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CC: European Commission, DG FISMA

Revision of ESRS Set 1: Expanding the use of non-primary data, estimates, and other measurement techniques for value chain information and own operations

Dear Patrick

On behalf of our Sustainability Reporting Technical Committee, I am writing to you to point out the need for working on an aspect that we consider key for simplifying the European sustainability reporting requirements: the focus on expanding the use of non-primary data, estimates, and other measurement techniques (such as extrapolations).

Our letter of 15 April 2025 laid out initial ideas on the ESRS revision and also touched on the need to ease the use of estimates (see suggestion no. 5). However, recent German debates, including those of federal ministries and regulators, have shown that this aspect is seen as a major success factor for simplification with consequences for both, undertakings reporting in accordance with ESRS, and undertakings in their value chain. We therefore consider this an urgent matter for EFRAG's discussion, independent but nevertheless complementary to current considerations at Level 1 regarding the extent of information to be provided along the value chain.

We believe that in order to effectively reduce sustainability reporting burden EFRAG will need to take into account the currently existing limits of data availability and data quality when revising ESRS Set 1. Without neglecting a preference for and advantages of primary data and acknowledging that there are circumstances where primary data cannot be replaced EFRAG should nevertheless open the ESRS to grant the use of other sources of information which are not primary data. Such information could be drawn from sector analyses (e.g. audits/assessments from sector initiatives, product/country/sector risk analysis) or other public databases (e.g. Human Rights Risk Map, Children's Rights in the Workplace Index, Water Risk Filter).

We fully appreciate that EFRAG – according to the mandate from the EU Commission – is currently putting a lot of effort into the revision of the ESRS Set 1. We are also pleased to note that the feedback, including our suggestions largely have been taken up in EFRAG's discussion. Furthermore, we welcome that EFRAG is working on the matter to provide relief from

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sustainability reporting requirements by discussing to even more focus on material information and possibilities to expand the use of estimates.

However, not only do we believe that EFRAG should address the difficulty of primary data collection along the value chain. We further believe it to be essential that the use of non-primary data, estimates, and measurement techniques (such as extrapolation) should also be considered for own operations in certain circumstances. This will contribute significantly to the relief for reporting undertakings and undertakings along the value chain.

Even though the current ESRS refer to the use of estimates for quantitative metrics and monetary amounts and the uncertainty that may arise from estimates (see ESRS 1 par 87) this has not been perceived as helpful in reducing reporting burden. For one, while ESRS 1 explicitly addresses the use of estimates for value chain data collection (ESRS 1 ch. 5.2 and par 87 et seq.), estimates for own operations are not explicitly addressed, although one may conclude that par 87 implicitly includes own operations. Secondly, the use of estimates should not be limited to cases in which quantitative metrics and monetary amounts cannot be measured directly but should be expanded to include circumstances in which estimates can significantly reduce burden of data collection while not decreasing information value. In these instances, estimates include extrapolations from existing own operations data or other sources which allow for a more efficient data collection and nevertheless valuable reporting.

Often referred to in this context is the example of an undertaking for which water consumption is a material sustainability matter due to their water intensive production processes. Therefore, water consumption is to be measured and reported at the level of the (consolidated) undertaking. Since water can be measured directly, ESRS does not grant the use of estimates. The undertaking therefore measures its water consumption not only in all the production facilities which make up for almost all of the total water consumption but also measures the minor water consumption in other working streams of the undertaking including various office buildings. The undertaking therefore needs to put in place an elaborate, expensive and error-prone data collection process while estimates, including extrapolations would be just as meaningful.

We acknowledge that EFRAG is currently discussing the concept of “materiality of information” which – to our understanding – includes a discussion of how to calculate metrics and which data to include in that calculation (e.g. omit subsidiaries that are not meaningful for a certain metric). Nevertheless, this discussion currently seems to focus on clarifications of when information is material and less on the aspect of how material information can be provided more cost-effectively resulting in an improved cost-benefit-ratio.

We therefore ask you to immediately start the discussion on easing the use of estimates, including extrapolations, not just for data along the value chain but for own operations as well.

If you would like to discuss this further, please do not hesitate to contact me.

Kind regards

Georg Lanfermann

President