

## **DBG Response to European Commission consultation on Draft Delegated Regulation as regards the simplification of certain sustainability reporting standards**

Deutsche Börse Group (DBG) welcomes the opportunity to comment on the draft Delegated Regulation containing revised European Sustainability Reporting Standards (ESRS). As a leading European market infrastructure provider, DBG is committed to fostering a robust, transparent and efficient EU single market for sustainable finance. An effective, proportionate and globally aligned sustainability reporting framework is an essential cornerstone for this. While we strongly support the Commission's goal of simplifying ESRS, we are concerned that the draft Delegated Regulation misses a critical opportunity to achieve this. By not **moving beyond simple interoperability towards a framework of formal acceptance** – where ESRS can be accepted as the implementation of the global IFRS Sustainability Disclosure Standards set by the International Sustainability Standards Board (ISSB) – the EU risks cementing a fragmented regulatory landscape, which undermines the competitiveness of European companies, the attractiveness of its market and the efficiency of capital allocation.

### ***Misalignment between ISSB and ESRS creates a complex and fragmented reporting landscape***

The lack of formal recognition prevents European companies from using their ESRS report to comply with ISSB reporting requirements in other jurisdictions. This forces global companies into a **costly and inefficient dual-reporting process**, creating a significant administrative burden and a competitive disadvantage for European businesses operating globally. Conversely, it also creates a significant barrier for foreign companies that cannot efficiently use their IFRS report as a baseline to facilitate their ESRS reporting, forcing them into a separate, more complex process for their European operations. This friction ultimately harms the attractiveness of the European market, risking a disadvantage in the global race for investment. Therefore, we believe the ESRS revision must facilitate the formal recognition of ESRS with IFRS S1 and S2 to enable solutions for reporting only once (for use in multiple regulatory contexts).

### ***Moving away from interoperability and towards acceptance***

Enabling formal recognition does not require a fundamental overhaul of the ESRS. The **solution lies in two targeted amendments to the Draft Delegated Act** that would bridge the final gap with the IFRS standards without changing the established European ruleset:

1. **Clarify the existing non-obscuring principle universally and symmetrically.** We propose adding clarifications to the qualitative characteristics of information in Appendix B of ESRS 1, by stating that financial material information must not obscure

information that is material from an impact perspective and vice versa. This would not abolish the principle of double materiality or add an unwanted hierarchy between impact and financial materiality – it would simply allow for a clearer presentation including for global investors.

2. **Grant preparers greater flexibility in the reporting structure.** We propose amending ESRS 1, paragraph 105, to change the prescriptive "shall" to a flexible "may" regarding the four-part structure. This would allow companies the flexibility to use an ISSB-compliant report as a baseline and add the specific disclosures required by ESRS.

### ***A strategic opportunity for simplification and global leadership***

This is a unique window to counteract regulatory fragmentation, provide substantive simplification, and thus deliver on the Commission's Simplification Agenda. By making targeted, pragmatic amendments, the ESRS can achieve formal recognition from the ISSB, eliminate duplicative reporting burdens, and solidify Europe's position as a leader in setting global standards. This is not a question of ceding regulatory sovereignty, but of **exercising leadership through collaboration**. Achieving full adoption status allows the EU to anchor its double materiality approach as a comprehensive extension of the global baseline, ensuring it is understood on the world stage instead of being dismissed as a niche regional framework. This approach serves the needs of both companies and investors by promoting high-quality, comparable, and decision-useful information at a global level. We also encourage the Commission to advocate for subsidiary exemptions globally to bring this simplification to life.

## Annex

### Further Technical Remarks

#### **ESRS1-2 (Fair presentation and qualitative characteristics of information)**

AR6 requires that the sustainability statement be assessed as a whole to ensure it provides a fair presentation of material impacts, risks and opportunities. We welcome the move toward financial accounting with the introduction of the principle of fair presentation. However, the requirement uses “shall consider” while implicitly expecting an assessment, creating ambiguity as to whether a formal assessment is required. Additionally, “consideration” alone is difficult to evidence in an audit context. Clarifying the expected level of documentation would improve usability.

#### **ESRS1-10 (Transitional provisions)**

We would like to point out that the incorrect reference to the anticipated financial effects is linked under ESRS1-10 No. 125 (b) (c), No. 126 (c), and No. 127 (c). The correct references here are paragraph 39 (a) (b) and paragraph 40 (a) (b) instead of 38 (a) (b) and 39 (a) (b).

#### **ESRS1-3.1.3 (Basis for assessing materiality)**

The revised AR15 is inconsistent in style; we recommend revising it. Proposal: “The undertaking is not required to assess: each severity characteristic individually where the impact can already be determined to be severe.”

#### **ESRS S1-5**

Regarding ESRS S1-5, para. 20(d), we are concerned that limiting the employee turnover calculation to “permanent” staff, as amended by the EC, provides an incomplete and less comparable view of workforce stability. Therefore, we recommend sticking with EFRAG’s original text and simply refer to the “employee turnover” rate, without distinguishing between permanent and non-permanent (as is also the case in AR 11 for para. 20(c)).