

ESRS-40a, Public consultation questionnaire

2. (untitled)

Do you provide your consent to publish your responses? Please select 'No' below if you do not want your responses to be made public; in this case, your feedback will be treated anonymously.

Yes

3.

1. First Name:

Jona

2. Last Name:

Basha

3. Name of the organisation:

Accountancy Europe

4. Country of headquarters:

Belgium

5. Sector: [\[more detailed information about sector classification\]](#) - *It is possible to select multiple sectors.*

Other service activities

6. Please enter your email.

jona@accountancyeurope.eu

7. Which of the following stakeholder types do you represent?

Other - Write In: Accountancy Europe represents the European accounting, auditing and advisory profession.

For preparers, are you:

If none of the above, please specify.

Please specify the country of headquarters of the ultimate parent company.

i. Please specify the country of headquarters.

ii. If you have selected point (iii) to the question for preparers above, please provide your feedback, if possible, on (these questions apply only to undertakings in scope of Article 40a of the Accounting Directive):

How many subsidiaries in your group are in scope of Articles 19a or 29a of the Accounting Directive?

iii. Please provide the location of your subsidiaries

iv. Please list the subsidiaries that are already reporting under Articles 19a or 29a of the Accounting Directive.

v. If you have selected point (iii) to the question for preparers above, do you plan to report according to ESRS (as enacted by the EC in July 2026) for the whole group (double materiality)?

vi. Please select one or more of the reasons listed below for planning to report according to ESRS (as enacted by the EC in July 2026) for the whole group (double materiality).

8. Do you/does your (or will by FY2028) ultimate parent group report in accordance with jurisdictional standards based on ISSB standards on a group level?

No.

Because you answered "Yes" to the previous question, please indicate if you report on:

9. Do you/does your (or will by FY2028) ultimate parent group report voluntarily on a group level?

No.

Because you answered "Yes" to the previous question, please indicate if you report on:

4.

10. Do you agree with the way EFRAG has implemented the provisions of the Accounting Directive ([Articles 40a–40d](#)), particularly in deleting RORD-related disclosures and financial effects, as well as maintaining financial information that provides useful contextual information to understand the impacts and how they are managed?

No.

i. Please specify why

5.

11. Questions

Do you support the inclusion of a 'mixed approach' option in the ESRS-40a ED, which allows limiting disclosures to EU-related impacts only for some topics?

No.

i. Please select from this list of reasons (choose one or more):

12. i. Please select from this list of reasons (choose one or more):

It fails to secure level-playing field for EU companies.

Despite the condition in AR 6 for paragraph 29 (ESRS-40a 1 ED), it does not result in relevant and complete information, or it conflicts with faithful representation of impacts.

It results in mixed scopes in the same report (global for climate, EU-related for one or more groups of impacts/sub-topics/topics), making it difficult for users to understand and use the information;

The flexibility in paragraph 30 (ESRS-40a 1 ED) is too broad, as impacts are managed consistently at topical level.

The flexibility in paragraph 30 (ESRS-40a 1 ED) is too broad, and it will result in lack of comparability across companies.

Reporting on EU-related impacts raises significant practical challenges.

Other reasons (please specify):: Audit challenges, resulting in increased burden.

Please explain your reasoning behind selecting 'It captures impacts that have a link with EU' and, if applicable, provide suggested improvements

Please explain your reasoning behind selecting 'It provides a proportionate approach to third-country groups without imposing excessive costs connected to global reporting for all topics.' and, if applicable, provide suggested improvements.

Please explain your reasoning behind selecting 'It provides relevant information thanks to the condition in AR 6 for paragraph 29 (ESRS-40a 1 ED).' and, if applicable, provide suggested improvements.

Please explain your reasoning behind selecting 'It does not impair comparability and auditability of sustainability reporting' and, if applicable, provide suggested improvements.

13. Please explain your reasoning behind selecting 'It fails to secure level-playing field for EU companies' and, if applicable, provide suggested improvements.

We recognise that the mixed approach aims to address the extraterritoriality concerns of Article 40a whilst aiming to ensure a level playing field with EU companies. We also appreciate the effort to limit burden for non-EU companies with this proposal and ensure proportionality, however, proposals to this end should be practical and not hinder the usefulness of information. Ultimately, reports that are not decision-useful simply create burden for preparers and serve neither the extraterritoriality objective nor the level-playing field one.

We believe that the proposals in the ED on the "mixed approach" raise many conceptual and practical questions, which limit the usefulness of the report. Therefore, we call for EFRAG and the EC to consider who the users of the ESRS-40a report are and what useful information is to them, either via research, outreach or field-testing feedback, to make the necessary revisions and/or propose an alternative that ensures proportionality, is practical and provides useful information, which ultimately serves the level-playing field objective.

14. Please explain your reasoning behind selecting 'Despite the condition in AR 6 for paragraph 29 (ESRS-40a 1 ED), it does not result in relevant and complete information, or it conflicts with faithful representation of impacts.' and, if applicable, provide suggested improvements.

There is a risk that relevant information could be omitted or that the report is not complete with the "mixed approach" as proposed in the ED. For example, significant human rights or environmental impacts arising outside the EU may be relevant to understanding the undertaking as a whole. Therefore, geographical separation of impacts may not necessarily correspond to the information needs of users and if done, may not faithfully represent those impacts as certain sustainability topics and business activities are global by nature.

We also note that the EU-specific split may be artificial, hinder comparability and understandability and not faithfully represent those impacts. In addition, it may not be realistic or possible to require the subsidiary/branch to disclose more than the parent/group.

These concerns also raise fair presentation challenges, as provided in our response in Question 44.

On a separate note, claiming fair presentation will be challenging for the proposed ESRS-40a, considering the "mixed approach" and the subsidiary requirements. It is important to clarify who is responsible for determining that fair presentation has been achieved, including for the subsidiary (which may have the legal obligation to publish but does not own the information reported and does not have the power to make decisions on such information or on behalf of the parent/group).

15. Please explain your reasoning behind selecting 'It results in mixed scopes in the same report (global for climate, EU-related for one or more groups of impacts/sub-topics/topics), making it difficult for users to understand and use the information;' and, if applicable, provide suggested improvements.

Applying different scopes to different sustainability topics (e.g., reporting air pollution on an EU-only basis but microplastics globally) makes the sustainability statement highly fragmented and as a result, difficult to understand and compare. For investors and other users, comparing two undertakings becomes virtually impossible if their reporting boundaries are defined differently across topics/sub-topics. We believe that a report in which some information is provided globally and other information is provided only for EU-related impacts, does not provide a coherent picture. In addition, the option of the "mixed approach" as proposed in the ED also enables opportunistic "cherry-picking" and may give rise to greenwashing risks. Undertakings could selectively apply global reporting to areas where their global performance looks favorable, while restricting disclosures to the EU boundary for sub-topics where they cause severe negative impacts in third countries. This also hinders the qualitative characteristic of neutrality.

Please explain your reasoning behind selecting 'The condition in AR 6 for paragraph 29 (ESRS-40a 1 ED) is too narrow and will have narrow application.' and, if applicable, provide suggested improvements.

16. Please explain your reasoning behind selecting 'The flexibility in paragraph 30 (ESRS-40a 1 ED) is too broad, as impacts are managed consistently at topical level.' and, if applicable, provide suggested improvements.

There are certain impacts that cannot be split (eg due to the cross-border activities or nature of impact) and are managed as a whole rather than at geography level. For global groups, identifying and separating impacts (including those only in the EU) may be difficult or, in some cases, artificial. For example, governance matters that are managed and reported at group level. As another example, impacts arising from certain activities or assets (eg vessels, aircraft, trucks or mobile offshore assets) are inherently cross border. Similar challenges may arise in complex global value chains.

These may hinder understandability and comparability, and ultimately not provide useful information. In addition, and as a result, there may be assurance challenges.

These concerns also raise fair presentation challenges, as provided in our response in Question 44.

17. Please explain your reasoning behind selecting 'The flexibility in paragraph 30 (ESRS-40a 1 ED) is too broad, and it will result in lack of comparability across companies.' and, if applicable, provide suggested improvements.

It is impractical and artificial to split certain impacts (eg due to the cross-border activities or nature of impact), which raises many conceptual questions and practical challenges (see our answer to Q34 below), including for assurance. This also hinders comparability, partially due to the high level of judgement and the split being artificial. Therefore, despite the conditions limiting the use of the "mixed approach" as proposed in the ESRS-40a ED, we believe that its use would result in a report that is not useful.

18. Please explain your reasoning behind selecting 'Reporting on EU-related impacts raises significant practical challenges' and specify which challenges you anticipate.

The "mixed approach" as proposed in the ED would practically create a new reporting boundary for the group reporting when determining the EU related impacts, as it could end up including in the report only entities connected to these EU impacts. This would differ from the consolidation rules in the ESRS, ISSB standards and IFRS Accounting standards. Particularly regarding the latter, the ESRS-40a with the mixed approach would not have a corresponding financial statement (as the scopes would be different) impairing connectivity and incorporation by reference. In practice, these differences will raise questions with users and assurance providers (eg explaining or reconciling the differences) which would result in additional costs for preparers and raise assurance challenges.

On the costs note, determining the scope of EU-related impacts may be costly for preparers. For companies who do not manage impacts on an EU basis but wish to report them, this could result in new reporting processes or possible modifications of reporting systems. It would equally be costly, difficult and even impractical to split impacts for certain sustainability topics/sub-topics and industries, as mentioned above.

The "mixed approach" as proposed in the ED may also make assurance challenging and raise questions including determining whether EU-related impacts have been completely and adequately identified, assessing allocation methodologies and verifying the consistency of the reporting scope applied. In addition, verifying multiple and overlapping consolidation boundaries within a single disclosure or topical area increases audit complexity.

19.

Definition of EU-related impacts. Paragraph 28(a) of the ESRS-40a 1 ED refers to EU-related impacts (customer component) as: *'impacts that arise from products and services that were or can be reasonably assumed to be sold or provided in the EU market, including by third parties (downstream value chain actors such as distributors and traders)'*.

Do you agree with this formulation, which remains at the principles-based level?

No.

20. Please recommend alternative factors to be considered by the undertaking that could be included in the Standard.

We consider the phrase highly subjective. "Reasonably assumed" must be anchored in objective and documentable evidence. Without objective criteria it remains highly judgmental and introduces significant challenges, including for assurance. These include risks of management bias, undermining neutrality and creating a significant risk of greenwashing. Similarly, defining "products and services in the EU" may prove challenging for activities that are by nature difficult to split (eg international transport services) as they inherently move across borders. The split may be highly subjective, which may hinder comparability.

The results of the field testing should determine whether such information is practical, and consultation with the users of the report will determine whether it will be useful.

21. For preparers, Do you intend to apply the mixed approach?

i. To which topic/sub-topic or group of impacts do you intend to apply the mixed approach?

ii. How would you apply it?

22. For users, Considering the transparency requirements for applying the mixed approach in paragraph 4(a) and AR 1 of the ESRS-40a 2 ED, and the specific provisions added in paragraphs 28–30, AR 6 and AR 7 of the ESRS-40a 1 ED, do you expect to be able to understand and compare a sustainability report that applies different reporting boundaries (e.g. global vs EU-related scope) across topics or sub-topics?

Please find the paragraphs mentioned above [here](#).

No.

23. Please explain why.

We reiterate our comments above.

24. Please suggest possible amendments.

See our comments above.

6.

25. Despite the focus on impacts and the deletion of RORD, do you agree with the reference to fair presentation in the reporting objective of the ESRS-40a ED in paragraph 5 of the ESRS-40a 1 ED: ‘the objective of the ESRS-40a ED sustainability report, taken as a whole, is to present fairly (see Chapter 2) all the undertaking’s material sustainability-related impacts and how the undertaking manages them’? For further considerations, please refer to the Basis for Conclusions (BC87–BC90).

No

26. Please explain.

We support fair presentation as a reporting objective. However, achieving fair presentation may be challenging for the ESRS-40a as a whole as we believe the standard is unclear on key conceptual elements (the users are, the purpose/objective and types of decisions users make using the ESRS-40a report).

In addition, we question whether certain qualitative characteristics of information are met (e.g. completeness, comparability, faithful representation, usefulness, relevance), particularly with the proposed "mixed approach" in the ED (see our responses above in identifying these challenges). We call for clarity on how fair presentation can be achieved under these circumstances as this would also ease assurance.

On a more practical and specific note, we believe that fair presentation is especially challenging to claim for where the EU subsidiary/branch does not receive all the necessary information from the non-EU parent. The draft ESRS-40a ED requires the subsidiary or branch in such circumstances to publish the information available to it and clearly disclose that not all requested information was provided. It is difficult to reconcile this situation with an objective of fairly presenting material sustainability-related impacts, particularly given that fair presentation itself requires a complete, neutral and accurate depiction.

In addition for this case, we call for clarification over who is responsible for determining that fair presentation has been achieved when the legal obligation to publish the report rests with the EU subsidiary or branch, while much of the information relates to, is produced or controlled by the ultimate non-EU parent. This raises related questions for assurance, accountability and ultimately enforcement.

We recommend EFRAG or the EC clarifies the respective responsibilities of the subsidiary or branch and the ultimate parent, the implications of information limitations for a fair presentation conclusion, and how such limitations should be reflected in the report and assurance process.

7.

27. Under the ED, companies can also apply the mixed approach option when reporting about human rights impacts. This means that they can restrict reporting to EU-related human rights impacts. Do you think human rights impacts should be excluded from the mixed approach and reported globally, regardless of where they occur or whether they are connected to products and services sold to the EU? (see the Basis for Conclusions, sub-chapter detailed discussions of key topics, BC46–BC61)

Please explain, also with reference to the specific circumstances you have in mind.

28. Under the ED, companies can limit the disclosure to EU-related impacts without considering whether the impacts can be geographically contained (both in terms of where the impacts occur and where their effects are experienced). Do you agree with this approach? (see the Basis for Conclusions, sub-chapter detailed discussions of key topics, BC46–BC61)

No.

29. Please explain, also with reference to the specific circumstances you have in mind.

Following our practical and conceptual comments on the mixed approach as proposed in the ED, we reiterate our concerns about the difficulties of determining "EU-related" impacts considering that some impacts and activities cannot be meaningfully geographically contained, making the EU-only perimeter artificial, hindering comparability and understandability and ultimately making it challenging to assure.

30. Do you think that fair presentation can be achieved under the mixed approach? (see Basis for Conclusions, sub-chapter detailed discussions of key topics, BC46–BC61)

No.

31. Please explain.

We reiterate our practical and conceptual concerns about the "mixed approach" as proposed in the ED, as well as our fair presentation concerns as noted in our response to question 44. We believe fair presentation will be particularly challenging under these circumstances because firstly, the standard is unclear on key elements such as who the users are, what purpose/objective the ESRS-40a report has, what types of decisions users make using the ESRS-40a report.

Secondly, we question how qualitative characteristics of information such as completeness, understandability, relevance, comparability, faithful representation, usefulness can be considered as met as per the proposals of the mixed approach as per the ED. Whilst we appreciate the proposed caveat of achieving fair presentation under the mixed approach, we believe that same terminology should be used consistently and without caveats throughout corporate reporting. This would support uniform understandability and avoid confusions.

We find these even more challenging to meet for the EU subsidiary or branch, if it will report information that it does not produce or control itself. All of these raise accountability, assurance and enforcement questions.

Therefore, we call EFRAG and the EC to clarify how fair presentation can be achieved overall and particularly with the mixed approach as proposed in the ED, considering the conceptual and practical challenges raised.

32. Do you agree with the flexible formulation of the option, which allows companies to choose the scope of reporting (global or EU-related impacts) at topic, sub-topic or group-of-impacts level, irrespective of how other topics, sub-topics or groups of impacts within the same topic are treated?

No.

33. i. Please explain

We reiterate our practical and conceptual concerns about the "mixed approach" as proposed in the ED. Whilst we appreciate the flexibility, note that this may raise completeness and comparability questions, ultimately also making assurance more challenging.

ii. SUB-QUESTION FOR PREPARERS: If you replied 'Yes.' to the above question, are you considering, within the same topic, reporting at EU-related level for some groups of impacts or sub-topics, and reporting at global level for some other groups of impacts or sub-topics?

iii. Please explain for which topic this would happen and the rationale behind this choice.

34. For preparers and assurance providers, do you anticipate implementation challenges when applying the mixed approach?

Yes.

35. i. If "Yes.", please select one or more of the following.

How to demonstrate the condition in AR 6 for paragraph 29 of ESRS-40a 1 ED

How to identify the products and services that were or can be reasonably assumed to be sold or provided in the EU market, including by third parties;

How to perform a materiality assessment focused on EU-related only impacts (chapter 3 of ESRS-40a 1 ED)

How to report on policies, actions and targets for EU-related impacts

How to identify the most appropriate allocation key and report on metrics

Providing transparency on the use, assumptions and results of the mixed approach (paragraph 4(a), AR 1 for paragraph 4(a) of ESRS-40a 2 ED)

Others - Write In: Increased reporting and assurance burden, including costs.

36. Because you identified as a challenge 'How to identify the most appropriate allocation key and report on metrics', please specify which metrics you are referring to. Please specify why.

37. Because you identified as a challenge 'How to demonstrate the condition in AR 6 for paragraph 29 of ESRS-40a 1 ED', please explain why and, if applicable, suggest improvements.

38. Because you identified as a challenge 'How to identify the products and services that were or can be reasonably assumed to be sold or provided in the EU market, including by third parties', please explain why and, if applicable, suggest improvements.

39. Because you identified as a challenge 'How to perform a materiality assessment focused on EU-related only impacts (chapter 3 of ESRS-40a 1 ED)', please explain why and, if applicable, suggest improvements.

40. Because you identified as a challenge 'How to report on policies, actions and targets for EU-related impacts', please explain why and, if applicable, suggest improvements.

Because you identified as a challenge 'How to report in accordance with ESRS-40a 2 ED', please explain why and, if applicable, suggest improvements.

Because you identified as a challenge 'How to report in accordance with ESRS-40a E2 ED', please explain why and, if applicable, suggest improvements.

Because you identified as a challenge 'How to report in accordance with ESRS-40a E3 ED', please explain why and, if applicable, suggest improvements.

Because you identified as a challenge 'How to report in accordance with ESRS-40a E4 ED', please explain why and, if applicable, suggest improvements.

Because you identified as a challenge 'How to report in accordance with ESRS-40a E5 ED', please explain why and, if applicable, suggest improvements.

Because you identified as a challenge 'How to report in accordance with ESRS-40a S1 ED', please explain why and, if applicable, suggest improvements.

Because you identified as a challenge 'How to report in accordance with ESRS-40a S2 ED', please explain why and, if applicable, suggest improvements.

Because you identified as a challenge 'How to report in accordance with ESRS-40a S3 ED', please explain why and, if applicable, suggest improvements.

Because you identified as a challenge 'How to report in accordance with ESRS-40a S4 ED', please explain why and, if applicable, suggest improvements.

Because you identified as a challenge 'How to report in accordance with ESRS-40a G1 ED', please explain why and, if applicable, suggest improvements.

41. Because you identified as a challenge 'Providing transparency on the use, assumptions and results of the mixed approach (paragraph 4(a), AR 1 for paragraph 4(a) of ESRS-40a 2 ED)', please explain why and, if applicable, suggest improvements.

42. ESRS-40a 2 ED BP-1, paragraph 4(a), requires the undertaking to disclose whether the sustainability report has been prepared using the mixed approach and, if so, to explain – per topic, sub-topic, or group of impacts – how EU-related impacts were determined and how the conditions set out in the ESRS-40a 1 ED, paragraphs 29 and 30, and AR 6 have been met. Do you consider these requirements to be clear, feasible and sufficient to ensure proper understanding of when and how the mixed approach is applied?

Please include your suggestions, if any, on how these requirements can be improved.

43. Do you agree with the specifications in the ESRS-40a 2 ED that provide guidance on how to apply this Standard when reporting on EU-related impacts?

i. If 'No.' to the previous question, please select one or more of the specifications below with which you disagree:

Please explain why you selected GDR-T (AR 52) and, if applicable, provide suggestions for improvement.

Please explain why you selected GDR-M (AR 44 to AR 47) and, if applicable, provide suggestions for improvement.

Please explain why you selected GDR-A (AR 36) and, if applicable, provide suggestions for improvement.

Please explain why you selected GDR-P (AR 34) and, if applicable, provide suggestions for improvement.

Please explain why you selected I-2 (AR 27) and, if applicable, provide suggestions for improvement.

Please explain why you selected I-1 (AR 23) and, if applicable, provide suggestions for improvement.

Please explain why you selected SBM 3 (AR 21) and, if applicable, provide suggestions for improvement.

Please explain why you selected SBM 2 (AR 19) and, if applicable, provide suggestions for improvement.

Please explain why you selected SBM 1 and, if applicable, provide suggestions for improvement.

Please explain why you selected GOV 4 and, if applicable, provide suggestions for improvement.

Please explain why you selected GOV 3 and, if applicable, provide suggestions for improvement.

Please explain why you selected GOV 2 (AR 12) and, if applicable, provide suggestions for improvement.

Please explain why you selected GOV 1 (AR 11) and, if applicable, provide suggestions for improvement.

44. Do you agree with the specifications in the ESRS-40a ED topical standards that provide guidance on how to apply this Standard when reporting on EU-related impacts?

i. If 'No.' to the previous question, please select the specifications below with which you disagree.

Please explain why you selected ESRS-40a E2 ED AR 4 (primary microplastics) and, if applicable, provide suggestions for improvement.

Please explain why you selected ESRS-40a E2 ED AR 9 and 10 (SoC and SVHC) and, if applicable, provide suggestions for improvement.

Please explain why you selected 'No specifications in ESRS-40a E3 ED (specification in GDR-M applies)' and, if applicable, provide suggestions for improvement.

Please explain why you selected 'No specifications in ESRS-40a E4 ED (specification in GDR-M applies)' and, if applicable, provide suggestions for improvement.

Please explain why you selected 'No specifications in ESRS-40a E5 ED (specification in GDR-M applies)' and, if applicable, provide suggestions for improvement.

Please explain why you selected ESRS-40a S1 ED (paragraph 8, AR 1, AR 2, AR 20, AR 39) and, if applicable, provide suggestions for improvement.

Please explain why you selected ESRS-40a S2 ED (paragraph 8) and, if applicable, provide suggestions for improvement.

Please explain why you selected ESRS-40a S3 ED (paragraph 7) and, if applicable, provide suggestions for improvement.

Please explain why you selected ESRS-40a S4 ED (paragraph 7) and, if applicable, provide suggestions for improvement.

Please explain why you selected ESRS-40a G1 ED (paragraph AR 7 metric for corruption and bribery) and, if applicable, provide suggestions for improvement.

Please explain why you selected ESRS-40a G1 ED (paragraph AR 7 11 metric for political influence) and, if applicable, provide suggestions for improvement.

Please explain why you selected ESRS-40a G1 ED (paragraph AR 7 13 metric for payment practices) and, if applicable, provide suggestions for improvement.

45. Breakdown for own workforce. Do you think it would be useful for users of sustainability reports if companies that opt for the mixed approach were required to disaggregate the quantitative metrics in Disclosure Requirements S1-6 to S1-16 – e.g. health and safety metrics such as number and rate of work accidents – by workforce inside and outside the EU? (A company's workforce includes employees and non-employees.)

i. If 'Yes.', should all quantitative metrics in S1-6 to S1-16 have to be disaggregated in that way or only some?

ii. If for 'Only some.', please specify which ones.

8.

46. Questions

Do you agree with the presentation requirements in ESRS-40a ED?

Yes.

i. If "No.", please explain why.

ii. If 'No.', please provide suggested amendments.

47. Do you agree with the provisions in Chapter 9.3 on incorporation by reference, including as a possible way to achieve efficient reporting and to deal with double reporting when the group prepares a sustainability report in accordance with jurisdictional requirements based on IFRS S1 and IFRS S2, or in accordance with IFRS S1 and IFRS S2?

No.

48. i. If 'No.', please specify if you disagree with.

Conditions for incorporation by reference (paragraphs 121–123)

49. ii. If "No", please explain and, if applicable, provide suggested improvements.

We support incorporation by reference as a tool to avoid duplication, but believe the current provisions do not sufficiently consider the circumstances of and various other legal obligations these non-EU groups are subject to. For example, in accordance with paragraph 120 of ESRS-40a 1, companies preparing ISSB reports voluntarily (e.g. because there is no mandatory sustainability reporting obligation in their jurisdictions) could not use this option and would end up in duplication of reporting. Similarly, the condition of the level of assurance may be difficult to meet due to different practices on assuring and verifying sustainability information in different jurisdictions.

We suggest that ESRS-40a focuses on ensuring that the resulting report from using the standards is complete, understandable and auditable, whilst trying to minimize double reporting and reporting burden to the maximum extent possible considering the multi-jurisdiction framework these companies operate in. To this end, we invite EFRAG to assess the incorporation by reference conditions considering their practicability whilst focusing that information reported in the ESRS-40a report fulfils the disclosure requirements of the standard and provides complete information.

Moreover, the ESRS-40a report could also accept ISSB metrics' measurements basis to avoid producing the same metric based on two different measurement basis and to minimise reporting burden.

We suggest EFRAG considers providing the option of topping up certain information to comply with the provisions of Article 40a of the Accounting Directive for companies already required to or choosing to prepare ISSB-based reports. We recognise that interpretations of paragraphs 109 and 120 of the draft ESRS-40a 1 could enable this approach, however, we call for clarifying and specifically allowing for this option (see our response to TOPIC 5 for more).

50. For preparers, If you are in scope of the ESRS-40a ED and, at the same time, (will) prepare (from YE2028) a sustainability report in accordance with jurisdictional standards based on IFRS S1 and IFRS S2, do you anticipate:

In this case, please specify how you plan to support understandability and identification of disclosures that meet the disclosure requirements in the respective frameworks.

Please explain why and illustrate the challenges you anticipate.

Please provide suggestions for amendments.

51. Do you find the requirements for incorporation by reference sufficient to lead to an understandable and auditable report?

If applicable, please provide suggested improvements.

9.

52. For preparers, Do you think that referring to terms and concepts from EU legislation as the default framework is feasible?

If not, please specify which disclosure requirements you are referring to.

Please find attached an Excel file containing a list of disclosure requirements where you can provide your comments. Please note that comments are also allowed on disclosure requirements not mentioned in this file - there is a specific tab for it in the Excel file.

Please download the file [here](#).

A practical note: to correctly use the Excel file, please download it, complete the fields, and then upload the document.

Please upload the populated Excel File in this box.

53. ESRS-40a 2 ED BP-1, paragraph 7, requires undertakings to disclose, where EU-derived concepts are applied to third-country operations using approximations or estimations, which disclosures are affected, how the information was prepared, what limitations arise, and which parts of the reporting boundary are concerned. Do you consider these requirements to be clear, feasible and sufficient to ensure proper understanding of how the undertaking treats differences between EU-derived concepts and other third-country concepts?

54. If no, please explain your reasoning.

10.

55. Please provide any other comments or suggested improvements on ESRS-40a ED not covered in the questions above.

Despite the practicality of using the full ESRS as a basis for ESRS-40a, we believe that this approach has resulted in legal interpretations, outside of EFRAG's remit (eg subsidiary obligations for when the parent company does not provide information, the provision of the "mixed approach", etc). In addition, we believe that the following key elements of standards should have been considered in the development of the ESRS-40a for the purpose of the standard, rather than taking them for granted by the ESRS:

- who the users of the ESRS-40a report are
- what type of decisions the aforementioned users make based on the ESRS-40a report
- what is the objective of all the ESRS-40a standards

See our letter for more: <https://shorturl.at/cSWHp>

On another note, Accountancy Europe proposes adding an option to the ESRS-40a standards allowing non-EU companies that prepare an ISSB-based sustainability report, to use that report and supplement it with disclosures required to comply with Article 40a of the Accounting Directive. This could come as an application of the presentation and incorporation by reference provisions in paragraphs 109 and 124, but we call for it to be explicit in the ESRS-40a standards. To operationalise this option, EFRAG could clearly specify the necessary additional disclosure requirements to the ISSB needed.

Such an option would allow non-EU companies to leverage their existing reporting under domestic regimes, likely based on ISSB standards, and would provide a proportionate, decision-useful, and workable reporting framework for the non-EU groups within the scope of Article 40a and their subsidiaries/branches.

Separately, we call on the EC prioritise work on equivalence mechanisms with the ISSB to facilitate reporting and compliance with Article 40a of the CSRD, reduce burden and ensure the competitiveness of EU companies in global markets.

11.

Answer in Excls for Part 2 - Topic 1 - Question 1.

1. Would you retain any deleted datapoints?
2. Do you have comments on deleted, amended or new paragraphs?

Please note that comments are not allowed on paragraphs that remained unchanged.

A practical note, to correctly use the Excel file, please download it, complete the fields, and then upload the document.

Please download the file Excel [here](#)

NOTE: The Excel File contains several validations. Please make sure to not break those validations. Only files with intact validations and not corrupted will be considered as valid by EFRAG Secretariat.

Please upload the populated Excel File in this box.

[Detailedfeedbackperstandardandparagraphs.xlsx](#)