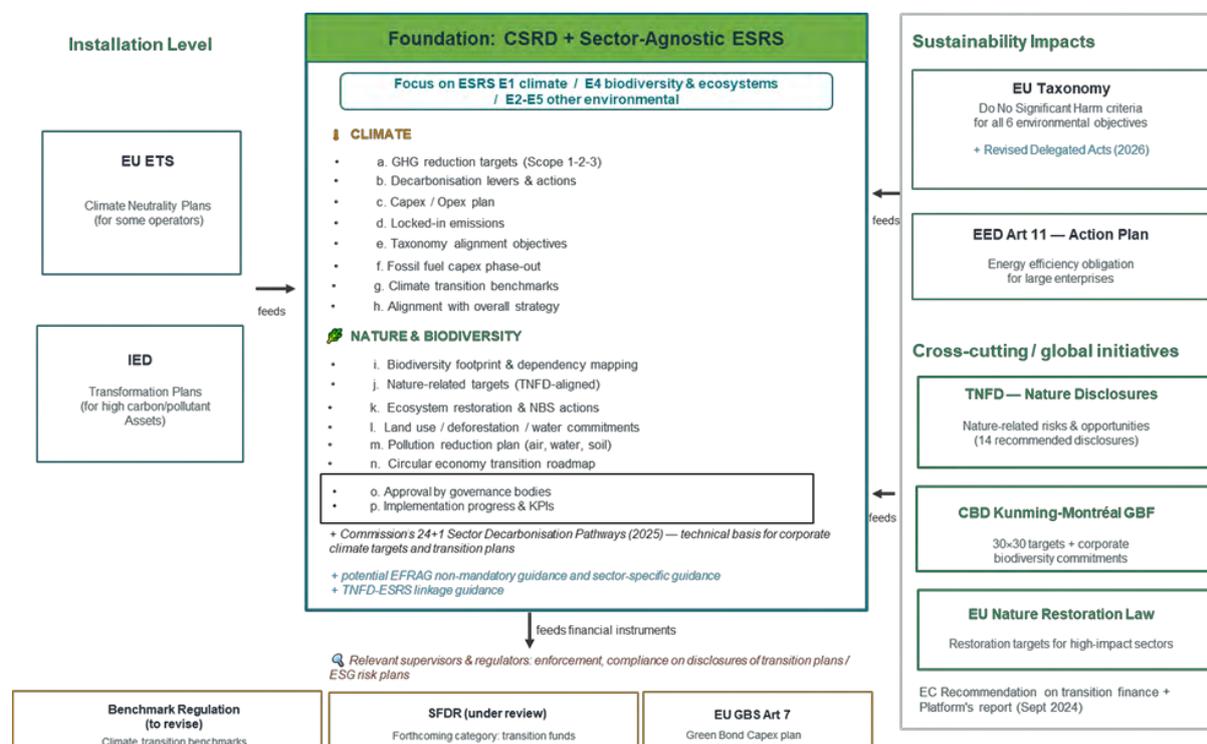


Figure 2: EU Transition Plan-related Policy Architecture for non-financial companies

The framework establishes a single EU policy architecture integrating climate and nature reporting for non-financial undertakings through the lens of double materiality. The CSRD/ESRS form the foundation - ESRS E1 for climate, E4 for biodiversity, and E2 - E5 for other environmental objectives—supported by a transition plan covering decarbonisation levers, CapEx and CapEx plans, Taxonomy alignment, biodiversity footprint, nature targets, and governance oversight.

Several policy streams feed into this architecture. From the impact-reporting perspective, the EU Taxonomy provides the classification backbone, while the Nature Restoration Law introduces mandatory sector-specific restoration obligations. At asset level, EU ETS and the Industrial Emissions Directive (IED) establish installation-specific requirements that should roll up into the entity-level transition plan.

The Commission's 24+1 sectoral pathways provide a recent technical basis for corporate climate target-setting and transition planning.

Downstream, transition plans should feed into the Climate Benchmark Regulation (under review), SFDR transition-related products (under review), and the EU Green Bond Standard, thereby linking transition planning to capital markets.

Relevant supervisors and regulators are mandated to assess compliance with transition plans and ESG risk-management disclosures.

Annex V – Platform members and observers

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