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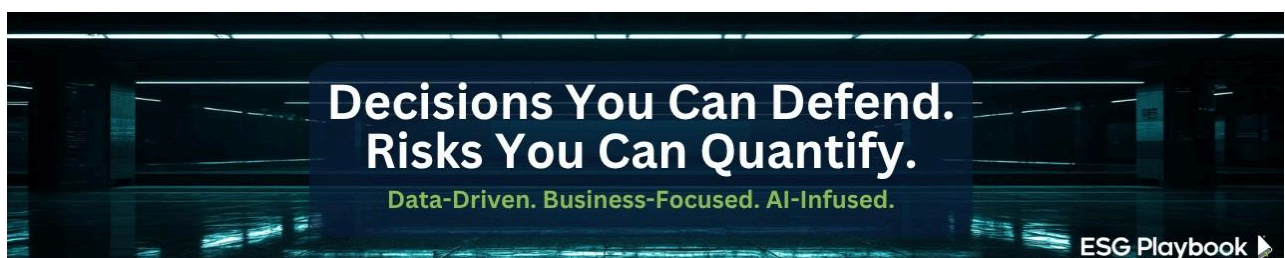
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Most Investors Concerned Simplified EU Sustainability Reporting Standards will Reduce

Information Quality: EFRAG Study



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A significant majority of investors and financial institutions believe that the recently released proposed simplified European Sustainability Reporting Standards (ESRS) will negatively impact the quality of sustainability information that they receive from companies, citing concerns including reduced comparability and loss of critical climate and environmental data, according to a new study released by the European Financial Reporting Advisory Group (EFRAG), the preparer of the ESRS.

While sustainability reporting users expressed concerns about the revised ESRS, however, the study found that companies preparing sustainability reports were much more positive about the changes, with significant cost savings expected, and anticipated benefits including enhanced clarity and usability, and no expected loss of access to green finance.

The screenshot displays the Diginex ESG with AI-accelerator interface. On the left, a purple sidebar contains the Diginex logo and the text 'DiginexESG with AI-accelerator' followed by a description: 'Extract data, identify gaps, auto-align to disclosures, and generate draft responses in a fraction of the time' and a 'Watch demo' button. The main area shows a 'Comprehensive Gap Analysis' dashboard for 'Questionnaire Name 01'. It features three circular progress indicators: 'High Alignment' at 20% (green), 'Partial Alignment' at 10% (yellow), and 'No Alignment' at 2% (red). The dashboard also includes tabs for 'Narrative Disclosures' and 'Structured Disclosures', and a 'Comprehensive Gap Analysis' section with an overview of alignment across narrative disclosures.

The study, Cost-Benefit Analysis on the Draft Amended European Sustainability Reporting Standards, follows the [release in early December by EFRAG](#) of its finalized proposed revision of the ESRS, aimed at significantly simplifying and reducing sustainability reporting requirements for companies under the EU's Corporate Sustainability Reporting Directive (CSRD).

The simplification of the ESRS forms a key part of the [European Commission's Omnibus](#) initiative aimed at significantly reducing the sustainability reporting and regulatory burden on companies. EFRAG was mandated by the European Commission in June 2020 to prepare [the initial ESRS](#), which were [adopted by the Commission](#) in 2023. Following the release of the Omnibus package, the [Commission mandated EFRAG](#) with developing technical advice to revise the ESRS in line with the proposals simplification objectives.

One of the most significant changes in the updated standard is a sharp reduction in the quantity of data to be disclosed, with EFRAG reducing mandatory datapoints by 61%, and eliminating all voluntary disclosures, resulting in a total datapoint reduction of over 70%. Additional key simplifications targeted the ESRS' double materiality assessment (DMA), the elimination of the standard's preference for direct data in value chain reporting, and increasing flexibility for companies to use estimates and reducing pressure for direct data collection from suppliers.

For the study, EFRAG commissioned consulting and research firms Prometeia and Syntesia to conduct an assessment of the costs and benefits of the Amended ESRS. The report included data from an online survey and targeted interviews of CSRD Wave 1, Wave 2 and voluntary reporters, and users of ESG data including financial institutions, NGOs, consultancies, data and ESG services providers, industry associations, civil society organizations, and research institutions.

According to the report, the cost savings to CSRD reporting companies from the revised ESRS is expected to be substantial, with an estimated saving to preparers of €3.7 billion from 2027 – 2031, representing a 34% reduction in overall cost. When the analysis includes costs across the supply chain, the savings are even greater, reaching approximately €4.7 billion, or a 44% reduction.

Among the key drivers of cost savings identified by preparers is the reduction in mandatory datapoints included in the amended ESRS, with a majority of surveyed and interviewed companies reporting this as a highly significant driver in lowering reporting costs. Other important cost reduction drivers included relief for quantitative financial effects, rationalization of the standards' content and elimination of duplication in the standards, and flexibility allowing avoidance of unnecessary reporting.

Among Wave 1 reporters, the survey found that 90% of companies expect a reduction in recurring internal costs, such as employee time, while almost 75% anticipate a reduction in recurring external costs, such as spending on IT and digital infrastructure or consulting services, with a median expected reduction of 20%.

In addition to the reduced data points, the report found that preparers positively viewed the greater clarity enabled by the revised ESRS, allowing for easier understanding and interpretation of the standards, while companies also believed that the amended standards will not negatively impact their access to or cost of credit and various forms of green financing. Notably, the companies surveyed and interviewed also generally agreed that the amended ESRS will not come at the expense of data quality.

The report also found, however, that users of ESG data are less optimistic about the impact of the revised ESRS, particularly in relation to the preservation of information quality. Among the users surveyed, 55% reported that they believe the ESRS amendments will negatively impact information quality. This sentiment was particularly strong among investors and financial institutions, with 67% anticipating a negative impact on information quality from the revised ESRS.

Key information concerns highlighted by ESG data users in the report from the reduction in ESRS data points included lower comparability, cited by 52%, loss of critical data in the climate standard (45%), loss of critical data in other environmental standards (43%), and less information due to the use of relief for metrics (43%).

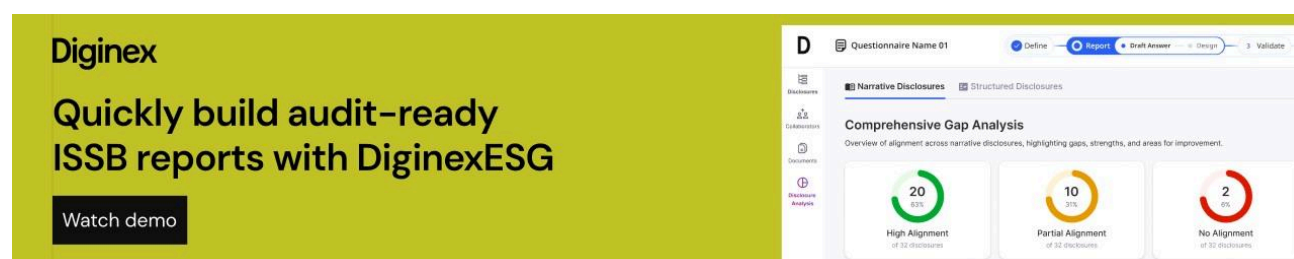
While the report found that most users (68%) acknowledged that the streamlining of the ESRS will at least partially improve the relevance and usability of sustainability data, notably, none of the investors or financial institutions surveyed or interviewed said that they definitively anticipated these benefits.

Overall, the report found that while users anticipate negative impact on information quality as a result of the revised ESRS, they do not generally anticipate that the amended standards will impact companies with respect to issues such as cost of credit to the cost or access to of green finance, but it also found that they are more concerned about their ability to evaluate companies' on ESG performance and management of sustainability-related impacts.

The report stated:

“Overall, the stakeholder consultation highlights a positive reception among preparers, who appreciate the simplification and proportionality introduced, and a more cautious stance among users, who emphasize the need to preserve analytical robustness and completeness in sustainability reporting.”

[Click here](#) to access the report.



The image displays a promotional banner for Diginex on the left and a screenshot of the DiginexESG software interface on the right. The banner features the Diginex logo and the text "Quickly build audit-ready ISSB reports with DiginexESG" with a "Watch demo" button. The software interface shows a "Questionnaire Name 01" with tabs for "Define", "Report", "Draft Answer", "Design", and "Validate". It highlights "Narrative Disclosures" and "Structured Disclosures" with a "Comprehensive Gap Analysis" section. This section provides an "Overview of alignment across narrative disclosures, highlighting gaps, strengths, and areas for improvement." It includes three circular progress indicators: "High Alignment" at 20% (6/30 disclosures), "Partial Alignment" at 10% (3/30 disclosures), and "No Alignment" at 2% (1/30 disclosures).



Mark founded ESG Today following a 20 year career in investment management and research. Prior to founding ESG Today, Mark worked at Delaney Capital Management (DCM) in Toronto, Canada, most recently as the firm's head of U.S. equities. While at DCM, Mark was part of the firm's ESG team, responsible for evaluating and tracking the sustainability factors impacting portfolio companies, and assessing the suitability of companies for portfolio inclusion. Mark also spent several years in the sell-side research industry, covering the technology and services sectors. Mark holds an MBA from Columbia University in New York, a BBA from the Schulich School of Business at York University in Toronto, and is a CFA charterholder.

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