

EU Sustainability Developments

EFRAG publishes Exposure Drafts of simplified European Sustainability Reporting Standards (ESRS)

What you need to know

- As part of the first Omnibus Simplification Package, the European Commission (EC) asked EFRAG for technical advice on the simplification of the European Sustainability Reporting Standards (ESRS).
- EFRAG has published Exposure Drafts for public consultation, open until 29 September 2025, to gather feedback on the simplified ESRS.
- The simplified proposed standards are significantly streamlined. Mandatory datapoints have been cut by 57%, while voluntary datapoints have been removed.
- EFRAG will analyze the feedback and adjust the ESRS before delivering technical advice to the EC by 30 November 2025.
- The EC aims to adopt an amended ESRS Delegated Act as soon as possible.
- Until the amended ESRS Delegated Act takes effect, current Wave 1 reporters must continue reporting according to ESRS as adopted in 2023, taking into account the recent relief measures from the "Quick-fix" Regulation.

On 31 July, EFRAG published Exposure Drafts (EDs) of a simplified set of the 12 ESRS Standards adopted by the European Commission (EC) in July 2023 (the "ESRS Set 1" or the "ESRS"). The EDs propose key simplifications to the ESRS Set 1, resulting in a 57% reduction of mandatory datapoints across all standards.

The revision of the ESRS is triggered by the EC's first Omnibus Simplification Package announced in February 2025. The purpose of the package is to ease the reporting burden on European undertakings subject to the Corporate Sustainability Reporting Directive (CSRD)¹.

EFRAG identified six levers to guide the revision of the ESRS:

- 1) Simplifying the Double Materiality Assessment (DMA);
- 2) Ensuring better readability and conciseness of the sustainability statements;
- 3) Eliminating overlaps between general disclosures and topical standards;
- 4) Improving understandability, clarity and accessibility of the ESRS standards;
- 5) Introducing several burden-reduction reliefs; and
- 6) Enhancing interoperability with global reporting standards.

In addition to the 12 amended ESRS EDs and related glossary, EFRAG published several documents accompanying the public consultation: basis for conclusions, detailed comparisons of ESRS Set 1 and EDs (Log of Amendments), Non Mandatory Illustrative Guidance (NMIG), FAQs and a one pager providing context, key elements of the simplification, and next steps.

EFRAG's public consultation on the EDs is open until 29 September 2025. Feedback from respondents will be considered to modify the EDs before EFRAG submits its technical advice to the EC by 30 November 2025. The EC will then adopt revised ESRSs (which may differ from the technical advice) through a delegated act.

¹ Please refer to our publications [How to navigate the EU Omnibus simplification package](#), [EY EU Sustainability Developments Issue 8](#) on the new EU Taxonomy Delegated Regulation and [EY EU Sustainability Developments Issue 9](#) on the "Quick-fix" Delegated Regulation.



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Executive summary

This publication provides a comprehensive overview of the main changes proposed in the EDs and aims to guide readers through the revisions, highlighting both general and specific updates.

The initial section focuses on the overarching improvements made to the ESRS, specifically targeting readability and conciseness. Special attention is then given to the cross-cutting standards on General Principles and General Disclosures (ED ESRS 1 and ED ESRS 2) as they contain the most fundamental updates, many of which have a cascading impact on all other ESRS topical standards. The document further details key revisions in the topical standards, covering climate change, other environmental topics, social topics, and business conduct.

For ease of reference, significant areas of change are highlighted in bold, with more detailed information available for each point, enabling readers to select the appropriate level of detail to suit their needs.

“How we see it” boxes are included throughout the publication to support respondents in reviewing the updated requirements by directing attention to practical issues and areas of significance. The content is informed by experience gained from Wave 1 first reports, feedback received by EFRAG, and topics that generated significant debate during EFRAG’s drafting process.

Key proposed changes to the ESRS include:

- **Significant reduction** of disclosure requirements and length of the standards, while covering the same reporting areas and topics;
- **Restructured standards** to enhance understandability and clarity;
- **Less prescriptive standards and more flexibilities available**;
- **Concept of fair presentation**;
- **Information materiality more prominent as a general filter**;
- **Simplified double materiality assessment process**, with a more focused approach and the possibility to apply a top-down approach;
- **“Gross versus net guidance”** on how to consider remediation, mitigation and prevention actions when assessing the materiality of negative impacts;
- **Clarified interaction between topics to be reported and material IROs**, with emphasized flexibility on the level of aggregation to present information;
- **Reporting boundaries**, with new provisions and exceptions (e.g. leased assets);
- **New significant reliefs**, including application of the undue cost or efforts principle, partial scope reporting for metrics, acquisitions and disposals and disclosure of anticipated financial effects;
- **Further changes in the topical standards are proposed**, such as a new boundary for GHG emissions and energy reporting (ESRS E1).

Enhancing interoperability with IFRS Sustainability Disclosure Standards was one simplification lever guiding the revision of the ESRS. Considerable efforts have been made to better align the wording of the standards and to harmonize certain key principles, such as fair presentation, undue cost or efforts and reporting boundaries. At the same time, some simplifications and the introduction of new reliefs may trigger additional points of attention for those undertakings that intend to comply with the two sets of standards. This publication highlights some key items relating to interoperability in each relevant section.

	Shall DP*			May DP*			Total DP*			N° of pages**		
	Set 1	ED		Set 1	ED		Set 1	ED		Set 1	ED	
ESRS 1	-	-		-	-		-	-		35	31	-11%
ESRS 2	134	68	-49%	12	0	-100%	146	68	-53%	32	23	-28%
E	364	146	-60%	137	0	-100%	501	146	-71%	94	38	-60%
S	263	112	-57%	110	0	-100%	373	112	-70%	84	33	-61%
G	42	21	-50%	11	0	-100%	53	21	-60%	9	5	-44%
Total	803	347	-57%	270	0	-100%	1073	347	-68%	254	130	-49%

*Source: EFRAG, Basis for Conclusions, Draft Amended ESRS July 2025, pp. 81-82

** Source: EY, based on number of pages of all standards, starting at the table of contents and including appendices (glossary is excluded)

Make your voice count

Following the first CSRD reporting cycle, many Wave 1 undertakings and other stakeholders have shared valuable lessons and challenges. This EFRAG consultation is a key opportunity for stakeholders to help shape standards that are streamlined, interpretatively clear and practically applicable.

The consultation includes 30 targeted questions and allows to provide detailed comments on specific paragraphs and/or disclosure requirements.

Contributing now will help reduce future interpretation issues and implementation difficulties, especially in areas where guidance is limited and operational complexity might be high. One of the guiding questions for preparers when reading each requirement should be "is this clear enough to be applied effectively?", therefore focusing not only on what is required but also on how it can be implemented in practice.

Whether the amendments achieve an appropriate balance between increasing interoperability with the IFRS Sustainability Disclosure Standards and meeting the simplification objectives will be another key area of feedback for EFRAG.

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1 General revisions to improve readability and conciseness

One overarching principle applied by EFRAG in the revision of the ESRS is to significantly streamline the ESRS and improve the readability of both the standards and the sustainability statements.

1.1. Significant streamlining of the ESRS

In response to stakeholder feedback regarding the complexity and granularity in the disclosure requirements (DRs) in the ESRS Set 1, the EDs propose a significant reduction in the number of datapoints and length of the ESRS, while covering the same reporting areas and topics. This has resulted in a proposed reduction in mandatory datapoints of approximately 57% across all standards, as well as an elimination of all voluntary datapoints. The length of the standards has been reduced by around 50% overall.

ESRS	ESRS Set 1	Exposure Draft	Reduction	Moved to NMIG
Shall DP*	803	347	-57%	67
May DP*	270	0	-100%	93
Total*	1073	347	-68%	160
Nº of pages**	254	130	-49%	

*Source: EFRAG, *Basis for Conclusions, Draft Amended ESRS July 2025*, pp. 81-82

** Source: EY, based on number of pages of all standards starting at the table of contents and including appendices (glossary is excluded)

1.2. Revised structure and drafting conventions

The structure of the standards has been revised, with mandatory and non-mandatory content now clearly separated.

Mandatory datapoints	All mandatory datapoints ("shall disclose/shall include/shall report/shall describe/shall explain") are presented in the main body of the standards .
Mandatory guidance	The paragraphs on mandatory guidance (still named Application Requirements (AR)) are placed directly below each Disclosure Requirement (DR) and relate to "how to disclose guidelines", including available presentation options.
Non-mandatory datapoints	The non-mandatory datapoints ("may disclose") have been deleted from mandatory material , with some of them gathered in Non-Mandatory Illustrative Guidance (NMIG) . This new separate document (non-binding) provides context, guidance and examples of possible items to cover when disclosing a mandatory datapoint, in particular for narrative Policies, Actions and Targets (PATs) disclosures. The legal status and placement of the NMIG still need to be determined.

Topics, sub-topics, sub-sub-topics. The ESRS Set 1 use several terms such as matters, topics, sub-topics and sub-sub-topics to refer to similar concepts. The sub-sub-topics have been eliminated as part of streamlining the illustrative list of topics (see next section). To further simplify, the term "matter" has been replaced by **topic** (new defined term in bold), where topic is meant to refer either to topic or sub-topic depending on the context.

How we see it

The restructured architecture and reduced volume of the ESRS are likely to make the standards easier to use and navigate. EFRAG is seeking stakeholders' views on whether the amendments achieve the desired clarity and accessibility, as well as on the usefulness of the NMIG. The following areas merit close attention when responding to the consultation:

- **Balance of conciseness and clarity.** A thorough review of the detailed requirements is essential to ensure that simplification does not compromise clarity. If the requirements are overly summarized with fewer granular datapoints and methodologies, it may be more difficult to understand the requirements and increase uncertainty in interpretation. This may also result in more generic and less comparable information, potentially impacting the quality of reporting.
- **Content and status of the NMIG.** This new non-binding document includes guidelines and illustrative examples which do not represent additional requirements but are meant to reduce implementation questions. Reviewing the choices made by EFRAG regarding the content of the NMIG (as opposed to the mandatory guidance that has been retained and deletions that were made) is key to assessing the clarity of the revised standards. Stakeholders can also share their views on the readability, placement and legal status of the NMIG.
- **New mandatory datapoints.** Six previously voluntary datapoints (in E3, E4 and G1) have now become mandatory, and four new datapoints (in ESRS 2, E2, E5) have been introduced. While these additions are minimal and identified by EFRAG as merely clarifying existing disclosure requirements, they should still be considered when assessing the impact on reporting.
- **SFDR datapoints.** Omnibus proposals so far have not changed the general objective to ensure the creation of the data infrastructure necessary to implement the Sustainable Finance Disclosure Regulation (SFDR). Appendix 4 in the Basis for Conclusions illustrates a mapping of the EU datapoints, including from SFDR. EFRAG is seeking feedback on how the SFDR Principal Adverse Indicators (PAI) have been incorporated in the Amended ESRS.

1.3. Improved readability of the sustainability statement

The ED clarifies the following available areas of flexibility in preparing the sustainability statement:

Executive summary	Option to include an executive summary in the sustainability statement which includes the key messages of the undertaking on its material IROs and their management.
Appendices	Option to use appendices to present: i) More detailed information; ii) Article 8 Taxonomy-related content; and/or iii) additional information on non-material matters.
Connected information	Clarified concept of connected information to avoid fragmentation and/or duplication of information, with particular emphasis on the connection between material impacts, risks and opportunities (IROs) and related PATs.

How we see it

EFRAG is seeking feedback on whether the proposed amendments related to the structure of the sustainability statements provide an appropriate level of flexibility to support more relevant and concise reporting, as well as to promote better connectivity with corporate reporting as a whole.

Improved readability. The clarifications are useful to encourage preparers to structure their sustainability statement in a way that reflects their circumstances and to avoid duplication of content. Although some preparers may already have used such flexibility in their first year of reporting, preparers have often followed the sequence of disclosures in the standards as an index, ensuring completeness but sometimes leading to duplications and the perception of sustainability reporting as being merely a compliance exercise.

Connectivity with corporate reporting. Creating an executive summary that focuses on key sustainability messages may help communication with investors and users and provide better connectivity with other parts of the corporate report. When assessing the impact of the proposed changes on connectivity, stakeholders should also consider the impact of the simplifications proposed on the reconciliations with the financial statements (see section 2.4.).

2 Modifications to general principles - ED ESRS 1

2.1. Fair presentation

Consistent with the IFRS Sustainability Disclosure Standards and other reporting frameworks, the ED ESRS 1 introduces the overarching principle of fair presentation. Fair presentation requires disclosure of material information that is relevant and that faithfully represents the undertaking's impacts, risks and opportunities (IROs). Faithful representation is achieved by disclosing material information that is necessary to provide a complete, neutral and accurate depiction of the material IROs. Applying the ESRS is presumed to achieve a fair presentation.

How we see it

EFRAG is seeking feedback on whether explicitly requiring the application of the fair presentation principle in preparing ESRS sustainability statements will support a more effective functioning of the materiality filter, therefore resulting in more relevant reporting and reducing the risk of excessive reported information.

Fair presentation implications. The introduction of the fair presentation concept has raised significant debate. While it is seen as a way to reduce the reporting burden associated with a compliance exercise, a minority of EFRAG Board members have expressed some reservations, generally relating to the lack of maturity of sustainability reporting, making it challenging to fully grasp the boundaries of what is expected under "fair presentation". While the concept is well-established in financial reporting, its boundaries are much less defined in sustainability reporting, particularly in relation to impact materiality.

Clarification of the concept. Stakeholders should consider whether the proposed wording provides enough clarity, especially in respect of what constitutes a "fair" view from the perspective of the users of the sustainability statement. In this context, it is relevant to note that IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* clarifies that applying IFRS Sustainability Reporting Standards, supplemented by additional information when necessary, is presumed to result in sustainability-related financial disclosures that achieve fair presentation. When assessing the clarity of this principle, stakeholders should also consider the need for entity-specific disclosures and the proposed revisions relating to the materiality of information (see section 2.2.).

2.2. Double materiality as the basis for sustainability reporting

2.2.1. Materiality of information as a general filter

The concept of materiality of information has been clarified and made more prominent as a general filter for the inclusion of information, and the concept is to be applied across all the requirements. This includes all ED ESRS 2 *General Disclosures* datapoints (although it is emphasized that these general disclosures are likely to result in material information in any event).

It is now stated that information is material when:

- i. Omitting, misstating or obscuring that information could reasonably be expected to influence decisions that primary users of general purpose financial reports make based on those reports, including financial statements and the sustainability statement; or
- ii. It is necessary for the users of general purpose sustainability statements to understand the undertaking's material IROs and how it identifies and manages them. The term "general purpose" refers to interests and viewpoints assessed based on groups of users.

How we see it

Users of general purpose sustainability statements. When evaluating the effectiveness of the proposed revisions in reinforcing the materiality of information filter, it is crucial to clearly understand the new wording surrounding "users of general purpose sustainability statements" and how this concept compares to "affected stakeholders". This clarification is also critical for assessing the implications of fair presentation (see section 2.1.).

2.2.2. Practical considerations in the execution of the DMA

Although the key elements of the DMA (impact and financial materiality, IROs concept, need for thresholds, etc.) have not changed, EFRAG introduced a new section providing practical considerations for preparing the DMA. This is intended to reduce the perceived complexity of the process (including using a checklist approach and performing unnecessary detailed scoring) and to emphasize the fact that the focus of the reporting is more on the outcome of the DMA.

- **Focused approach.** Undertakings are expected to focus the assessment on areas where material IROs are deemed likely to arise based on the business model, nature of activities, business relationships, geographies and other factors. The undertaking is not required to assess every possible IRO across all areas of their own operations and value chain.
- **"Top-down" approach.** A "top-down" approach may be applied, starting from the (sub-)topics for which a clear conclusion on the materiality of the related IROs can be derived, based on the business model, value chain, peer analysis and strategic and business priorities. Subsequently, topics related to other IROs shall be addressed, noting that for those likely to be material, a limited further assessment may be sufficient. As a result, detailed evidence to support the DMA would be centered around the investigation of the less obvious areas considering the undertaking's specific circumstances (business relationships, geographies and other factors).
- **Undue cost or effort.** The assessment shall be proportionate and based on "reasonable and supportable information that is available without undue cost or effort". This wording aligns with IFRS S1. Information that is used by the undertaking to prepare the financial statements, operate the business model, set the strategy, conduct sustainability due diligence and manage the IROs is considered available to the undertaking without undue cost or effort.
- **Streamlined illustrative list of topics.** The list of topics in ED ESRS 1 (current AR16) has become non-binding guidance and is presented as one of the inputs to the DMA (now in Appendix A to ED ESRS 1), rather than a mandatory checklist.

The list of topics in Appendix A now also includes only two levels: topics and sub-topics (eliminating the sub-sub-topics level). Sub-sub-topics have either been elevated to sub-topics, combined within brackets under existing sub-topics, or removed.

- **Update of DMA conclusions.** A new paragraph has been introduced to clarify that the undertaking shall update the conclusions of the materiality assessments conducted in the previous reporting periods to take into account changed circumstances and/or assumptions (changes in its individual circumstances or in the external environment).

How we see it

EFRAG is seeking stakeholders' views on whether they have sufficiently simplified the DMA process and struck an acceptable balance between simplification and robustness of the DMA.

Top-down approach and entity-specific circumstances. Adopting a top-down approach is pragmatic and may help to reduce the complexity of the DMA process and documentation, while achieving the same outcome as a bottom-up approach (i.e. starting from the potential material IROs). The ED clarifies that once it has been concluded that a topic needs to be reported on based on a top-down approach, the related material IROs still need to be identified and disclosed under ED ESRS 2 IRO-2 *Material IRO and DR*. It will be key to assess whether the proposed guidance provides enough clarity on the reasonable and proportionate amount of evidence needed to support the conclusions, including necessary caution to avoid overlooking less obvious yet material IROs or (sub-)topics.

2.2.3. "Gross versus net"

Remediation, mitigation and prevention actions and negative impacts. New guidance has been introduced on how to consider remediation, mitigation and prevention actions when assessing the materiality of negative impacts. The guidance differentiates actual from potential impacts, the action type (remediation vs. mitigation and prevention), whether the current or a future reporting period is affected and whether significant ongoing mitigation and/or prevention actions are still required to reduce severity and/or likelihood of potential negative impacts. For impacts that are assessed as material, the respective actions are reported. Actual impacts are assessed for materiality before the remediation actions in the reporting period when they occur, while in future periods they are not reported if fully remediated. For potential impacts, when the undertaking must maintain significant ongoing actions to contain severity and/or likelihood below the materiality level, the impact is assessed before the actions are reported.

Clarification on positive impacts. The results of the undertaking's mitigation/remediation actions on negative impacts caused by or contributed to by its compliance with law and regulation are not positive impacts. However, if its business activities, products and services mitigate or remediate negative impacts of another party, this is considered as a positive impact for the undertaking.

How we see it

EFRAG seeks feedback on whether the new guidelines clarify how to consider remediation, mitigation and prevention implemented actions in the DMA, contributing to more relevant and comparable reporting.

"Gross versus Net" field test. EFRAG proposes to run a targeted field test to get practical insight on how the new guidance may affect the process and outcome of the DMA in different sectors.

An area of divergence. The guidance seeks to address a frequent implementation question which has led to divergence in practice. EFRAG stresses that the proposed approach to disregard implemented actions if there are significant ongoing actions

has been the source of split views amongst Board members. Some consider that it would be inappropriate not to report a given topic due to a high level of prevention and mitigation standards in a sector, while others think that a gross approach to potential impacts will result in excessive reporting.

Clarity of the proposed guidance. The guidance, as drafted, may give rise to interpretative challenges. The illustrations provided in Appendix C (which has the same authority as other parts of the standard) do not seem to fully align with the requirements in the core standard relating to ongoing actions. Also, the way to assess the “significance” of ongoing actions and whether there is enough supportable evidence that they reduce the potential negative impacts may require further clarification to reduce the risk of a lack of comparable information.

Financial materiality. The proposed guidance is focused on negative impacts, as EFRAG assumed that there is already reporting experience for financial materiality that can be leveraged. Stakeholders may want to consider whether the need for further guidance extends to financial materiality.

2.2.4. Determination of information to be reported

Interaction between topics to be reported and material IROs. The relationship between identified material IROs and the topics and sub-topics to be reported on has been clarified. Reporting on a given topic is required only if it relates to one or more material IROs. When a material IRO relates to a particular sub-topic, only the material information related to that sub-topic within the related topical standard needs to be reported. To support this clarification, the NMIG contains an appendix with a mapping of the disclosures related to the different sub-topics. Flexibility is also introduced to present information at either the IRO level, for groups of IROs, or at a topical level, depending on the nature of IRO or how the undertaking manages the issue. Also, as mentioned before, the term “matter” has been replaced by “topic” to simplify the requirements and avoid overlapping terms.

Level of aggregation and disaggregation. More emphasis has been put on the aggregation and disaggregation criteria for reporting information at the right level. The level of aggregation/disaggregation shall reflect where significant variations of material IROs arise (e.g. topic, sector, subsidiary, country, location, site) and it shall not obscure information that is material. It is clarified that material IROs related to specific locations (such as sites) may be appropriately aggregated if they share common characteristics and do not obscure specific local drivers of impacts. This clarification aims to avoid the risk of extensive lists of sites being disclosed (see section 5.1.3.).

Clarification of inclusion of “non-material” information on a “need” basis. Undertakings are permitted to include information not related to material topics “if needed by a specific user”, provided it is clearly identified and presented in a way that does not obscure material information.

2.3. Reporting boundaries

EFRAG proposes some clarifications and key changes related to reporting boundaries:

- **Clarified reporting boundaries.** The ED ESRS 1 confirms that the reporting boundaries for the sustainability statement shall be the same as that for the financial statements and clarifies what is “usually” considered as part of a group’s own operations: “assets and liabilities, income and expense of the parent undertaking and its subsidiaries, located in or outside the EU”. Financially non-material subsidiaries should only be included if they expose the group to material IROs.
- **Environmental metrics.** The same reporting boundaries now generally apply to Environmental metrics (see section 4.5.).

- **Treatment of leased assets.** It is clarified that IROs related to the use of a leased asset do not depend on whether the asset is legally owned or leased. Impacts of a leased asset—such as pollution, energy, or water usage—must be reported by the lessee as part of its own operations during the lease period. The lessor will report the associated IROs as part of its downstream value chain.
- **Treatment of assets held by a long-term employee benefit fund.** IROs related to assets held by an undertaking's long-term employee benefit funds should be reported as part of its upstream value chain.
- **Treatment of associates, joint ventures and other investments.** The ED ESRS 1 now explicitly states that shareholding positions in joint ventures or associates, as well as other investments, are to be included as part of the undertaking's business relationships, and therefore included in the materiality assessment and metrics connected to material IROs.
- **New reliefs.** A relief has been added for acquisitions and disposals, as well as specific reliefs for metrics (see section 2.4.). Should the reporting boundaries differ from that of the consolidated financial statements, undertakings shall disclose this circumstance and the related reasons.

How we see it

Definition of value chain for financial services. The ED ESRS 1 does not include specific clarification for financial services. The definition of value chain has been identified by financial institutions as a critical implementation challenge because their activities (asset management, commercial banking and insurance) are inherently linked to value chain information, with a limited portion of their business activities, products and services forming part of their own operations. EFRAG notes that Omnibus discussions are ongoing regarding the reporting obligations for financial institutions with respect to the value chain and they will consider how to address the issue following the outcome of these discussions.

Clarity of the revised provisions on boundaries. Stakeholders should consider whether the revised provisions provide enough clarity, for example in relation to assets held by an undertaking's long-term employee benefit fund.

2.4. Reliefs

The ED ESRS 1 proposes several horizontal reliefs, applied across different requirements, in order to reduce the reporting burden, enhance flexibility and to improve interoperability with IFRS Sustainability Disclosure Standards:

- **Use of “reasonable and supportable information available without undue cost or effort” as a general relief.** This relief, which aligns with the wording used in IFRS S1 and IFRS S2 *Climate-related Disclosures*, has been introduced for:
 - Identifying material impacts, risks, and opportunities (IROs);
 - Determining the scope of the value chain;
 - Extending information to include value chain information; and
 - Preparing information on metrics.

The assessment of what constitutes undue cost or effort depends on the undertaking's specific circumstances. It requires a balanced consideration of the costs and efforts for the undertaking with the benefits of the resulting information for users.

- **Flexibility for value chain data collection.** In addition to the reference to “undue cost of effort”, collecting data from the value chain is made more flexible by placing primary data collection on an equal footing with secondary and indirect forms of data collection to gather estimates, both for the identification of related material IROs and when reporting on metrics. While undertakings thus do not

have to prioritize one over the other, reported information still needs to meet the qualitative characteristics of information.

- **Partial scope reporting for metrics.** Undertakings are allowed to report metrics that cover only a partial scope when they only have reliable data for this part of the scope for the related metric. Except for E1-8 GHG emissions, this relief applies to both own operations and value chain metrics. Transparency is required in situations where this applies, including the actions taken to increase the coverage and quality in future reporting, as well as the progress made compared to the previous reporting period.
- **Exclusion of non-significant activities for metrics.** Activities that are not expected to be significant drivers of IROs that the metric purports to represent may be excluded from metric calculations, provided that this is not expected to impair the relevance or faithful representation of the reported information.
- **Exclusion of joint operations not operationally controlled.** Such exclusion is allowed when calculating the metrics for ED ESRS E2 Pollution, E3 Water, E4 Biodiversity and ecosystems and E5 Resource use and circular economy.
- **Relief for comparative information for new material IROs and topics.** Undertakings are not required to present comparative information for new material IROs or associated new reported topics where they are reported for the first time.
- **Reliefs for acquisitions and disposals.** The inclusion in the materiality assessment and sustainability statement of subsidiaries and businesses acquired in the current reporting period is allowed to be deferred until the next reporting period. In addition, if the undertaking loses control over a subsidiary or business during the current reporting period, the materiality assessment and reporting boundaries can be adjusted from the beginning of the current reporting period to reflect this. When applying this relief, information is required on significant events that affected the acquired (or disposed) subsidiaries or businesses between the date of acquisition and the end of the current reporting period (or between the start of the current reporting period and the date of disposal), if the acquisition (disposal) could have an effect on the exposure to material IROs.
- **Connectivity with the financial statements.** Cross-referencing to the financial statements has been made optional, both for "direct connectivity" (same amounts in both statements) and "indirect connectivity" (aggregated amounts or parts of an amount).

How we see it

EFRAG seeks feedback on whether the reliefs strike an acceptable balance between responding to preparers' need for less burdensome reporting and still providing sufficient transparency (with a specific focus on the relief for lack of data quality for metrics). The impact of reliefs is also critical in assessing whether interoperability with IFRS Sustainability Disclosure Standards is enhanced.

Reliefs and Interoperability. While both IFRS S1 and IFRS S2 and the ED ESRS 1 now include the same relief related to "reasonable and supportable information available without undue cost or effort", full alignment is not achieved due to differences in scope where this concept is applied. In particular, the ED ESRS 1 extends the relief more broadly by applying it to all value chain information and the preparation of all metrics. Other reliefs will also impact interoperability. On the one hand, not all the reliefs in IFRS S1 and IFRS S2 are included in the proposed revised ED ESRS 1, such as the relief to omit information about opportunities where the information is commercially sensitive. On the other hand, additional reliefs included in the ED ESRS 1 that are not available in IFRS S1 and IFRS S2 (such as partial scope metrics, relief for acquisitions and disposals etc.) will create further interoperability differences. Stakeholders will need to assess whether they believe the proposed amendments achieve an appropriate balance between meeting the simplification objective and increasing or preserving interoperability.

Absence of time limitation for the partial scope reporting for metrics. The opportunity to report metrics based on a partial scope is intended to support undertakings during the first years of preparing sustainability statements, until they can improve the data quality and achieve a more complete scope of calculation. EFRAG expects that the transparency required on actions undertaken to widen the coverage of the metrics in future periods will provide sufficient incentive to the undertakings to improve data quality and achieve a more complete scope. Stakeholders should consider whether it would be preferable to include a time limit.

Value chain cap. The CSRD sets a limit (cap) to the information that can be requested from value chain undertakings which are not in scope of the CSRD. The first Omnibus simplification proposal extends the scope of the value-chain cap by reducing the number of undertakings in the scope of CSRD and introducing as a new cap a voluntary standard which will be based on the VSME standard developed by EFRAG (adopted in a recommendation by the Commission on 30 July 2025). This revised value chain cap is likely to translate into greater reliance on estimates based on secondary data. The multiple reliefs introduced in the ED ESRS 1 aim to address such limited access to primary data. Pending further development from the Commission, the ED ESRS 1 includes a revised reference to "the limit set by relevant EU law and regulation" instead of the ESRS for listed SME (LSME).

Reliefs for acquisitions and disposals. This relief will facilitate reporting processes, but it may limit visibility of acquired/disposed subsidiaries and businesses as the information may be both excluded from the selling group's report for the current reporting period and not included yet in the acquiring group's report until the following reporting period. The application of this relief will also cause differences in the reporting boundary compared to the financial statements. While disclosures are required on significant events occurring between acquisition (or disposal) date and the end (or beginning) of the reporting period, stakeholders should assess whether additional transparency may be needed to ensure a fair presentation of IROs related to acquisitions and disposals.

Connectivity between sustainability statement and financial statements. Overall integration and consistency of sustainability and financial reporting has been a growing focus of stakeholders and regulators in recent years. In this context, the implications of the removal of mandatory cross referencing to financial statements should be carefully considered. In particular, stakeholders should assess the assumption made that such reconciliations can be performed by users themselves, and that, when needed, the reconciliations will be produced in accordance with the general requirements for connectivity.

3 Modifications to general disclosures - ED ESRS 2

ESRS 2	ESRS Set 1	Exposure Draft	Reduction	Moved to NMIG
Shall DP*	134	68	-49%	8
May DP*	12	0	-100%	0
Total*	146	68	-53%	8
Nº of pages**	32	23	-28%	

*Source: EFRAG, *Basis for Conclusions, Draft Amended ESRS July 2025*, pp. 81-82

**Source: EY, based on number of pages of standards starting at the table of contents and including appendices (glossary is excluded)

3.1. Restructuring of ESRS 2 and its interactions with topical standards

The current architecture of the ESRS which includes overlaps between the ESRS 2 general disclosures and the related specifications in topical standards is experienced as a source of complexity. This applies both to the current cross-cutting Minimum Disclosure Requirements (MDRs) related to Policies, Actions and Targets (PATs) and

the “other” ESRS 2 Disclosure Requirements (e.g. GOV and SBM). Also, the current requirements are conceived as too granular.

3.1.1. General Disclosure Requirements for Policies, Actions and Targets

The amendments proposed in ED ESRS 2 restructure the architecture of ESRS, simplifying the interaction between ESRS 2 and the topical standards and significantly reducing the mandatory datapoints. The proposed amendments can be articulated as follows:

- **A more principle-based approach** to the cross-cutting MDRs related to PATs (renamed as General Disclosure Requirements for Policies, Actions and Targets or GDR PAT), with both a streamlining of the GDR PATs at ESRS 2 level and a drastic reduction of the PAT specifications in the topical standards (now limited to the essential ones).
- **Emphasized need to report relevant information and avoid boilerplate content** in relation to PATs. For example, information about PATs that have been implemented to comply with laws and regulations is not considered relevant information.
- **Improved connectivity between IROs and related PATs.** The description of material IROs and the related PATs should be clearly linked by including a clear reference to the specific PATs addressing the material IROs.
- **Deletion of the disclosure of the reasons why no PATs are in place, when applicable.**
- **Option to use a tabular format** to present material IROs, indicating with a check mark IROs with no PATs.

3.1.2. Other ESRS 2 Disclosure Requirements

The ED ESRS 2 proposes a similar streamlining with respect to the “other” ESRS 2 Disclosure Requirements (e.g. GOV and SBM). The related specifications in the topical standards are deleted with a few exceptions (e.g. resilience in E1 Climate change).

With respect to the **Basis of preparation disclosures (BP-1)**:

- Undertakings are now required to make an explicit statement that the general requirements of ESRS 1 have been applied.
- The statement includes a comply or explain approach based on a list of ESRS 1 requirements included in ESRS 2 (e.g. pre-defined time horizons, adjustments to comparative information, application of material judgment, etc.). Undertakings must state that none of these provisions apply, or which of them have been applied, leading to the related disclosure required in ESRS 1.
- Flexibility to present BP-1 information. Undertakings have the flexibility to present any information required by BP-1 either as part of the General Information section of the sustainability statement or alongside the relevant disclosures/metrics to which the information pertains, thereby creating a more cohesive narrative.

3.2. Reliefs for financial effects and resilience disclosures

The ED ESRS 2 proposes several reliefs regarding the financial effects and resilience disclosures required to explain the interaction of material IROs with the strategy and business model, and financial effects (SBM-3):

- **Presenting financial effects.** For quantitative financial effects, an option is available to disclose either ranges or single amounts. Additionally, when presenting information related to future financial resources expected to be allocated for the implementation of key actions (*General Disclosure Requirement for actions and resources GDR-A*), undertakings can disclose this as an indicative range.
- **Reliefs for disclosure of anticipated financial effects.** It is proposed that the undertaking shall use reasonable and supportable information available at the

reporting date without undue cost or effort (refer to the discussion on reliefs earlier in the document). Information on future investments and disposal plans is now limited to those already announced. Finally, the consultation seeks feedback on two options for an additional relief:

Option 1	Option 2
Quantitative information shall be disclosed about the current and anticipated financial effects. However, where undertakings cannot provide this quantitative information because it has determined that (i) the effects related to a specific (sub-) topic/IRO are not separately identifiable or (ii) the level of measurement uncertainty is so high that the quantitative information would not be useful, the undertakings shall: a) Explain why it has not provided quantitative information; b) Provide qualitative information about those financial effects; and c) Provide quantitative information about combined financial effects of different sustainability-related risks or opportunities and other factors, unless determined that this combined information would not be useful.	Qualitative information shall be disclosed about anticipated financial effects. Additionally, quantitative information may be presented on a voluntary basis.

- **Reliefs for resilience disclosure.** The disclosure about the resilience of the undertaking's strategy and business model is simplified, with disclosure required only of qualitative information (inconsistent with the requirements in IFRS Sustainability Disclosure Standards, which also require quantitative information if applicable). In addition, the scope of the disclosure is now limited only to risks (excluding impacts and opportunities). However, topical ESRSs may set specific requirements about resilience.

How we see it

The relief for disclosure of anticipated financial effects responds to feedback received that the existing disclosure requirement is particularly challenging due to the lack of mature methodologies, and because it is commercially sensitive. EFRAG is seeking feedback about which of the two proposed options is the most appropriate. The following areas may merit close attention:

- Both relief options are complementary to other reliefs (current and newly proposed ones). Therefore, when assessing the merits of the two options, it will be key to analyse the articulation between these reliefs, including the use of reasonable and supportable information available without "**undue cost or effort**", the right to disclose metrics on a "**partial scope**", as well as the right to provide **qualitative information** when quantitative information cannot be provided. As a result, even the less flexible Option 1 could result in limited disclosure about anticipated financial effects.
- While the reliefs provided in Option 1 are closer to the reliefs provided in IFRS S1, the ED ESRS 1 do not provide reliefs for the following:
 - Omitting information about opportunities where information is **commercially sensitive**; and
 - Using an approach that is commensurate with the **skills, capabilities and resources** that are available to provide quantitative information.
- Option 1 may further differ from the relief provided in IFRS S1, as it specifies that the relief may be used when there is no reasonable and supportable information derived from undertaking's business plans to be used as input in the calculation of anticipated long-term financial effects.

- Stakeholders should consider whether further guidance and examples illustrating how to quantify anticipated financial effects may represent a helpful complement to Option 1, to reduce the perceived complexity and to allow undertakings to better understand how to meet this requirement.
- Option 2 limits the requirement to qualitative information only, and leaves undertakings to choose to report quantitative information on a voluntary basis, without having to meet any conditions. This is not aligned with the reliefs in IFRS S1 and may therefore reduce interoperability. It could also potentially fail to provide the correct incentive to undertakings to build more mature methodologies and reporting practices and result in the loss of important information for investors.

4 Modifications to Climate-change standard – ED ESRS E1

ED ESRS E1	ESRS Set 1	Exposure Draft	Reduction	Moved to NMIG
Shall DP*	197	92	-53%	5
May DP*	15	0	-100%	2
Total*	212	92	-56%	7
Nº of pages**	40	18	-60%	

*Source: EFRAG, *Basis for Conclusions, Draft Amended ESRS July 2025*, pp. 81-82

**Source: EY, based on number of pages of standards starting at the table of contents

The amendments proposed in ED ESRS E1 include a significant reduction and simplification of disclosure requirements and related application requirements, as well as overall removal of examples.

4.1. Restructured climate-related specifications on ESRS 2 disclosures

The DR related to climate-related considerations in incentive schemes has been removed (covered by ESRS 2 GOV-2 *Integration of sustainability-related performance in incentive schemes*).

The DR related to ESRS 2 IRO-1 *Processes to identify and assess IROs* is streamlined and refocused as a new E1-2 *Climate-related risks and scenario analysis*.

Finally, the DR related to SBM-3 *Material IROs and their interaction with strategy and business model* has been revised to improve alignment with IFRS S2 and restructured as new DR E1-3 *Resilience in relation to climate change*.

These changes lead to a change in the numbering of other E1 DR (e.g. E1-6 on GHG emissions reporting becomes E1-8).

4.2. Transition plan: still a cornerstone of ED ESRS E1

The ED ESRS E1 adopts a more high-level approach to disclosures, with a reduction of datapoints (e.g. link to EU Taxonomy). However, the key features of the transition plan (GHG emissions targets, actions and financial planning, role of governance bodies and integration in the strategy) are highlighted, clarifying what constitutes a transition plan in the context of ESRS reporting. There is also an increased focus on the compatibility of the **strategy and business model** with limiting global warming to 1.5°C (beyond the compatibility of the targets). For targets, third-party validation can now be used to demonstrate the compatibility to 1.5°C of warming. Clarification on what “compatible with 1.5°C” means was not addressed by EFRAG as the issue is under review by the Commission at the level of the directive (CSRD, CSDDD negotiations as part of the first Omnibus simplification package). The requirement to disclose whether the transition plan was approved by administrative, management and supervisory bodies was removed. The ED introduces disclosures around dependencies on which the transition plan relies to closer align with the wording in IFRS S2, in addition to locked-in emission qualitative disclosures. The guidance on

locked-in emissions has been deleted, as well as the reference to Scope 1, 2 and 3 GHG emissions as sources potentially covered under locked-in emissions.

4.3. Reduced climate-specific requirements on Policies, Actions, Targets

Specific requirements on **policies** have been removed.

Specific disclosures on **key actions** are streamlined (e.g. the link to EU Taxonomy reporting has been removed). However, key requirements such as presenting actions by decarbonisation lever, expected GHG emission reductions or quantitative financial figures were preserved. The main change relates to financial resources: short- and medium-term CapEx and/or OpEx figures are required, while indicative ranges can be provided for long-term resources.

Specific disclosures on **targets** are simplified, with no specific prescribed horizon. In particular, the requirement to provide GHG emission reduction targets for 2030 (and, if available, 2050), and the requirement to update the target every five years after 2030 has been removed.

4.4. Fewer metrics, with more granular energy reporting

Intensity metrics and reporting tables have been removed or made optional for energy consumption and GHG emissions, respectively.

The reporting of energy consumption and mix is simplified with the removal of the concept of “high climate impact sectors” for which further disaggregation was required. The same information and level of disaggregation is now required for all undertakings. This increases the reporting granularity for companies in sectors previously not classified as high impact, but this disaggregation is already needed for GHG emissions calculation and reporting. Regarding GHG emissions, the requirement to report on total GHG emissions was removed.

4.5. New boundary for GHG emissions and energy reporting

The most notable change for GHG emission reporting relates to the organizational boundary to be applied. In contrast with the current ESRS E1 standard, which covers emissions under operational control in addition to the scope of the consolidated financial statements, the ED ESRS E1 requires reporting based on financial control (consolidation) only, which EFRAG describes as equivalent to the GHG Protocol’s definition of financial control. However, for Scope 1 and 2 GHG emissions, when due to facts and circumstances this approach would fail to convey a fair presentation of the GHG emissions derived from operated assets that are outside the reporting undertaking, undertakings are required to also separately disclose GHG emissions under operational control. Additionally, the specific requirement to disclose the reporting boundaries for Scope 3 GHG emissions was removed, as it is considered to be covered by GDR-M as well as the requirement to consider the principles and provisions of the GHG Protocol Scope 3 Standard in ED ESRS E1.AR25(a).

Energy consumption and mix metrics now apply to own operations based on the reporting boundaries defined in ESRS 1 (scope of the consolidated financial statements).

How we see it

Adoption of financial control for GHG reporting. The shift to a financial control-based reporting boundary differs from the approach used in first year Wave 1 reporting. Stakeholders may wish to consider how this change could affect their operational process, including potential implications for comparability over time, and potential challenges for undertakings that have set targets based on a different approach. The financial control reporting boundary should be considered in the light of the new provisions in ED ESRS 1 (e.g. leased assets).

Interoperability. Mandating a single financial control approach may enhance interoperability with other frameworks, as the method would no longer be a hybrid of the two approaches in the GHG Protocol. It is however not fully aligned with IFRS S2 or the GHG Protocol, as EFRAG prioritizes comparability over offering the choice of the approach to apply. Stakeholders may also wish to explore how the

financial control approach of the GHG Protocol compares with the proposed approach based on financial consolidation, as there may be some slight nuances which could still lead to differences between the consolidated financial statements and the financial control approach (e.g. for joint ventures (JVs) where the GHG Protocol's financial control approach requires accounting of Scope 1 and 2 GHG emissions based on the equity share of those JVs).

Separate disclosure of GHG emissions based on operational control. The additional reporting of emissions based on operational control will require specific attention from stakeholders. It may be difficult to interpret when, based on fair presentation, the additional operational control GHG emissions disclosure is needed. The requirement to report multiple figures for Scope 1 and 2 GHG emissions may also represent additional implementation challenges (including articulation with targets).

4.6. Focus on key metrics

4.6.1. Similar requirements on climate-related risks and scenario analysis

The requirement to conduct a climate risk analysis remains supported by a scenario analysis (with a least one high-emission scenario for physical risks and in line with 1.5°C for transition risks). The ED ESRS E1 requires disclosure of the spatial resolution of the analysis for climate-related physical risks (e.g. national, regional, site level). In contrast, current ESRS E1 refers to geospatial coordinates (exact location of sites) as inputs but not as a disclosure. The resilience analysis (E1-3) should also consider how current and planned mitigation and adaptation actions impact resilience towards climate-related risks.

4.6.2. Financed emissions methodology for calculation

When preparing the information on Scope 3 GHG emissions, the reference to the relevant frameworks (e.g. GHG Protocol) is now introduced in AR25 by a requirement that the undertaking "shall adopt the following calculation approaches" (as opposed to the previous reference to a more general "shall consider"). For the calculation of financed emissions to be reported, ED ESRS E1 AR 25 (f) refers to the GHG Accounting and Reporting Standard for the Financial Industry from the Partnership for Carbon Accounting Financial (PCAF), specifically Part A Financed Emissions (Version December 2022).

4.6.3. Intensity vs absolute emissions reduction targets for financial institutions

ED ESRS E1 paragraph 26(a) requires an undertaking to disclose the associated absolute values, even when the undertaking has only adopted GHG emissions intensity targets. This is an area where financial institutions raised implementation challenges. EFRAG allowed an application relief to provide the associated absolute values for the intensity targets set by the financial services organizations as part of the value chain phase-in provisions (Questions ID 1033, 1076 and 1122 - *Value chain phase-in for climate related targets and credit institutions* (December 2024)). No further exception has been introduced in the proposed ED ESRS E1.

4.6.4. Net-zero terminology and carbon pricing reporting

For GHG removals and GHG mitigation projects financed through carbon credits, the main change is the removal of previous requirements for net-zero targets (for undertakings disclosing such targets). The concept is no longer addressed in ED ESRS E1 and the definition has been removed from the Glossary. It is therefore left to undertakings to explain how they have defined their net-zero targets.

Reporting on internal carbon pricing is significantly simplified and now only includes a statement about whether a carbon price is used in decision-making and the price per tonne applied.

4.6.5. Anticipated financial effects

While the DR on anticipated financial effects has been significantly streamlined, with simplified narrative disclosures and removal of several datapoints, e.g. references to EU Taxonomy and reconciliations to the financial statements (this is considered to be covered in the general ESRS 1 requirement for connectivity), most granular datapoints on prospective information of the current ESRS E1 have been retained. However, as indicated in the ESRS 2 section above, the ED introduces two relief options for disclosing anticipated financial effects and these options apply to climate-related effects.).

How we see it

The ED ESRS E1 introduces substantial changes aimed at simplifying the reporting. While these adjustments may ease the reporting burden, stakeholders will need to consider whether the proposed amendments strike an appropriate balance between the prescriptiveness of the requirements and the need for relevant and comparable information. Stakeholders may also wish to reflect on the following areas that could have implications for implementation and interpretation:

- **Financed emissions calculation methodology:** The proposed amendments clarify that the reference to the GHG Protocol and PCAF Part A are to be considered for the **calculation** of Scope 3 emissions (as opposed to the determination of the boundaries). Financial institutions should consider how this addresses the interpretative questions that have been raised on the reporting boundary for financed emissions.
- **Financial institutions and absolute emissions reduction targets:** Disclosing associated absolute emissions values for set intensity targets is an area of implementation challenge that has been identified by financial institutions. EFRAG discussed whether an exception would be needed for insurance, banking and asset management sectors, but decided that it would be appropriate to receive specific feedback before concluding. As a result, EFRAG is seeking feedback on this specific issue, and stakeholders should carefully assess whether such exemption from disclosing absolute GHG emission values is warranted.
- **Net-zero:** The net-zero target in the current ESRS E1 corresponds to a defined commitment to reduce operations and value chain emissions by 90-95% before neutralization of residual emissions. With the removal of any reference to, definition of and disclosures about net-zero targets, stakeholders will need to assess how undertakings can articulate and support their net-zero claims going forward, and how this could influence the robustness and transparency of their net-zero commitments (as opposed to other climate commitments, such as carbon-neutral targets).
- **Anticipated financial effects:** While the number of datapoints have been reduced, several are maintained and justified by EFRAG as being necessary for investors and lenders to assess the undertaking's exposure to transition and physical risks. EFRAG is seeking specific feedback to assess whether the ED ESRS E1 strikes an acceptable balance between simplification and user needs. Stakeholders may wish to consider the methodology and internal processes needed to provide this information and assess the challenges in collecting and disclosing such data. This assessment should be made in the light of the reliefs proposed in the ED ESRS 1.

5 Modifications to other Environmental standards - ED ESRS E2 to E5

5.1. Overview

Other Environmental Exposure Drafts include Pollution (ED ESRS E2), Water (ED ESRS E3), Biodiversity and Ecosystems (ED ESRS E4) and Circular Economy (ED ESRS E5).

ED ESRS E2-E5	ESRS Set 1	Exposure Draft	Reduction	Moved to NMIG
Shall DP*	167	54	-67%	27
May DP*	122	0	-100%	43
Total*	289	54	-80%	70
Nº of pages**	54	20	-63%	

*Source: EFRAG, *Basis for Conclusions, Draft Amended ESRS July 2025*, pp. 81-82

**Source: EY, based on number of pages of standards starting at the table of contents

5.1.1. Removal of topical specifications on ESRS 2 disclosures

The DRs related to ESRS 2 (e.g. IRO-1 on the materiality assessment process; SBM-3 on material IROs and their interaction with strategy and business model) have been removed from the topical ED ESRS E2, ED ESRS E3, ED ESRS E4 and ED ESRS E5. Some elements of these requirements have been integrated in a generic way in ED ESRS 1 and ED ESRS 2 (such as consideration of the Locate Evaluate Assess Prepare (LEAP) approach in the DMA).

5.1.2. Simplified Disclosure on Policies, Actions and Targets (PATs)

The updated requirements on PATs across the 4 environmental standards have been significantly streamlined, with a considerable number of datapoints removed, relying mainly on the general disclosure requirement (GDR PAT) in ED ESRS 2.

Specific disclosures have been retained for key topics only:

- Water, policies (or lack thereof) on areas at water risk and related actions, indication of whether some sites located in areas at water risk are not covered by policies;
- Biodiversity, policies on traceability of products, components and raw materials as well as any use of biodiversity offsets in action plans and in setting targets; and
- Circular economy, information on application of circularity and eco-design principles for key products and services.

Related NMIG contains illustrative content of PAT, stemming from previous requirements in the ESRS Set 1.

5.1.3. By-site disclosures

Site-level disclosures are no longer explicitly covered by specific datapoints in the environmental standards. While nature-related impacts are generally local, the information can be aggregated at a higher level as appropriate (e.g. location, area, region, with shared characteristics). The objective of each standard includes a generic reference to the aggregation/disaggregation principles outlined in ED ESRS 1.

In the biodiversity standard (E4) where location-specific considerations are particularly important, site-specific provisions were consolidated under the revised DR on Metrics (E4-5), generally using the term "location" instead of "site" to align with the disaggregation approach outlined in ED ESRS 1, with new guidance added on sites that are "near biodiversity sensitive areas".

5.1.4. New terms and definitions

New terms and definitions have been introduced across the different standards, some of which are defined in the Glossary. For example, ED ESRS E5 introduced the highest number of new definitions among all E standards, such as *biological materials*, *critical raw materials*, *strategic raw materials*, *key products*, *key materials*, *eco-design*, *remanufacturing*, *repair*, *reparability*, *scope of reparability*, *secondary resources*, *sustainable sourcing*, *waste stream*. Some definitions align with existing frameworks or regulations.

5.1.5. Removal of all disclosures related to the anticipated financial effects

Disclosures related to the anticipated financial effects have been removed across ED ESRS E2 to ED ESRS E5, justified by EFRAG as a result of the lack of mature methodology to prepare and report on such granular information.

5.2. Focus on specific changes in the different standards

5.2.1. Focus on Pollution (E2)	5.2.2. Focus on Water (E3)
- Disclosures now refer to pollutants more broadly as “material pollutants”, with reference to the EU list in Annex II of Regulation 2024/1244 Industrial emissions Portal) where applicable. - Microplastics reporting is newly split into 2 categories: primary and secondary microplastics. - Reporting on substances now varies depending on the type of actor involved: manufacturers and importers report on both substances of concern (SOC) and of very high concern (SVHC) whereas users focus only on SVHC. Clarification is provided on the breakdown by hazard classes based on CLP Regulation 1272/2008/EC).	“Marine resources” has been removed from the standard. Their use is now covered in disclosures on circular economy (E5), use of marine waters in water-related disclosures (E3), biodiversity drivers related to climate change and pollution (E1 and E2), and biodiversity impacts in the biodiversity standard (E4). - In addition, when reporting on total water consumption, total water consumption in areas at water risk, water recycled or reused and water stored, undertakings are now also required to report total water withdrawal and total water discharges, which were previously optional quantitative disclosures.
5.2.3. Focus on Biodiversity and Ecosystems (E4)	5.2.4. Focus on Circular Economy (E5)
- The requirement to conduct a resilience analysis with respect to biodiversity and ecosystems has been removed. - Publishing a biodiversity transition plan is now mandatory if the transition plan is already in place and has been made public. - Reporting on metrics related to material impacts on biodiversity and ecosystems is mandatory, however no specific metric, standard or methodology is defined (the previous requirement to disclose the number and area of sites in or near biodiversity sensitive areas is removed) and flexibility is left to companies to determine which metrics are relevant to its circumstances and to disclose those.	- On inflows, reporting now focuses on “key materials” essential to the undertaking’s operations based on volume, cost, criticality, or strategic relevance. A new requirement to provide the percentage of weight of “critical” and “strategic raw” materials has been added. - On outflows, disclosures now target “key products”, with refined requirements on reparability and clear separation between product and packaging.

How we see it

While qualitative information requirements have been significantly reduced in the standards, overall quantitative metrics have been maintained in ED ESRS E2-E5, allowing undertakings to capitalise on prior efforts and ensure continuity in their current environmental performance reporting.

Terminology, definitions and methodologies. While progress has been made in defining certain terms, stakeholders might wish to consider whether additional definitions, examples or methodological clarifications would further support effective and consistent implementation. Some key terms may still raise interpretation issues (e.g. “regular operations”, “material pollutant emissions”, “sustainability sourced”, “importers”). Also, some disclosures may raise methodology-related questions (for example, calculations of waste and packaging data in E5, consideration of “marine waters” in E3, distinction between manufactured and procured pollutants in E2) and presentation challenges (like the breakdown of substances of very high concern in E2).

ESRS versus local definitions. Some of the new terms and terminologies might already exist in local laws and regulations (e.g., in Extended Producer Responsibility in some jurisdictions). Stakeholders may wish to reflect on resulting implementation challenges and consider whether and to what extent the ESRS should authorize undertakings to apply existing local definitions and methodologies (e.g. recyclability) where appropriate, and how the articulation with the proposed definitions can be transparently addressed for comparability purposes (e.g. clear explanation provided in the methodology notes).

Biodiversity resilience, metrics framing, and transition plan:

- Removal of the biodiversity resilience analysis simplifies the standard but may reduce visibility on how the undertaking's strategy and business model would withstand biodiversity-related physical, transition, and systemic risks across its value chain. Stakeholders may wish to reflect on whether complementary guidance could help to maintain this strategic insight.
- The requirement to report metrics related to material impacts on biodiversity and ecosystems leaves flexibility to select relevant indicators. Stakeholders may wish to consider whether some clarifications or examples drawing from existing frameworks and practices may be needed to support consistent reporting across undertakings, enhancing comparability of the disclosed information.
- Similarly, as biodiversity transition plan practices are still emerging, stakeholders may find further guidance useful, to clarify the new disclosure requirement.

By-site vs by-location disclosures. The shift to a more principle-based approach allows undertakings to aggregate the nature-related data of their sites (installations), for example, at the area level when those sites share similar nature-related dependencies and IROs, avoiding unnecessary granularity where disaggregated information does not convey material information. This flexibility supports interoperability with the TNFD framework (or potential future IFRS Sustainability Disclosure Standards), which emphasizes the need for site-level disaggregation where different characteristics exist. ESRS reporters must still ensure that the aggregation level does not obscure material impacts, in line with ESRS 1 principles.

Data availability. Concerns have been raised by Wave 1 undertakings regarding effort and cost associated with producing certain KPIs, such as Substances of Very High Concern (SVHC) for users of substances (as opposed to manufacturers), which might not be routinely tracked or monitored within internal systems. Companies might wish to assess whether the proposed disclosures are feasible.

6 Modifications to Social standards

6.1. Overview

6.1.1. Topics, sub-topics, and sub-sub-topics

Overall, the simplification of social standards is accompanied by a streamlined approach to topics, sub-topics and sub-sub-topics to consider in the materiality assessment. While the sub-sub-topic level has been removed from the ED ESRS 1 list of topics which is now illustrative (former AR 16 list), former sub-sub-topics are elevated as sub-topics or combined with other sub-topics (in brackets after the name of the sub-topic). Sub-topics of ED ESRS S1 (*Own Workforce*) and S2 (*Workers in the Value Chain*) have been aligned except for water and sanitation, which is only applicable for ED ESRS S2. Training skills & development and health and safety are now classified as sub-topics instead of sub-sub-topics. However, this restructuring does not extend to ED ESRS S3 (*Affected Communities*) and ED ESRS S4 (*Consumers and End-users*) which remain unchanged.

6.1.2. Reduction of narrative disclosures

No more ESRS 2 specifications. Social standards no longer include ESRS 2-related disclosures as SBM-2 *Interests and views of stakeholders* and SBM-3 *Interaction of material IROs and their interaction with strategy and business model*, which have been merged in ED ESRS 2 in line with the new articulation between ED ESRS 2 and all topical standards.

Policies, processes and actions. Qualitative datapoints have been significantly reduced to suppress overlap with ESRS 2 General Disclosure Requirements. In each social standard, former disclosure requirements related to processes for engaging with stakeholders about impacts and for remediating negative impacts as well as channels to raise concerns, have been merged into simplified disclosure requirements to reflect the connections between these elements. This change leads to a change in the numbering of other DRs (e.g. S1-14 on health and safety metrics in the ESRS Set 1 is reclassified as S1-13). Negative statements on the absence of such processes have been deleted.

Human rights policies. The mandatory transparency with regards to human rights policies and alignment with the UN Guiding Principles on Business and Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work and the OECD Guidelines for Multinational Enterprises in social standards have been merged into a single "human rights policy" disclosure under the ED ESRS 2 General Disclosures requirements (GDR-P).

How we see it

The rationalization of sub-topics and sub-sub-topics in ED ESRS S1 and S2 seems to align better with undertakings' management processes and may facilitate a more focused materiality assessment and reporting of related IROs. The alignment of the topical structure between ED ESRS S1 and S2 may help undertakings leverage on their existing own workforce processes and methodologies for ESRS S2 purposes, although some adjustments may be needed to reflect differences in the nature of the topics, especially where composition, dynamics or employment arrangements differ significantly from those of the own workforce.

The unchanged segmentation of ED ESRS S3 and S4 sub-topics may evolve in the future as these topics mature and as reporting practices and stakeholder expectations become more refined.

6.2. Modifications to Own Workforce standard - ED ESRS S1

ESRS S1	ESRS Set 1	Exposure Draft	Reduction	Moved to NMIG
Shall DP*	127	60	-53%	14
May DP*	55	0	-100%	10
Total*	182	60	-67%	24
Nº of pages**	39	17	-56%	

*Source: EFRAG, *Basis for Conclusions, Draft Amended ESRS July 2025*, pp. 81-82

**Source: EY, based on number of pages of standards starting at the table of contents

6.2.1. Simplification of Metrics

Approximately 33% of the current ESRS S1 quantitative datapoints have been removed, including all voluntary and some mandatory datapoints across all sub-topics.

The following datapoints are examples of deletions:

- The total number of employees who have left the undertaking during the reporting period has been removed from employee's characteristics (S1-5);
- The age distribution has been eliminated from diversity metrics (S1-8);
- The type of employees not covered by social protection has been removed (S1-10);
- Retirement has been removed from the list of major life events covered by social protection and parental leave has been replaced by maternity leave in social protection metrics (S1-10);
- Days lost due to fatalities are withdrawn from health and safety metrics (S1-13);
- The family-leave occurrences have been deleted from work-life balance metrics (S1-14);
- Previous datapoints dedicated to reconciliation of fines and penalties related to human rights and severe human rights incidents have been removed (S1-16); and
- The concept of "severe" human rights incidents has been removed, and severe human rights incidents shall now be reported together with other human rights incidents (S1-16).

6.2.2. Clarifications on materiality, revised thresholds and methodology

Materiality-driven disclosures. Consistent with the clarified overarching materiality principle in ED ESRS 1, when only one of the S1 sub-topics is material, the undertaking reports only on that sub-topic. However, ED ESRS S1 clarifies that this does not apply to the disclosure requirements related to Characteristics of employees (S1-5) and Incidents of discrimination and other human rights incidents (S1-16) which shall apply whenever an undertaking concludes that Own Workforce is material. Characteristics of non-employees (S1-6) shall apply when non-employees are material for the undertaking.

Country thresholds. The threshold to disclose a country breakdown of the number of employees (S1-5) and the overall percentage of employees covered by collective bargaining agreements and/or workers' representatives within EEA (S1-7) is now set at countries with 50 or more employees by head count that are the 10 largest countries in terms of employee numbers. It replaces the previous threshold based on countries with more than 50 employees representing at least 10% of the total number of employees.

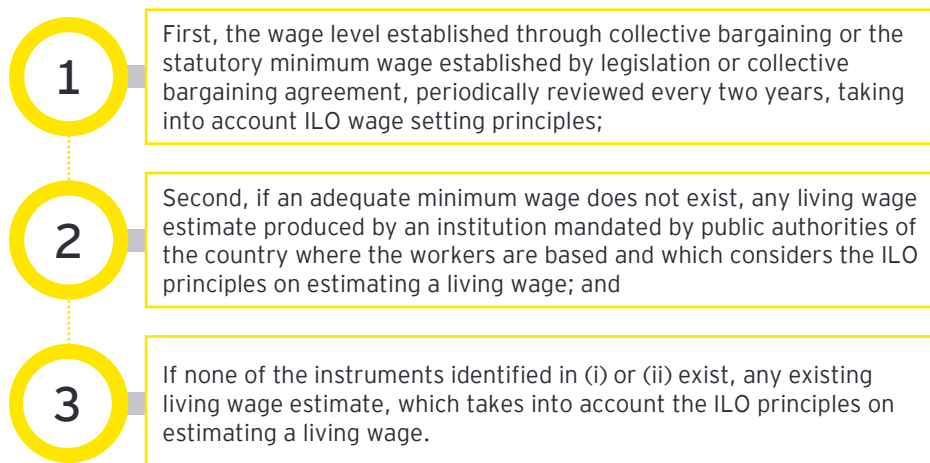
Methodology. Many of the previous AR providing methodologies to compute the metrics have been deleted or moved to NMIG. Only those deemed to be core methodological aspects and presentation options remain in AR, with some clarifications added. For example, the ED is now prescriptive that the denominator to be used shall be the average employee head count for the calculations of the employee turnover (S1-5) and head count figures reported under S1-5 for the average number of training hours (S1-12). Reference to national legislation has been

added for the definition of non-employees (S1 §8), for non-guaranteed hours contracts (S1-5 AR 12), and for work-related accidents (S1-13 AR 27). For disability-related disclosures (S1-11), undertakings may either apply their own definition of disabilities across countries or rely on national legal definitions.

Presentation in narrative format or templates. The previously mandatory tables - such as those covering employee characteristics, collective bargaining and social dialogue - are now optional as narrative format is allowed. Recommended tables are detailed in AR for reference and guidance.

6.2.3. Focus on key metrics

Adequate wage. In assessing whether employees are adequately paid, the DR S1-9 *Adequate wages* requires comparing the lowest wage to a defined benchmark of what constitutes an “adequate wage”. For non-EEA countries, the previous multi-source hierarchy was: decent wage set by law or collective agreement, followed by national minimum wage, and then any benchmark that meets specific criteria. The proposed approach is to replace it, for non-EU countries, by a new ILO-principles-based benchmark hierarchy as follows:



Gender pay gap. The consolidated gender pay gap metric (S1-15) (“unadjusted”) is still required. The option of presenting the gender pay gap disaggregated by employee category and/or country/segment and/or pay component (i.e. “adjusted”) was deleted. On other metrics, breakdown by gender has been reduced and is now only required for head count, permanent employees, temporary employees and top management diversity.

Non-employee datapoints. A new AR clarifies that disclosures of non-employees are required when they significantly drive impacts, risks, or opportunities - typically when they are key part of the business model (e.g. used to provide flexible labour or used in key processes). A new visual decision tree in the non-binding NMIG helps clarify the distinction between employee and non-employees. Disclosures are now limited to the number of non-employees, coverage by a health & safety management system, number of fatalities from work-related injuries, number and rate of recordable work-related accidents, and incidents of discrimination and other human rights incidents (datapoints which all cover own workforce, i.e. employees and non-employees).

How we see it

Stakeholders will need to consider whether the proposed amendments strike an appropriate balance between the prescriptiveness of the requirements and the need for relevant and comparable information.

- **Clarity of methodologies and concepts.** Considering that ED ESRS S1 has been significantly streamlined, stakeholders will need to assess whether the removal of some methodological principles previously included in the ARs does not impair their ability to appropriately determine their disclosures and to compare information with peers in the same sector or the same geography. Similarly,

stakeholders may wish to reflect on the introduction of new concepts (e.g. “lack of social protection”) which could raise interpretation issues without clear definitions (for example, does the “lack of social protection” refer to absence of coverage or insufficient coverage based on duration or remuneration thresholds).

- **Consultation on adequate wages.** While acknowledging EFRAG’s efforts in aligning with international recognized frameworks, undertakings might wish to consider the implications of the revised methodology and hierarchy for non-EU countries as described above. Companies might need access to key data, or guidance in estimating an existing living wage complying with ILO principles on estimating a living wage. EFRAG highlights concerns expressed by some Board members, notably related to the possibility that minimum wages could fall below an adequate wage standard, depending on national contexts. Also, the application requirement mentioning that if all employees are paid an adequate wage, stating this is sufficient and no further information is needed may result in a lack of transparency on the applied methodology and limited comparability of disclosures. Participating in the field test launched by EFRAG in parallel to the consultation is recommended to help to understand the practical implications of the amended methodology and shape the future standard.
- **Gender pay gap.** EFRAG is also seeking specific feedback on the deletion of the voluntary datapoint on adjusted gender pay gap, highlighting that feedback received was to consider replacing the mandatory datapoint (consolidated unadjusted pay gap) by an adjusted gender pay gap by employee category or by country. Stakeholders may wish to consider whether they would like to recommend a specific approach on this. While the unadjusted gender pay gap provides a consolidated view of pay disparities and enables comparisons across companies and sectors using a standardized metric, the adjusted metric reflects a refined perspective by considering pay differences among comparable groups—such as employees in similar categories, levels or geographies. Diversity in practice has been observed in Wave 1 reports and both metrics can be seen as complementary.

6.3. Modifications to other Social standards - ED ESRS S2 to S4

Other Social Exposure Drafts include Workers in the Value Chain (ED ESRS S2), Affected Communities (ED ESRS S3), and Consumers and End-users (ED ESRS S4).

ESRS S2-S4	ESRS Set 1	Exposure Draft	Reduction	Moved to NMIG
Shall DP*	136	52	-62%	12
May DP*	55	0	-100%	33
Total*	191	52	-73%	45
Nº of pages	45	16	-64%	

*Source: EFRAG, *Basis for Conclusions, Draft Amended ESRS July 2025*, pp. 81-82

**Source: EY, based on number of pages of standards starting at the table of contents

Structural simplifications. The number of qualitative datapoints has been significantly reduced by over 70%, alongside linguistic simplification and principle-based streamlined requirements.

The previous 5 DRs in each standard are now grouped in 4 concise DRs focusing on Policies, Engagement with Stakeholders (including remedy and channels), Actions and Targets.

How we see it

The shift towards a principles-based approach supports a more consistent structure across all social ESRS (including qualitative DRs in ED ESRS S1) and allows companies to focus on issues most relevant to their operations. However, stakeholders will need to assess whether the removal of specific detail in S2 to S4 standards might result in too generic requirements which may reduce transparency and comparability of reporting on these topics.

The reliefs on value chain data collection proposed in ED ESRS 1 (see section 2.4.) are expected to reduce complexity when reporting under ED ESRS S2 to S4.

7 Modifications to Business Conduct standard - ED ESRS G1

ESRS G1	ESRS Set 1	Exposure Draft	Reduction	Moved to NMIG
Shall DP*	42	21	-50%	1
May DP*	11	0	-100%	5
Total*	53	21	-60%	6
Nº of pages**	9	5	-44%	

*Source: EFRAG, *Basis for Conclusions, Draft Amended ESRS July 2025*, pp. 81-82

**Source: EY, based on number of pages of standards starting at the table of contents

7.1. Structural overhaul

The structure of ED ESRS G1 is now harmonized with other topical standards, through a clear Policies-Actions-Targets-Metrics architecture.

Current ESRS 2-related disclosures on governance and DMA process for business conduct are removed and ED ESRS G1 now refers more clearly to the ESRS 2 general requirements (GDR PAT).

Sub-topics in the illustrative list of topics in ESRS 1 Appendix A (previously ESRS 1 AR16) have been consolidated into:

- i. corporate culture (including anti-corruption and anti-bribery, protection of whistle-blowers and animal welfare);
- ii. Political influence and lobbying activities; and
- iii. Management of relationships with suppliers including (unfair) payment practices.

7.2. Refocused narrative disclosures and metrics

	Policies (G1-1)	Policies (G1-1) in ED ESRS G1 now retain only essential datapoints on business conduct and, if applicable, the circumstance when the undertaking has no policy on anti-corruption, anti-bribery, and protection of whistleblowers.
	Actions (G1-2)	Actions (G1-2) maintains content on supplier relationship management, on the implemented process related to allegation or incidents of corruption and bribery and consolidates training disclosures which were previously dispersed in various DRs. A new datapoint is introduced in relation to training of procurement teams.
	Targets (G1-3)	Targets (G1-3) points to ED ESRS 2 GDR-T.
	Metrics (G1-4)	Metrics (G1-4) introduces a new mandatory metric on the number and nature of confirmed incidents of corruption and bribery (previously optional) and guidance on the scope of the reportable convictions (limited to criminal courts final decisions) and fines (broader coverage). It is now clarified that decisions issued by administrative or regulatory authorities are not considered convictions and shall be reported within the number and nature of confirmed incidents of corruption or bribery. Also, it is now stated that the generic definition of corruption in ESRS is mandatory and takes precedence over any local legal definitions. The revised definition of incidents now includes "non-judicial" proceedings.

Most voluntary datapoints have been moved to the G1 NMIG. Lastly, payment practice metrics (G1-6) were simplified to address concerns about data collection and comparability. "Average time to pay invoice" was removed and the DR now focuses on standard payment terms, related-aligned payments and legal proceedings, with enhanced attention on SMEs when disclosing the information by category of suppliers. A new non-binding payment practices table in G1 NMIG highlights the importance of separate data for non-SMEs and SMEs.

How we see it

- **Definitions and methodology matter.** Stakeholders might want to assess whether they would need further guidance on how to report certain metrics, including the "depth of coverage" of training, the calculation of percentage of payments aligned with standard terms (based on number or amounts of invoices), as well as boundaries of "legal proceedings outstanding for late payments".
- **Navigating legal definitions.** While helpful definitions have been introduced – such as for convictions and fines – reporting on corruption-related information will still require careful legal assessment. The mandatory use of the ESRS definitions over national laws, and the different scope of convictions, fines, incidents and confirmed incidents may require the involvement of legal experts to determine the scope of reportable items (e.g. defining legal decisions where the status is jurisdiction-specific or defining "judicial and non-judicial" proceedings).

8 Next steps

The comment period for the EDs ends on 29 September 2025. EFRAG will then analyse feedback received in order to adjust the standards before delivering its technical advice to the EC on 30 November 2025. EFRAG will also organize outreach activities with various stakeholders to discuss the proposed changes.

Once the technical advice has been delivered to the EC, the standards still undergo institutional review, including opinions from the three European Supervisory Authorities (ESMA, EBA, EIOPA) and consultations with other EU bodies such as the European Central Bank, the Committee of European Auditing Oversight Bodies, or the European Environmental Agency.

The Commission is expected to run a short formal public consultation before adopting the delegated act. This is likely to be done within 6 months following the publication of the “Content” directive in the Omnibus Simplification Package – which is currently under negotiations by the European Parliament and the Council, and is planned to be finalized in early 2026.

Once adopted, the Delegated Act will run a scrutiny period by the European Parliament and the Council, of two months. If they do not object to the text, it will be published in the Official Journal of the EU and enter into force.

The objective set by the Commission is to adopt the corresponding delegated act in time for companies to apply the revised standards for reporting covering financial year 2027, potentially with an option to apply the revised standards for reporting covering financial year 2026 if companies wish to do so.

How we see it

- **ESRS Set 1** is still applicable for FY 2025. Once the revised standards have been finalised and adopted by the Commission, they will not be legally applicable before financial year 2026 or 2027, and undertakings will continue to apply the ESRS Set 1 for their 2025 reporting. However, companies in the scope of CSRD can apply the reliefs introduced by the “Stop-the-clock” Directive in April and the “ESRS Quick-fix” Regulation adopted in July 2025
- **Clarifications to the ESRS Set 1 for FY 2025.** Stakeholders may wish to seek clarifications from EFRAG in the final Basis for Conclusions about whether some elements of the revised ESRS are seen as clarifications (and could therefore be considered when applying the ESRS Set 1), as opposed to deletions of datapoints, new reliefs or modified obligations (e.g. new relief for acquisitions, disposals or new boundaries for GHG emissions).
- **Interoperability.** The basis for conclusion of the EDs lists items considered by EFRAG as promoting interoperability and others which might conversely result in differences. EFRAG and the ISSB will need to update their May 2024 joint interoperability guidance once the revised ESRS are finalised.

Glossary

Acronym	Full Form
AR	Application Requirement
BC	Basis for Conclusions
BP	Basis of Preparation
CapEx	Capital Expenditure
CSRD	Corporate Sustainability Reporting Directive
CSDDD	Corporate Sustainability Due Diligence Directive
DMA	Double Materiality Assessment
DP	Datapoint
DR	Disclosure Requirement
E1	Environmental Standard - Climate Change
E2	Environmental Standard - Pollution
E3	Environmental Standard - Water
E4	Environmental Standard - Biodiversity and Ecosystems
E5	Environmental Standard - Circular Economy
EBA	European Banking Authority
EC	European Commission
ED	Exposure Draft
EFrag	European Financial Reporting Advisory Group
EIOPA	European Insurance and Occupational Pensions Authority
ESMA	European Securities and Markets Authority
ESRS	European Sustainability Reporting Standards
EU	European Union
FAQ	Frequently Asked Questions
FTE	Full-Time Equivalent
G1	Governance Standard - Business Conduct
GDR	General Disclosure Requirements
GDR-A	General Disclosure Requirements - Actions
GDR-M	General Disclosure Requirements - Metrics
GDR-P	General Disclosure Requirements - Policies
GDR-T	General Disclosure Requirements - Targets
GHG	Greenhouse Gas
GOV	Governance
IFRS	International Financial Reporting Standards
IFRS S1	International Financial Reporting Standards - General Requirements for Disclosure of Sustainability-related Financial Information
IFRS S2	International Financial Reporting Standards - Climate-related Disclosures
ILO	International Labour Organization
IRO	Impact, Risk, and Opportunity
ISSB	International Sustainability Standards Board
KPI	Key Performance Indicator
LEAP	Locate, Evaluate, Assess, and Prepare (TNFD Framework)
NMIG	Non-Mandatory Illustrative Guidance
OECD	Organisation for Economic Co-operation and Development
OpEx	Operating Expenditure
PAI	Principal Adverse Indicators
PAT	Policies, Actions, and Targets
PCAF	Partnership for Carbon Accounting Financials
S1	Social Standard - Own Workforce
S2	Social Standard - Workers in the Value Chain
S3	Social Standard - Affected Communities
S4	Social Standard - Consumers and End-users
SBM	Strategy and Business Model
SFDR	Sustainable Finance Disclosure Regulation
SME	Small and Medium-sized Enterprise
SOC	Substances of Concern
SVHC	Substances of Very High Concern
TNFD	Taskforce on Nature-related Financial Disclosures
UNGP	United Nations Guiding Principles on Business and Human Rights

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ED None

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