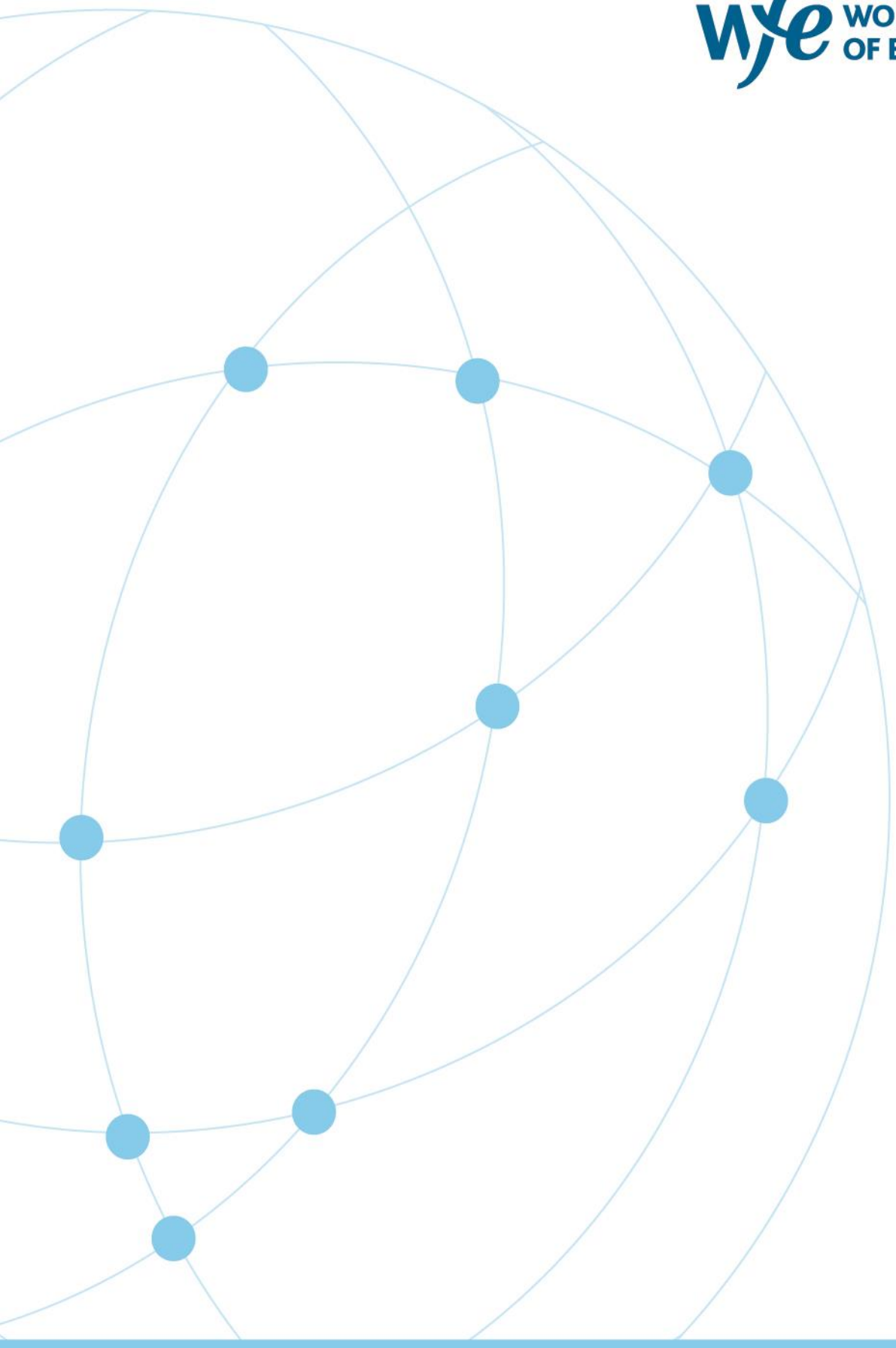
WORLD FEDERATION OF EXCHANGES



Response to EFRAG's Consultation on ESRS for non-EU undertakings under Article 40a (ESRS-40a)

31 October 2026

Background

About the World Federation of Exchanges (WFE):

Established in 1961, the WFE is the global industry association for exchanges and clearing houses. Headquartered in London, it represents the providers of over 250 pieces of market infrastructure, including standalone CCPs that are not part of exchange groups. Of our members, 39% are in Asia Pacific, 42% in EMEA and 19% in the Americas region. The WFE's 74 member CCPs and clearing services collectively ensure that risk takers post some USD 1.4 trillion (equivalent) of resources to back their positions, in the form of initial margin and default fund requirements. WFE exchanges are home to over 41,000 listed companies, and the market capitalization of these entities is over $137 trillion; around $198.5 trillion in trading annually passes through WFE members (at end-2025).

The WFE is the definitive source for exchange-traded statistics and publishes over 350 market data indicators. Its free statistics database stretches back 50 years and provides information and insight into developments on global exchanges. The WFE works with standard-setters, policy makers, regulators and government organisations around the world to support and promote the development of fair, transparent, stable and efficient markets. The WFE shares regulatory authorities' goals of ensuring the safety and soundness of the global financial system.

With extensive experience of developing and enforcing high standards of conduct, the WFE and its members support an orderly, secure, fair and transparent environment for investors; for companies that raise capital; and for all who deal with financial risk. We seek outcomes that maximise the common good, consumer confidence and economic growth. And we engage with policymakers and regulators in an open, collaborative way, reflecting the central, public role that exchanges and CCPs play in a globally integrated financial system.[1]

Website: www.world-exchanges.org

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If you have any further questions, or wish to follow-up on our contribution, the WFE remains at your disposal. Please contact:

Victoria Powell, Senior Manager, Regulatory Affairs: vpowell@world-exchanges.org

Rona Nairn, Manager, Regulatory Affairs: rnairn@world-exchanges.org

Richard Metcalfe, Head of Regulatory Affairs: rmetcalfe@world-exchanges.org

or

Nandini Sukumar, Chief Executive Officer: nsukumar@world-exchanges.org.

[1] Our EU Transparency Register number is 973382524675-69

The World Federation of Exchanges (WFE) welcomes the opportunity to comment on EFRAG's draft ESRS-40a. We wish to highlight the issues of relevance to exchanges, internationally active issuers and the operation of international capital markets. Practical interoperability and avoidance of duplicative reporting are central to our comments, alongside the proportionality of the reporting boundary, value-chain information demands and the cross-border application of EU-derived concepts.

1. Interoperability

WFE supports EFRAG's objective of facilitating interoperability and avoiding double reporting. For internationally active issuers, WFE considers that sustainability information already prepared under recognised international standards and frameworks should be capable of being used for ESRS-40a purposes where it satisfies the relevant requirements, allowing companies to build on existing reporting rather than prepare substantially similar information again solely for ESRS-40a.

EFRAG's consultation considers interoperability with IFRS S1 and IFRS S2 and jurisdictional requirements based on those Standards. WFE is of the view that companies reporting in accordance with the ISSB Standards should be able to use that reporting to meet corresponding ESRS-40a requirements. This should include the ISSB Standards as issued by the ISSB, including where they are applied voluntarily. Eligibility should not depend solely on whether the Standards have been incorporated into the law or regulation of the company's home jurisdiction.

Where existing ISSB reporting addresses a corresponding ESRS-40a requirement, companies should be able to rely on that information rather than restate it simply to reflect differences between the two frameworks, supplementing it with the additional impact-related information necessary for ESRS-40a. This should be possible both through incorporation by reference and through a single report meeting the relevant requirements of both frameworks.

Presentation requirements should also remain proportionate. Where information is clearly identifiable and the report as a whole is understandable, companies should not have to classify individual disclosures or datapoints according to whether they derive from the ISSB Standards, ESRS-40a or both. EFRAG could further support implementation through practical guidance or mapping to help ISSB reporters identify what additional information is required for ESRS-40a.

More broadly, WFE considers that EFRAG should consider whether the same principle could, where appropriate, apply to information prepared under other internationally recognised sustainability reporting standards or frameworks where that information satisfies the relevant ESRS-40a requirements.

The conditions applying to incorporation by reference – including assurance, language, publication timing, accessibility and digitalisation – should safeguard the accessibility, reliability and usability of information without making reliance on existing reporting unnecessarily difficult.

Finally, practical interoperability should be considered alongside the separate question of EU recognition or equivalence of international and jurisdictional sustainability reporting standards.

Recognition or equivalence is a matter for the European Commission rather than EFRAG, but greater clarity in this area could also help reduce duplicative reporting for internationally active groups.

2. Mixed approach and reporting boundary

WFE recognises the potential benefits of the proposed mixed approach in providing a more proportionate reporting framework for non-EU groups. Allowing certain non-climate impacts to be reported by reference to EU-related impacts rather than requiring global reporting in all circumstances may support that objective. However, the benefits of the approach may need to be balanced against its potential implications for comparability where issuers report sustainability impacts using different geographical boundaries.

The practical effectiveness of the approach will depend on its application by internationally active groups, particularly where operations, products and value chains are globally integrated. Identifying EU-related impacts, tracing products into the EU and using allocation methodologies where metrics cannot be measured directly may create additional systems, control and assurance requirements that could offset some of the intended benefit.

WFE would therefore welcome implementation guidance and worked examples, particularly on when EU-related impacts can be considered meaningfully identifiable, the treatment of complex distribution chains, and the use of allocation methodologies. Within the disclosure framework already contemplated by the Exposure Draft, users should also be able readily to understand the reporting boundary applied and any material estimation, allocation or uncertainty involved. WFE does not propose additional datapoints for this purpose.

WFE considers that human-rights impacts should remain eligible for the mixed approach where EU-related impacts can be meaningfully identified and faithfully represented. Where the nature of the impact, or the structure of the undertaking's operations or value chain, means that this test cannot be met, a global reporting boundary would be appropriate.

3. Value-chain information and consistency with Omnibus protections

WFE considers that the Article 40a framework should avoid creating disproportionate indirect burdens through information requests to undertakings in the upstream and downstream value chain. This is particularly important in light of the wider Omnibus policy objective of protecting smaller value-chain undertakings from excessive sustainability-information requests.

The ESRS-40a Exposure Draft includes relevant implementation reliefs, including the use, in specified circumstances, of reasonable and supportable information available without undue cost or effort. However, it does not provide an explicit protection equivalent to the value-chain cap introduced under the wider Omnibus framework for reporting under Articles 19a and 29a.

WFE therefore considers that, to the extent possible within EFRAG's mandate, the final ESRS-40a should provide an equivalent safeguard so that Article 40a reporting does not inadvertently undermine the policy objective of those protections. This should include appropriate use of estimates, proxies and generally available information rather than unnecessary requests for primary data.

Where equivalent protection, including any legally enforceable right to refuse an excessive information request, cannot be achieved through ESRS-40a itself, WFE encourages the European Commission to consider whether further clarification or action is needed. The objective should be to provide consistent protection for value-chain undertakings without introducing additional disclosure obligations for Article 40a reporters.

4. EU-derived legal terms and concepts in third-country reporting

WFE recognises the benefit of maintaining consistency with ESRS terminology where this supports comparability. However, internationally active groups may operate in jurisdictions where particular EU-derived legal terms or concepts do not have a direct equivalent, or where a superficially similar concept has a different legal meaning.

WFE considers that the final ESRS-40a should, where consistent with the underlying disclosure objective, provide sufficient flexibility for non-EU undertakings to use appropriate local equivalents, approximations or estimation approaches where necessary to produce substantively meaningful information, accompanied by appropriate explanation of material differences, assumptions and limitations. Such flexibility should preserve sufficient transparency for users to understand the basis on which the information has been prepared and to support meaningful comparability. This should avoid requiring EU legal concepts to be applied artificially to activities outside the EU.

WFE would welcome further practical guidance and worked examples showing how an undertaking should proceed where an equivalent local concept exists, where a similar but non-identical concept exists, and where there is no meaningful local equivalent. The objective should be to preserve comparability and transparency without creating avoidable legal uncertainty for third-country undertakings.

5. Further implementation considerations

WFE considers that the impact-materiality approach under ESRS-40a should be sufficiently clear for internationally active issuers to apply in practice. WFE would welcome practical guidance where necessary to support consistent application.

WFE considers that the interaction between Article 40a parent-level reporting and the availability of exemptions from separate sustainability reporting by EU subsidiaries warrants attention. In particular, where a non-EU parent reports under ESRS-40a but this does not provide the same access to a subsidiary exemption as parent-level reporting under full ESRS, internationally active groups may face duplicative reporting requirements at different levels of the group. WFE understands that changes to the subsidiary-exemption framework are a matter for the European Commission rather than EFRAG. WFE therefore encourages EFRAG, where appropriate, to raise with the Commission whether unnecessary group-level duplication could be reduced while preserving appropriate access to sustainability information.

Assurance should support the reliability of ESRS-40a information without creating unnecessary duplication or cost where existing reporting has already been subject to assurance. WFE would welcome practical clarity on when assurance obtained in another jurisdiction can satisfy the

requirement for information incorporated by reference to be subject to the 'same level of assurance', so that additional assurance is not required solely because the information is being reused for ESRS-40a purposes.

More generally, WFE supports timely, targeted implementation guidance where necessary to make the priority areas identified in this response operational in practice. Such guidance should clarify existing requirements rather than introduce additional disclosure obligations.

In conclusion, for internationally active issuers, interoperability should enable high-quality sustainability information prepared under internationally recognised standards and frameworks to be reused wherever it satisfies the relevant ESRS-40a requirements. The framework should also avoid disproportionate effects arising from reporting boundaries and value-chain information demands, unnecessary duplication between different levels of a group, and unnecessary repetition of assurance where existing assurance satisfies the applicable requirements.

WFE therefore encourages EFRAG and the European Commission, within their respective mandates, to use the finalisation and implementation of ESRS-40a to advance practical interoperability, proportionate reporting and consistent protection against unnecessary cross-border reporting burdens.