

Ms Maria Luís Albuquerque
Commissioner, Financial Services
and the Savings and Investments
Union
European Commission

FYI: Ms Kerstin Lopatta
EFRAG Sustainability Reporting
Board Chair
EFRAG

Sent by email
Brussels, 24 June 2026

Subject: Preliminary remarks from the accounting profession on the European Sustainability Reporting Standards for third-country groups

Dear Ms Albuquerque,

Accountancy Europe has contributed to every step in EFRAG's and the European Commission's (EC) development of the European Sustainability Reporting Standards (ESRS), including commenting on their recent revision.

We have been closely following the development of the sustainability standards for third country/non-EU groups (N-ESRS), which are soon to be issued by EFRAG for consultation. We appreciate EFRAG is developing the N-ESRS at the request of the EC, because EFRAG does not have a direct legal mandate for this project under the Corporate Sustainability Reporting Directive (CSRD). Despite EFRAG's efforts, we note that Article 40a and Article 40b of the Accounting Directive as amended by the CSRD remain unclear and lack specifications needed for standard setting.

In this letter we share our main concerns on the draft standards with you, having considered EFRAG's latest available public drafts¹ up to the date of this letter.

CSRD interpretations

The N-ESRS use the ESRS as a starting point, delete references purely linked to risks and opportunities and make the necessary adjustments required by Article 40a. However, elements in the CSRD, as currently being transposed in Member States, and that affect the development of the N-ESRS, remain unclear:

- *the definition of "net turnover in the Union"*: it is unclear whether this is the sum of the net turnover of all the European Union (EU) branches and subsidiaries, or the net turnover from products delivered and services rendered in the EU?
- *the objective of the standard, who the users are and what type of decisions they make*: clarification would help determine the information to be included according to the disclosure requirements of the N-ESRS
- *whether the standard should include purely impact disclosures or also those with a "financial materiality" element to them*: as Article 40a removes all references to risks and opportunities,

¹ See documents part of the EFRAG Sustainability Reporting Technical Expert Group meeting of 16 June 2026: <https://www.efrag.org/en/news-and-calendar/meetings-calendar/efrag-sr-teg-physical-meeting-16-june-2026>

if disclosures that also have financial implications are maintained in the NESRS, we call to clarify the links with the International Sustainability Standards (ISSB) standards to avoid double reporting

- *whether the N-ESRS report is a consolidated report*: in the past the EC noted that Article 40a requirements “at group level” do not necessarily mean “consolidated”. We recommend avoiding this differentiation as it introduces unnecessary complexity and creates confusion in the system. However, if retained, we call for clarity on the composition of a “group” and how it is linked to the perimeter of reporting (see below) at Exposure Draft stage in order to receive stakeholder feedback on its practicability.

In addition, we note that it will be challenging for the subsidiary/branch to provide the group sustainability report with only the information in its possession for the cases when the non-EU parent did not make the necessary information available. These reports with incomplete information confuse the system as they complicate comparability and hinder value to users.

Perimeter of reporting (global vs “mixed” approach)

The EC has instructed EFRAG to consider and consult with stakeholders on two options for the perimeter of disclosures under the N-ESRS:

- (a) global approach, whereby the impacts of the whole non-EU group would be reported, or
- (b) “mixed” approach, which allows limitation of some of the disclosures to impacts connected with the sale of products and services in the EU.

We appreciate that the “mixed” approach may have the aim of limiting the reach of the extraterritoriality element in the CSRD. However, it is artificial, burdensome, raises assurance challenges, creates confusion in the system (due to the different scopes/perimeters for different topics), and undermines comparability with both other international groups reporting under a different framework (e.g., ISSB’s) and with EU companies reporting under the ESRS.

Global context and political considerations

N-ESRS that are overly complex and unclear would raise burden for non-EU groups (as they may already be subject to other sustainability reporting requirements) and could lead to circumventing the CSRD all together. This would harm EU competitiveness and create an uneven playing field.

Article 40a foresees the option for non-EU groups to use (1) a standard to report on impacts, i.e., the N-ESRS, (2) the ESRS, (3) standards equivalent to the ESRS. This can be a good anchor point for the EU to start equivalence discussions with jurisdictions. Despite alignment efforts, double reporting and its associated costs can only be fully eliminated by equivalence. It would also ensure EU companies remain competitive, as the ESRS statement is deemed compliant with other jurisdictions’ frameworks.

* * *

Please do not hesitate to contact Jona Basha (jona@accountancyeurope.eu) in case of any questions or remarks.

Sincerely,



Jens Poll
President



Eelco van der Enden
Chief Executive

ABOUT ACCOUNTANCY EUROPE

Accountancy Europe unites 49 professional organisations from 35 countries that represent close to **1 million** professional accountants, auditors and advisors. Accountancy Europe translates their daily experience to inform the public policy debate in Europe and beyond.

Accountancy Europe is in the EU Transparency Register (No 4713568401-18)