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Draft Amended ESRS Exposure Draft UNAPPROVED Working documents

Cover note - Explanatory note

Objective of this meeting

The objective of this meeting is to discuss the draft “Amended ESRS Exposure Draft” working documents and collect from EFRAG SR TEG/SRB their intention of vote for the approval of the Exposure Drafts for consultation, collect the remaining concerns/reservations (if any) and identify specific aspects to be investigated further in the public consultation to be organised at the end of July.

Background

As announced in the Explanatory Memorandum of the Omnibus proposals released on 26 February 2025, the European Commission (EC) intends to adopt a delegated act to revise the first set of European Sustainability Reporting Standards (ESRS). To deliver swiftly on the simplification and streamlining of the ESRS, and to provide clarity and legal certainty to undertakings, the EC aims to adopt the necessary delegated act as soon as possible and, at the latest, six months after the entry into force of the Omnibus proposals.

Per the 27 March 2025 letter from Commissioner Albuquerque, EFRAG received from the EC a specific mandate with respect to the ESRS simplification. The deadline for delivering EFRAG’s technical advice is 31 October 2025, subsequently modified to 30 November 2025.

The ESRS revision work plan and timeline document prepared by EFRAG was submitted to Commissioner Albuquerque on 25 April 2025¹, following its approval by the EFRAG SRB in a public session held on the same day. Following the extra one month granted to EFRAG for executing this mandate², the public consultation period is now expected to run for 60 days from the end of July until the end of September 2025.

EFRAG conducted an extensive dialogue with stakeholders of different categories as described in the progress report submitted to Commissioner Albuquerque on 20 June 2025, to base the amendments on the evidence obtained in the interviews and outreach programme that took place from early April to end May 2025, including the public call for input.

Further information on these outreach efforts can be found in the 20 June 2025 progress report². A detailed report will be issued as part of the consultation package.

¹ <https://www.efrag.org/en/news-and-calendar/news/efrag-delivers-work-plan-to-the-european-commission-in-response-to-esrs-simplification-mandate>

² <https://www.efrag.org/sites/default/files/media/document/2025-06/Status%20report%20ESRS%20Simplification%2020%20June%202025.pdf>

Status of the unapproved Amended ESRS Exposure Drafts working documents

The EFRAG SRB agreed on the strategic directions for the simplification in the first week of May. A high-level description of those directions was made public in two public hearings with the JURI Committee of the European Parliament on the 15 May and 4 June 2025. Further details were made public in the SRB meeting on 19 June and with the publication of the progress report on 20 June.

The EFRAG SRB and SR TEG undertook an intensive editorial effort in weekly or biweekly meetings to implement the directions agreed by the EFRAG SRB. To avoid a sequence of frequently changing drafts made public, that would not help the stakeholders to understand the work being done, these discussions took place in closed meetings.

The draft ESRS Amendments Exposure Drafts working documents released on 10 July 2025 do not represent yet an EFRAG position. They are made public as a basis for the discussion in the SR TEG meeting on 9/10 July and SRB meeting on 14/16 July 2025. They are not to be considered as the Exposure Drafts yet. They are unapproved and still subject to change reflecting the discussions in those meetings and for editorial and quality review that has not yet taken place. In addition, they are not accompanied by the necessary explanatory documents that are still being prepared and will accompany the Exposure Draft.

EFRAG recommends stakeholders that intend to contribute to the public consultation, to plan their review on the Exposure Drafts once they are issued, as they will benefit from the final documents and from the explanatory content.

Objective of the ESRS revision

With the revision of the ESRS, the EC aims to alleviate unnecessary administrative burdens on undertakings while still meeting the core policy objectives of the European Green Deal.

Based on the relevant paragraphs in the Omnibus proposals and the letter of 27 March 2025 mandating EFRAG to provide its relevant technical advice, EFRAG’s goal is to produce a set of revised ESRS that better support relevant and decision-useful general-purpose sustainability statements, in line with the policy aim of the CSRD, while leading to a substantial reduction of both the reporting effort and the number of mandatory datapoints. Specific attention is paid to considering the implementation work already completed and being conducted by preparers. For this purpose, the ESRS text itself from the Delegated Act is the starting point for the simplification work and is being amended, where necessary, to meet the simplification goal.

Methodology in developing the Amended ESRS and levers of simplification implemented

The following section illustrates the methodology and levers for simplification implemented in the preparation of the unapproved working documents, together with the key highlights of what did not work well in the first implementation based on the input gathered. More details will be included in the Basis for conclusion that will accompany the Exposure Draft. The simplification work has been conducted by EFRAG SRB with the advice of EFRAG SR TEG and the support of EFRAG Secretariat. In this document, EFRAG is used to indicate EFRAG SRB, SR TEG and Secretariat each with their respective roles.

EFRAG has analysed the extensive feedback obtained in the evidence gathering which identified not only suggestions for simplification but also more broadly elements to consider for a post-implementation review. In some cases, the input pointed to the need for further developing guidelines, definitions and methodologies (overlapping to some extent with the content that was already expected to be covered by EFRAG to-be-issued implementation guidance, based on the ESRS Q&A Platform in 2024 and early 2025). With a few exceptions, these additional guidelines,

definitions and methodologies are not in the scope of the current simplification work for multiple reasons, including due to timing constraints.

In general, the amendments pursue a logic of simplification in all possible instances and ways. However, to address the request to clarify the most complex and unclear provisions, as well as to spell out clearly all the existing flexibility, and allowing for even more flexibility, in some cases the amendments may add new text in the standards. The SRB had to balance from on the one hand the length of the standard and on the other the necessity to add such text. The addition of new text has been done only when strictly needed.

The content of the Exposure Draft will be tentative. EFRAG will seek feedback in the public consultation on all the aspects described below, before forming its final advice. This document presents the main proposed amendments, and it is not an exhaustive description of the content of the future Exposure Draft. The latter will be presented in the accompanying material to the Exposure Draft.

LEVER 1: Simplification of the Double Materiality Assessment (DMA)

The double materiality assessment is pivotal to the preparation of sustainability statements under ESRS, but a serious revision of the provisions related to its operationalisation is considered necessary since it has been identified as a significant source of burden in practice. There is indeed a crucial need to place the emphasis on the goal of the DMA and to eliminate ambiguities or potentially misleading provisions in order to avoid transforming this critical process into a mere compliance exercise ultimately deprived of significance.

The input gathered from the first adoption of ESRS confirms that the determination of matters (or topics) to be reported upon has been particularly intense, including for audit purposes. While there have been benefits from the DMA exercise and the involvement of various internal actors, including at board level, frequent comments concern a disproportionate effort compared to the result, an excessive focus on process rather than outcome and the company’s strategic context, the list of matters (in ESRS 1 AR16) being used as a checklist to document the non-materiality of each and every item, the use of quantitative scoring at the level of single IROs as a starting point, the absence of guidelines for sectors, thresholds and level of aggregation. Divergences in practice were observed as to whether negative impacts are assessed before or after mitigation, prevention and remediation actions, with important consequences in terms of comparability and relevance of information, and what constitutes a positive impact was not clear. The filter of materiality of information was not well understood, in particular for ESRS 2, resulting in reporting that was excessively granular, also considering that in some cases the framework has been interpreted as a mere compliance exercise, leading in those cases to the systematic inclusion of individual datapoints without the flexibility needed to focus in practice on information relevant to the specific circumstances of the undertaking.

To respond to this feedback, the following key amendments are proposed:

- 1) A new section has been introduced in ESRS 1 presenting “**practical considerations**” in the execution of the DMA. To reduce the overall complexity of the process and the extent of unnecessary scoring by clarifying that the DMA is normally to start from the analysis of the business model to identify the most obvious material topics (a ‘top-down’ approach) and that the expected level of evidence to support the conclusions must be reasonable and proportionate, in particular in circumstances when it is obvious that a given topic is material for the sector, for peers and/or for the business model. EFRAG discussed whether the simplification should go even further to the introduction of practical considerations, i.e., to reduce the prescriptive content on the criteria to assess materiality but concluded that that content was needed to secure the necessary quality.

- 2) The role of **information materiality** has been clarified and made more prominent, to have an overarching filter for the inclusion of any information in the sustainability statement. In addition, all datapoints (including the ESRS 2 datapoints) are now more clearly in the scope of it. The criterion of “significance” of information has been clarified, connecting it with the users’ needs. Finally, it has been clarified that the undertaking can include in its sustainability statement information about non-material topics (e.g., when requested by rating agencies) and the transparency required when this is done. Whether even more emphasis should be put on decision usefulness has been lengthily debated, as from the one hand this would support more concise reporting, but from the other hand it could pre-empt the developing practice on impact materiality reporting.
- 3) More emphasis has been put on **the objective of fair presentation**, a key concept which is retained by the ISSB and many other reporting frameworks, based upon the key quality characteristics of relevance and faithful representation, clearly mentioned by the CSRD. EFRAG members’ majority view considered that this explicit emphasis is needed to reduce the risk of over-burdening reporting associated with a compliance exercise. Clarifying that ESRS is a fair presentation system is a critical aspect to be tested in the consultation, as some members expressed strong reservations.
- 4) The relationship between identification of material impacts, risks and opportunities (‘IROs’) and the material topics and sub-topics to be reported has been clarified. A specific focus has been put on the **intended granularity of the report (IROs versus topics)**, across all the disclosures and at a general requirement level. Flexibility is provided to the undertaking to decide at which level to report, based on the nature of the IROs and reflecting the managerial approach to them. This is to avoid unnecessary details in the reported information and stay closer to the management approach. The term “matter” is replaced consistently by “topic”, under the clarification that they are synonyms, and the latter is meant to indicate either “topic” or “subtopic” depending on the level needed to meet the relevant disclosure objective. Along the same lines, it has been clarified that when only a sub-topic is material, the undertaking must limit the information reported to that sub-topic without triggering the reporting of all the datapoints in the relevant topical standard. To support this step, a non-mandatory appendix will illustrate the disclosures related to a specific sub-topic (the content is the same issued by EFRAG in December 2024 as part of its Explanations to respond to the Q&A ID 177).
- 5) The illustrative nature of the list of topics in ESRS 1, **AR 16** has been clarified and to streamline the DMA process and reduce unnecessary granularity of it, the levels in AR 16 are now only two (eliminating the sub-sub-topic level) while respecting the content of the CSRD.
- 6) To respond to a frequent implementation question where we see divergence in practice and potentially detrimental effects on the relevance of the reported information, new guidance has been introduced on how to consider the implemented remediation, mitigation and prevention policies and actions when assessing the materiality of an impact (the so called “**gross versus net**” issue). This has been done with a focus on impacts, in consideration that in the area of financial materiality companies in general have already the experience of financial reporting which they can leverage. This is a technically complex area and EFRAG considered carefully how to combine the much needed clarification with the need to avoid over-simplification, which would not bring clarity nor solve the existing issues, considering that this is at the core of a robust sustainability reporting for impact materiality.

Even if it is not really possible to quantify the potential for burden reduction associated with the above-mentioned modifications, EFRAG is of the opinion that these modifications should significantly simplify the DMA and materiality of information, and at the same time foster more streamlined reporting by focusing it on relevant and decision-useful information.

LEVER 2: Better readability / conciseness of the sustainability statements and better inclusion in corporate reporting as a whole

Many ESRS sustainability statements have been perceived as too granular and mixing critical information with excessively detailed datapoints. At the same time, some studies suggest that on average the length of reports has not substantially increased as compared to previous practice. While different cultures exist for standardised reporting by companies (as illustrated by financial reporting practices in the EU), and while the observed number of ‘pages’ for published sustainability statements varies a lot (the average in different countries ranging from 70 to more than 200), the general feeling is that companies had difficulties in ‘telling their story’ with respect to sustainability topics and in sharing their views with their stakeholders, amongst other reasons, because the flexibilities that exist already in the standards were not clearly stated and, as such, were not always easy to understand.

As a result, the perception of sustainability reporting as a compliance exercise has developed, and this is unfortunate in relation to the ambition of the CSRD to place sustainability reporting on a comparable status with financial reporting (i) by creating a repository of quality sustainability-related data and also (ii) by providing summarised information.

From the input gathered, some considered that the content of the sustainability statement was too detailed and too comprehensive to be assimilated to the executive communication approach usually adopted in a management report. The inclusion of several dozen pages of EU Taxonomy disclosures, which is on its own often criticised with respect to their relevance, aggravated this concern. In addition, the sequence of disclosures in the Standard was rigidly interpreted as an index, limiting the possibility of structuring sustainability statements in a way that would reflect the undertaking’s circumstances, and sometimes resulting in the duplication of content.

In order to address this issue without contradicting existing reporting cultures and, therefore, without being overly prescriptive, the EFRAG SRB is proposing to clarify the following areas of flexibility.

- 1) Option to have an ‘executive summary’ at the beginning of the sustainability statement. In contrast to financial information, there are no ‘primary statements’ in sustainability reporting (such as the profit and loss account or the balance sheet in financial reporting) to offer a summarised view. Even if synthetic indicators similar to the ones in primary financial statements are not possible, the option to summarise the undertaking’s material topics, their relationship with the key aspects of its strategy and governance, its performance and its contemplated trajectory with respect to these topics appears promising.
- 2) Emphasis on the option to use appendices: option to disclose the most granular information, such as detailed metrics, in dedicated sections or appendices within the sustainability statement, while respecting the qualitative characteristics of information; option to present the EU Taxonomy-related information in a specific appendix; option to present in an appendix the additional information on non-material matters;
- 3) Clarification of the concept of connected information and discouraging fragmentation and/or repetition of information pertaining to the same topics, in particular in the area of policies-actions and targets (PAT). Reinforcing flexibility and readability of the report, by clarifying (i) that there should be no duplication of content on the same PATs in different parts of the sustainability statement, (ii) that a policy covering different topics

should only be described once and (iii) that PATs can be limited to a sub-topic without triggering disclosures at the topical level.

- 4) Combined with the reduction of mandatory datapoints described below, the above mentioned areas of flexibility, particularly those related to the avoidance of duplications, are a source of burden reduction and, what is even more important, a critical source of relevance through a focus on what matters the most.

LEVER 3: Critical modification of the relationship between Minimum Disclosure Requirements (MDR) and topical specifications

Minimum Disclosure Requirements in principle define, at a cross-cutting level (ESRS 2), the disclosures that are required on policies, actions and targets (PATs) in relation to topics that are identified to be reported based on the materiality of the related impacts, risks and opportunities. Topical standards provide detailed mandatory datapoints that specify PATs for each topic. The combination of these generic MDRs in ESRS 2 with detailed mandatory specifications has been perceived as burdensome, unnecessary duplicative/repetitive and granular as well as a source of ambiguity, leading to an unnecessary volume of excessively detailed and systematic information.

The evidence collected shows that the current architecture of the ESRS is a source of complexity in their implementation due to the overlaps that exist between MDRs (for PATs) in ESRS 2, on the one hand, and topical mandatory datapoints, on the other. Similar overlaps exist between ESRS 2 and topical standards in the areas of governance and strategy and in relation to the disclosure requirement IRO 1 (Description of the processes to identify and assess material climate-related impacts, risks and opportunities).

In addition, the datapoints in the narrative disclosures of PATs in the topical standards are considered too granular and for this reason not always informative. In general, the provisions related to PATs have been perceived as requiring a granular description at IRO level in all cases. Finally, not all preparers and auditors concluded that it is possible to structure the disclosures around PATs in a more aggregated level (e.g., all environmental topics in the same policy) than at the level of a single topic or matter.

In order to address this critical point, the EFRAG proposes the following amendments:

- 1) Maintaining cross-cutting MDRs at the ESRS 2 level in terms of ‘shall’ under a revised/reduced number of datapoints and drastically reducing the mandatory PAT specifications (‘shall datapoints’) in the topical standards to the strictly essential ones, the rest being either deleted or moved to non-mandatory guidance. This is a key factor for the reduction of mandatory datapoints (see below) and reflects a different, more principle-based standard-setting approach to narrative disclosures. Renaming “minimum” to “general” disclosure requirement, reflecting the fact that they are the reference point for the required disclosure and there are no (or very limited) datapoints in topical standards for PAT.
- 2) Replicating the same approach as for MDR also for the topical specifications of ESRS 2 (Appendix C of ESRS 2).
- 3) Clarifying (i) that PATs are only to be reported ‘if you have’ them (i.e., no behaviour mandated), (ii) that aspects of PATs can be reported if made clear (to avoid not reporting at all) and (iii) that reporting of PATs can follow the categorisation of PATs adopted by the management in conjunction with the strategy and business model of the undertaking. Centralising around a single datapoint the list of material topics for which there are no PATs, without requiring the disclosure of reasons for not having them and offering an option to provide a timeline for implementing them.

The EFRAG SRB considers the above as supporting a substantial reduction of datapoints (mainly in topical standards) and a more concise, less duplicative and more effective reporting.

LEVER 4: Improved understandability, clarity and accessibility of the standards

Due to the current mix of different elements in the sections on application requirements, it was difficult to identify the requirements to comply with, separately from the non-binding content. How to consider 'may disclose' datapoints in determining the materiality of information was unclear, leading to different conclusions, including their use as a checklist for entity-specific disclosures.

EFRAG proposes the following amendments:

- 1) Changing the approach to the "voluntary disclosure" ("may"), which has been a source of significant discussions between preparers and auditors and interpreted by some as a checklist for entity-specific disclosures rather than an encouragement of good practice by more mature preparers. EFRAG proposes to eliminate this category, possibly with very few justified exceptions.
- 2) Amending the general structure of the Standards, separating clearly mandatory and non-mandatory content. The paragraphs on mandatory guidance (still named "Application Requirements"/AR) are now placed under the respective disclosure requirements to which they belong, while the non-mandatory content is moved to separate documents named "Non Mandatory Illustrative Guidance"/NMIG (the legal status of which will be considered by the EC in due course), except for Appendix A (list of topics to be reported, former AR 16) given its importance.
- 3) Streamlined language, in particular for ESRS 1, while not disrupting the implementation investment done by the companies in wave 1 with the introduction of new language for the most critical general requirements.

This is expected to facilitate readability and understandability and reduce implementation and auditing efforts thanks to the ability to more clearly focus on what is mandatory.

LEVER 5: Introduction of other suggested burden-reduction reliefs

The evidence-gathering exercise has identified several suggested reliefs to reduce the reporting burden beyond the reduction of individual datapoints. EFRAG proposes the following horizontal simplifications.

- 1) IFRS reliefs. EFRAG has scrutinised all the reliefs that exist in ESRS 1 and 2 and incorporated all the provisions that are compatible with the European context. These include the broad use of the 'undue cost and effort' for materiality assessment, the extent of coverage in the value chain and for all metrics, the disclosure of ranges for quantitative financial effects, the relief for the presentation of quantitative financial effects (with the exception on the part related to skills in consideration of the scope of the CSRD following the Omnibus proposal). This does not include the relief to omit Scope 3 GHG emissions for impracticability, considering the importance of this information for the objectives of the Green Deal. This does not include the relief for disclosing opportunities due to sensitivity of information, following a specific recommendation of the EC that this aspect will be further discussed in the finalisation of Level 1 Amendments.
- 2) Additional reliefs (the existing transitional reliefs being maintained). EFRAG considered that these reliefs will likely result in additional differences in the IFRS S1 and S2 interoperability mapping, but nevertheless the reliefs were maintained in the Exposure Draft to respond to the outcome of the input gathered. EFRAG considers that these reliefs overall strike an acceptable balance between pragmatism and loss of information, but notes that some members have reservations on them.

- a. Extension of undue cost and effort to all the metrics, including metrics in own operations.
 - b. A recurring concern is that preparers are forced to report non-relevant information when reliable input is unavailable for use in the estimation process. The EFRAG SRB is considering two reliefs for data quality: one for own operations (to deal with the time necessary to implement the appropriate data collection) and one for value chain metrics; they allow reporting on a partial scope while providing transparency on assumptions, limitations and actions to increase data availability over time.
 - c. EFRAG also proposes to remove the hierarchy for input to be used in value chain metrics: there is no more indication to try first to collect primary data and use estimates as a fall-back solution.
 - d. Relief on metrics to exclude non-material activities from calculations. This relief is intended to reduce the unnecessary reporting burden associated with complete data collection for group activities that, due to their nature, are not expected to contribute materially to the metrics being measured.
 - e. Qualitative only information on resilience (quantitative on a voluntary basis).
 - f. In the context of financial effects, limit the information on investments and plans to those that are already announced.
 - g. Limit of resilience to risks (not anymore including impacts and opportunities). Possibility to exclude from the calculation of metrics activities that due to their nature are not the main driver of an IRO.
 - h. Relief for acquisitions and disposals, based on pragmatism and the availability of data.
- 3) Relief for commercially sensitive information: EFRAG is prepared to address the question of commercially sensitive information, which is a concern frequently expressed by preparers. However, the EC representatives have indicated that this question may be subject to debate at the level of Omnibus negotiations and should therefore be addressed at a later stage. In the Exposure Draft, the existing relief for secret information is maintained and a note is added to mention the existing option at Member State level granted by the CSRD, which gives also a relief in those countries that have implemented it.
- 4) Regarding EU datapoints, EFRAG notes that the Omnibus proposals have not changed the general objectives (i) of supporting the creation of the data infrastructure necessary for implementing the Sustainable Finance Disclosure Regulation (SFDR) and (ii) taking into account the different EU regulations that require appropriate information from undertakings. In the ESRS adopted on 31 July 2023, all the related datapoints were added to the ESRS regardless of their relevance, including all optional SFDR PAI indicators. These 'EU datapoints' account for 16 per cent of the overall mandatory datapoints (as counted in IG 3 List of datapoints). Input from investors confirms the need to implement the correct flow of information from their investees; however, evidence also suggests that a number of these indicators are not considered relevant in practice. Under the specific mandate received from the EC, EFRAG is addressing this question from a general-purpose sustainability reporting standpoint by: (i) reviewing the issues reported by preparers and users regarding the use of SFDR PAI indicators and suggesting modifications when deemed necessary; and (ii) considering the relevance of the datapoints that have a direct correspondence to other EU regulations.
- 5) Boundaries of reporting and value chain. Several implementation issues relating to reporting boundaries have been reported, which illustrate the need to clarify the definitions of 'own operations' and 'value chain'. There is general support for making clear that the starting point should be the perimeter of the consolidated financial

statements. However, stakeholders have asked for clarification on the treatment of specific transactions such as leasing – which also relates to real estate investments – as well as pension funds and financial institutions (see the bullet point below).

- a. Stakeholders have expressed concerns about the boundaries of GHG emissions, following a new concept introduced in ESRS E1, which creates complexity and diverges from international standards. The EFRAG SRB proposes amending this aspect of ESRS E1 by adopting the consolidated financial statements as the relevant boundary, with an additional disclosure following an operational control approach in specific circumstances expected to affect industries where ownership structures frequently rely on this concept in practice, which is also the standard used in market communication. EFRAG assesses that this will enhance the compatibility with IFRS and the GHG protocol (GHGP), as the old version of the E1 boundary could not find direct correspondence with any of the boundaries allowed by the GHGP, while the one proposed now corresponds to the financial control scope in the GHGP. EFRAG considered the possibility to further align with IFRS and GHGP, by allowing all the existing options in the GHGP and to wait for further developments that are expected to arrive in the context of the announced review of the protocol. However, EFRAG considered that allowing the use of different approaches is not helpful for comparability. In addition, the alignment with the scope of financial reporting was indicated by many as a simplification.
 - b. The CSRD value chain cap was already embedded in the ESRS and is currently being assessed based on the proposal of using the VSME) as its basis. The Omnibus provisions on value chain cap are likely to translate into greater reliance on estimates based on secondary data. Stakeholders’ input suggests, on the one hand, reducing the emphasis on direct data collection when reporting on value chain, and on the other hand, providing reliefs when metrics are produced based on estimates (on this point, see above). Amendments are being proposed to produce less prescriptive requirements for the collection of direct information, emphasising the need to concentrate the reporting efforts where severe impacts and risks are more likely to arise. All of this falls under the general umbrella relief ‘reasonable and supportable information that is available without undue cost and effort’, replacing the previous two-step approach (i.e. assess whether direct data collection is feasible with reasonable effort and, after, estimate metrics with undue cost and effort).
 - c. Financial institutions: stakeholders, in this sector, have complained that the ESRS do not adequately support the preparation of relevant disclosures, as they are primarily written from the perspective of non-financial sector undertakings. While the need to prepare sector guidance is often emphasised in the input gathered, such guidance is not compatible with the available timeline, as it would require careful consideration of unintended consequences and possibly field testing. EFRAG tried to develop few provisions to support the implementation of the concept of value chain, but preliminary feedback from its members indicate that this subject is indeed too complex to be effectively treated in the simplification project.
- 6) Reliefs for anticipated financial effects. While being critical for users, this disclosure is particularly challenging, as it entails reporting forward-looking and potentially sensitive information. Limited evidence is available on how this disclosure requirement has been implemented, as companies have generally opted to omit this

disclosure during their first reporting exercise (phase-in transitional provisions). The starting point is the relief available in IFRS S2 (in addition to the general relief of undue cost and effort). This would allow for the reporting of qualitative information only when the level of estimation uncertainty is so high that the resulting information would not be useful. While for some the proposed relief (indicated in the ESRS 2 working draft as “option 1”) was satisfactory, for others it would not address the issue of confidentiality of forward looking financial information. For this reason, EFRAG is specifically consulting on either option 1 or option 2 (require qualitative disclosure, leaving the option to the company to disclose quantitative information).

The content of the phasing-in provisions has not been changed, pending the outcome of the ongoing developments of level 1 regulation.

LEVER 6: Enhanced interoperability

From a general standpoint, EFRAG has considered all opportunities in order to align the provisions and avoid unnecessary misinterpretations or differences, particularly between the ESRS and the ISSB Standards. As described above, EFRAG considers that an important existing difference is reduced thanks to the change of the reporting boundary for GHG emissions. In addition, the language used for common provisions is being systematically revised to adopt the same wording as in IFRS S1 and S2 wherever possible. The necessity to preserve interoperability has been assessed systematically as part of the datapoint reduction decision-tree (see below), however in very few cases (see appendix I) the tentative decision has been to delete detailed datapoints while maintaining alignment at the higher level of the corresponding disclosure requirement, in order to contribute to the overall reduction of datapoint. This aspect will be specifically investigated in the consultation. EFRAG carefully considered the trade off between reduction of datapoints and maintaining interoperability at the right level and consider overall that the current proposal strikes the right balance, with a very limited number of detailed datapoints as potential differences while the overall interoperability has been improved. This assessment has not been confirmed nor reviewed by the ISSB. Further joint work on interoperability is necessary in the next phase.

Building on and contributing to the global development of sustainability reporting remains a key objective for the EFRAG SRB. The EFRAG SRB continues to maintain a fruitful dialogue with all international initiatives.

Reduction of mandatory and voluntary datapoints

EFRAG has systematically reviewed all the mandatory datapoints based on the list previously published by EFRAG in its Implementation Guidance 3: List of datapoints (“IG3”) to achieve a substantial reduction of their number.

The evidence gathered highlights that narrative datapoints are too granular, that a more principle-based approach would be welcome and that many datapoints could either be deleted or moved to non-binding guidance without hindering the overall objective of yielding high-quality data by focusing on ‘core’ information.

EFRAG has received a number of articulated proposals on datapoint reduction that have been considered very carefully. They all focus on the idea of ‘core’ information and emanate from national standard setters as well as from users of information. In line with the Omnibus proposals, most stakeholders highlight that the fundamental objectives of the CSRD are to be maintained.

Narrative information plays a crucial role in sustainability reporting and provides an essential contextual framework to understand performance and targets measured in quantitative terms. However, input from stakeholders clearly indicates that the initially retained granular standard-setting approach to narrative information is one of the most critical areas triggering

unnecessary reporting efforts, as the excessive granularity often results in less informative and more boilerplate disclosures rather than focusing on the key elements to disclose following the disclosure objective. Accordingly, EFRAG has adopted a less granular approach to narrative disclosures in the area of policies, actions and targets (PATs) as well as in the topical specifications of ESRS 2 (Appendix C of ESRS 2), therefore fostering an essential contribution to the overall reduction of “shall” datapoints deriving either from deletions or from moving the corresponding content to non-mandatory guidance, in the general, context of a more principles-based approach to standard setting.

Eliminating least relevant datapoints, in conjunction with the approach to narrative disclosures described above, the systematic review of datapoints has been performed using an agreed-upon ‘decision tree’ that combines various dimensions of reporting relevance (e.g., relevance per se with respect to the disclosure objectives, EU regulations on datapoints, ISSB or GRI datapoints, etc.), aiming at preserving the content required by the CSRD.

The key criterion adopted for the reduction of (qualitative and quantitative) datapoints is to eliminate the least relevant, i.e., those that are not strictly necessary to meet the disclosure objectives. In a more principle-based system, with the requirement to disclose additional entity-specific information when an aspect is not sufficiently covered in the ESRS, this step is particularly critical. The deletions need to streamline and not make reporting efforts more complex. Less relevant datapoints are deleted, while some granular datapoints – such as breakdowns or elements of contextual information – are being moved to non-mandatory guidance to better support preparers.

In the context of such a systematic review, merging two distinct datapoints is generally not considered a burden reduction. However, when the merged datapoints consist in granular aspects of the same disclosure, merging them and redrafting the resulting provisions with less granular content contributes to streamlining the reporting. Nevertheless, merged datapoints are not considered as deleted in the calculation of the approximate reduction below, even if it would be in line with the methodology used for the IG3 List of Datapoints published in April 2024.

Based on the Amended ESRS working documents the activation of the levers described above and the systematic review performed are expected to achieve a substantial reduction in the number of “shall” datapoints in excess of 50%, while preserving the integrity of the core objectives of the CSRD. This takes as a reference the mandatory (“shall”) datapoint count published by EFRAG as IG 3 and takes into account as reduction the datapoints that are (i) deleted, (ii) moved to voluntary and (iii) transferred to non-binding guidance.

Looking at the datapoints possibly transferred to some form of guidance that is not considered a datapoint, EFRAG considered different alternatives of drafting conventions for narrative detailed datapoints. EFRAG concluded that a clear cut is necessary, to avoid that these elements would still be treated as a list of possible items to cover if material. For this reason, the essential elements of the list of “shall” datapoints to report in narrative disclosure have been maintained in the main body of the standard as mandatory, while whenever possible other items have been deleted or moved to non-mandatory items as examples of possible disclosure. Ambiguities in the language have also been addressed, such as to clarify the “shall include” that indicate a methodological aspect rather than a separate datapoint.

Next to the reduction of “shall datapoint”, EFRAG took a drastic decision in relation to the former “may” datapoints (voluntary disclosure) which account for 277 datapoints in IG 3, and which were all eliminated, with the possibility (to be verified in the TEG meeting 9/10 July and SRB meeting 14/16 July 2025) to maintain a handful of them for less mature disclosures, on exceptional basis.

Overall, considering the reduction of both may and shall datapoints, the preliminary counting assessment reveals an overall reduction in datapoints is approx. -66%.

Revised structure and drafting conventions

At the time of preparation of this paper the discussion and approval process is still ongoing, therefore the exception to the general rule of no new datapoints and no may datapoints moved to shall are subject to possible minor modifications.

As compared to the ESRS Set 1 (adopted in July 2023), the structure of the standards has been significantly revised and streamlined. In particular:

- All the “shall disclose/shall include/shall report/shall describe/shall explain” have been considered and simplified. They are presented in the main body of the standard. They have been counted as separate datapoints.
- Below the text of each Disclosure Requirement in topical standards (or section for ESRS 1), boxed content presents the streamlined corresponding mandatory methodological guidance, which is named “Application Requirements” (AR). This includes “shall consider” as element of methodology for preparing the disclosure and “may (present)” for presentation options. ARs are not counted as separate datapoints.
- Non mandatory appendices have been maintained in ESRS 1 on an exceptional basis, given their importance (former AR 16).
- All the “may” disclosures have been either eliminated or moved to guidance, except for a few of them which are exceptionally still being considered.

All the non-mandatory content has been moved to separate documents named “Non-Mandatory Illustrative Guidance (NMIG)”. While the four points above are drafted to become part of the delegated act, the legal status of the NMIG remains open from an EFRAG’s standpoint (either as appendices in the delegated act or as documents issued independently of the delegated act) and will be considered by the EC in due course

Question for EFRAG SR TEG/ SRB

If you were asked to indicate a vote on for the approval of the Exposure Drafts based on the present Working Documents (ESRS V.1.6), would you approve? If not, what are your remaining reservations? Please consider as reservations in this context only elements of dissent so fundamental that you cannot support the entire standard.

In case of reservations, please explain the reasoning and alternative wording.

Next steps

EFRAG SR TEG members on 9 and 10 July 2025 will express their intentions of vote and, if applicable, their reservations.

The outcome of the vote will be communicated to the EFRAG SRB, together with a list of recommended changes to ESRS V2, if applicable.

The EFRAG SRB members on 14/16 July 2025 will consider ESRS V2 and the outcome of the EFRAG SR TEG meetings (9 and 10 July) and will express their intentions of vote and, if applicable, their reservations.

Another EFRAG SRB meeting is scheduled on the 25 July 2025, to conclude on the issuance of the Exposure Draft and accompanying documents.

Agenda papers

In addition to this cover note:

- 03.01 ESRS 1 V2
- 03.02 ESRS 1 V2 NMIG
- 04.01 ESRS 2 V2
- 04.02 ESRS 2 V2 NMIG
- 05.01 ESRS E1 V2
- 05.02 ESRS E1 V2 NMIG
- 05.03 ESRS E2 V2
- 05.04 ESRS E2 V2 NMIG
- 05.05 ESRS E3 V2
- 05.06 ESRS E3 V2 NMIG
- 05.07 ESRS E4 V2
- 05.08 ESRS E4 V2 NMIG
- 05.09 ESRS E5 V2
- 05.10 ESRS E5 V2 NMIG
- 06.01 ESRS S1 V2
- 06.02 ESRS S1 V2 NMIG
- 06.03 ESRS S2 V2
- 06.04 ESRS S2 V2 NMIG
- 06.05 ESRS S3 V2
- 06.06 ESRS S3 V2 NMIG
- 06.07 ESRS S4 V2
- 06.08 ESRS S4 V2 NMIG
- 07.01 ESRS G1 V2
- 07.02 ESRS G1 V2 NMIG

APPENDIX I – LIST OF IFRS ALIGNED DATAPOINTS DELETED FROM MANDATORY REPORTING

ESRS 2 GOV-1 – The role of the administrative, management and supervisory bodies in relation to sustainability IFRS V 1. for para. 8 (22 c): The undertaking may disclose the management's role in the governance processes, controls and procedures used to monitor, manage and oversee impacts, risks and opportunities including information about whether the management role is delegated to a specific management-level position or committee and how oversight is exercised over that position or committee.

ESRS 2 GOV-2 – Integration of sustainability-related performance in incentive schemes IFRS V 2. for par. 10 (29 c) The undertaking may disclose: (a) a description of whether and how climate-related considerations are factored into executive remuneration; and (b) the percentage of executive management remuneration recognised in the current period that is linked to climate related considerations.

ESRS 2 - IRO-1 - Description of the process to identify and assess material impacts, risks and opportunities IFRS V 3. for para. 25 (b) (new) In describing the decision-making process, the undertaking may disclose the extent to which and how the process to assess and manage material sustainability impacts, risks and opportunities is integrated into the undertaking's overall risk management process.

ESRS 2 - General Disclosure Requirement for actions and resources in relation to material topics – SDR-A IFRS V 4. for para. 36 (68 (e) amended) If the undertaking monitors the progress made against the actions disclosed in previous reporting periods, including quantitative and qualitative information, it may disclose it

E1(AR 46(g), amended) If the undertaking aims to ensure interoperability with IFRS S2 it may disclose information that enables users to understand the extent to which its Scope 3 greenhouse gas emissions are measured using inputs from specific activities within the entity's value chain (primary data), secondary data or a combination of both.

E1 (53 amended) The undertaking may disclose its gross GHG emissions intensity (per unit of products and/or services). (AR 53 amended) This may be expressed on the basis of production, net revenue, or other relevant business metric, for example emissions per unit of production.