

ESRS Simplification Working Group

ESRS Simplification

Survey on European Sustainability Reporting Standards

Insights from Financial Practitioners – Assessment and Outlook in Light of the Proposed Amendment of the ESRS

November 2025





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Preamble

Europe's sustainability reporting is at a pivotal moment – a time of redefining standards, expectations, and practice. The Corporate Sustainability Reporting Directive (CSRD) and its accompanying European Sustainability Reporting Standards (ESRS) were established to strengthen transparency, accountability, and comparability in corporate reporting. The first phase of implementation, however, has also revealed considerable complexity and practical challenges. As the European Commission and EFRAG work toward streamlining these standards, the focus is now on ensuring that sustainability reporting remains both meaningful and proportionate.

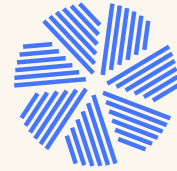
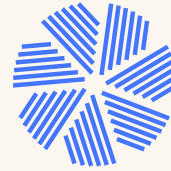
To contribute practitioner evidence to this reform, CFA Society Germany initiated the research project "ESRS Simplification – Survey on European Sustainability Reporting Standards", conducted by the ESRS Simplification Working Group. The study, led by Danielle S. Budde, CFA, with contributions from Kirsten Baumbach, CFA, Christoph Klein, CFA, and Heinrich Ey, CFA, all members of CFA Society Germany, provides insights from financial professionals on how the ESRS can be made more effective, consistent, and decision-useful.

Between July and October 2025, we surveyed members with relevant touchpoints across asset management, banking, corporates, advisory, and rating/data providers. The results are clear: a preference for robust quantitative metrics over narrative-heavy disclosures; closer interoperability with related frameworks such as the Sustainable Finance Disclosure Regulation (SFDR) and ISSB/IFRS S2; and pragmatic simplification that improves clarity while reducing reporting burden. This paper distills those findings into practical recommendations for policymakers, preparers, auditors, and users. Our aim is straightforward: support a European reporting regime that strengthens transparency and comparability, underpins investor protection, and upholds market integrity.

My thanks go to the ESRS Simplification Working Group for their careful analysis and to all survey participants for their valuable contributions. I invite stakeholders to engage with these results and to continue the dialogue as Europe advances further toward high-quality, comparable sustainability reporting.

Susan Spinner, CFA

CEO of CFA Society Germany



Key Insights

Our survey of financial practitioners reveals several key trends regarding the evolving European Sustainability Reporting Standards (ESRS) landscape. Respondents span asset management, banking, corporate advisory, and other financial industry segments, reflecting the broad membership base of CFA Society Germany.

In recent years, financial professionals have increasingly incorporated sustainability-related information in decision making processes. Our survey demonstrates that rating agencies and data providers have emerged as the primary conduits for sustainability information underscoring a reliance on third-party platforms. By the same token, most respondents indicate a preference for quantitative metrics and structured data over narrative disclosures.

The perceived usefulness of the ESRS, both overall and in specific standards, remains limited. This is a surprising finding that may be attributed to the pre-final status of ESRS, lack of widespread adoption in Germany, and the fact that best practices are still developing across Europe.

Respondents also strongly advocate for closer alignment between the ESRS and other frameworks, in particular the Sustainable Finance Disclosure Regulation (SFDR) and the International Financial Reporting Standards (IFRS) S2 – Climate Related Disclosure.

Overall, the results display a field in transition, emphasizing the need for clarity, simplification, and user-focused refinements.

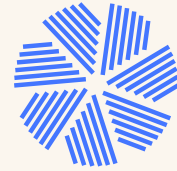
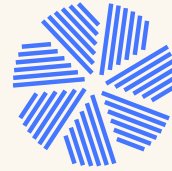
Background and Purpose

Most financial professionals know about the ESRS that are an integral part of the Corporate Sustainability Reporting Directive (CSRD). This EU directive currently mandates large and medium-sized companies to publish separate sustainability reports in accordance with the ESRS.

Whilst the CSRD and ESRS were intended to support the European Green Deal decarbonizing the economy by 2050, they were perceived as overly bureaucratic and too onerous on companies. As a result, the European Financial Reporting Advisory Group (EFRAG) was mandated to propose a simplified set of ESRS, reducing data-points by over 50% while retaining the core objectives of the EU Green Deal.

The purpose of our survey is to gain insights and collect opinions from members of CFA Society Germany regarding the current state of sustainability reporting and inform the development process of the ESRS.

CFA Society Germany actively supports the EFRAG ESRS simplification process. Most recently, the society contributed by responding to the “Amended ESRS – Exposure Draft 2025 Public Consultation Survey”.



About the Survey

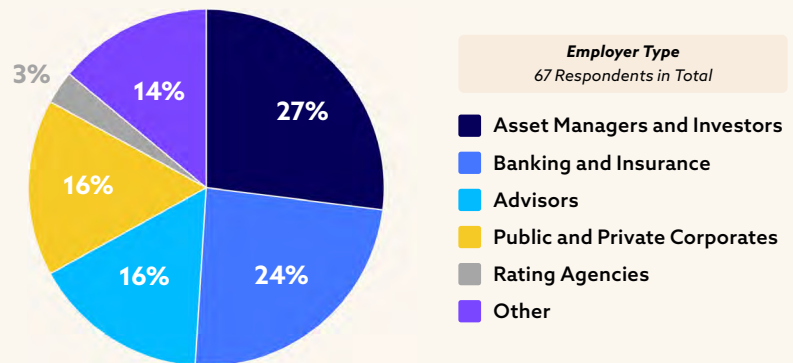
Between July and October 2025, CFA Society Germany conducted a survey among its members to understand their views regarding the usefulness and relevance of the ESRs overall, its main conceptual features and the 12 cross-cutting and topical standards, in particular.

Our working group "ESRS Simplification" aims to enrich public discussion and regulatory development on sustainability matters by providing valuable insights from diverse practitioners' perspectives and technical views.

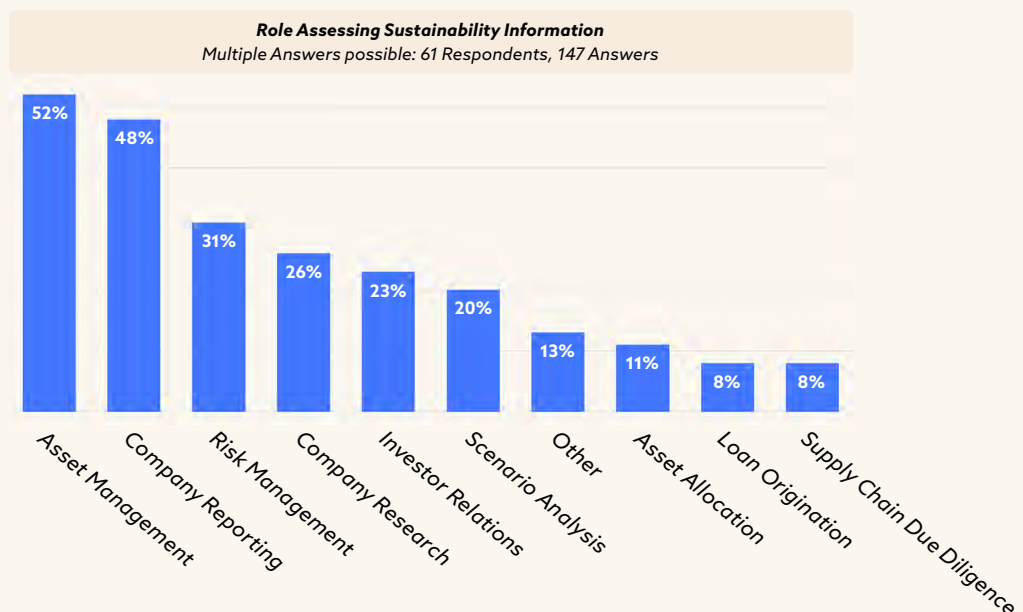
Respondents represented a diverse group of employers and roles

The survey exclusively collected views from practitioners with actual experience in working with sustainability information which resulted in 67 applicable responses.

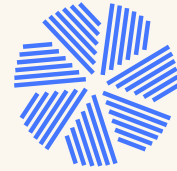
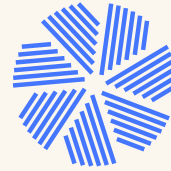
Asset managers and investors are the largest segment, accounting for 27% of all respondents. Banking and insurance hold second place with 24%, followed by advisors and corporates, each representing 16% of those surveyed. Only 3% of employers are rating agencies. The relatively large group of "Other" includes consultants, academics, supranationals, software and audit assurance.



In terms of roles at their employers, most respondents (52%) hold roles in equities or fixed income asset management. This is followed by company reporting and risk management roles which account for 48% and 31% of answers, respectively.



With 147 answers for 61 respondents, our survey also shows that respondents, on average, wear more than two hats in their organizations including investor relations, scenario analysis, asset allocation, loan origination, etc.



Rating agencies and data providers are the most widespread sources for sustainability information

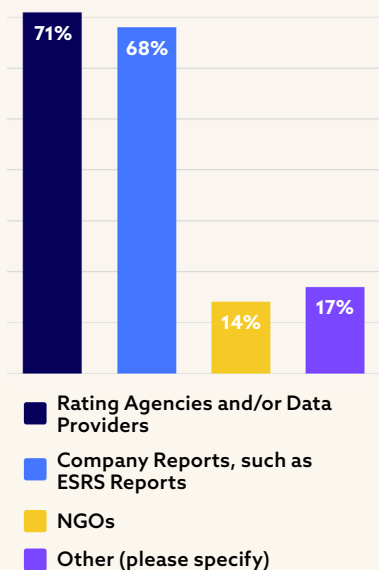
Rating agencies and/or data providers are the most common sources (71%) for identifying and assessing sustainability issues. This is followed by company reports such as ESRS reports (68%). NGOs (14%) and other sources (17%) play a minor role in identifying and assessing sustainability issues.

Of those using other sources, sources vary such as own ESG advisory team, ESG due diligence providers, own modelling, direct inquiries of target companies, and contractual disclosures.

If there is no ESRS reporting available, many practitioners turn to information from ESG rating agencies (50%), search for information from third party providers (38%) or look for industry benchmarks from science-based sources (36%). Almost one-third of respondents ignore sustainability information (29%) and roughly one quarter of respondents give a negative score in the absence of sustainability information (26%).

Sources of Identification and Assessment of Sustainability Issues

Multiple Answers possible: 59 Respondents

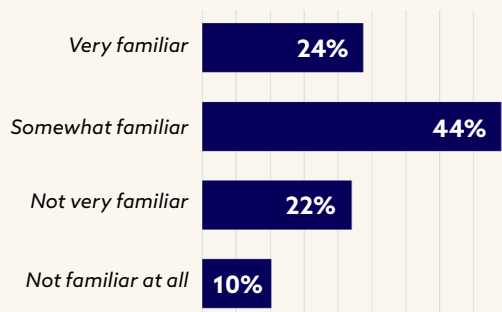


Familiarity with European Sustainability Reporting Standards given for vast majority

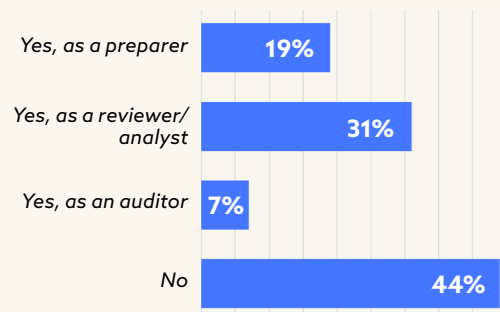
Over two thirds of respondents are very familiar or somewhat familiar with ESRS requirements. However, a strong minority (32%) of those surveyed are not very familiar or not familiar at all with ESRS requirements.

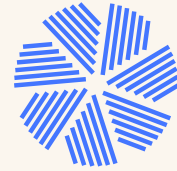
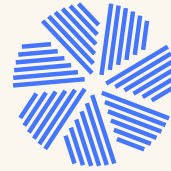
Most respondents (56%) are involved in either preparing or reviewing ESRS reports, often as a reviewer or analyst. Still, more than 40% of respondents are not involved in either preparing or reviewing ESRS-related reports.

How familiar are you with the current ESRS requirements?



Have you been involved in preparing or reviewing ESRS-related reports?

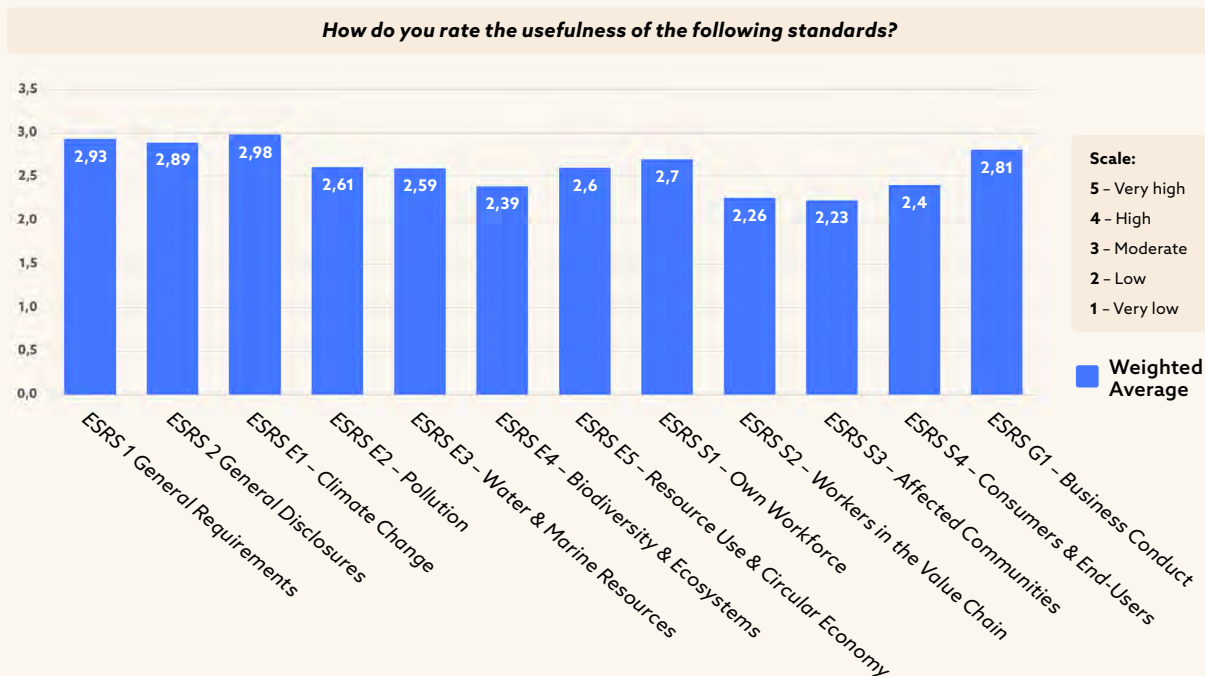




Perceived usefulness of ESRS limited

From 55 respondents, most (31%) consider the standards moderately useful. However, quite a few respondents indicate that the ESRS have very low (25%) or low (11%) usefulness. Only 24% consider the standards as very highly or highly useful. Still, 9% have no opinion.

Looking at the individual standards, none of the 12 standards even reach a moderate ranking for usefulness. ESRS E1 – Climate Change along with the two cross-cutting standards ESRS 1 and ESRS 2 ranked highest for usefulness followed by ESRS G1 – Business Conduct. ESRS S2 – Workers in the Value Chain and ESRS S3 – Affected Communities ranked lowest in perceived usefulness.



Moderate to high importance for the ESRS to be fully aligned with other regulations

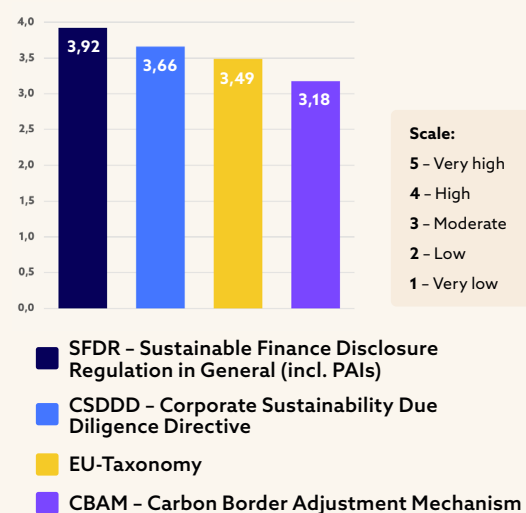
The significance of alignment with other regulations was mostly rated as moderate to highly important on average.

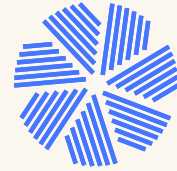
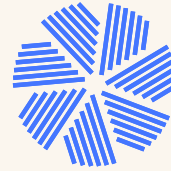
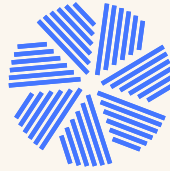
Full alignment with the SFDR ranked highest in importance (3.92) followed by the Corporate Sustainability Due Diligence Directive (CSDDD) and the EU-Taxonomy. Alignment with the Carbon Border Adjustment Mechanism (CBAM) appeared to be least important.

Two respondents noted that it would also be useful to align with the EU Green Claims Act, if enacted.

By the same token, we inquired about the importance of alignment with international standards, i.e. the ISSB/IFRS S2. On average, respondents consider alignment with ISSB/IFRS S2 as moderately to highly important (weighted average 3.85).

How important is it for the ESRS to be fully aligned and integrated with other regulations?

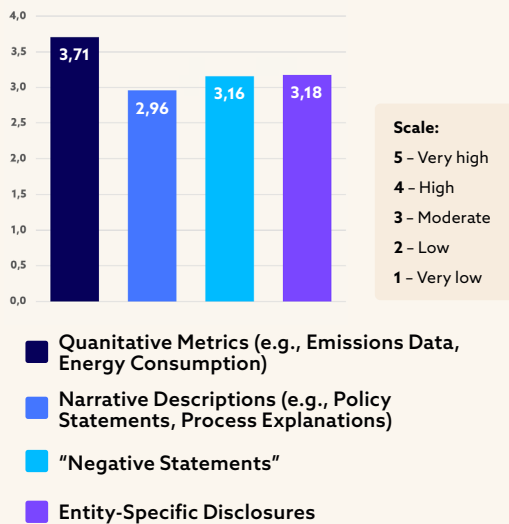




Respondents clearly prefer quantitative metrics over other types of data points

Quantitative metrics such as emissions data and energy consumption are the most relevant type of data points by a wide margin.

How relevant are the following types of data points for you?



While narrative descriptions such as policy statements and process explanations are least relevant to respondents, entity-specific disclosures and "negative statements" (reporting that certain circumstances do not apply) still exhibit moderate relevance.

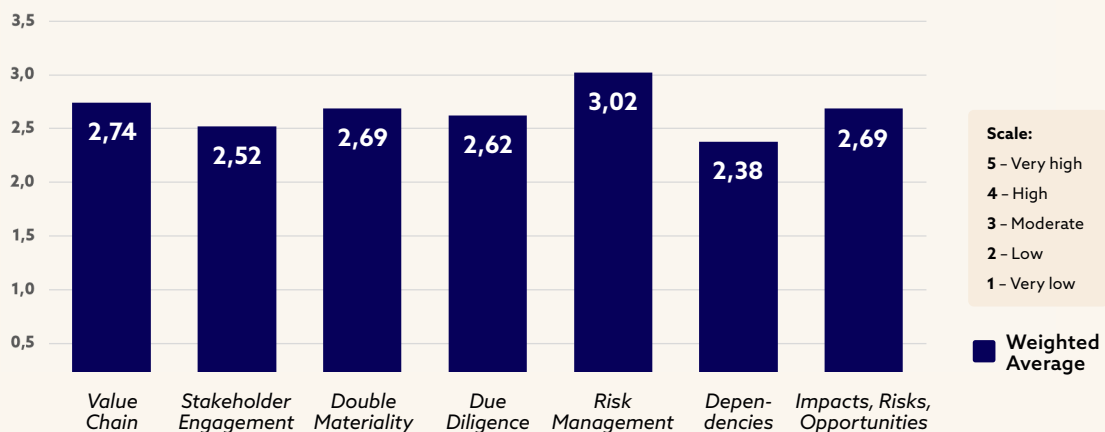
In this context, 37% of those surveyed consider narratives as essential context (23%) or appropriately balanced (14%). All others are convinced that quantitative information is sufficient (12%) or even prefer fewer narratives (51%).

By the same token, over 80% of respondents consider the current number of mandatory ("shall") data points as far too many (53%) or slightly too many (30%). A smaller number (16%) either consider the number of mandatory data points as adequate (12%) or too few (5%).

Limited usefulness of ESRS building blocks

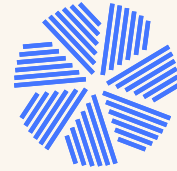
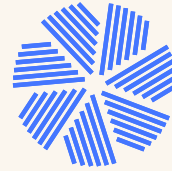
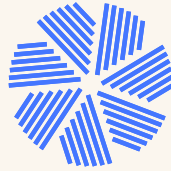
From the main conceptual elements of the ESRS standards, risk management has the highest ranking – moderate on average. Other building blocks such as "Double Materiality" or "IRO – Impacts, Risks, Opportunities" all receive lower rankings.

What do you think about the usefulness of information on the following ESRS elements?



Moderate importance for industry-specific sustainability information

On a scale from 1 – very low to 5 – very high, the importance of industry-specific information ranks 3.3 – translating to a moderate (3) to high (4) ranking.



Wide range of opinions on future sustainability reporting requirements

With a view to EFRAG's ESRS simplification process and beyond, the survey asked for opinions on the future of the ESRS.

Obligation to prepare and publish a sustainability statement should be restricted to large undertakings*

Approximately 51% of respondents fully agree (27%) or agree (24%) that the obligation to prepare and publish a sustainability statement should be reduced to large undertakings with an average of more than 1,000 employees and a net turnover of EUR 450m. 29% of respondents do not agree at all or do not agree. The remainder abstains.

Split views on whether financial parent holdings undertakings not involved in management activities should be exempt from the reporting obligation*

While 17% of respondents have no explicit opinion on the subject, more respondents (46%) are against exempting financial parent holdings from reporting obligations vs. 37% for the exemption.

More respondents in favor of value chain cap*

While 37% of those surveyed do not agree at all or do not agree that the due diligence process with respect to the value chain should be capped to entities with 1,000 employees and EUR 450m in turnover, 41% do agree or fully agree with the value chain cap. The remainder abstains.

More respondents for prioritization of 14 PAIs (Principle Adverse Impacts)

The 14 PAIs are an integral part of both, the SFDR and the ESRS reporting standards.

Approximately 40% of respondents agree or fully agree that the 14 PAIs should find explicit priority coverage in the ESRS and should also apply to smaller companies while slightly over 40% do not agree at all or do not agree with the statement. The remaining respondents abstained.

When asked if the 14 PAIs should find explicit priority coverage in the ESRS but should only apply to those entities to which the ESRS apply, approximately 31% do not agree at all or do not agree, while around 38% fully agree or agree with the statement.

Overall, there appears to be limited or weak support for placing explicit priority on the 14 PAIs.

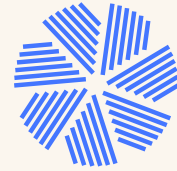
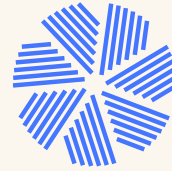
Majority against making VSMEs mandatory

Roughly a third of respondents (approximately 33%) fully agree or agree that the VSMEs (Voluntary Sustainability Standards for SMEs) should become mandatory. More than 57% do not agree at all or do not agree to make the VSMEs mandatory.

More respondents are in favor of making audit standards for sustainability information reasonable assurance rather than limited assurance

While 27% do not agree at all or do not agree, 44% of those surveyed agree or fully agree that audit standards for sustainability information should be reasonable assurance (hinreichende Sicherheit) rather than limited assurance (begrenzte Sicherheit). The remainder neither agrees or not or considers the question not applicable.

* Please note that a review of these topics is beyond the scope of the ESRS amendment process. As part of the CSRD, these issues are currently under review by the Omnibus Process. However, as important considerations in the overall context, we included these topics in our survey.



Survey results reveal notable patterns

- Practitioners find the ESRS E1 – Climate Change and cross-cutting standards most relevant, while ESRS S2 and ESRS S3 worker- and community-related disclosures are currently viewed as less valuable.
- Quantitative data points are preferred, clearly supporting the ESRS simplification process.
- The limited usefulness assigned to ESRS building blocks like Double Materiality suggests a gap between conceptual complexity and practical utility.
- Clear majorities support full alignment with other European and international sustainability standards, emphasizing regulatory harmonization as a top priority.

These responses suggest three hypotheses for future research

1. The practical adoption of ESRS rises with simplification, consistent quantitative requirements, and cross-regulatory coherence.
2. Narrative-heavy or principle based textual disclosures may hamper, rather than aid, decision-making for financial analysts and investors.
3. Early skepticism surrounding ESRS may recede as adoption becomes standardized and more case studies of value-added reporting emerge in the German market.

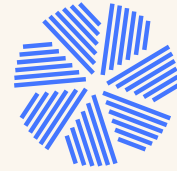
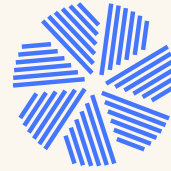
Outlook and Recommendations

ESRS development is at a pivotal stage. With Germany lagging behind other EU member states in adopting the CSRD, stakeholder acceptance and best practice for the ESRS are still in flux.

International alignment, clearer data expectations, and streamlined assurance mechanisms are crucial to facilitating market-wide acceptance. Some measures to increase the ESRS's practical value for CFA Society Germany members and the financial industry at large include:

- Reducing reporting complexity by eliminating or merging low-relevance data points, focusing on material quantitative indicators.
- Enhancing technical guidance and practical examples to bridge the implementation gap for both preparers and analysts.
- Cementing interoperability with key frameworks such as the SFDR and ISSB/IFRS S2 to minimize redundancies, lower compliance costs, and facilitate regulatory convergence.
- Incorporating few selected PAI datapoints for smaller companies to enhance validity of ESRS reports without producing undue costs for companies – Note: We expect financial institutions to collect ESG-related datapoints as part of their compliance process with EBA Risk Management Guidelines
- Fostering dialogue with practitioners as standards mature, encouraging feedback-driven updates and ongoing collaboratives with data providers and rating agencies.

By addressing these action points, the ESRS can serve as a foundation for reliable, comparable sustainability information, delivering on the European Green Deal's promise while supporting effective financial analysis.



About the Working Group

CFA Society Germany represents the largest and foremost association of professional financial experts in Germany, with nearly 3,000 members. As the local chapter of the global non-profit organization CFA Institute, it advocates for high standards in capital markets and regulatory practices in the German investment landscape.

As part of its Advocacy & Policy initiatives, the Society maintains several working groups that address key issues in capital markets and regulatory frameworks. Among them, the **ESRS Working Group** is dedicated to deepening the understanding of how the evolving *European Sustainability Reporting Standards* influence investment practice and the use of sustainability data by financial professionals. The ongoing review of the ESRS carries potentially far-reaching implications for the collection, reporting, and application of sustainability information across Europe's financial system.

About the Author

Danielle S. Budde, CFA, is an active member of CFA Society Germany and a founding partner at BBR Associates GmbH. With over 20 years of experience advising domestic and international corporations on growth strategies, she brings deep expertise in business and corporate development. Danielle started her career in cross-border M&A with Deutsche Bank New York. Genuinely interested and engaged at the intersection of sustainability and finance, she also holds a Sustainable Investing Certificate from CFA Institute.

Co-Authors

This paper and the work of the ESRS Working Group were supported by Kirsten Baumbach, CFA, Christoph Klein, CFA, and Heinrich Ey, CFA – all active members of CFA Society Germany.

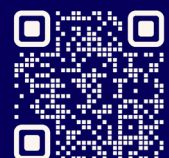
We invite feedback and inquiries related to this research.
For further discussion or clarification on any aspects of this study,
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