

## Position Paper

### Presentation Flexibility Under ESRS to Support Effective Global Sustainability Reporting June 2, 2026

#### Joint submission by the Society for Corporate Governance (Transparency Register #: REG 673583995947-80) and the National Association of Manufacturers

The Society for Corporate Governance and the National Association of Manufacturers respectfully submit this position paper in response to the European Commission consultation regarding revisions to the European Sustainability Reporting Standards (“ESRS”).

#### Introduction

Many multinational businesses within the scope of the Corporate Sustainability Reporting Directive (“CSRD”) are or will also be subject to mandatory sustainability disclosure regimes in other jurisdictions, or may seek to report voluntarily in accordance with sustainability disclosure standards other than the ESRS in response to stakeholder expectations. Such businesses will face significant challenges arising from the requirements set out under the ESRS relating to the structure and presentation of the sustainability statement, including the requirements set out under:

- paragraph 117 of ESRS 1, which sets out a closed list of materials from which information may be incorporated by reference into the sustainability statement;
- paragraph 105 of ESRS 1, which provides that the sustainability statement must be structured in four parts in the following order: general information, environmental information, social information, and governance information, while permitting the use of appendices or separate sub-parts.

We believe there is an important opportunity to improve the operational effectiveness and usability of the ESRS by introducing greater flexibility with respect to these requirements. Greater flexibility regarding the presentation and structure of sustainability information under the ESRS would provide meaningful practical benefits for both reporting undertakings and users of sustainability disclosures, including:

- supporting more effective implementation of CSRD requirements;
- reducing unnecessary duplication across multiple reporting frameworks and jurisdictions;
- improving operational efficiency for multinational reporting groups;
- enhancing consistency and reliability across sustainability disclosures;
- reducing the risk of incomplete or inconsistent reporting; and
- improving the usability and accessibility of sustainability information for users.

Importantly, these benefits can be achieved without altering the substantive disclosure requirements, the current safeguards regarding the quality and integrity of disclosures or the double materiality foundation of the ESRS framework.

#### Challenges posed by paragraph 117 of ESRS 1

The ESRS already accept the principle of incorporation by reference. Paragraph 117 of ESRS 1 permits information or a specific datapoint prescribed by a Disclosure Requirement to be incorporated into the sustainability statement by cross-reference to a defined set of documents, subject to the safeguards in paragraphs 118 and 120. The mechanism, and the associated safeguards, are therefore established features of the framework.

However, the requirements relating to incorporation by cross-reference of information into the sustainability statement set out under paragraph 117 of ESRS 1 curtail the ability of reporting undertakings to efficiently leverage relevant information set out in public documents other than the sustainability statement, including documents published in response to mandatory corporate disclosure and sustainability reporting requirements or in accordance with voluntary reporting frameworks. This creates unnecessary operational complexity, duplication, and compliance costs by requiring reporting entities to reorganize, duplicate, or restate substantially similar sustainability information across multiple reports prepared under different frameworks or legal regimes, even where the underlying substance of the disclosures is substantively comparable.

A more flexible, principles-based approach—subject to appropriate safeguards—would better accommodate the diversity of reporting landscapes in which multinational groups with reporting obligations under the ESRS operate, without compromising the quality or accessibility of sustainability information.

For example, EU undertakings reporting under the CSRD may be required to make disclosures under the UK Modern Slavery Act or comparable legislation in other jurisdictions that overlap substantially with disclosures required under ESRS S1 or S2. In such cases, the reporting undertaking should be able to incorporate by reference disclosures made under those frameworks, provided that such disclosures meet the requirements set out in paragraphs 118 and 120 of ESRS 1 (e.g., that the disclosures are subject to at least the same assurance level as other disclosures set out in the sustainability statement, that they do not impair the readability of the sustainability statement, etc.).

Furthermore, the closed list in paragraph 117 of ESRS 1 does not permit reporting entities to leverage sustainability disclosures already made by affiliated entities, even where those disclosures are material to the EU reporting entity. This creates unnecessary duplication and cost in two scenarios:

(i) **An EU subsidiary drawing on its non-EU parent's home-jurisdiction reporting**

For example, an EU subsidiary in scope of the CSRD whose ultimate parent is headquartered in a jurisdiction with a mandatory ISSB-aligned regime, such as an Australian-headquartered group that has prepared group-level sustainability disclosures under the Australian Sustainability Reporting Standards: where those disclosures are material to the EU subsidiary's own sustainability statement, paragraph 117 does not permit the subsidiary to incorporate them by cross-reference. It must instead reproduce the substance of that information within its statement.

(ii) **An EU parent drawing on a non-EU subsidiary's reporting**

For example, an EU parent in scope of the CSRD that consolidates a subsidiary established in a third country, where that subsidiary has itself prepared mandatory sustainability disclosures in its home jurisdiction, such as a Japanese subsidiary reporting under the standards of the Sustainability Standards Board of Japan: where the subsidiary's disclosures are material to the group's consolidated sustainability statement, the EU parent is likewise unable to incorporate them by cross-reference and must reproduce them.

In both cases, the requirement to reproduce rather than cross-refer imposes a disproportionate compliance burden and runs counter to the broader objective of global interoperability between sustainability reporting frameworks. Reporting entities should be able to incorporate such disclosures by reference into their sustainability statement, provided that it is made clear how the content applies to, and is material from the perspective of, the reporting entity, and that the safeguards in paragraphs 118 and 120 of ESRS 1 are met.

We recognize the importance of the safeguards set out in paragraphs 118 and 120 of ESRS 1 and that information incorporated would need to be brought within the scope of the sustainability statement as regards assurance, language, and digital tagging. We are not proposing any relaxation of those requirements. The amendment we suggest is narrower: it would remove the structural barrier that confines incorporation by reference to a closed list of EU documents, so that relevant disclosures prepared under other mandatory or widely used frameworks can be cross-referred on the same conditions, rather than reproduced afresh. The amendment would help avoid the duplication and restructuring of substantively comparable information, without diluting the assurance, language, or digitization obligations that continue to apply.

### **Presentation and information availability**

With respect to paragraph 105 of ESRS 1, the prescriptive four-part structure (general, environmental, social, and governance information) is ill-suited to the reporting of third-country groups. We recognize that mandatory reporting by third-country undertakings under Article 40a will ultimately be governed by the separate sustainability reporting standards for non-EU groups (the "NESRS"), and that the structure of those standards is a matter for the forthcoming NESRS consultation, to which we will direct our substantive comments.

We make the following observations here because:

- (i) paragraph 105, as currently drafted, already bears directly on third-country groups in the present framework;
- (ii) paragraph 105 may also govern third-country reporting in any interim period before the NESRS take effect, to the extent the timing of the two instruments does not align; and
- (iii) we believe that, on matters of presentation and the quality of disclosures, the NESRS should be as consistent as possible with the ESRS, and that the rigid presentation requirements currently set out in paragraph 105 ESRS 1 are ill-suited to both standards as applied to third-country groups.

Regarding (i) above, paragraph 105 ESRS 1 already governs the voluntary global reporting approach under Article 29a. A third-country parent that would otherwise fall within Article 40a may instead elect to prepare a single consolidated sustainability statement at the parent level in accordance with the full ESRS, as though it were an EU parent undertaking. Where it does so, that election exempts both its EU subsidiaries from individual reporting and the group from any separate Article 40a report. A parent taking this route is, however, preparing an ESRS statement and is therefore bound by paragraph 105 in full, including its mandatory four-part structure. Such a parent will typically already prepare group-level sustainability disclosures under the standards applicable in its home jurisdiction. Requiring it to disaggregate and reassemble that information into the four-part ESRS structure imposes a significant and, in many cases, unnecessary compliance burden, thereby disincentivizing the voluntary global reporting route under Article 29a.

Regarding (ii) and (iii) above, rigid presentation requirements, such as those under paragraphs 105 and 117, exacerbate the information asymmetry that Article 40a(2), subparagraph 3, already acknowledges. The legislative framework recognizes that the reporting entity may not be able to obtain all necessary information from the third country parent and provides a fallback mechanism in such circumstances. However, where a third country parent is willing to provide sustainability information only in the format in which it has already been prepared under another framework, the current draft requirements may force the reporting entity to treat such information as non-compliant or to issue unnecessary disclaimers, even where the substance of the information would otherwise satisfy the relevant disclosure requirements. Greater presentation flexibility would allow reporting entities to make meaningful use of the information made available by third-country parent undertakings, reduce unnecessary duplication, and lower the likelihood that EU subsidiaries or branches are forced to publish incomplete reports accompanied by deficiency statements under Article 40a(2). Greater flexibility would also reduce the need for third-country parent undertakings to restructure or reproduce existing disclosures solely to conform to prescribed

ESRS presentation requirements, thereby increasing the likelihood that relevant information is made available to EU reporting entities.

Greater flexibility in the structure and presentation of the sustainability statement would also improve the usability and decision-usefulness of third-country reporting within the internal market by facilitating the inclusion of more relevant and complete information in EU reports. Where a third-country parent is unable or unwilling to disaggregate and reassemble existing disclosures into the prescribed ESRS format, rigid presentation requirements may result in partial or absent disclosures notwithstanding the availability of substantively comparable information. For users of sustainability disclosures, complete and understandable information presented in an alternative structure is likely to be significantly more useful than incomplete reporting driven solely by rigid presentational requirements.

## **Conclusion**

In view of the above challenges presented by paragraphs 117 and 105 of ESRS 1, we would encourage the Commission to introduce greater flexibility under ESRS 1 with respect to:

- incorporation by reference;
- the organization and structuring of the sustainability statement; and
- the presentation of information prepared under other mandatory or widely used sustainability reporting frameworks.

Greater presentation flexibility would reduce unnecessary duplication, improve operational efficiency for multinational reporting groups, enhance consistency and usability across sustainability disclosures, and support more effective implementation of CSRD requirements.

As noted above, incorporation by reference is already contemplated under the ESRS framework and remains subject to the important safeguards under paragraphs 118 and 120 of ESRS 1, including requirements relating to assurance, language, and digital tagging. We are not proposing any relaxation of those requirements; rather, we are proposing greater flexibility regarding the structure of the sustainability statement and the categories of disclosures that may be incorporated by reference, so that substantively comparable information prepared under other mandatory or widely used sustainability reporting frameworks may be leveraged through cross-reference rather than unnecessarily duplicated.