



6 May 2025

Patrick de Cambourg and Chiara del Prete
EFRAG
35 Square de Meeûs
1000 Brussels (fifth floor)
BELGIUM

Dear Patrick and Chiara,

EFRAG'S PUBLIC CALL FOR INPUT ON ESRS SET 1 REVISION

ICAEW welcomes the opportunity to respond to EFRAG's public call for input on simplifying the European Sustainability Reporting Standards (ESRS). With certain UK companies falling within scope of the Corporate Sustainability Reporting Directive (CSRD), and over 6,500 members located in the EEA, ICAEW members are directly impacted by EU developments in this area.

Learn from previous shortcomings – an opportunity for fresh start

ICAEW has long supported the ambitions of the European Green Deal and the provisions set out in the CSRD that mandate the reporting and assurance of corporate sustainability information in Europe. We also recognise that the rapid pace at which EFRAG developed its original standards has been influential in accelerating global sustainability reporting.

The rapid pace of development, however, has also resulted in a flawed set of standards that now risk undermining the objective of the European Green Deal. In general, there appears to be poor understanding of the principal purpose and objectives of the ESRS, which has arisen as a result of:

- prescribed information with limited value for decision making;
- contradictions and ambiguities within the standards;
- overly detailed requirements which do not seem to align with public messaging on interoperability; and
- a lack of clarity over key aspects of the double materiality requirements.

We urge EFRAG to do things differently this time around. In particular, as discussed below, a solution would be to build on the International Sustainability Standards Board's (ISSB's) global baseline by focusing standard setting efforts on, for example, the double materiality aspects of the CSRD that are not covered by the ISSB Standards.

Embed rigorous due process procedures

The success of any reporting standard relies on the confidence of stakeholders in a standard setting process, which should result in reporting that is proportionate and beneficial to users. This

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is essential to ensure that stakeholders are fully engaged and that the final standards are high quality.

To date, EFRAG's standard setting process has been unduly rushed, without sufficient time to properly consider stakeholder feedback. The implications of this have already been significant and are a primary reason behind the need to revisit the contents of the ESRS at such an early stage.

We fully recognise the pressure on EFRAG to deliver a fast-tracked workplan and accept that EFRAG will need to define and apply due process procedures that are appropriate to these circumstances. Such procedures, however, must include clear markers of quality (including a full public consultation and careful consideration of stakeholder feedback) that are not circumvented in order to meet strict deadlines.

ICAEW has recently reflected on the challenges faced by sustainability standard setters. We refer EFRAG to our major 2024 thought leadership report on [Shaping Sustainability Standard Setting](#), which analyses the key features of effective standard setting and makes recommendations and observations regarding the challenges faced by sustainability standard-setters.

Align with and build from the ISSB Standards

Given the intention for the CSRD to be interoperable with other sustainability frameworks, we call strongly for the work to revise the ESRS to take account of international developments since the ESRS were first developed.

As a supporter and capacity building partner of the ISSB, we ask EFRAG to seriously consider the possibility of using the ISSB Standards as a baseline for the ESRS, whereby amendments and additions are made for requirements over and above the ISSB's global baseline.

We believe that full alignment with ISSB Standards would have numerous benefits – it would remove duplication of effort in standard setting and allow EFRAG time to focus on addressing the most challenging provisions, including the application of double materiality. It would also enable high quality standards to be developed at speed, without placing an undue burden on in-scope companies, thereby supporting the competitiveness and attractiveness of businesses operating in the EU.

Incorporating the work already conducted by the ISSB should also help to address the challenges and complexity involved in developing a set of standards that will have applicability outside the EU.

Prioritise equivalence

Creating a structure where additional ESRS requirements over and above the ISSB global baseline are explicitly identified in the standards would go a long way to reducing unnecessary global divergence and inefficient reporting practice.

While interoperability is important, in our view equivalence should be the ultimate aim, and is crucial for building stakeholder trust in global sustainability reporting. We therefore support calls for the European Commission to prioritise the work needed to enable equivalence to be possible.

Avoid disclosure overload by focusing on clarity of purpose

We support EFRAG's intention to reduce the number of data points, but caution against any straightforward deletion exercise without first addressing concerns regarding the clarity of reporting purpose, as well as the key objectives and principles that underpin the ESRS. This is necessary to balance cost and benefit – a key concern with the existing ESRS. There is also a tension between fair presentation requirements and extensive deletion of individual datapoints.

We fully recognise the very significant constraints under which EFRAG is operating, and sincerely hope that the above comments (and the detailed comments provided by Accountancy Europe, which we broadly support) will be considered helpful and that this important opportunity to learn from the shortcomings of earlier standard setting will be taken.

We would be happy to discuss any of the above points with you.

Yours sincerely,



Dr Nigel Sleight-Johnson
Director, Audit and Corporate Reporting, ICAEW