

To: European Financial Reporting Advisory Group (EFRAG)
Mr. Patrick de Cambourg, Chair of the EFRAG Sustainability Reporting Board

Cc: European Commission (EC), DG FISMA C.1
Mr. Sven Gentner, Head of Unit

Subject: Joint Insurance Europe / CFO Forum contribution to EFRAG's ESRS Set 1 simplification consultation

Brussels, 02-10-2025

Dear Patrick,

Insurance Europe and the European Insurance CFO Forum welcome the Exposure Drafts of the revised European Sustainability Reporting Standards (ESRS) and commend EFRAG for the progress achieved in simplifying and clarifying the framework. We appreciate EFRAG's recognition of the need to make the standards less burdensome to implement and more practicable to apply while preserving their ambition and alignment with the objectives of the Corporate Sustainability Reporting Directive (CSRD).

While **we support the direction of the changes proposed by EFRAG**, we believe that **the standards should be further simplified**. While EFRAG's communication highlights a 58% reduction in disclosure requirements, it is important to note that this does not necessarily translate into a proportional reduction in the implementation and application effort. We therefore encourage EFRAG to continue focusing its efforts on achieving further simplification of sustainability reports.

For the simplification exercise to deliver its intended effect in practice, **a number of important issues still need to be addressed**. These concern overarching principles as well as the operationalisation of specific requirements. In particular, we would like to highlight the following areas of priority:

1. Fair Presentation

We support EFRAG's clarification that the ESRS follow a fair presentation principle, as it improves decision-usefulness of reported information. However, the current wording risks reintroducing a compliance mindset. To avoid any unintended consequences or misinterpretations, it should be clarified that fair presentation is an overarching principle which prioritises relevance and proportionality over box-ticking. Compliance with ESRS should be presumed to achieve fair presentation, and the framework should emphasise the reasonable, informed judgement of the undertaking, allowing for both additions and omissions of information. For clarity and consistency, we suggest integrating into ESRS 1 the concept articulated in the Basis for Conclusions. We also recommend that the EC clarify, through a Q&A, the application/intent of the principle to avoid burdensome interpretations by auditors.

To ensure legal certainty and prevent divergent interpretations, **it should be explicitly confirmed that applying the reliefs within the ESRS framework does not compromise the fair presentation of reported information**.

2. Double Materiality Assessment (DMA)

We support the simplification of the DMA, the strengthened information materiality filter, and the option to disclose at topical or IRO level. However, the **DMA remains overly complex, and the proposed changes are unlikely to significantly reduce operational burden**. A particular concern is paragraph 21(b), which refers

to information 'necessary for users' without defining criteria, risking disproportionate obligations. We therefore recommend deleting paragraph 21(b), but if retained, we suggest specifying that disclosure is required only when the information can reasonably be expected to be necessary for users, with this assessment resting with the entity's management. Furthermore, the information materiality filter should explicitly apply to the whole standards to affirm a principles-based approach.

3. Anticipated Financial Effects

The reporting of Anticipated Financial Effects raises significant concerns, including estimation uncertainty, increased litigation risks, and the lack of standardised methodologies and comparable data. We therefore **recommend only requiring qualitative disclosures (Option 2)**, as it offers a more balanced and realistic approach which recognises the practical challenges, legal risks, and audit impracticability of forward-looking disclosures and allows time for the development of reliable data and methodologies. However, should Option 1 be adopted, it must be strictly limited to climate topics and made fully interoperable with ISSB Standards. In addition, any implementation of Option 1 should be phased in over the long term, and only as sufficient data and methodologies become available.

4. Exception for Financial Institutions' Absolute climate reduction Targets

We support exempting financial institutions from disclosing absolute GHG emissions targets when only intensity targets are set. This is particularly relevant for insurers, whose emissions are largely indirect. Calculating absolute values requires extensive assumptions and complex modelling, producing results with low reliability and limited value to stakeholders. By using intensity targets, financial institutions can better support sectoral transition, for example, by financing companies gradually reducing fossil fuel dependence or investing in technological transformation, without imposing artificial limits through absolute values. Overall, requiring absolute emissions disclosures provides limited insight and may create unintended consequences.

5. Full alignment with the GHG Protocol

To avoid complexity in reporting and bring the ESRS closer to a common global baseline, **we recommend adopting full optionality in GHG emission accounting**, allowing for either financial or operational control, in line with the GHG Protocol.

Finally, we want to reemphasise that **we do not see additional sector guidance as useful in the current environment**. Reporting practice should be given sufficient time to form under the revised ESRS, based on a mutual understanding of stability in applicable frameworks.

Our organisations remain committed to working with EFRAG to ensure that the revised ESRS achieve their objectives while being workable in practice for reporting entities. We look forward to continuing our dialogue and to supporting the refinement of the standards in these key areas.

In addition to this letter, we have submitted a detailed response to the consultation on 29 September which contains additional concrete proposals on how to further simplify the standards.



Yours sincerely,

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Director General, Insurance Europe

Alban de Mailly Nesle
Chair, European Insurance CFO Forum

This letter is from by Insurance Europe, which represents 95% of the premium income of the European insurance market, and the European Insurance CFO Forum ("CFO Forum") which represents the views of Europe's 23 largest insurance companies. Accordingly, it reflects the consensus view of a significant portion of the European insurance industry.