

The European Round Table for Industry (ERT) strongly supports the overall process to revise the European Sustainability Reporting Standards (ESRS) Set 1 to significantly reduce the reporting burden on European companies while considering the needs of relevant stakeholders. The revision of the ESRS offers a strategic and potentially unique window of opportunity to also achieve the full IFRS adoption status for the ESRS. It would allow ESRS sustainability statements to be recognized as equivalent to sustainability reports under IFRS sustainability standards.

Full IFRS adoption status would be strategically important for European preparers, as it would address the growing fragmentation of international sustainability reporting requirements. It would be a necessary pre-requisite for European preparers, preparing both a sustainability statement based on ESRS within the EU and separate IFRS-based sustainability reports for certain other jurisdictions, to avoid double reporting and to benefit from significantly lower implementation, compliance, and audit costs. The ISSB has also acknowledged the need to address the growing fragmentation through passporting provisions, so that jurisdictions accept reports prepared in accordance with the ISSB Standards as issued by the ISSB.

Full adoption status would also strengthen international comparability and safeguard access to global capital markets, ensuring the competitiveness of European companies. Embedding ESRS within a convergent global framework would reinforce the EU's role in international standard-setting rather than isolating it as a separate regulatory system.

Given the substantial alignment between the revised ESRS and IFRS Sustainability Standards, the prerequisites for advancing toward full adoption status are largely in place. To bridge the still existing gap between ESRS and IFRS Sustainability Standards, ERT supports:

1. **The explicit inclusion of the non-obscuring information principle**, assessed at the level of the sustainability statement as a whole and not on data point level. This would imply that the responsibility remains with the reporting entity to ensure that financially material information is not obscured.

This would require adding the following subparagraph (c) to ESRS 1 paragraph 105 in the EFRAG technical advice:

“105. (111) Sustainability information shall be presented: (...) (c) *in a way that does not obscure information that is only relevant from a financial materiality perspective. Sustainability information that is only relevant from a financial materiality perspective is obscured if it is communicated in a way that would have a similar effect for primary users to omitting or misstating that information.*”

2. **Greater flexibility in reporting structures**, including the removal of rigid structural requirements.

This would require amending ESRS 1 Para. 106 in the EFRAG technical advice as follows:

106. (115 amended) ~~The undertaking shall structure its sustainability statement in four parts in the following order: general information, environmental information, social information and governance information.~~ It may use appendices or separate sub-parts in accordance with paragraphs 108 – 112.

We urge EFRAG and the European Commission to ensure that any future XBRL or digital tagging system be designed with such flexibility in mind.

3. A specification of the primary users and other users of sustainability reporting under ESRS, given the unclear boundaries on what constitutes **fair presentation** for diverse user groups under the double materiality principle. This would ensure that only those users that have a justified and reasonable interest in the entity's sustainability information must be considered. Concretely, fair presentation should be assessed with a clear focus on the decision-usefulness of the reported sustainability information for investors. We would like to suggest the following amendments:

ESRS 1. Para 4 in the EFRAG technical advice should be changed to:

Users of general-purpose sustainability statements are exclusively those who provide a contribution to or are directly impacted by the undertaking:

(a) primary users [investors, provider of financial capital];

(b) other users [workforce, customers, consumers, suppliers and their representatives] and directly affected local communities.

ESRS 1. Para 19 should be changed to:

"Fair presentation... is intended to provide information sufficient for users to decide on their continued or future contribution to or engagement with the undertaking."

We encourage the European Commission, EFRAG, and the ISSB to leverage the current ESRS revision to enable full IFRS adoption status and to establish a continuous cooperation mechanism to maintain technical alignment, prevent divergence, and jointly address implementation issues – also regarding future sustainability topics and standards.