

Public discussion of the DRSC in cooperation with EFRAG
Omnibus-1 - Revision of ESRS Set 1
May 12, 2025 - Report

I. Welcome/Introduction

Georg Lanfermann (President of the DRSC) welcomed the participants and explained the background and purpose of the event. After introductory remarks by EFRAG SR TEG Chairwoman Chiara Del Prete, he presented the agenda for the event.

II Update on the EFRAG work program and the EFRAG questionnaire

The DRSC staff explained EFRAG's work plan, which details the steps of the revision of ESRS Set 1 until the end of October 2025. EFRAG's questionnaire which was published in April 2025 to obtain the views of all stakeholders on the content of the ESRS revision was also presented.

III. Discussion of the DRSC proposals

After the DRSC staff had explained the ten proposals from the DRSC position paper of April 15, 2025, some of the participants took a critical look at these positions and the ESRS Set 1 reporting regulation. The following aspects were addressed in the discussion in more detail:

Scope of consolidation

It was questioned whether it should be mandatory to base the definition of the entities included in sustainability reporting on the group of entities included in the consolidated financial statements. It was also questioned whether the ESRS should stipulate that findings from the materiality analysis for sustainability should be included in the definition of the entities included in the consolidated financial statements, thereby effectively aligning this (financial) scope of consolidation with sustainability reporting. The DRSC staff explained that the DRSC position relates to the preference for consistency of the group of entities included for (both) reporting purposes. The DRSC position paper does, however, not suggest a mandatory requirement to reassess the financial scope of consolidation based on the sustainability-related materiality analysis. However, as the exclusion of financially immaterial subsidiaries from financial consolidation is not mandatory, parent companies may include such entities provided that there are no (national) legal requirements prohibiting the inclusion. Other participants expressly supported the DRSC's position.

The aspect "Removal of the *operational control* concept" was also supported by the participants. They reasoned that the term *operational control* is not sufficiently defined which causes a highly diverse understanding in practice. In addition, the concept is hardly used in corporate reporting. Participants also expressed concern that the ESRS restrict the options available for greenhouse gas

reporting under the Greenhouse Gas Protocol. Furthermore, it is expected that the Greenhouse Gas Protocol will place a stronger focus on the *financial control* concept in the future.

Whistleblower systems/grievance mechanisms

Some participants note that the current scope of application of the ESRS metrics on reports and complaints received differs from the understanding laid out in the German Supply Chain Due Diligence Act (LkSG). It was suggested that EFRAG takes existing national peculiarities into account in order to ensure compatibility.

Use of primary data and secondary data from the value chain

Some participants expressed concerns regarding the DRSC position to allow the use of secondary data from the value chain without the condition of *reasonable effort* to obtain primary data. They explained that the focus should continue to be on primary data since entities would have no incentive to obtain primary data without the *reasonable effort* condition.

Other participants supported the DRSC position. Firstly, in many cases, *reasonable effort* does not result in the undertaking obtaining primary data. This is due to, among other things, measurement methods lacking or not being standardised or a lack of measurements altogether. Secondly, participants did not agree with the assumption regarding the lack of incentives to obtain primary data as users of sustainability reports demand more precise information, and this demand is expected to further increase in the medium term. It should therefore *not* be assumed that undertakings will ignore this demand.

In addition, such a requirement could lead to an increased trickle-down effect, as undertakings subject to reporting requirements would need to seek information directly from undertakings in their value chain in order to meet this requirement. This would generate costs for the undertakings in the value chain that – due to the current limitations in terms of quality / informative value / availability of information – would not be justified by significant benefits.

Interaction Policies-Targets-Actions and PATs-IROs

The participants agreed with the DRSC proposal to remove the one-to-one allocation (1:1) of policies, targets and actions (PAT) suggested in the ESRS. This allocation should also not be assumed between IROs and PATs.

Further feedback

The proposal to strengthen overarching principles and, in particular, to attach particular importance to fair presentation, the principle of substance over form and the management approach also received approval by the participants as it would enable a reduction of reporting granularity. In addition, the minimum disclosure requirements of ESRS 2 in particular should be revised.

There was also a discussion about streamlining the ESRS in general by combining reporting requirements. The participants expressed concerns on this idea, as simply summarising data points would not reduce the number of data points.

IV. Concluding remarks

Finally, EFRAG representatives confirmed that the DRSC positions have been taken up in the work of the EFRAG technical bodies and will be considered in the revision.

Georg Lanfermann thanked EFRAG and all participants for taking part in the discussion.