

To: Commissioner Maria Luis Albuquerque

cc:

President of the European Commission Ursula von der Leyen  
Executive Vice-President Stéphane Séjourné  
Executive Vice-President Teresa Ribera  
Commissioner Valdis Dombrovskis

Brussels, 3 June 2026

Subject: Proposed asset management exemption in the revised ESRS contravenes explicit scope of reporting obligations established by the EU CSRD

Dear Commissioner Albuquerque,

As organisations involved with EFRAG, we would like to express our deep concern about the proposal by the European Commission to exempt certain investments from the scope of reporting under the Corporate Sustainability Reporting Directive. We consider that AR17 in ESRS 1 of the draft Commission Delegated Regulation, issued for public consultation on 6 May 2026, exceeds the exemptions for specific categories of investment products provided in the Accounting Directive, as amended by the CSRD. The proposed Level 2 provision concerning an extensive removal of asset management from the scope of sustainability reporting appears to be beyond the European Commission's legal mandate.

### **The legal basis**

The Accounting Directive determines the scope of corporate sustainability reporting. This firstly concerns the personal scope established in Article 19a, 29a and 40a. In addition, in Article 1(4) it contains an explicit exemption for two categories of investment funds, UCITS and AIFs, as it holds that: "The coordination measures prescribed by Articles 19a, 29a and 29d shall not apply to financial products listed in points (b) and (f) of point (12) of Article 2 of Regulation (EU) 2019/2088".

Article 2 of Regulation (EU) 2019/2088 lists the following financial products:

- (a) a portfolio managed in accordance with point (6) of this Article;
- (b) an alternative investment fund (AIF);
- (c) an IBIP;
- (d) a pension product;
- (e) a pension scheme;
- (f) a UCITS; or
- (g) a PEPP;

This means that the intention of the co-legislators is that financial products in (a), (c), (d), (e) and (g) are in scope. Sub (a) references point (6) within the same article, which holds that: "portfolio management' means portfolio management as defined in point (8) of Article 4(1) of Directive 2014/65/EU." This article in Directive 2014/65/EU holds that: "portfolio management' means managing portfolios in accordance with mandates given by clients on a discretionary client-by-client basis where such portfolios include one or more financial instruments."

The scope of reporting obligations is thus clearly established in the CSRD. Level-2 instruments such as the European Sustainability Reporting Standards cannot and should not be used to further reduce the scope.

## **Rationale**

In addition, the European Commission does not provide a sound rationale for the proposed Level-2 exemption. It merely states that: “The proposed text includes new provisions to avoid the risk that undertakings that carry out asset management activities are required to report information that is not relevant about the investments that they manage.”

Notably, the CSRD/ESRS framework is set up specifically to avoid reporting on irrelevant information. Where information on impacts, risks or opportunities is relevant (i.e. ‘material’), it must be disclosed. Where it is not relevant, it does not have to be disclosed. To presuppose that certain activities or parts of an undertaking’s value chain are by definition irrelevant sits at odds with the logic of the reporting framework. It also creates a problematic precedent for future revisions, as undertakings in different sectors will seek explicit exemptions where they see ‘irrelevance’.

The premise of ‘irrelevance’ is fundamentally misaligned with the established interpretation and application of the UN Guiding Principles and OECD Guidelines in the context of asset management. Both the OECD and the Office of the UN High Commissioner for Human Rights have clarified that institutional investors and asset managers can be directly linked to adverse impacts through their business relationships, irrespective of whether they hold legal ownership of the underlying assets or act pursuant to fiduciary duties. Investors and investor groups have routinely written about and acted on the understanding of this responsibility.

Even where investment mandates follow client instructions, asset managers retain significant discretion over portfolio construction, stewardship, engagement, voting and sustainability integration. Without reporting on managed assets, investors, beneficiaries, supervisors and other stakeholders will have limited ability to assess whether sustainability commitments are being effectively implemented. Actual portfolio holdings provide the most objective evidence of how policies translate into practice — rather than merely described in theory. Removing this transparency would undermine accountability, weaken public trust and increase greenwashing risk.

We therefore strongly urge the European Commission to refrain from including ESRS 1 - AR17 in the final Delegated Regulation.

Yours sincerely,

