Deutsches Aktieninstitut

Key results of the survey with EY

Challenges in implementing the ESRS and proposed solutions for Omnibus-I

July 2025

ESRS Survey: Table of contents

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Recommendation I: Simplifying the ESRS

- **A more substantial reduction in the number of data points needed**
  - Our survey shows that even large companies are struggling to implement the ESRS. The data points are too many, too complex, too granular and data availability is problematic
  - Replacing the ESRS with the standard for listed small and medium-sized enterprises (LSME Standard) will cut the number of required data points by nearly half. The LSME can then be further simplified by eliminating e.g. remaining redundancies

- **A pragmatic approach to climate disclosure**
  - To avoid double reporting for companies operating internationally, allow them to adopt the International Sustainability Standards Board's (ISSB) IFRS S2 climate standard as an initial step for climate-related reporting instead of the more complex ESRS E1 climate standard
  - The European Commission could then consider expanding the international standard to better align it with European requirements

Recommendation II: Simplifying the CSRD

- **Remove iXBRL tagging to streamline reporting**
  - The electronic tagging requirement (iXBRL tagging) imposes a significant burden on companies and introduces legal uncertainty, without offering any tangible benefits to investors or the public
  - Advanced AI tools can extract and analyse data from PDFs, rendering the requirement obsolete
- **CSRD and ESRS as central reference points for all sustainability-related disclosures**
  - 55 percent of survey participants: Synchronize the data points of SFDR and ESRS
  - To ensure consistency and reduce administrative burden, all data required under other frameworks such as SFDR, CRR, CSDDD and the EU Taxonomy should be derived directly from CSRD reporting

Recommendation III: Simplifying the CSRD

- **Make the EU Taxonomy into a voluntary instrument for all non-financial undertakings**
  - 28 companies are in favour of adapting the CSRD and EU Taxonomy. They advocate for abolishing the Taxonomy, or at least making it voluntary
  - For many companies, the EU Taxonomy results in a tremendous effort without any corresponding benefits for the company or its stakeholders

Demographic facts of the survey participants (I)

Joint survey with EY in February 2025 among 160 CFOs of DAX, MDAX and SDAX companies on their experiences with ESRS implementation

75 company representatives responded/47 percent participation rate

Corporate function of the respondents[1]

1 CEO	40 CFOs	5 CSOs	14 Others (Head of IR, Sustainability etc.)

[1] Only those respondents who gave us information about their function

Demographic facts of the survey participants (II)

Participation by index

DAX: 38 percent
MDAX: 31 percent
SDAX: 31 percent

43 companies (84 percent of survey participants) reported according to the ESRS in 2024

What characterises our study

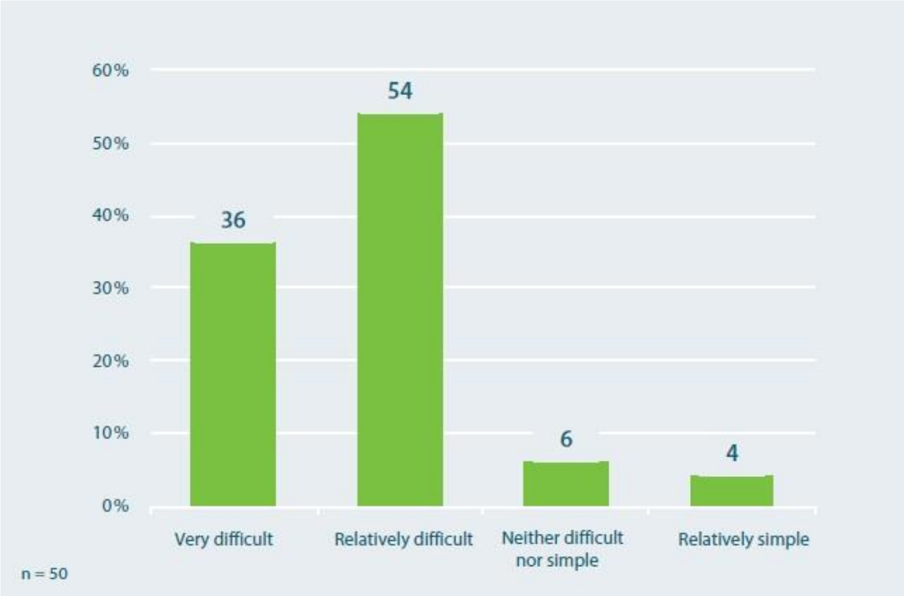
High response rate/
lots of additional comments

We give the people behind the reports a voice

Participating companies have been publishing sustainability information for years and have the relevant expertise

ESRS Challenges (I): 90 percent of companies rate ESRS reporting as difficult

How would you rate the implementation of ESRS reporting within your company?



ESRS Challenges (II): What are the reasons?

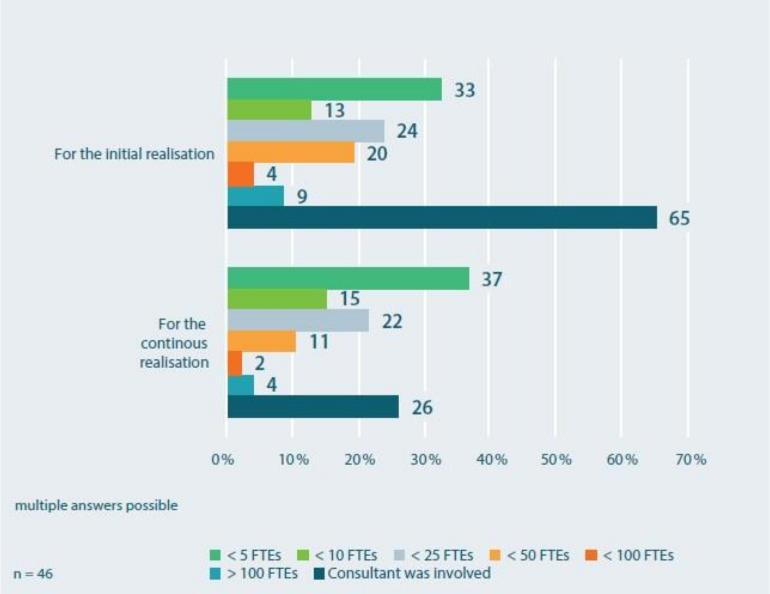
- Data points: too many, too complex, too granular; data availability problematic
- Uncertainties in the design of the data points/requirements
- Technology (new IT processes) and methodology (unclear)
- Cooperation with the auditors
- Resources and costs

ESRS Challenges (I): On average, only 25 of the collected data points are useful

How many data points does your company currently collect?

ESRS Challenges (I): 65 percent of the companies involved consultants

To what extent has your company allocated human resources to CSRD/ESRS reporting?



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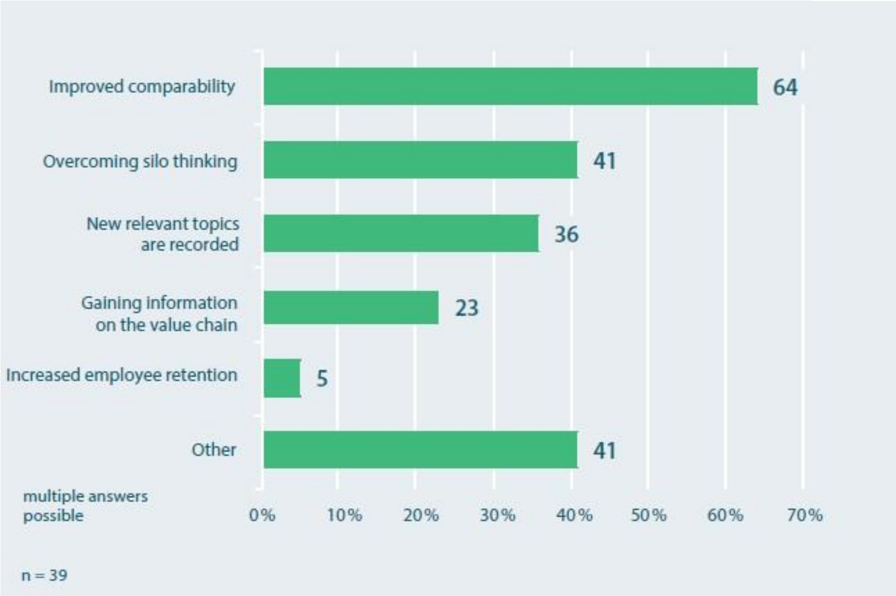
ESRS Challenges (I): Improved comparability as the main ESRS advantage

What advantages do you see in ESRS reporting system compared to previous reporting?



Other ESRS advantages (II)

- 41 percent of companies cite other reasons
  - Higher-quality reporting through collaboration with multiple departments/increased reporting value
  - Awareness of business-oriented ESG considerations
  - Increased transparency strengthens corporate resilience in the face of risks/opportunities
  - Greater involvement in corporate management and control
  - Exemption of European subsidiaries from the reporting obligation
- However, 15 percent of the companies see no advantage in the ESRS reporting

Participants suggestions for improving ESRS

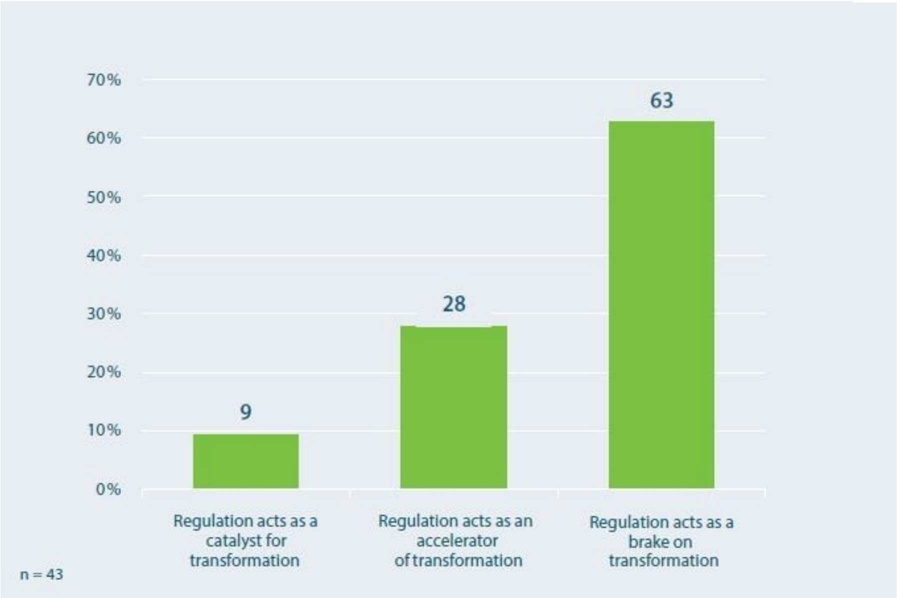
- A massive reduction in the number of data points, focusing on the most relevant and essential KPIs
  - Reduce breakdowns
  - Reduce redundancies
  - Delete all application requirements and all topic standards except metrics and minimum disclosure requirements
  - Adopt a less formalistic approach comparable to IFRS, with clear structure of the notes and not repetitive per standard
  - Reduce the ESRS 2 standard and clearly localise the required data in the corresponding standards (either ESRS 2 or the topic standards, but not both)
  - Allow companies to omit qualitative data points thatare required despite materiality analysis but are not useful for the company itself

ESRS: Further suggestions for improving the ESRS

- Clear definitions and simplification according to company size
- Alignment with financial and investor standards, e.g. ISSB
- Greater flexibility in designing reports and tables used for reporting
- A less academic and more pragmatic approach

Interaction sustainability reporting/transformation (I):

How do you assess the interaction between current sustainability regulations and corporate transformation?



Interaction sustainability reporting/transformation (I): Two out of three survey participants consider sustainability regulations to be a hurdle

- Reasons
  - Human resources are misdirected and tied up with reporting, leaving not enough time for the real transformation
  - Current sustainability regulations are far too extensive and partly irrelevant
  - Sustainability is discredited as a bureaucratic issue and loses acceptance
  - Can act as an accelerator, but too complex, poorly prepared, too exaggerated, poorly crafted
  - Regulation is a massive cost driver with partial impact on competitiveness
  - Information is overwhelming and not specific enough; investors want fact sheets, not explanations of how to get there through targeted measures
  - Non-financial key figures are decisive for transformation

Interaction sustainability reporting/transformation (II): One in three survey participants considers sustainability regulation to be a catalyst

- Reasons
  - Data quality increases
  - Standardisation and verification increase the comparability of data, enabling investors to identify sustainable companies more easily
  - Stronger cooperation between the various functions and improvements in performance management
  - Without external pressure, other topics are prioritised and potential sustainability-related risks/opportunities/impacts are ignored
  - Sustainable companies can benefit from concessions and subsidies (e.g. tax breaks and tenders)

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