Deloitte Touche Tohmatsu Limited
1 New Street Square
London
EC4A 3HQ

Phone: +44 (0)20 7936 3000
Fax: +44 (0)20 7583 1198
www.deloitte.com/about

Direct phone: +44 20 7007 0884
vepoole@deloitte.co.uk

20 October 2026

M. Benoit Jasper
Administrative Board President
European Financial Reporting Advisory Group
35, Square de Meeûs
1000 Brussels

CC: Dorota Zaliwska
Head of Unit DG FISMA, Corporate reporting, audit and credit rating agencies
European Commission

CC: Kristian Koktvedgaard
Acting Sustainability Reporting Board Chair, EFRAG

CC: Chiara Del Prete,
Sustainability Reporting TEG Chair, EFRAG

CC: Saskia Slomp
Chief Executive Officer, EFRAG

By email and online submission

Dear M. Jasper

EFRAG public consultation on the Exposure Draft ESRS for Certain Non-EU Undertakings in Accordance with Article 40a of the Accounting Directive

On behalf of the Deloitte Global member firms, we are pleased to respond to the EFRAG consultation questionnaire on the Exposure Draft European Sustainability Reporting Standards (ESRS) for Certain Non-EU Undertakings in Accordance with Article 40a of the Accounting Directive (ESRS-40a) and to share some overall observations and comments. We recognise the need, as mandated by the Accounting Directive, to develop this specific set of ESRS and the requirement for it to be impact-only (i.e., excluding financial risks, opportunities, resilience and dependencies).

We have provided our responses to the consultation questionnaire via the online survey form. Our response is limited to those questions which we believe were most appropriate considering our role as an assurance provider and adviser to entities around the world.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited (DTTL), its global network of member firms or their related entities (collectively, the "Deloitte organization") is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication. DTTL and each of its member firms, and their related entities, are legally separate and independent entities.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (DTTL), its global network of member firms, and their related entities (collectively, the "Deloitte organization"). DTTL (also referred to as "Deloitte Global") and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.
© 2026 For information, contact Deloitte Touche Tohmatsu Limited.

Deloitte.

Topic 1 – Revised ESRS as the basis for the ESRS-40a ED and approach to removing datapoints, or reformulating or adding paragraphs as required by the CSRD

While the approach of using the revised ESRS as the basis for the ESRS-40a exposure draft can be an efficient way to derive an impact-only standard, that approach is primarily relevant to the extent that entities do not already provide disclosures under another sustainability reporting standard or framework. Many non-EU companies already prepare, or will be required to prepare, disclosures in accordance with the IFRS Sustainability Disclosure Standards (IFRS SDS) or jurisdictional standards based on them (jurisdictional variants). This helps to create a baseline of globally consistent and comparable reporting of financially material information on risks and opportunities that could affect companies' prospects over time. The ESRS-40a requirements address only impacts. But many impacts are also risks and opportunities and can be financially material information required by the IFRS SDS. Hence, there is a significant overlap with information that will be reported under the IFRS SDS.

We therefore consider it is essential that EFRAG develop a clear and explicit pathway within the ESRS-40a requirements for these entities, based on the additional information needed to supplement information provided in accordance with the IFRS SDS or jurisdictional variants. Such an 'ISSB-plus' pathway would demonstrate how an entity can leverage the disclosures that are common to the IFRS SDS and ESRS-40a and clearly identify the additional disclosures an entity needs to provide to comply with the requirements of Article 40a of the CSRD.

This ISSB-plus approach, as further explained in our response to Topic 3 below, would help reduce duplication and implementation costs, improve consistency across reporting frameworks, and support greater comparability for users.

In respect of the existing proposals, we observe that disclosure requirements relating to risks and opportunities have, in a number of instances, been replaced with references to impacts. In our view, the mechanical substitution of terminology is not an appropriate general drafting approach: in a number of cases, it produces requirements that are not conceptually coherent and do not make sense in the context of the underlying disclosure objective. We therefore encourage EFRAG to ensure that the drafting is coherent with reference to the objective of Article 40a.

Topic 2 – Mixed approach

We understand the rationale for permitting entities to limit ESRS-40a sustainability reporting to impacts related to activities in the EU and appreciate that EFRAG has sought to include such a relief mechanism in the proposals. We support the intent to include an option in the standard that could be useful to preparers and enable more efficient reporting approaches. However, we anticipate practical challenges and question how far the 'mixed approach' as currently conceived would provide meaningful relief in practice. These considerations and concerns include:

- Many multinational entities collect sustainability information globally and manage material impacts through group-wide processes, reflecting centralised procurement functions and

global supply chains. Therefore, isolating EU-related impacts may require new allocation methodologies, estimation, processes, and controls, including across complex value chains. Assurance providers would encounter similar challenges in performing procedures to verify the allocation of EU impacts identified and non-EU impacts excluded from reporting.

- In addition to managing sustainability information globally, many multinational organisations also *report* such information on a global basis, including through application of the IFRS SDS or jurisdictional variants. IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* (IFRS S1) requires an entity to disclose material information about all sustainability-related risks and opportunities that could reasonably be expected to affect its prospects. Accordingly, entities applying IFRS S1 and ESRS-40a would already collect and report information at the global level on all relevant topics, including information from outside of the EU. Against this background, limiting ESRS-40a reporting to EU-related impacts for certain topics may provide limited practical relief.
- Preparers may face challenges isolating the impact-related aspects of a sustainability topic from the risks and opportunities, especially where a range of risks and opportunities are overseen and managed in an integrated way. They may further find it difficult to determine how EU-related impacts should be grouped for the purposes of assessing materiality—for example, by affected geography, legal entity, customer base, topic or value-chain activity.
- Climate impacts can be interdependent with workforce, community, pollution, biodiversity, water and circular-economy impacts. Therefore, determining whether an impact is climate-related or non-climate-related—and therefore whether global reporting would be mandatory—may be challenging when an impact might be considered to have both climate and non-climate aspects.
- The concepts of 'meaningful identification' and 'reasonably assumed to be provided to the EU market' are likely to require significant judgement and result in a lack of consistency and comparability. It is unclear what level of analysis and documentation would be expected to support that conclusion. In addition, without sufficiently objective criteria, these concepts may present assurance challenges.
- We question how fair presentation works under the mixed approach. Where reporting boundaries vary by topic, sub-topic, or group of impacts, those charged with governance and users may be unable to determine whether the disclosures provide a complete depiction of the entity's impacts or represent only selected portions of those impacts. This could undermine the clarity and comparability that the fair presentation requirement is intended to support. We include broader comments on fair presentation in the Topic 5 section of this cover letter.

Given these practical challenges and concerns, we believe that guidance is needed to make the mixed approach option workable and useful in practice.

Deloitte.

Topic 3 – Interoperability, presentation and incorporation by reference

Incorporation by reference

We welcome the proposal to permit incorporation by reference under ESRS-40a as an aspect of the ISSB-plus solution, which EFRAG should further build upon by introducing a comprehensive ISSB-plus pathway.

However, we are concerned that the draft language permits incorporation by reference only when the information has been prepared pursuant to a mandatory reporting requirement. This could create significant challenges for entities that voluntarily apply the IFRS SDS or jurisdictional variants. A growing number of entities are expected to apply the IFRS SDS even where they are not legally required to do so, in response to investor expectations, group reporting needs or developments in other jurisdictions. We strongly believe that those entities should be permitted to leverage their existing reporting processes and disclosures to meet the CSRD's Article 40a requirement.

When an entity has fully applied the requirements of IFRS S1 and IFRS S2 *Climate-related Disclosures* (IFRS S2), we do not believe that the eligibility of the resulting information for incorporation by reference should depend on whether application was mandatory or voluntary. The quality, completeness and usefulness of the information are not determined by the legal basis for applying the IFRS SDS. We therefore consider that it is essential to remove the requirement that the source information arise from a mandatory reporting obligation. Instead, ESRS-40a should permit incorporation by reference when an entity has applied the relevant standards in full (prepared 'in accordance with') and the information satisfies the other conditions specified in ESRS-40a including an assurance opinion.

Enabling ISSB-plus

Entities that have already invested in reporting under the IFRS SDS or a jurisdictional variant will reasonably expect to leverage this work when preparing disclosures under ESRS-40a, given the overlap of information required. It is therefore important to enable non-EU entities to be able to leverage their existing reporting (required or voluntary), instead of running a completely separate disclosure exercise. This is equally important to the users of the information because having two or more sets of disclosures on overlapping topics is confusing and potentially misleading. We note that the Government of Japan has similarly expressed support for this approach in its May 2026 comment letter, highlighting the need to avoid duplication of effort.[1]

The ISSB-plus pathway should explain *how* entities can use their IFRS SDS materiality assessment and related disclosures as a starting point to identify and disclose relevant impacts. It should also explain what additional disclosures an entity needs to provide to supplement its IFRS SDS reporting

[1] https://www.fsa.go.jp/en/news/2026/20260515.html

to meet the requirements of the CSRD and what it should do when the basis of measurement differs from the ISSB requirements for a metric that is common to both IFRS SDS and ESRS-40a.

Including the ISSB-plus pathway at the same level of authority as ESRS-40a, with sufficient specificity to support consistent application, would give preparers confidence in their application of the ISSB-plus approach and would provide assurance providers with a clear basis for assessing compliance with the requirements.

We believe a pragmatic bridge between various jurisdictional requirements is needed to support global markets' access to comparable sustainability information. 'Global passporting' under which entities headquartered outside a jurisdiction are able to comply with local requirements by using IFRS SDS or a jurisdictional variant as a starting point for reporting can, in our view, provide such a bridge, and we envisage that this approach could be progressed through the existing equivalence mechanisms established within the CSRD. The ISSB-plus pathway can help demonstrate how the principle of global passporting could work in the EU.

Furthermore, if designed appropriately, the ISSB-plus pathway could reduce the need for a separate mixed approach, by allowing entities to use their existing global reporting as the foundation for ESRS-40a reporting and avoid unnecessary duplication.

Topic 4 – References to EU laws and regulations

We acknowledge EFRAG's rationale for carrying forward the terms and concepts derived from EU laws and regulations that are used in the revised ESRS, and we recognise that the ESRS-40a ED references these terms and concepts for reporting purposes rather than imposing the underlying EU legislation on non-EU groups.

Nevertheless, we anticipate practical challenges. It is difficult for non-EU entities in particular to apply EU-specific terms and concepts to operations outside of the EU and where equivalent, but not fully aligned or indeed conflicting, local frameworks may already be in force. In practice, applying these references may require third-country entities to map or reconcile information from established jurisdictional regulations to the EU equivalent, which adds cost and effort and may reduce comparability if the underlying definitions do not align.

All entities must navigate laws and regulations applicable at the jurisdictional level. However, the starting point is not the same for EU and non-EU entities. EU entities generally use EU legal and regulatory references because these form part of the framework applicable to the group in the jurisdiction in which it is established, although they may also need to consider requirements in other jurisdictions. By contrast, for a non-EU entity, the primary legal and regulatory reference point will generally be the laws and regulations of the jurisdiction in which it is headquartered and operates. Accordingly, these situations are not directly comparable: the fact that all entities must navigate jurisdiction-specific requirements does not mean that EU references are equally familiar, relevant, or practical for non-EU entities.

Accordingly, we recommend that EFRAG revisit whether ESRS-40a could permit entities to use internationally recognised references. For example, ESRS-40a could permit entities to apply the equivalent concepts derived from the jurisdictional laws and regulations that address the same matter, provided the entity transparently discloses the reference used together with the related methodologies, assumptions, and estimates. As another option, ESRS-40a could refer to relevant reference points (standards, frameworks and definitions) in the SASB Standards, as the ISSB makes updates to enhance their international applicability and remove jurisdiction-specific references.

We note that EFRAG considered such an option during the development of the exposure draft but ultimately did not adopt it, and we believe this question would benefit from further consideration. In our view, permitting equivalent references with appropriate transparency could improve the global acceptability and practicality of the standard while continuing to support the objective of transparency on impacts, and would better reflect the position of third-country entities that do not have group-wide familiarity with EU-specific frameworks. While we welcome the retention of the reliefs and practical expedients from revised ESRS, including the undue cost or effort provisions, and consider them a necessary feature of the standard, it is not yet clear to us that they fully address the feasibility and comparability concerns described above.

Topic 5 - Other

In addition to the matters above, we have identified the following key comments and considerations about ESRS-40a that are not specifically included in the topics above.

Fair presentation

It is unclear to us how fair presentation is intended to be achieved by preparers when applying ESRS-40a. The revised ESRS and draft ESRS-40a both refer to fair presentation and address the same user groups, including primary users of general purpose financial reports and other users of general purpose sustainability reports, yet ESRS-40a would not include all the information needed by primary users (i.e., on risks and opportunities that had not also been assessed as impacts). It is therefore unclear how the information needs of the same user groups could be met under two standards that share common foundations but require reporting on different aspects—impacts, risks and opportunities under the revised ESRS, but impacts only under ESRS-40a.

This confusion is exacerbated under the mixed approach option where reporting boundaries can vary by topic, sub-topic, or group of impacts. It is therefore unclear how ESRS-40a could meet the information needs of the same user groups as revised ESRS when certain non-EU information is omitted, while the revised ESRS would provide information on a global basis.

It is much clearer how fair presentation can be achieved if an entity provides disclosures in accordance with the ISSB-plus pathway approach we suggest in this response: this is because IFRS SDS disclosures would provide a complete depiction of sustainability-related risks and opportunities relevant to primary users of such reporting (which may or may not be of interest to other users) and a complete depiction of impacts relevant to the other users of the ESRS-40a report (through a 'top-up' which we believe EFRAG should specify in ESRS-40a).

Additionally, it is unclear how responsibility for achieving and assessing fair presentation would be assigned in practice considering the questions about governance, accountability, and responsibility discussed below. Specifically, because the EU subsidiary or branch has the reporting obligation, but the non-EU parent has the access to the information of the group, questions arise about the party responsible for making the fair presentation assertion because the filing entity does not have direct control over all relevant information.

For these reasons, we recommend that EFRAG reconsider how the concept of fair presentation in ESRS-40a applies and see this as another reason why we strongly encourage EFRAG to set out the ISSB-plus pathway.

Application of the value-chain cap

We note that the value-chain cap in the revised ESRS, which limits the information an entity is permitted to obtain from its value chain for the purposes of reporting under CSRD, has not been carried forward into the ESRS-40a exposure draft. The rationale for including the value chain cap in revised ESRS applies in the same way in the Article 40a context, given that non-EU groups will frequently have extensive global value chains. Omitting the value chain cap would impose a more demanding requirement on third-country entities than that which applies to EU entities under the revised ESRS. Accordingly, we encourage EFRAG to suggest to the EC to include the value-chain cap in ESRS-40a on the same basis as in the revised ESRS to support proportionate application by entities in scope of Article 40a.

Related matters for the EC

The following comments relate to matters that are not necessarily in the scope of this consultation and are therefore for the EC's consideration. While these matters may be outside EFRAG's remit, they relate to practical challenges of implementing ESRS-40a.

Governance, accountability and responsibility for the report

The Article 40a reporting model is complex because the sustainability information concerns the non-EU parent and its group, while the obligation to publish rests with an EU subsidiary or branch. We acknowledge this matter is not determined by EFRAG, however, we highlight these questions as they relate to the application of ESRS-40a. This separation between the party that controls the information and the party that bears the reporting obligation raises questions of accountability and liability.

In particular, it is unclear how an entity could operationalise reporting under Article 40a and determine accountability for the report, given that the EU subsidiary or branch may have limited influence over the completeness, accuracy and timeliness of the information it is required to provide. Related uncertainty arises over the responsibilities of directors and governance bodies, as the relevant oversight may sit with the non-EU parent rather than the publishing entity. Similar questions arise on assurance: who engages the assurance provider, who signs the opinion, and to

whom it is addressed, in situations where the parent, publishing entity and assurance provider may be in different jurisdictions.

Scoping thresholds

We draw attention to the need for clarification of the definition of 'net turnover in the EU' as referenced in Article 40a. It is uncertain what 'net turnover in the EU' means in this context and therefore how an entity must calculate its net turnover to assess whether it is required to apply ESRS-40a.

We appreciate the opportunity to provide our perspectives on the proposal. We would be pleased to discuss further any of the points in our letter.

Yours sincerely,





Veronica Poole
Deloitte Global IFRS and Corporate Reporting Leader
Deloitte Touche Tohmatsu Limited

Jens Berger
EU Corporate Reporting Policy Leader
Partner Deloitte Germany