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European Commission  
Rue de la Loi 200  
B-1049 Brussels



**European Round Table  
for Industry**

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## **Call for full interoperability between ESRS and ISSB standards and efficient and focussed sector-specific standards**

Dear Commissioner,

On behalf of the CFO Platform of the European Round Table for Industry (ERT), we welcome the publication of the joint guidance on interoperability by EFRAG and the ISSB. The guidance will support European companies in understanding the common areas and differences between the climate standards ESRS E1 and IFRS S2.

Interoperability between sustainability reporting frameworks is a key issue for ERT members that expect to be required to report under both ISSB Standards (IFRS SDS) and European Sustainability Reporting Standards (ESRS) whether at a parent company level, subsidiary level or both. In addition, there are also reporting requirements in some jurisdictions at national level. It is crucial to provide a comprehensive and internationally comparable view of a company's sustainability performance. Preparing different reports based on differing standards will lead to lack of comparability, confusion for users and misinterpretation of certain disclosure requirements. Double reporting will also cause unnecessary additional costs and reporting burden for preparers that will further diminish the competitiveness of European companies.

Unfortunately, as the interoperability guidance clearly shows, **full interoperability** between the ESRS and the ISSB standards has not been achieved regarding disclosures on climate-related matters. European companies will have to comply with additional requirements if they also apply the ISSB standards, an outcome which is highly likely to occur given that many subsidiaries will be in scope for individual reporting in jurisdictions that adopt ISSB. This results in a mosaic of requirements that unnecessarily increases the reporting burden and creates confusion for users.

We strongly recommend extending the close and constructive collaboration between the European Commission, EFRAG and the ISSB to align future ISSB standards and the European standards. This applies especially for the sector-specific standards, where there is a risk of history repeating itself. Interoperability needs to be a "design principle" that is agreed at the start of the standard setting process, rather than a retrofitting effort at the end. Moreover, interoperability with other relevant internal sustainability reporting standards, e.g. GRI, could also be considered.

ERT has been following the development of the sector-specific ESRS from the very beginning. We are very concerned that the way the sector-specific standards are currently being developed by EFRAG will lead to very limited interoperability with ISSB's existing sector-specific standards based on SASB. The SASB Standards are well known, strongly supported

by investors and broadly used by European companies to disclose information on sector-specific sustainability aspects. A recent study of the International Federation of Accountants (IFAC) confirms that around 50% of the large European companies use SASB as fundamental part of their sustainability disclosures.<sup>1</sup> They contain very useful key performance indicators and metrics to highlight the material drivers of risk and return relevant to business models in a specific industry. Their broad global usage ensures comparability across companies in the same industry. We are encouraged by the collaboration between ISSB and GRI on interoperability, which is likely to further enrich the SASB Standards.

We therefore strongly recommend using the SASB standards as baseline for developing the sector-specific ESRS and to include to the greatest extent possible the key performance indicators and disclosure requirements set out in the SASB standards in each sector-specific ESRS. The existing sector standards developed by GRI could also be considered. This would also allow EFRAG and the Commission to keep the time schedule and to adopt the delegated act regarding the sector-specific standards by 30 June 2026 as outlined in the CSRD.

Additionally, interoperability of digital tagging will be crucial to avoid double reporting for EU companies. With EFRAG finalising its digital taxonomy for the ESRS set 1, and ESMA consulting on it soon, and with the ISSB having published its digital taxonomy in April, it is the right time to work towards interoperability of the digital taxonomies to minimize the burden for EU companies.

EFRAG also started work on the Transition Plans. The ISSB has already decided to adopt the standard of the Transition Plan Taskforce as it is a good and useful standard. Without an intervention by the Commission, the Transition Plan will be the next “interoperability challenge” where internationally operating European companies will have to meet two standards.

We would like to remind EFRAG and the Commission that the CSRD in Art. 29 mandates that the “Commission shall, to the greatest extent possible, take account of: (a) the work of global standard-setting initiatives for sustainability reporting, and existing standards and frameworks for natural capital accounting and for greenhouse gas accounting, responsible business conduct, corporate social responsibility, and sustainable development;”.

Regarding the development of the European sector-specific standards, we urge EFRAG and the Commission to develop a sector classification that mirrors the structure of the sectors in the real economy. The sector classification should include all aspects of a particular sector, for example regarding economic activities or goods and services. Some economic activities should therefore be mapped to various sectors, for example the manufacture of batteries or wholesale and retail sale of goods. Many ERT members expect to be required to report against more than one sector-specific standard and thus cumulative burden is also a consideration.

Due to time pressure, the sector-agnostic ESRS were never “road tested” before they were included in a Delegated Act. As a result, ERT members are now running into costly implementation issues while preparing the first sustainability statements. This mistake should not be made a second time. The sector-specific standards should be tested by European companies in the respective industries before they are included in any Delegated Act. The test should also draw upon the experience with implementing the sector-agnostic standards to avoid similar challenges for the sector-specific standards. We are especially concerned to see that the ESRS sector standards currently in development contain disclosure requirements so

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<sup>1</sup> [https://ifacweb.blob.core.windows.net/publicfiles/2024-02/IFAC-State-Play-Sustainability-Disclosure-Assurance-2019-2022\\_0.pdf](https://ifacweb.blob.core.windows.net/publicfiles/2024-02/IFAC-State-Play-Sustainability-Disclosure-Assurance-2019-2022_0.pdf)

extensive as to represent a near-doubling of reporting effort, with little or no consideration for interoperability with existing sector or industry standards. This will limit comparability and will not help users to assess the sustainability performance of companies.

We would like to highlight that in its communication 'Long-term competitiveness of the EU: looking beyond 2030', the Commission identified reporting as one of the main burdens for companies in general and for SMEs in particular and therefore proposed to reduce reporting obligations by 25%. Taking on board the SASB Standards and refraining from creating new and unnecessary reporting burdens when developing the sector-specific standards would be most efficient and a credible contribution to reducing the reporting burden for European companies. There is no need to reinvent the wheel.

We encourage you and the teams at EFRAG and DG FISMA to take these recommendations and suggestions into consideration to improve the development of the sector-specific ESRS and related documents, and to reach our common objective to make our economy sustainable. Interoperability is key to limit the burden on European preparers and increase comparability at global level.

We remain at your disposal for any questions you may have.

Yours sincerely,

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