



Anticipated Financial Effects Disclosures under ESRS

Empirical Evidence from the First Wave of CSRD Reports

Executive Summary

- **Anticipated Financial Effects (AFE) disclosures remain the exception rather than the rule.**
Only around one in six first-wave CSRD firms voluntarily discloses AFEs under ESRS, despite these topics often being assessed as financially material.
- **Highest uptake and quality in Climate (ESRS E1-9).**
Where AFEs are disclosed, climate-related disclosures are generally more developed than those under other environmental AFE requirements, which show lower prevalence and weaker disclosure quality.
- **Disclosure quality varies widely and is often weakly substantiated.**
A significant share of AFE disclosures is unspecific, lacks a clear risk assessment, or concludes that no material risks exist, even when firms formally indicate compliance with the disclosure requirement.
- **Quantification and methodological transparency are still rare.**
Most AFE disclosures are narrative-only; while some firms provide quantitative estimates, only a small minority explains the methods used to assess anticipated financial effects.
- **Current ESRS revisions reflect practical implementation challenges.**
Ongoing discussions focus on difficulties in quantifying AFEs, leading to targeted reliefs where data quality or standardized methods are lacking – issues clearly visible in current disclosure practice.
- **Best practice exists – but is not yet mainstream.**
A few firms demonstrate that detailed, method-based, and quantitative AFE disclosures are feasible, offering clear opportunities for learning and improvement.

Structure

1

Prevalence and coverage: How many firms disclose Anticipated Financial Effects?

2

Content and form: What do Anticipated Financial Effects disclosures contain?

3

From average to best practice: High quality disclosure features and examples

ESRS Background, Data, and Key Questions

- **ESRS Background:**
 - **5 Anticipated Financial Effects Disclosure Requirements (AFE-DRs) in the Environmental pillar**
 - **E1-9 (Climate), E2-6 (Pollution), E3-5 (Water), E4-6 (Biodiversity), E5-6 (Circular Economy)**
 - **Reporting AFE-DRs has been voluntary in FY2024 for CSRD first wave firms**

- **Data:** 750+ CSRD first wave reports (covered [here](#))

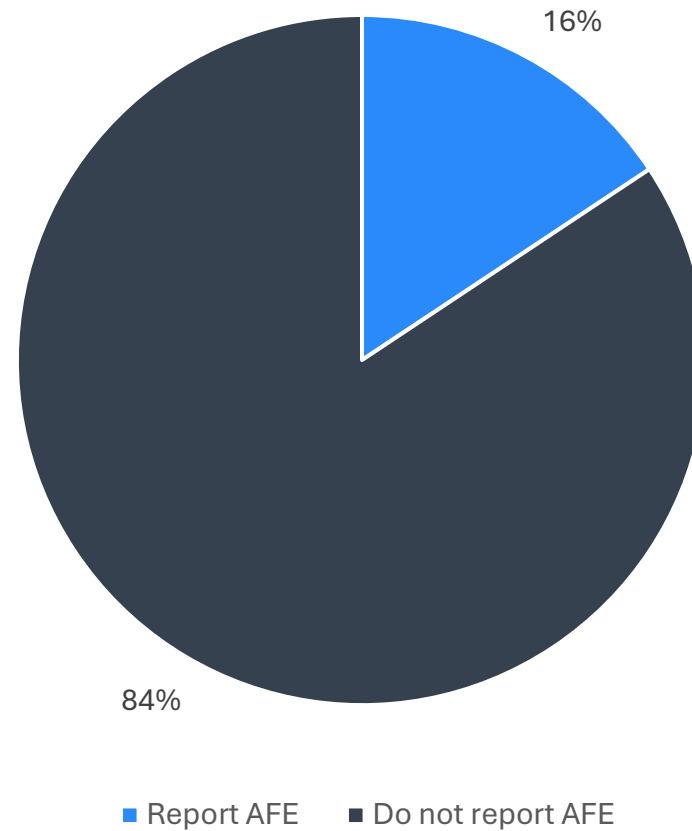
- **Key Questions:**
 - **Prevalence and coverage: How many firms disclose Anticipated Financial Effects?**
 - **Content and form: What do Anticipated Financial Effects disclosures contain?**



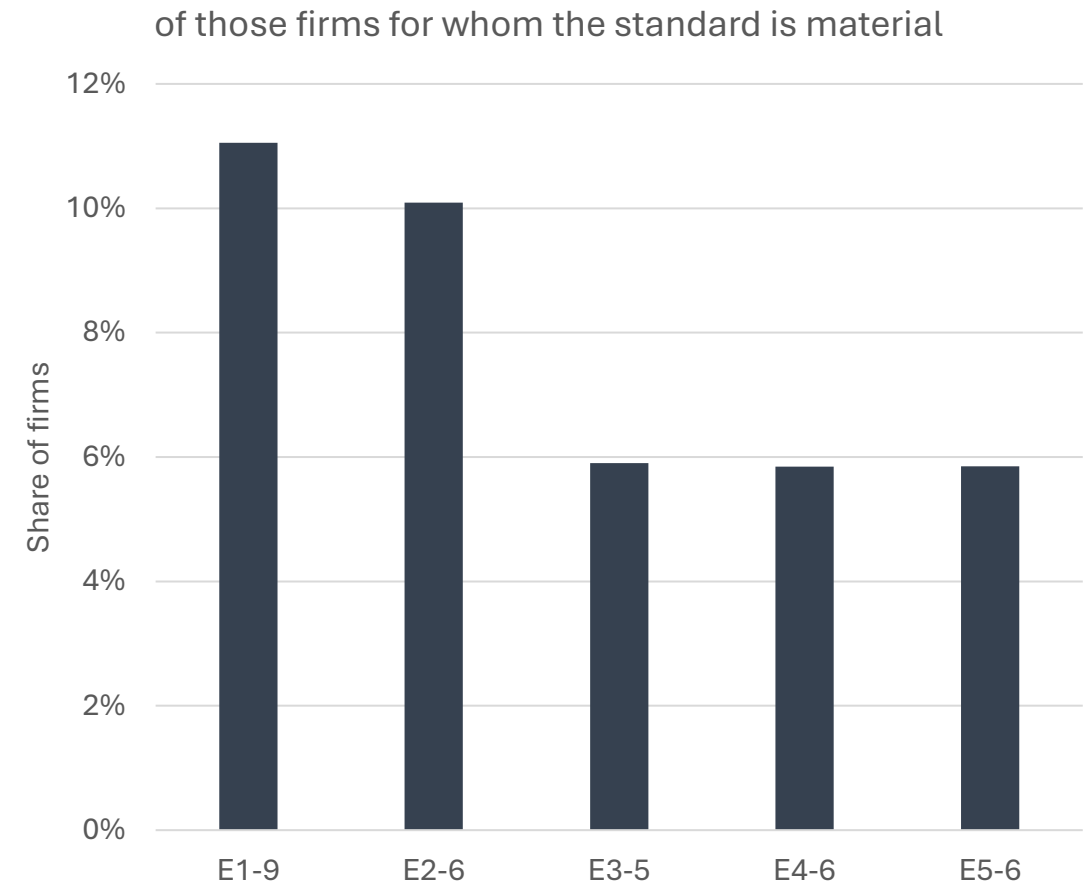
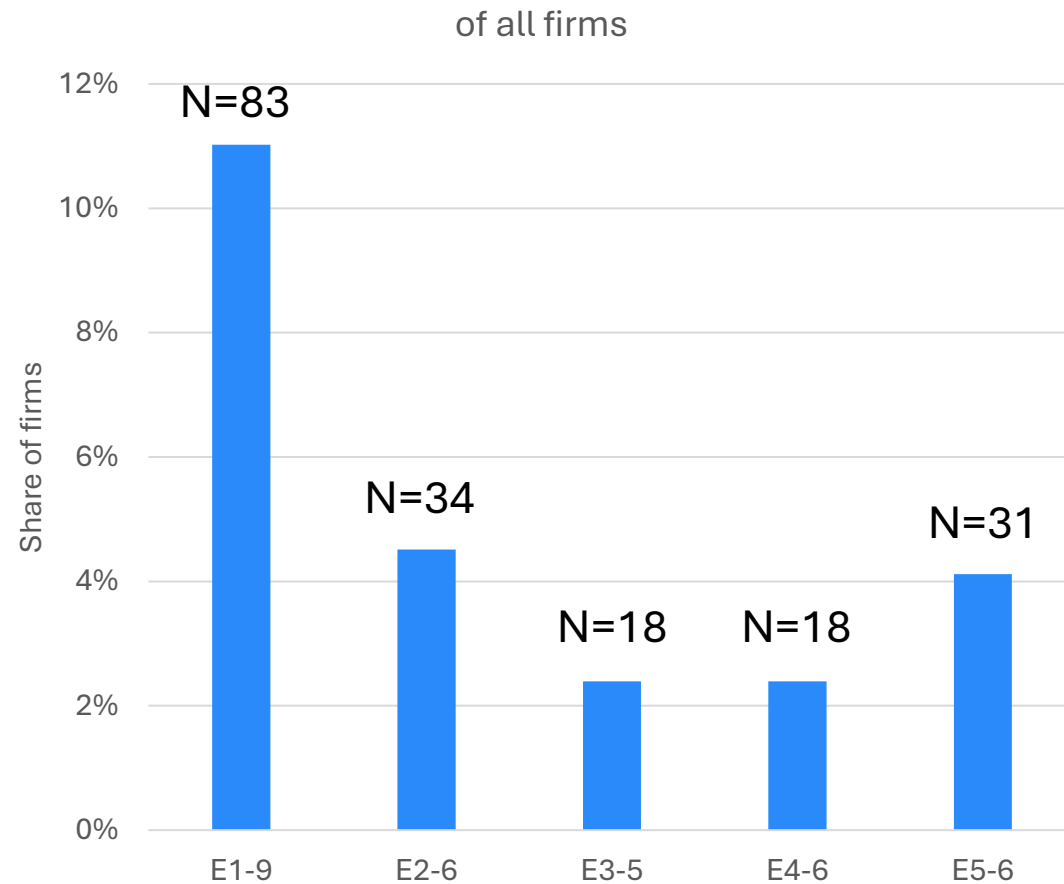
01

Prevalence and coverage: How many firms disclose Anticipated Financial Effects?

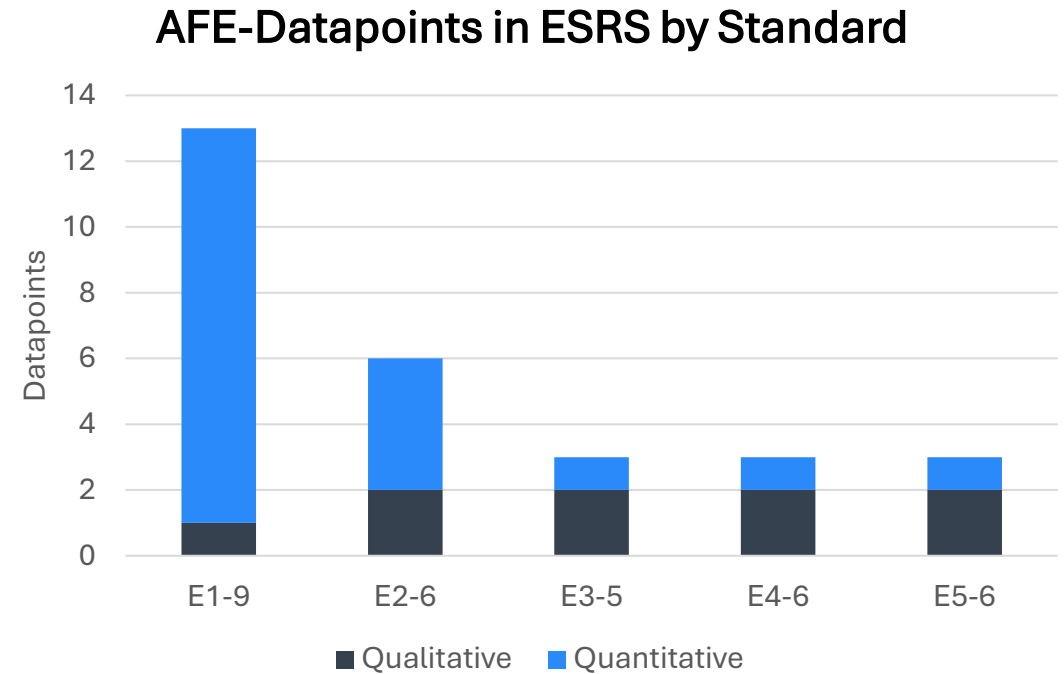
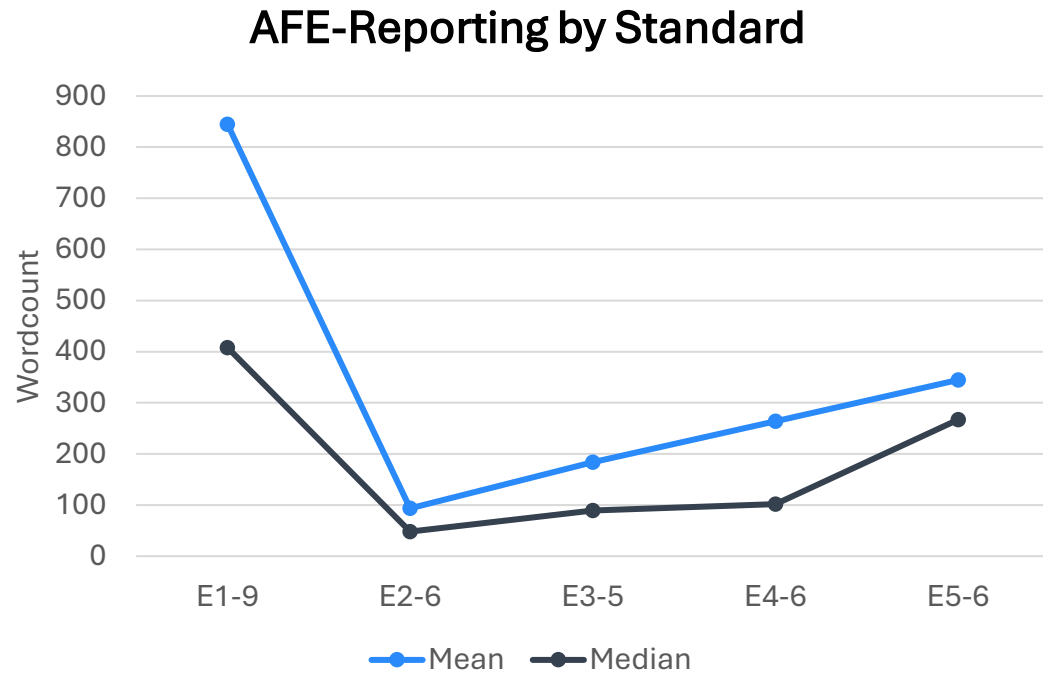
The vast majority of firms do not report on AFEs



E1-9 is the most “popular” disclosure requirement

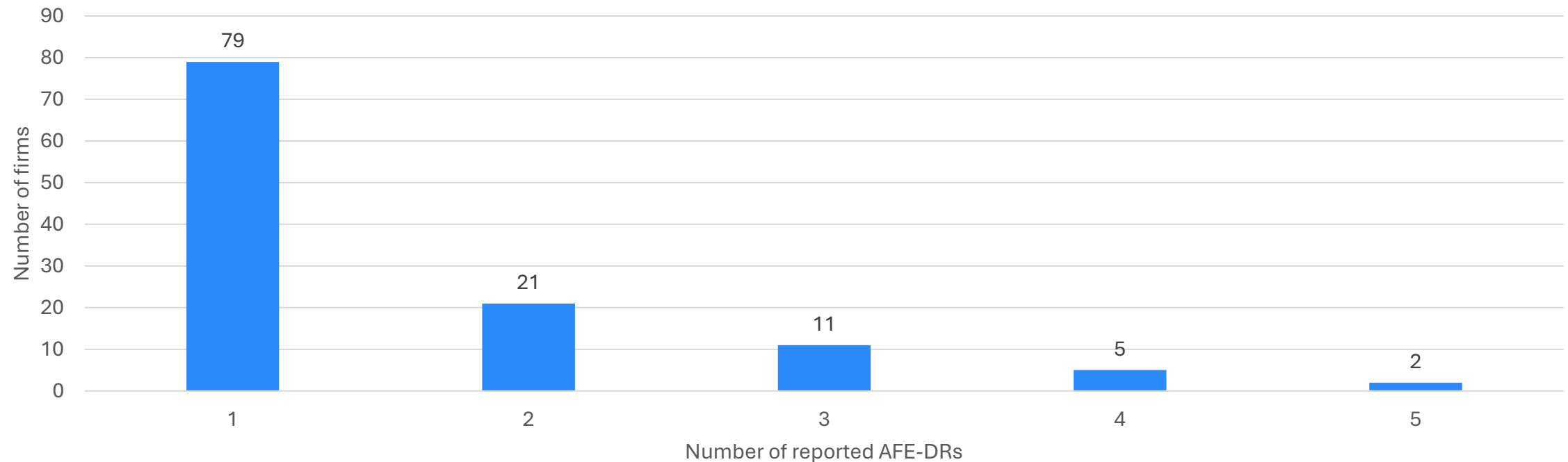


Firms write most about E1–9, mirroring datapoints



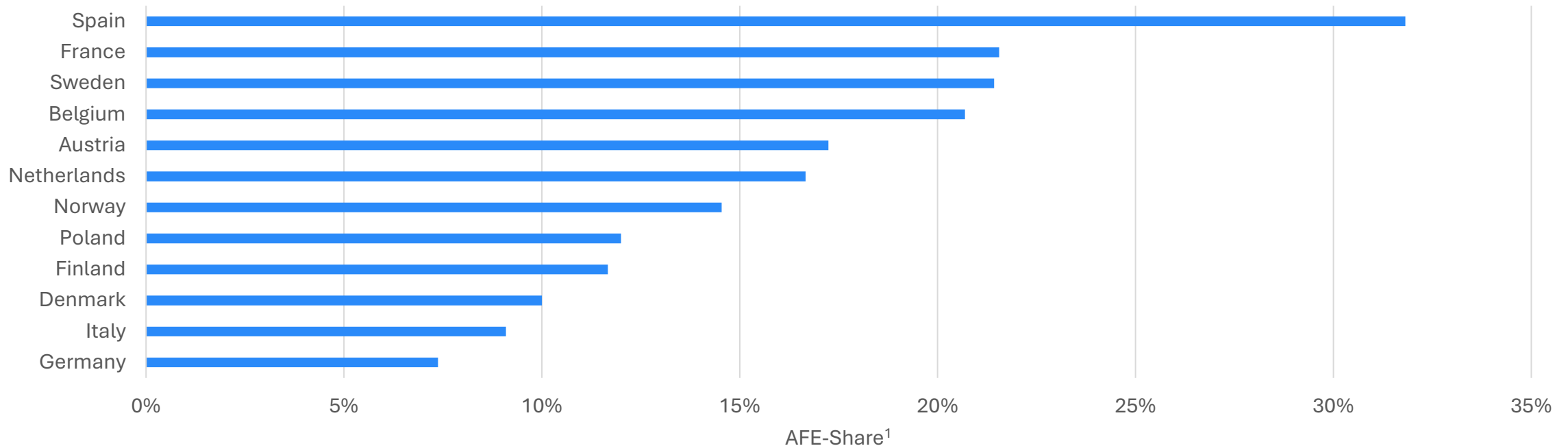
E1-9 is the most detailed and extensive AFE-related disclosure requirement in the ESRS. Firms report, on median (mean), close to one (almost two) full report pages for E1-9, while disclosures under other AFE-DRs are substantially shorter, suggesting that more detailed guidance is associated with more extensive reporting on anticipated climate-related financial effects.

Most firms report only one AFE-DR



Most firms report only a single AFE-DR, while reporting on multiple AFE-DRs is relatively rare, indicating a narrow scope of anticipated financial effects disclosure.

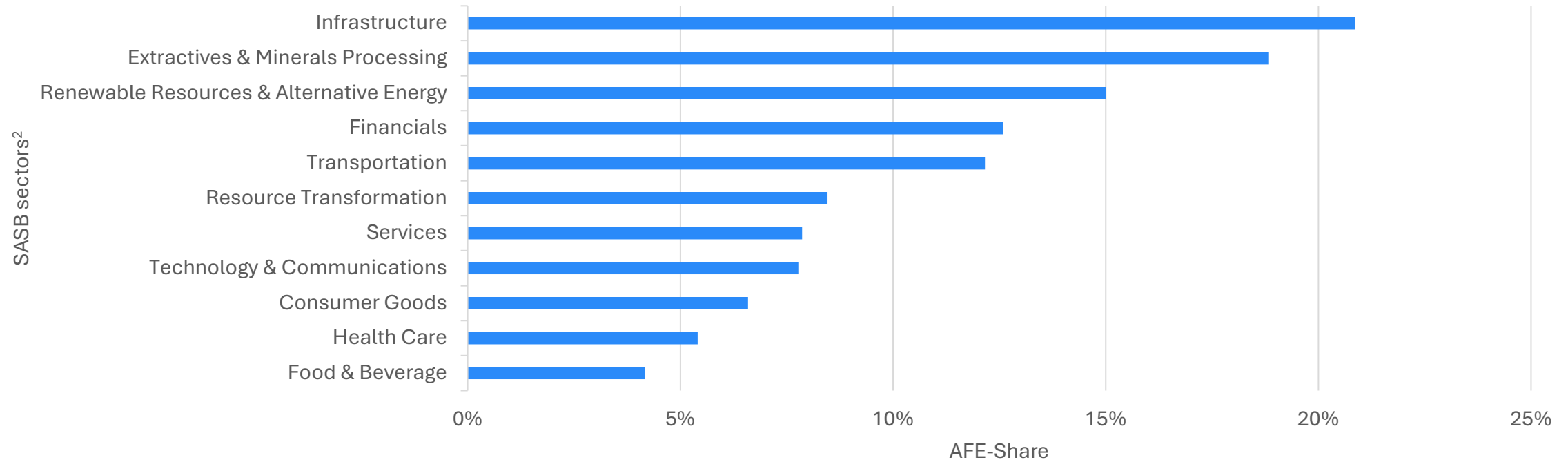
Spain first, Germany last



- The figure compares the average AFE share across countries and reveals substantial cross-country heterogeneity.
- This pattern is consistent with differences in the national implementation of sustainability regulation (e.g. CSRD), with Spain, an early mover in sustainability regulation, showing the highest AFE reporting intensity, while countries with later or more cautious implementation, such as Germany, lag behind.

¹ The AFE share is defined as the proportion of firms reporting at least one AFE disclosure requirement relative to the total number of firms in the respective country or sector.

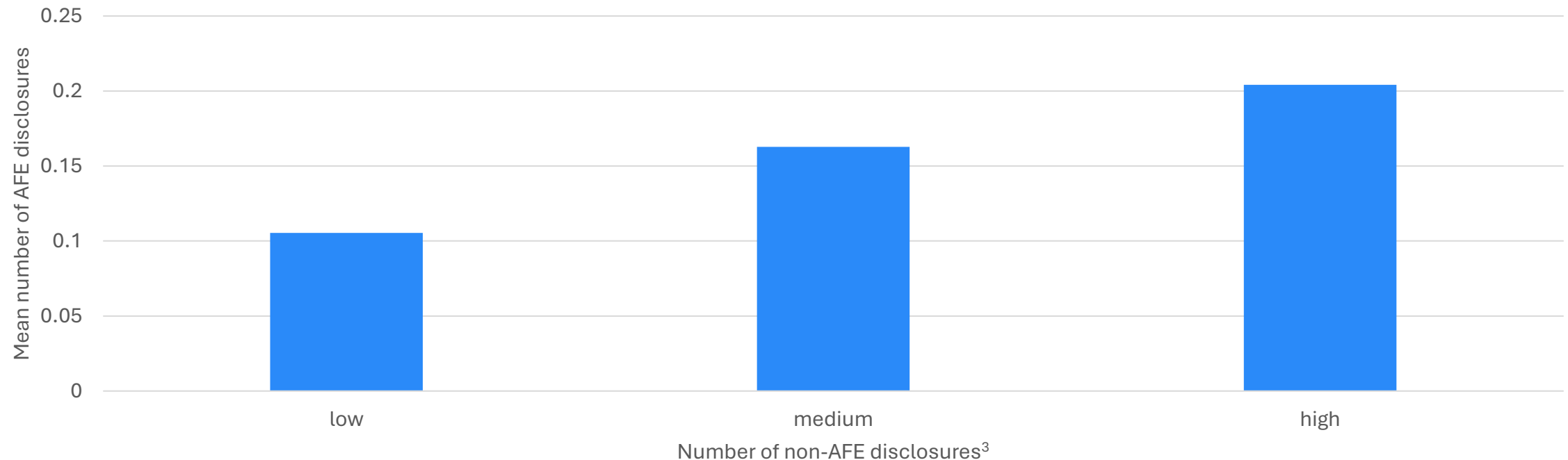
AFE disclosure peaks in Infrastructure, drops sharply in consumer sectors



AFE reporting is highest in infrastructure- and resource-intensive sectors, while it declines in consumer-oriented sectors, consistent with differences in exposure to climate-related financial risks and the materiality of anticipated financial effects.

² Each displayed sector must include at least 5 firms to improve comparability. The Sectors *Industrial Machinery + Goods* and *Real Estate* do not meet this criteria and are not displayed.

The more reported DRs the more AFE disclosure



Firms with more extensive overall ESRS reporting also disclose more anticipated financial effects, suggesting that AFE disclosure is positively associated with general reporting intensity rather than being reported in isolation.

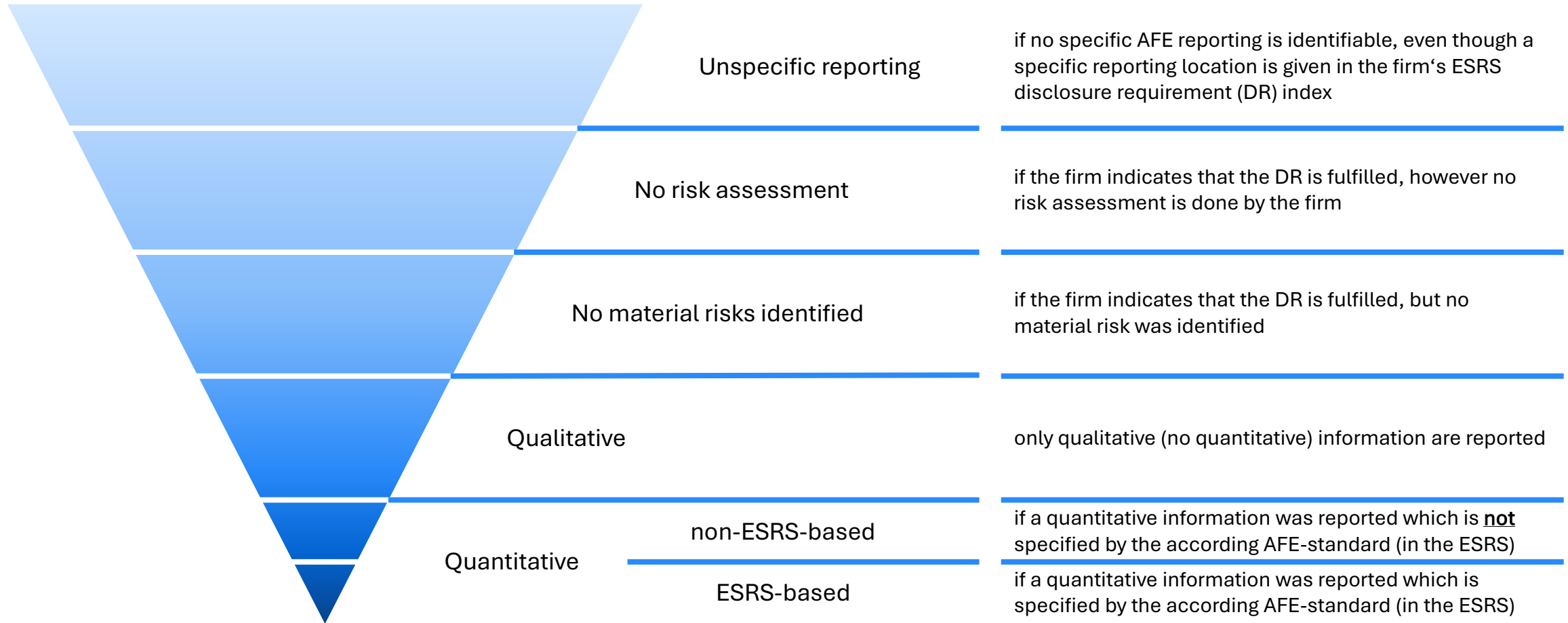
³ Non-AFE disclosures refer to all disclosure requirements other than the five AFE-related disclosure requirements (E1-9, E2-6, E3-5, E4-6, and E5-6).



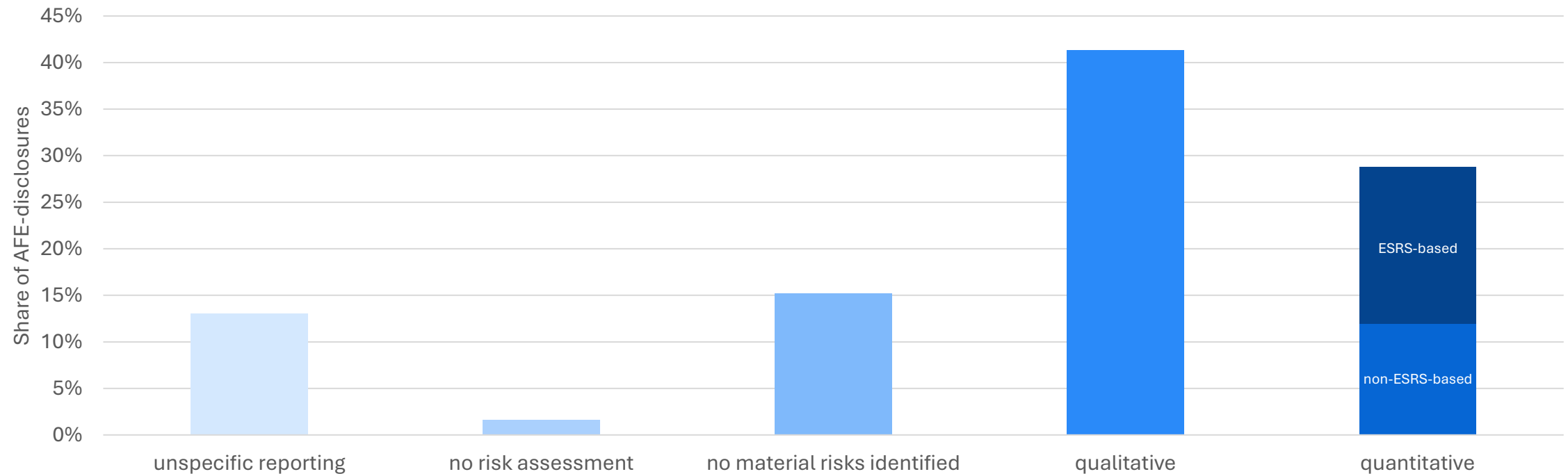
02

Content and form: What do Anticipated Financial Effects disclosures contain?

Explanation of classifications

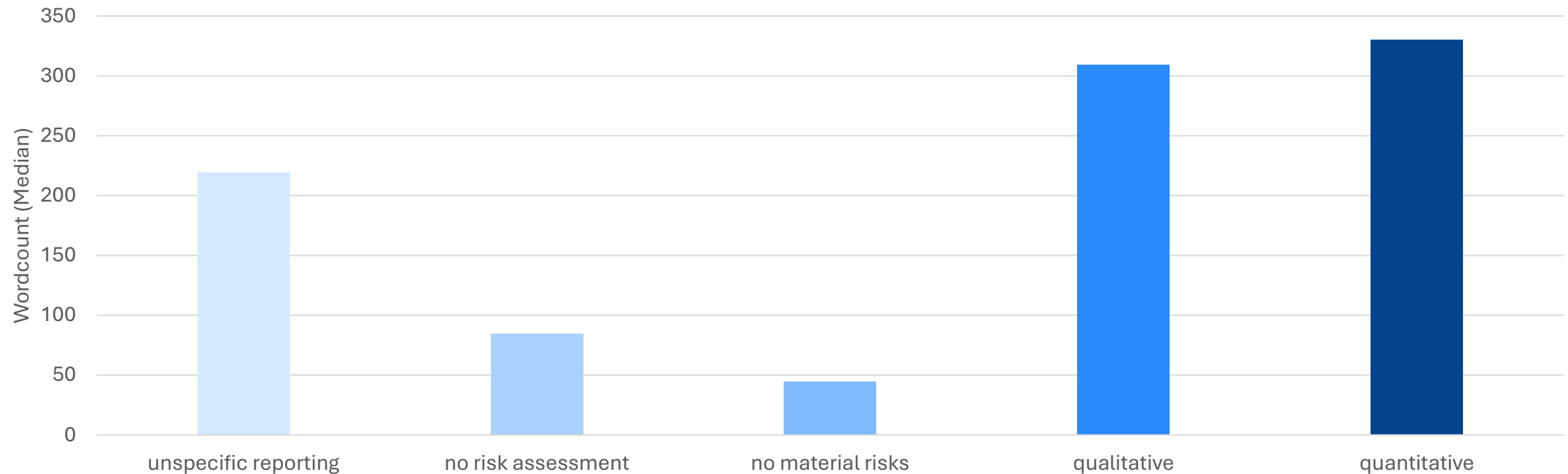


Large share of qualitative and quantitative disclosure



Surprisingly, a substantial share of AFE disclosures falls into unspecific reporting, missing risk assessments, or cases where no material risks are identified, indicating that a notable part of AFE reporting remains weakly substantiated despite the presence of qualitative and quantitative disclosures.

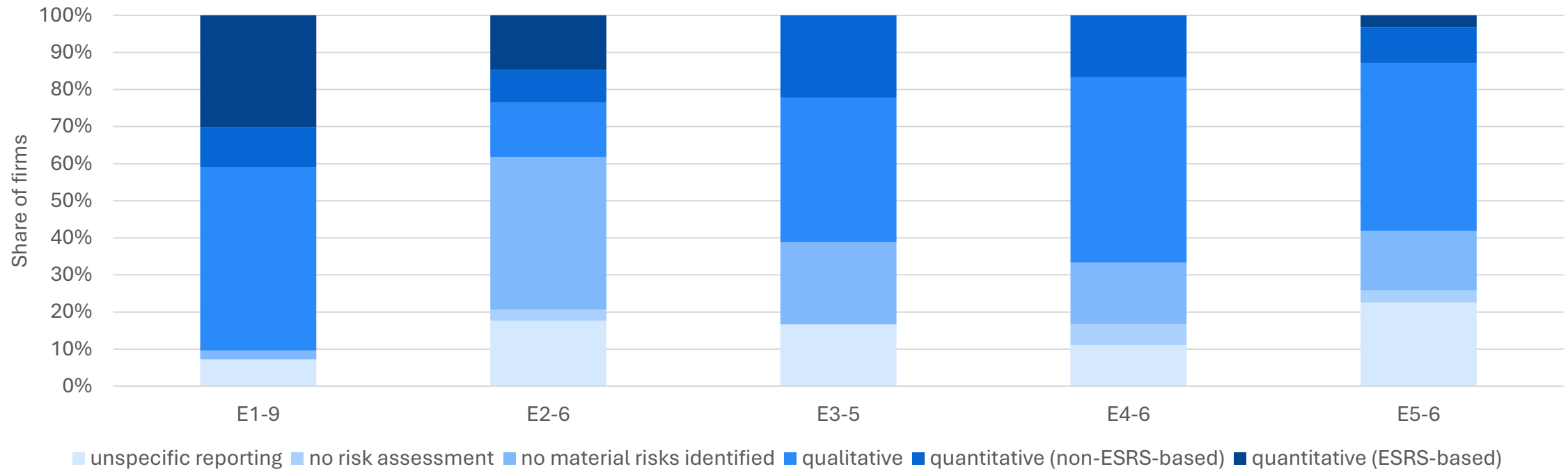
The type of reporting determines the wordcount



Qualitative and especially quantitative disclosures are substantially longer than unspecific reporting or statements without risk assessment, indicating that reporting quality is strongly associated with the depth and extensiveness of AFE disclosure.

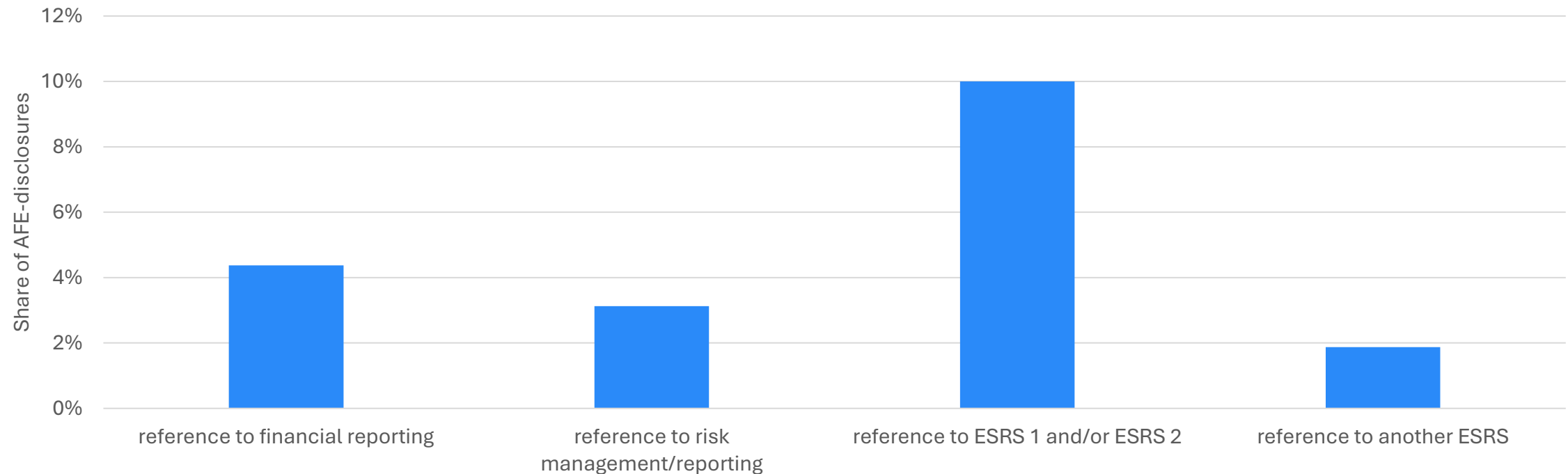
AFE-disclosures which were classified as „unspecific reporting“ (slide 13) were not excluded in this graph as firms indicate the page(s) on which the AFE-disclosure can be found. This information is the basis for the text which itself is the basis of the information on the wordcount.

E1-9 shows substantially higher reporting quality than other AFE standards



Reporting quality differs markedly across standards, with E1-9 showing a substantially higher share of qualitative and quantitative disclosures, while E2-6 stands out for a comparatively large share of weak or incomplete reporting, such as missing risk assessments or non-identifiable disclosures.

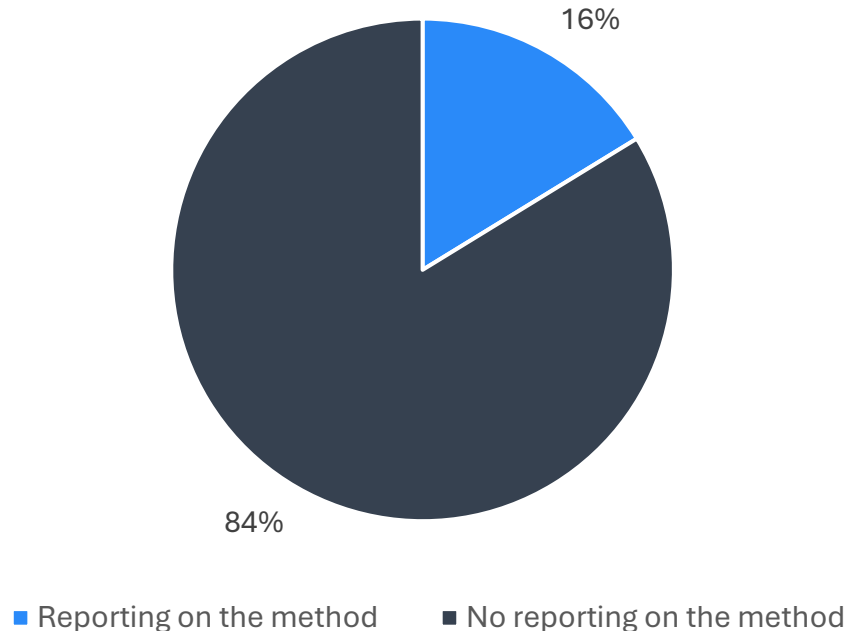
General disclosures are referenced most frequently



Most references point to general ESRS disclosures (ESRS 1 and ESRS 2) rather than to financial reporting or risk management sections, suggesting that firms predominantly anchor AFE disclosures in broad, cross-cutting reporting frameworks instead of AFE-specific content.

AFE-disclosures which were classified as „unspecific reporting“ (slide 13) were excluded. The graph indicates the presence of a reference in firms' disclosures. In all cases, this reference is accompanied by additional reported content.

A minority of firms report on used methods



Examples for applied methodologies (ESRS E1-9):

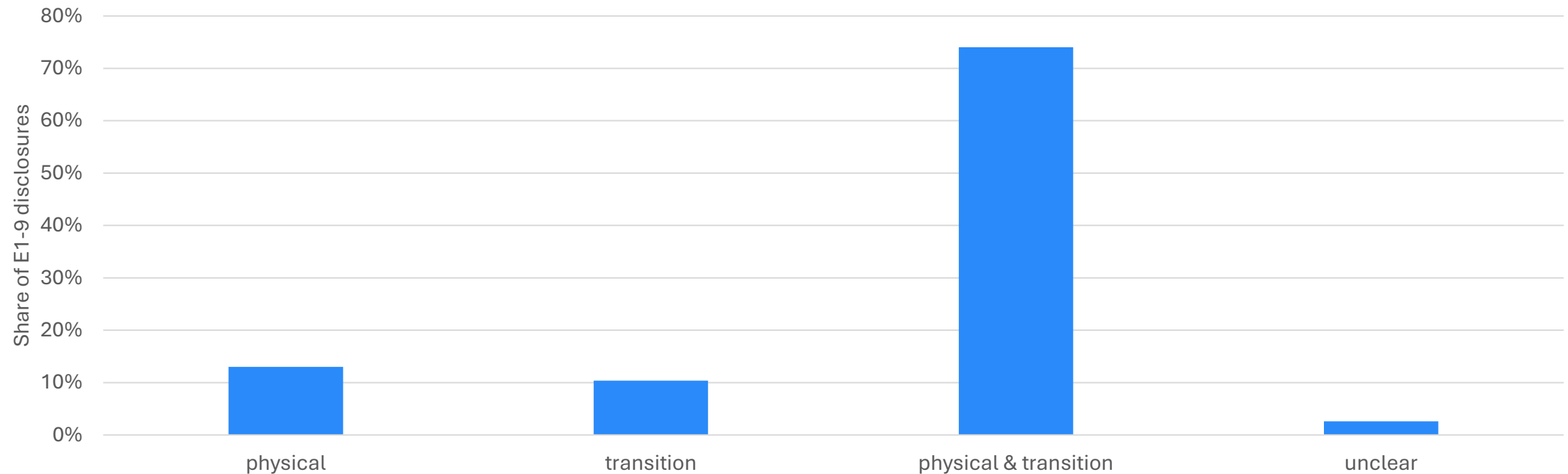
- Scenario analysis
- Alignment of emission accounting with financial statements (e.g. depreciation estimation, alignment to revenue generation or inventory management)
- Alignment of existing IROs to AFEs
- Break-down based on product or subsidiary structure to specify extend of AFE
- Integration of third-party services in the assessment

Only a small minority of firms disclose the applied assessment methods, indicating that methodological transparency in AFE reporting remains limited despite broader disclosure on risks or impacts.

This graph refers to the method used to assess financial effects.

Many firms report on their risk assessment methods; however, this is not what is referred to here. AFE-disclosures which were classified as „unspecific reporting“ (slide 13) were excluded.

Physical and transition risks are equally relevant



Most firms jointly address physical and transition risks, while disclosures focusing exclusively on one risk type are relatively rare, suggesting that firms generally view physical and transition risks as jointly relevant for anticipated financial effects.

AFE-disclosures which were classified as „unspecific reporting“ (slide 13) were excluded.



03

From Average to Best Practice: High quality disclosure features and examples

Comparison of average and best practice



Average practice of disclosures

- Qualitative reporting
- **No** description of **method** to assess AFEs
- **No** reference to **financial reporting**
- Shorter and more generic
- **Only few transmission channels**
- Only directional **trends** (positive/negative)



Best practice of disclosures

- **Qualitative and quantitative reporting**
- **Description of method** to assess AFEs
- Reference to financial reporting (elements)
- Longer and more detailed
- **Many transmission channels** are considered
- **More precision** (quant. figures or ranges)

Reference to best practice examples

Firm	Relevant pages	Link
Snam SPA	287-303	SNAM Annual Report 2024
SpareBank 1 Nord-Norge	80-85	Sparebank 1 Nord-Norge Annual Report 2024
Rubis SCA	136, 139, 141	Rubis Annual Report 2024
Intesa Sanpaolo SPA	201-204	Intesa Sanpaolo Annual Report 2024

Contact



Maximilian Terboven

University of Cologne

terboven@wiso.uni-koeln.de



Niclas Höhne

University of Cologne

niclas.hoehne@wiso.uni-koeln.de



Maximilian A. Müller

University of Cologne

maximilian.mueller@wiso.uni-koeln.de