

## Short Position

# ON THE REVISED ESRS DRAFT

VCI, the German Chemical Industry Association, supports the European Commission's efforts to reduce burdens and simplify processes and acknowledges the European Commission's draft Delegated Acts published on 8 May 2026 amending Delegated Regulation (EU) 2023/2772 as regards the simplification of certain European Sustainability Reporting Standards (ESRS). According to the European Commission's mandate (March 2025), the ongoing revision of the ESRS is intended to achieve a **substantive reduction of the number of mandatory disclosures**.

We strongly **support the deletion of the datapoint on secondary microplastics**. Retaining this datapoint would risk regulatory misalignment and likely result in generic, non-informative disclosures, while adding significant complexity. Its removal is therefore appropriate to preserve clarity, proportionality, and practicality in sustainability reporting.

While we acknowledge further improvements such as the clarification of the reporting scope aligned with financial reporting, gross/net presentation and the simplification of most definitions in the social standards, however, the overall draft **falls short of expectations**.

In particular, we would like to highlight the following key concerns:

1. EFRAG's reported reduction of datapoints is also based on **merging several datapoints** into one datapoint with respective sub-datapoints and the elimination of duplicates, which does **not reflect genuine simplification and does not reduce costs**.
2. The **inclusion of practically unfeasible concepts**, such as "anticipated financial effects", "informed assessments" as well as the expansion of the stakeholder group beyond the financial market under the concept of fair presentation, leads to a lack of legal certainty for companies.

### 2.1 Anticipated financial effects

The disclosure requirement governs the provisions on anticipated financial effects. There is no clear methodology to calculate anticipated financial effects, which makes the shared information being not aligned with the qualitative characteristics of information in ESRS 1 - Appendix B) and it won't be comparable to other companies.

As IFRS S1 and S2 themselves lack a clearly defined concept and do not provide sufficient clarity, we recommend that EFRAG and the ISSB jointly explore what a meaningful, consistent, and practical definition and methodology could look like. A strong focus on preparers in developing practical guidance is essential to ensure the feasibility, acceptance, and overall usefulness of such disclosures going forward.

The disclosure requirements set out in ESRS E1-11 go significantly beyond those in IFRS S1 and S2 regarding anticipated climate-related financial effects. They introduce additional data points that materially increase the reporting burden, are unlikely to provide decision-useful information for users of sustainability statements, and are not aligned with international standards. Accordingly, all data points in E1-11 that exceed the scope of IFRS S1 and S2 should be removed (e.g., E1-11, paragraphs 40 and 41).

## 2.2 Informed assessments

The auditors and consequently the preparers require clear boundaries to contain the currently unlimited flexibility of other users and their interests. Without clear boundaries, undertakings and their auditors will struggle to determine if their reports meet the information needs of all potential users. It raises legal uncertainties when all possible information that is expected to influence the users must be reported. Only information that materially influence the user is material information. Therefore, the word “materially” should be included.

While ESRS 1 para. 23(a) clearly defines the interest of financial market users as ‘relating to providing resources to the undertaking,’ there is no comparable specification in ESRS 1 para. 23(b). Therefore ESRS 1 para. 23 (b) should be adapted as follows:

*(b) decisions, including informed assessments, that other users of ‘general-purpose’ sustainability statements make based on the sustainability statement regarding the undertaking’s material impacts, risks and opportunities and how the undertaking manages them relating to preparing informed assessments. relating to preparing informed assessments.*

Additionally a phrase, making clear that not all specific information is needed to be provided, should be included:

*When considering the decision-usefulness of information the undertaking is not required to aim to meet all the specific information needs of each individual user, but to consider the sustainability statements as a whole.*

## 2.3 Fair presentation

Under the current fair presentation principle, it is nearly impossible for companies to legally comply with their reporting obligations. A fair presentation framework in a double materiality context can create broad corporate expectations and increase reporting effort, potentially generating tension between compliance and the provision of decision-useful information.

3. The **introduction of new requirements** such as ESRS E2-5 paragraphs 20 and AR 7 regarding the REACH-List with substance names to be reported in the management report or **deleting words** as for ESRS S1 paragraph 6, 42 and 43, ESRS S2 paragraph 19, ESRS S3 paragraph 17 as well as ESRS S4 paragraph 16 contradicts the objective of the ESRS revision, which is to simplify and improve implementability.

### 3.1 REACH-List

The requirements proposed in paragraphs 20 and AR 7 represent a substantial expansion of reporting obligations compared to the current Delegated Act, as ESRS E2-5 does not mandate disclosure the names of the substances. In addition, reporting requirements for the management report should not lead to disclosures that are already publicly accessible from other sources.

Furthermore, this requirement forces companies to analyse all their purchased indirect materials, including even the smallest quantities for analysis, sampling and R&D for the presence of all SVHCs.

Further, mandatory communication of SVHC in articles is EU-specific. For articles produced and placed on the market outside EU, only the manufacturer in non-EU reasonably has the required information that could be reported when the manufacturing company is an affiliate of a globally acting and reporting company.

### 3.2 Human rights incidents

The disclosure requirements no longer refer only to “severe human rights issues and incidents” compared to the current Delegated Act but to “substantiated human rights incidents”. It is unclear what “substantiated” human rights incidents are. Therefore, the term “severe” is of utmost importance to clearly support both companies and auditors in categorizing the respective cases and the term is internationally defined.

We further advocate that disclosure requirements concerning judicial and non-judicial proceedings be strictly confined to those culminating in a final and binding court ruling. Absent this limitation, the scope of disclosure relating to alleged discrimination and other human rights abuses would become excessively expansive and risk encompassing unverified claims.

4. The introduction of sector-specific reporting requirements in ESRS E2 Pollution paragraph 18 and 19 AR 4 on Substances of Concern, stipulates that these requirements should only apply to the chemical sector. **Sector-specific requirements for certain companies contradict the principles of the agnostic ESRS.** Accordingly, the respective provisions should be deleted.
5. **Unclear definitions**, e.g., ESRS E5 paragraph 13 definition of “key materials” and setting a threshold or ESRS E2 paragraph 19 and AR 5 definition of “total number of Substances of High and Very High Concern” leads to legal uncertainty when reporting. A clear and understandable definition of what is expected to be reported should be addressed.
6. The **level of granularity demanded**, e.g., when assessing impacts, risks and opportunities and subsequently reporting at site or location level or even “water basin” level, remains disproportionate, non-meaningful and impractical for many

companies. This contradicts to the option of a top-down assessment for the double materiality assessment (ESRS 1 paragraph 27). Disaggregation of all impacts, risks and opportunities leads to exponential granularity and information overload.

7. It should be possible to receive a full adopter status with ISSB when being aligned with the ESRS by establish **interoperability with the ISSB**. Convergence should, however, be achieved through standard-setting coordination rather than by adding reporting requirements for EU companies.

Further details at disclosure requirement level are provided in the detailed position.

In its current form, the revised draft risks replacing existing obligations with new complexities and heightened **compliance risks** rather than providing relief. What is urgently needed are **genuine simplifications and pragmatic, real-world solutions**.

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