AFG strongly supports the overarching goals of reducing reporting burdens and simplifying regulatory requirements, as set forth in the new mandate of the European Commission and clearly reflected in the Omnibus I proposal. At the same time, AFG underlines the importance for investors to have **a core set of essential indicators** to make informed decisions and drives capital to a sustainable economic growth. Both companies and investors share this interest. With this in mind, we are pleased to present the following proposals.

- **Support European competitiveness and finance a clean transition**

  AFG underlines the importance of maintaining a competitive European framework that fosters innovation and long-term investment, including through simplification, coherent and **proportionate** sustainability reporting obligations, based on clear standards and guidance. This is critical notably to reorient capital flows in line with the objectives of the European Clean Industrial Deal.

- **Ensure access to comparable and reliable ESG data**

  Ensuring the availability of harmonized, high-quality, and comparable sustainability data on a large enough scope of companies is a prerequisite for effective investment decision-making across Europe, and to support the assessment of the credibility of transition plans of investee companies. This is also critical to allow investors to fulfill their own disclosure and product categorization requirements including in the context of SFDR.

- **Reduce dependency on ESG data providers**

  Without adequate, reliable, and timely ESG data published by a large enough scope of companies, asset managers will need to continue to rely on estimates developed by ESG data vendors, which can be based on opaque methodologies. Accessing this data provided by vendors which are mostly non-European will continue to represent significant costs.

- **Preserve a level playing field between EU and non-EU groups**

  To ensure competitiveness and access to sustainability data for companies with a significant European footprint, it is essential to maintain and clarify the application of the principle of level playing field.

  - AFG expresses concern about the proposed CSRD omnibus relaxing the reporting conditions for non-EU groups with a significant EU presence (in aggregated number of employees and turnover), widening the gap with EU groups, as it could undermine competitiveness and run counter to the European Commission's goals of simplification and consistency.

Key messages on proposed changes to the CSRD:

The following top priorities were identified:

- **Meet the simplification objectives by reducing drastically the substance (number of datapoints), not the scope of the reporting**:
    - AFG highlights significant concerns in relation with the proposed reduction of the scope of mandatory reporting under CSRD, which risks running counter its ambition of providing access to comparable, quality sustainability data to support sustainability strategies of corporates and financial institutions such as investors.
    - **The proposed scope reduction** does not adequately address the European Commission's objective of simplification. On the contrary, it could increase data fragmentation by excluding parts of the value chain of companies with over 1,000 employees from mandatory reporting. AFG considers essential to **drastically reduce the required set of indicators allowing to maintain through a two-step reduction framework mandatory reporting not only for companies with more than 1000 employees but also for those between 250 and 1,000 employees**. Such a framework will help companies of all sizes access capital, simplify the value chain reporting, reduce excessive reliance on estimates and limit costs. In that regard:
        - For companies with **more than 1,000 employees** (or other relevant threshold): the AFG proposes a list of **150 mandatory indicators** (a tenfold reduction from the original CSRD data points), composed mainly of **quantitative and gross value indicators**, complemented by relevant policies.
        - For companies with **250 to 1,000 employees**: a **highly streamlined set of 40 to 50 mandatory indicators** is proposed (representing a thirtyfold reduction). This list would serve both as a minimum reporting framework for smaller companies and a common basis for value chain data consolidation by larger groups. Those indicators are a subset of ESRS with the same definitions and formats (unlike the VSME standard). This approach would ensure proportionality and progressivity while maintaining access to essential and comparable data for investors.
        - **Clarification or removal of the "Value Chain Cap" is crucial for investors**: AFG calls on the Commission to clarify the implications of the value chain cap for investors, or even remove this principle. Dialogue and engagement with issuers are key tools for asset managers, both in investment decision-making and general meetings. It is essential that such engagement remains possible and distinct from the preparation of sustainability reports.
- **A Two-Year reporting gap is impactful**: AFG warns against focusing solely on postponing reporting obligations by two years without searching to achieve indicator simplification fast. Indeed, the simplification effort should target the reduction of datapoints refocusing reporting on indicators that are genuinely used by investors, widely covered, and sufficiently standardised. This will encourage entities to report.

- Preserve **the double materiality approach**; making sure to simplify and clarify expectations in terms of process and disclosures.

- Maintain **a level playing field between EU and non-EU groups**:

  Even before the omnibus, CSRD allowed non-EU groups the possibility of a *simplified consolidated* reporting ("article 40a") to be produced from 2029 onwards. Such reporting does not exempt their EU subsidiaries to report individually under CSRD. Should they want to exempt their subsidiaries, they shall submit a *full ESRS consolidated* reporting (like EU groups).

  The omnibus is significantly relaxing the conditions for this simplified consolidated reporting of non-EU groups, widening the gap with EU groups:

  o Increase in the turnover threshold of non-EU groups in the EU from €150 to €450 million

  o With the introduction of the 1,000 employee threshold, which applies to all companies, there will be fewer EU subsidiaries individually subject to CSRD. All the more because this threshold of 1,000 employees is seen *at individual level* and large non-EU groups will not report as not subject to this threshold at an EU aggregated or consolidated level, unlike EU groups[1].
  In addition, given the upcoming simplification of the ESRS, AFG does not see the point in maintaining specifically simplified standards for "non-EU" groups.

  To this extent, AFG suggests removing art.40a and that non-EU groups **be treated like EU groups** (i.e. full ESRS consolidation and exempted subsidiaries) **as long as, *in aggregate in the EU* at least, they exceed the same employee and turnover thresholds applying to EU groups** on a worldwide basis. In parallel, the full ESRS standards shall be simplified with a maximum interoperability, so that non-EU groups complying with the ESRS will de facto comply with international standards.

- The **impacts of simplification** measures should be systematically assessed including with industry practitioners, to ensure they deliver on stated objectives (reduced complexity, enhanced support to decision-making, better usability, etc.).

- **Ensure consistency between CSRD and SFDR requirements is key:**

  Lastly, AFG stresses the need for consistency between the upcoming revision of **Regulation 2019/2088 (SFDR)** and the European Commission's proposals on **Directive 2022/2464 (CSRD)**.

  - Data availability is a major cross-cutting issue in all sustainable finance regulations. A simplified, relevant and effective CSRD will enhance data visibility and quality for

[1] Illustration: a non-EU asset management group with ten large subsidiaries in the EU, each with less than 1,000 employees, but *in total* exceeding 1,000 employees *in the EU*, will only have to submit a simplified consolidated reporting (article 40a), and only from 2029 onwards… whereas, prior to the omnibus, each of its subsidiaries would also have had to submit a CSRD reporting or it would switch to a full ESRS consolidation. On the other hand, an EU group with less employees in the EU than this non-EU group, but more than 1,000 employees *worldwide* would be subject to a full ESRS consolidated reporting.

investors, thereby supporting compliance with their own reporting obligations, notably under the SFDR.

- A clear roadmap for upcoming changes to CSRD and the EU Taxonomy is required before proceeding with a comprehensive review of the SFDR, to ensure alignment and take into account potential implications for categorisation and reporting requirements.

Key messages regarding Taxonomy:

As part of the current review of the sustainable finance framework, AFG wishes to emphasise the essential role of the EU Taxonomy for asset managers, particularly in evaluating companies' transition plans through the Capital Expenditure (CapEx) alignment indicator. In this context, it is vital to maintain mandatory alignment with the EU Taxonomy for both financial and non-financial undertakings falling within the scope of the CSRD.

At the same time, AFG highlights the need for a genuine simplification of the Taxonomy Regulation, both in terms of reporting templates and clarity / usability of technical screening criteria. However, this simplification must be part of a coordinated and coherent approach to the broader review of the sustainable finance regulatory package — including the CSRD, SFDR, and MiFID/DDA frameworks. Without such alignment, there is a risk of increasing existing data inconsistencies and dependency on non-European third-party data providers, which would go against the strategic autonomy and transparency objectives pursued by the European Union.