



TOPICS:

ESG Risk

SOURCE:

European Central Bank

ECB Staff Opinion on the Revised European Sustainability Reporting Standards

- The ECB staff **opinion on the revised European Sustainability Reporting Standards (ESRS)** assesses whether the proposed simplifications maintain the objectives of the Corporate Sustainability Reporting Directive (CSRD) while preserving decision-useful information for financial stability purposes.
- ECB staff broadly welcome the substantial streamlining of the ESRS; however, they caution that **simplification must not undermine transparency, comparability and data quality** - core to achieving the CSRD's objective of a reliable and harmonised sustainability data ecosystem. **Three principal concerns** are highlighted.
- **First**, the extensive introduction of permanent reliefs, phase-in provisions, and exemptions - particularly in climate (E1) and biodiversity (E4) standards - risks weakening comparability and creating long-term data gaps. ECB staff recommend time limits (notably a three-year cap) on "undue cost or effort" reliefs and the removal of additional phase-ins for quantitative disclosures of anticipated financial effects (AFEs). Excessive flexibility, they argue, may compromise fair presentation and impair effective risk management.
- **Second**, while interoperability with international frameworks such as IFRS/ISSB has improved in some respects, certain newly introduced reliefs exceed IFRS provisions, potentially reducing global comparability and weakening EU firms' competitiveness in capital markets.
- **Third**, ECB staff express concerns regarding the appropriateness of the revised ESRS for financial institutions. They stress the critical importance of value-chain disclosures for banks, as climate and biodiversity risks primarily arise through financed activities. Clarifications are recommended to prevent implicit exemptions for financial institutions, particularly regarding emission targets, transition risk metrics, and biodiversity-related exposures.
- **Additional recommendations** include prompt adoption of audit assurance standards, timely publication of non-mandatory guidance, caution regarding expanded reliance on voluntary standards, and regular reviews of the ESRS framework to ensure it remains fit for purpose amid rising climate and nature-related risks.

