

EFRAG & DRSC Joint Public outreach
Exposure drafts on revised ESRS Set 1
September 18, 2025 – Summary

I. Welcome/Introduction

Georg Lanfermann (President of the DRSC) welcomed the more than 250 participants and explained the background and purpose of the event and presented the agenda. EFRAG SR TEG Chairwoman Chiara Del Prete introduced via video message the background, the purpose, and the main aspects of the revised draft ESRS. The DRSC staff added that the outreach event was not designed to cover all aspects of the drafts and the DRSC position comprehensively. Instead, they would present a selection of the main points of the DRSC position to discuss these with the participants. Nevertheless, participants were welcome to address any aspect of the ESRS revision they would like to discuss.

EFRAG Senior Staff Sebastian Heintges, Bernhard Frey and Elisabeth Trouvain were welcomed. They presented the ESRS amendment proposals and answered the questions from the participants.

II. ED ESRS 1 & ESRS 2

The EFRAG staff started by providing a brief overview of the amendments proposed in the consultation drafts for ESRS 1 and ESRS 2 (see [EFRAG's presentation](#) for more information). The DRSC staff then presented the main issues from the DRSC perspective, namely Fair presentation, Materiality of information, Gross vs. net, and Anticipated financial effects, also considering the ISSB-ESRS-Interoperability (see [DRSC's presentation](#)).

Feedback of participants included the following aspects:

- Fair presentation: Participants agreed that there has been a general understanding of ESRS Set 1 (Delegated Regulation (EU) 2023/2772) having an inherent fair presentation concept and that there is the need for an explicit reference to this concept and the intention of this concept. Furthermore, many participants find it crucial to emphasize the materiality concept (including materiality of information) to allow undertakings to focus their sustainability reporting on material matters.
- Materiality of information: Agreeing with the DRSC's analysis participants expressed concerns that ED ESRS 1.21(b) could be (mis)interpreted as providing for a very low materiality threshold (i.e. that information is material as soon as any user needs that information to get an "understanding" of the undertaking's material IROs, without any further limiting criteria). There was support for a single concept of "decision usefulness" for all users to clarify the understanding of when information is material (support for deletion of "ESRS 1.21(b)").
- Gross vs. net: In the DRSC's view, the proposed amendments do not sufficiently clarify the requirements regarding the assessment and reporting on impacts. Among other suggestions,

the DRSC proposes to delete Appendix C with examples for how to assess impacts and when to apply a gross or net approach. The DRSC considers some of the examples contradictory to ED ESRS 1.34 f. and therefore suggests that undertakings determine how to apply ED ESRS 1.34 f. without additional examples. Some participants nevertheless found the examples helpful and supported retaining (improved) examples.

- Anticipated financial effects: Many participants expressed similar concerns as the DRSC did in its preliminary analysis. They agreed with the DRSC on favouring Option 2 as described in ED ESRS 2 (qualitative disclosures). Few participants would go even further and support to redesign the requirement as a completely voluntary disclosure. There was also broad agreement on the DRSC's position regarding interoperability (i.e. broad support for the need for interoperability with IFRS SDS). Some added that undertakings would be allowed to apply the requirements of IFRS S1 and S2 in this respect without compromising disclosures according to for example ED ESRS E1, even if ESRS would require qualitative disclosures on anticipated effects, only. Few other participants argued that from an investor's perspective quantitative information are very important and that undertakings could always refer to the reliefs provided in Option 1 of the ED ESRS 1.
- Regarding the proposal to reduce the granularity level in the ESRS to topics and sub-topics, participants welcomed the lower level of granularity and welcomed the clarification regarding the (higher level) allocation of IROs to topics. However, others – especially participants representing smaller undertakings – welcomed the level of detail such as in ESRS 1.AR 16 (including the level of sub-sub-topics) as a helpful guidance for a more detailed materiality assessment especially in cases of topics being identified as material. Some participants considered the list in AR 16 especially helpful for less developed topics such as biodiversity. However, there was agreement that the list was often used as a checklist by undertakings and auditors which is not the intention of ESRS.
- Overall, participants agreed that a detailed materiality analysis is helpful to determine the IROs to be reported. Some pointed out that the removal of “sub-sub-topics” should not result in the understanding that all metrics (that have been relevant on the sub-sub-topic level so far) would now be material for a topic or a sub-topic. For this assessment the materiality concept, including on the level of “materiality of information”, is crucial.
- Furthermore, participants agreed that the “mixed approach” in the Appendix A of ED ESRS 1 (i.e. not having sub-sub-topics but having an “additional layer of topics” in brackets) is not considered an improvement but raises additional questions for the application of the ESRS. For example, participants expressed uncertainty about the binding nature / the status of aspects (which contain former sub-sub-topics) mentioned in brackets. In other words, the additions in brackets could be interpreted as binding, which would mean that the removal of the sub-sub-topics would be meaningless. It would also be questionable whether undertakings would have to analyse a sub-topic on the level of (each of) the “additional layer” in the brackets to document non-materiality.

III. ED ESRS E-Standards

Again, after the EFRAG staff had given an overview of the proposed amendments, the DRSC staff presented the main issues from the DRSC perspective: Transition plans on climate change, use of scenario analysis, extended or tightened requirements including additional datapoints.

There was agreement with the DRSC position on the disclosure requirements regarding the Transition plan on climate change. No further details were added in the discussion.

On the aspect scenario analysis participants agreed that climate scenario analyses are an important tool to identify and assess climate related physical and transition risk and how the undertaking is affected by these. It was added that even the identification and assessment of significant IROs ultimately depend on the assumption of a scenario of some kind. However, most participants expressed they would agree with the DRSCs position that the use of scenario analyses should not be required by ESRS. They further agreed that ED ESRS E1 should contain an explicit statement in this respect. Also, many found a disclosure on whether an undertaking has used scenario analyses useful. On the content of ED ESRS E1 regarding what scenarios to use – if done by the undertaking – participants did not agree with the requirement proposed in AR 5(c) of the draft. They supported the DRSC proposal to refer to scenarios based on scientific evidence which reflects the climate risk properly. In other words, the standard should focus on principles-based content but should not contain a specific requirement what scenarios to use.

On the other ED ESRS E-Standards participants shared the DRSC concerns on additional datapoints. In this context, it was proposed to duly double check the wording used in the ED. In many instances, slight amendments might result in significant burden reduction without compromising the content. As an example, it was referred to ED ESRS E5-5 that contains the phrase “used in its key products” which could be substituted by a phrase such as “The undertaking is allowed to focus the disclosure on key products.”

IV. ED ESRS S-Standards

After the EFRAG staff had given an overview of the proposed amendments, the DRSC staff presented overarching issues from the DRSC perspective: in particular the lack of clarity regarding the content of the chapters “Interaction with other topical ESRS” and Question 29 of the questionnaire regarding the SFDR PAIs and the deletion of “severe” in relation to disclosure on “human rights incidents”.

The participants agreed with the following detailed analyses of ED ESRS S1 by the DRSC:

Regarding Question 27 of the questionnaire participants acknowledged that EFRAG changed the threshold for the requirement to disaggregate the metrics for characteristics of the undertaking’s employees, collective bargaining coverage and social dialogue in the EU (ED S1-5 and ED S1-7). Instead of being defined based on at least 50 employees by head count representing at least 10% of the total number of employees, the requirement is now to disaggregate the metrics for the top 10 largest countries by employee headcount, to the extent that there are more than 50 employees in those countries – in order to enhance transparency as EFRAG staff pointed out. This change could, however, in some cases trigger an increase in the number of countries to report on for these two disclosures, and so an increased burden to prepare the information.

Moreover, changes in the definitions/thresholds for the metrics regarding characteristics of the undertaking's employees, collective bargaining coverage and social dialogue in ED S1-5 and ED S1-7 lead to additional effort as it triggers changes in methodology and additional disclosure requirements. In particular, with respect to ED S1-5 and ED S1-7, this additional effort to collect the relevant data is considerable, because it may be necessary to report on more countries than before, as the calculation has been changed. Moreover, the revised threshold for significant employment leads to inconsistencies over the years and may lead to strong discrepancies and additional reporting burden for undertakings depending on the distribution of their employees across different countries. Therefore, no changes should be implemented to the calculation of the countries to report on for these two disclosures.

Regarding Question 28 of the questionnaire participants acknowledged that the adequate wage benchmark used for comparison with the lowest wage for outside of the EU shall not be lower than the wage level established through collective bargaining or the statutory minimum wage established by legislation or collective bargaining agreement, which is periodically reviewed/adjusted every two years and takes into account the ILO wage setting principles or living wage estimates that follow ILO principles for estimating a living wage (ED ESRS S1.AR 22(b)). The new requirements for ILO compliance of all wage levels used outside the EU and queries to local authorities regarding a living wage cannot be met by undertakings with a large number of activities in many different countries. These requirements represent a new reporting burden, which was rejected. The proposed amendments lead to considerable additional effort as the requirements regarding which sources can be used (e.g. for living wage estimates in countries outside the EU) have been changed requiring a review whether or not previously used sources can still be used. Moreover, estimates regarding living wages are complex to collect and, in practice, difficult to carry out without external service providers. DRSC and participants strongly recommend that the EU Commission or EFRAG issue a list of applicable adequate wages worldwide so that individual undertakings do not have to prepare such an overview themselves and to improve comparability.

V. ED ESRS G1

EFRAG gave an overview of the proposed amendments and specifically laid out the ongoing discussion around ED ESRS G1-6 regarding metrics in relation to payment practices and whether the objective was met by the metrics that are introduced. DRSC had identified ED G1-6 as being a problematic DR in the ED G1. It acknowledges that ESRS are required based on the level 1 regulation (CSRD, see for example, Article 29b No. 2 (c) (v) Accounting Directive) to include information on payment practices, especially with regard to SMEs. However, undertakings do not usually have "standard payment practices" (often, these are not even determined by the reporting undertaking but provided by the various suppliers). In addition, while undertakings categorise their suppliers for example by risk or region, they do not collect information on the size of the suppliers. Therefore, it is not feasible or meaningful to provide a description of "standard payment terms" by category, incl. standard payments terms for suppliers that are SMEs. This analysis was supported by the participants of the Outreach event. EFRAG and DRSC acknowledged that this was a point to be addressed at EU-level.

VI. Other feedback obtained

There was broad support from participants for the DRSC position on additional datapoints and expansion of requirements: According to the European Commission's mandate of March 2025 and the letter Commissioner Albuquerque of July the reduction of datapoint is key for the simplification of the ESRS. However, the DRSC has found that it contains a number of new data points and expanded disclosure requirements. The participants agreed that EFRAG should carefully review the remarks provided on such expansion to remove any doubt about the reduction in requirements.

Participants expressed their concern that the draft contained some new concepts and definitions which were not mature enough and had to be refined further. Some added that the careful choice of words is key to avoid lengthy discussions about how a certain phrase is to be understood. Some participants mentioned in this context new terminology, such as critical / strategical resources / secondary resources or biological resources (which are difficult datapoints to determine). Other participants advocated clearer definitions to better understand, for example, the intended gross/net-approach, the differentiation between actions and policies, the meaning of the terms “producer” and “importer”.

Further feedback by participants related to the level-1-legislation, rather than to the proposed ED ESRS. This included the treatment for reporting of cooperatively organised undertakings and comparable networks of undertakings not being presented as group in the financial reporting context. As those entities working together very closely, involving the sharing of central and operational functions, the requirement to expand sustainability reporting to include the value chain puts a lot of burden on those undertakings. Although these organisations act as one single undertaking, they are not allowed to present themselves this way. Instead, each individual unit is required to report separately and defines its respective supply and service relationships with other individual units in the network as its value chain. According to this participant, a single entity fiction would result in better information even though in financial accounting these undertakings present separate financial reports, too. In contrast to the separate financial reports, sustainability reporting should allow to focus on the operational collaborative work streams (including close suppliers as own operations instead of value chain undertakings). It was pointed out with regard to this cooperative specific aspect that EFRAG will not be able to address this aspect in the amendments of ESRS.

Participants further criticised the granularity of topics pre-required in the Accounting Directive, which must inevitably be adopted in the ESRS, as EFRAG must operate within the framework of this Directive. They referred to the content of the sustainability report set out in Art. 29b para. 2 points b and c of the Accounting Directive, e.g., payment practices (see discussion on ED G1-6).

VII. Concluding remarks

Finally, EFRAG representatives confirmed that the DRSC's positions have been taken up in the work of the EFRAG technical bodies and will be considered in the revision. Chiara del Prete thanked the participants and DRSC for their valuable input. Georg Lanfermann thanked EFRAG and all participants for taking part in the discussion. The DRSC will take a close look at today's remarks and discussion (including the lively discussion in the chat) and will consider the main points for further discussion with the DRSC Sustainability Reporting Technical Committee before finalising the comment letter to EFRAG.