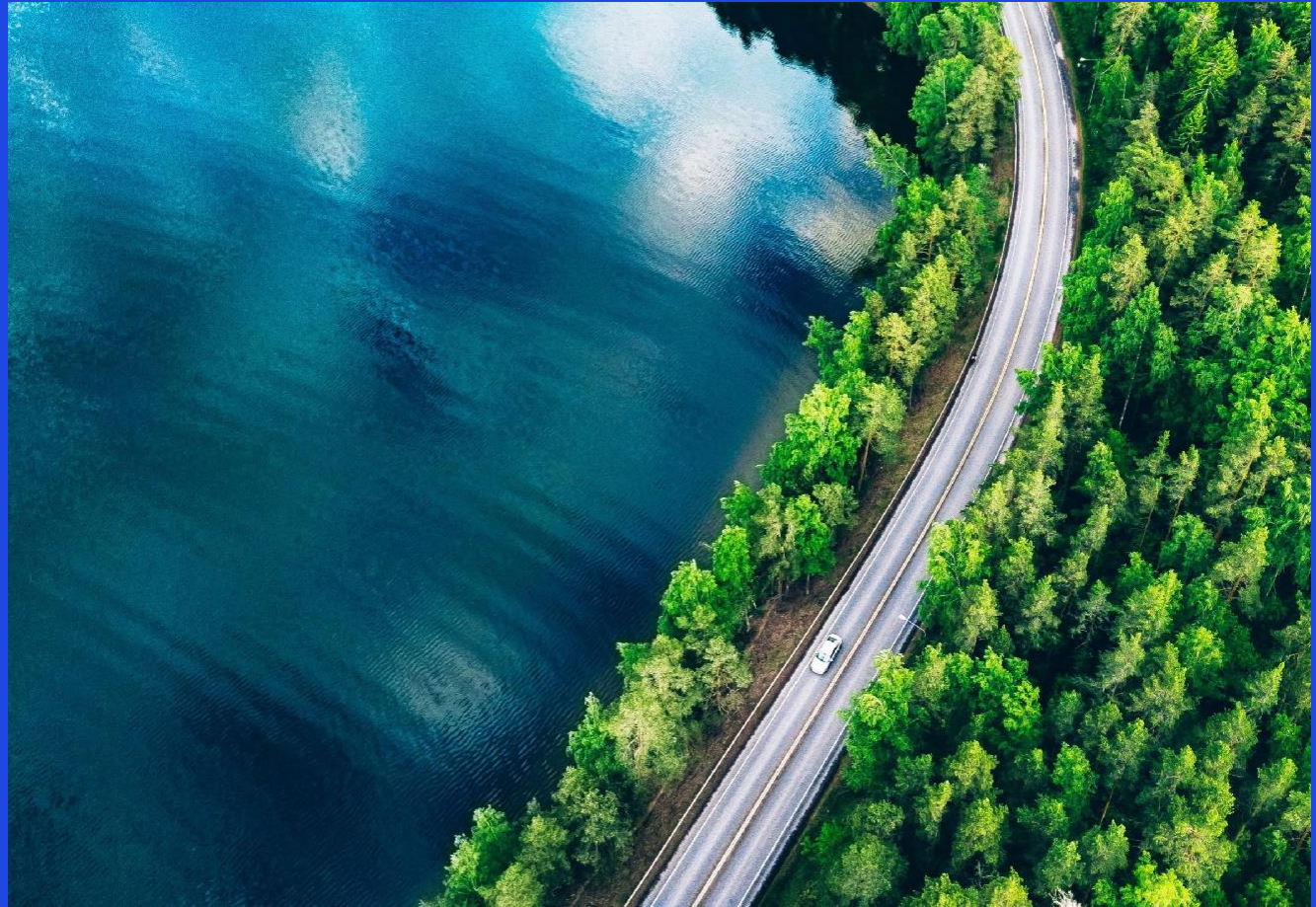




Update on CSRD, ESRS & EU Taxonomy Simplification

September 2025



Agenda

01 What happened in the area of ESG reporting?

02 Updates on EU Taxonomy

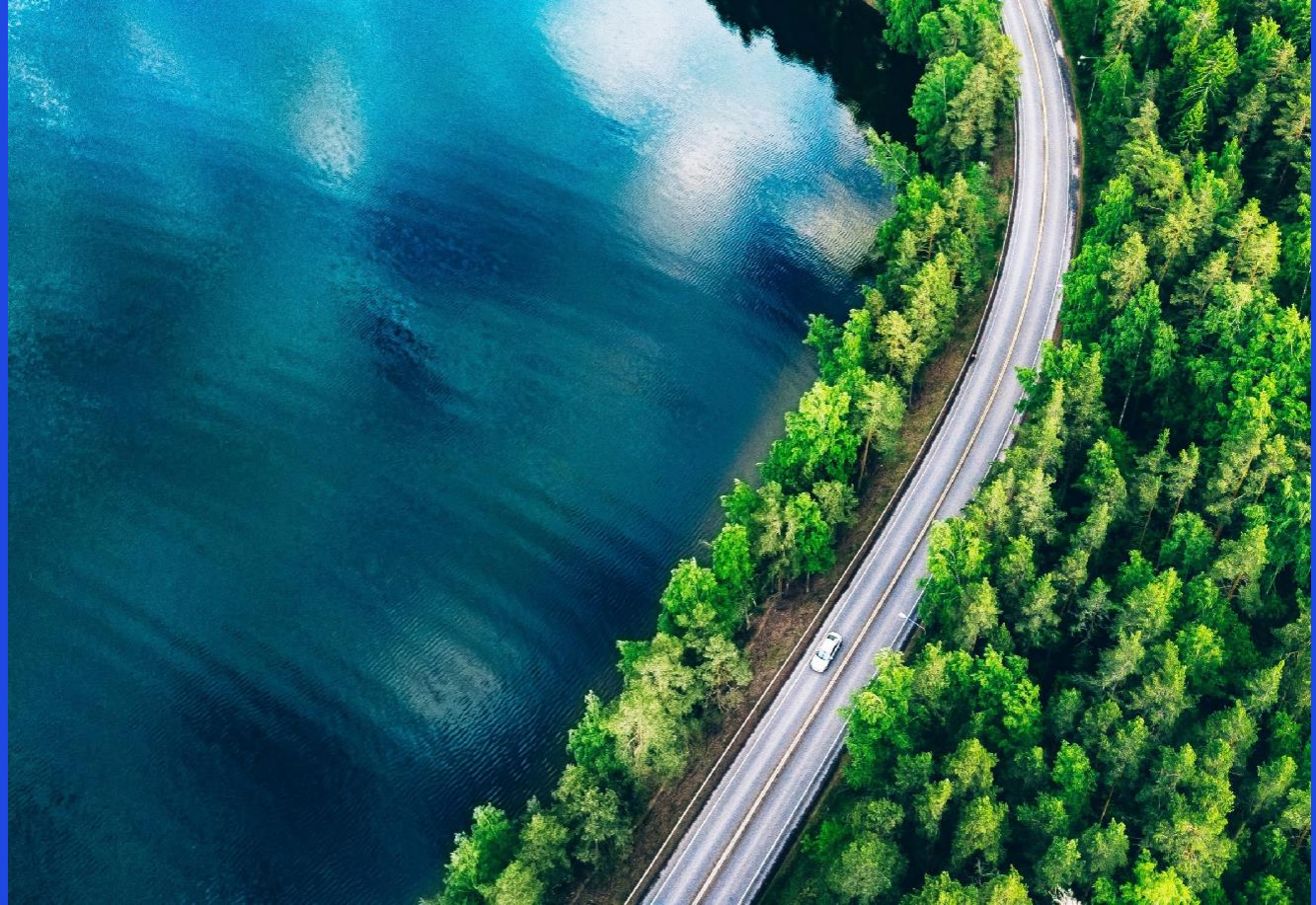
03 New amended ESRS Exposure Draft explained

04 What is next?



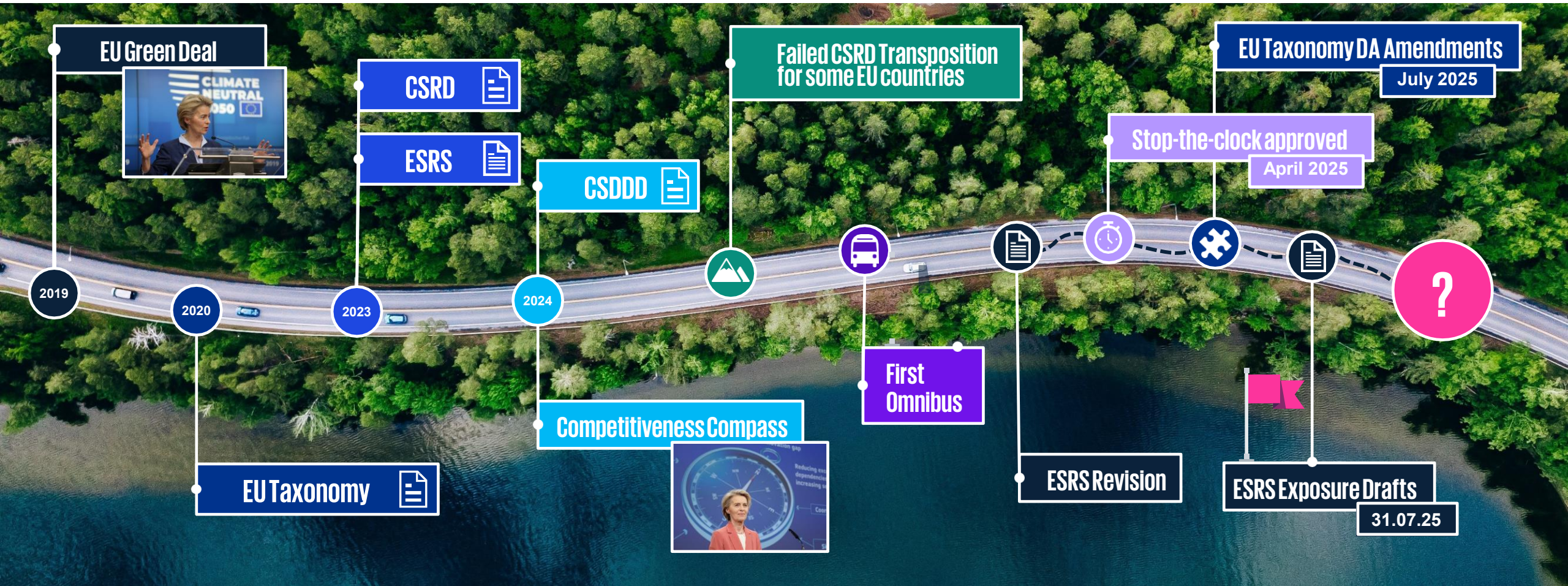


What happened in the area of ESG reporting?

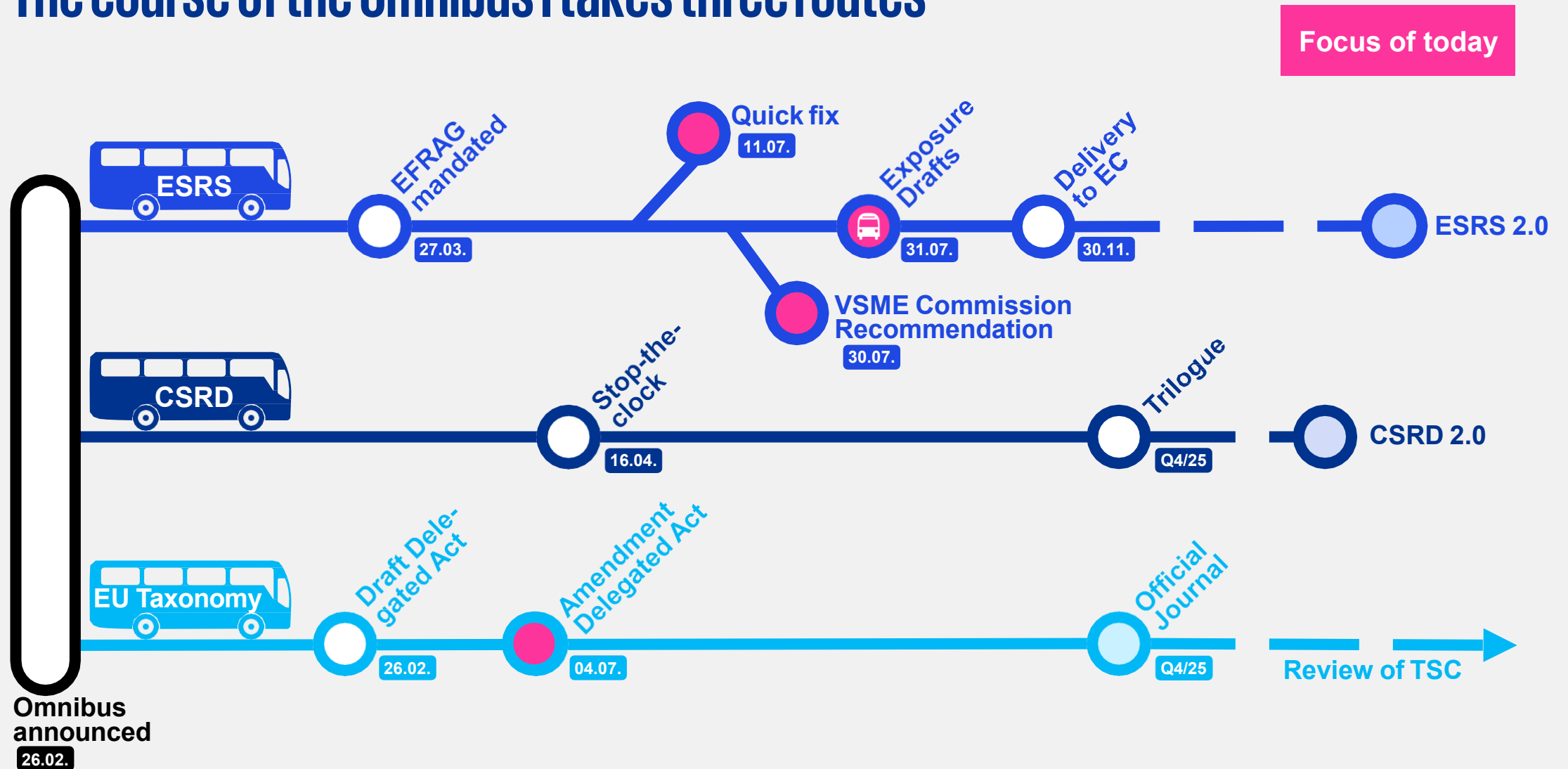


1. What happened in the area of ESG reporting?

Recap: the rollercoaster ride of ESG Reporting regulation



The course of the Omnibus I takes three routes



Like any transit map, this depiction is a simplification

The ESRS quick fix

Purpose : Reduce burden and align relief for companies already reporting under CSRD (Wave 1).

Quick-fix prevents wave-one firms from being held to tougher standards prematurely while broader ESRS reforms are underway

All wave one companies

Previous provision	Modification
May omit anticipated financial effects for financial year (FY) 2024	Extended to FYs 2025 and 2026

Wave one companies with more than 750 employees

Previous provision	Modification
Report against ESRS E4 (biodiversity and ecosystems) if material, no phase-in	May omit all information for FYs 2025 and 2026
May omit certain information under ESRS S1 (own workforce) for FY 2024: <ul style="list-style-type: none">• Characteristics of non-employees in the undertaking's own workforce• Collective bargaining coverage and social dialogue in non-EEA countries• Social protection• Percentage of employees with disabilities• Training and skills development• Cases of work-related ill-health• Number of days lost to injuries, accidents, fatalities and work-related ill health• Health and safety regarding non-employees• Work-life balance	Extended to FY 2025 and 2026
Report against ESRS S2 (workers in the value chain) if material, no phase-in	May omit all information for FYs 2025 and 2026
Report against ESRS S3 (affected communities) if material, no phase-in	May omit all information for FYs 2025 and 2026
Report against ESRS S4 (consumers and end-users) if material, no phase-in	May omit all information for FYs 2025 and 2026

Approved

„Quick fix“

Relief for Wave 1 companies

- Omission allowed for FY25 & FY26: anticipated financial effects for financial year (as already permitted for FY 2024)
- Phase-in DR under S1, extended to FY25 & FY26
- Wave 1 companies allowed to exclude ESRS E4, S2, S3 and S4 from their sustainability reporting in FY25 & FY26

[Link to quick fix summary](#)

VSME : recommendations from the EU Commission to financial institutions

One of the aim of VSME and related recommendation is to urgently **help SMEs to respond to the information requests** that they already receive from financial institutions, large companies and other stakeholders. The Commission can provide guidance to the market and thereby reduce the administrative burden for SMEs and other stakeholders by encouraging SMEs to publish sustainability information using the VSME standard developed by EFRAG and by encouraging those requesting sustainability information from SMEs to use this standard to the extent possible.



Adopted „VSME recommendations“

For large entities & financial institutions

- Use the principle of proportionality when requesting info to SMEs
- Exercise restraint when requesting information from SME value chain partners
- Should limit as far as possible such request of information that is coherent with the disclosures included in the VSME.

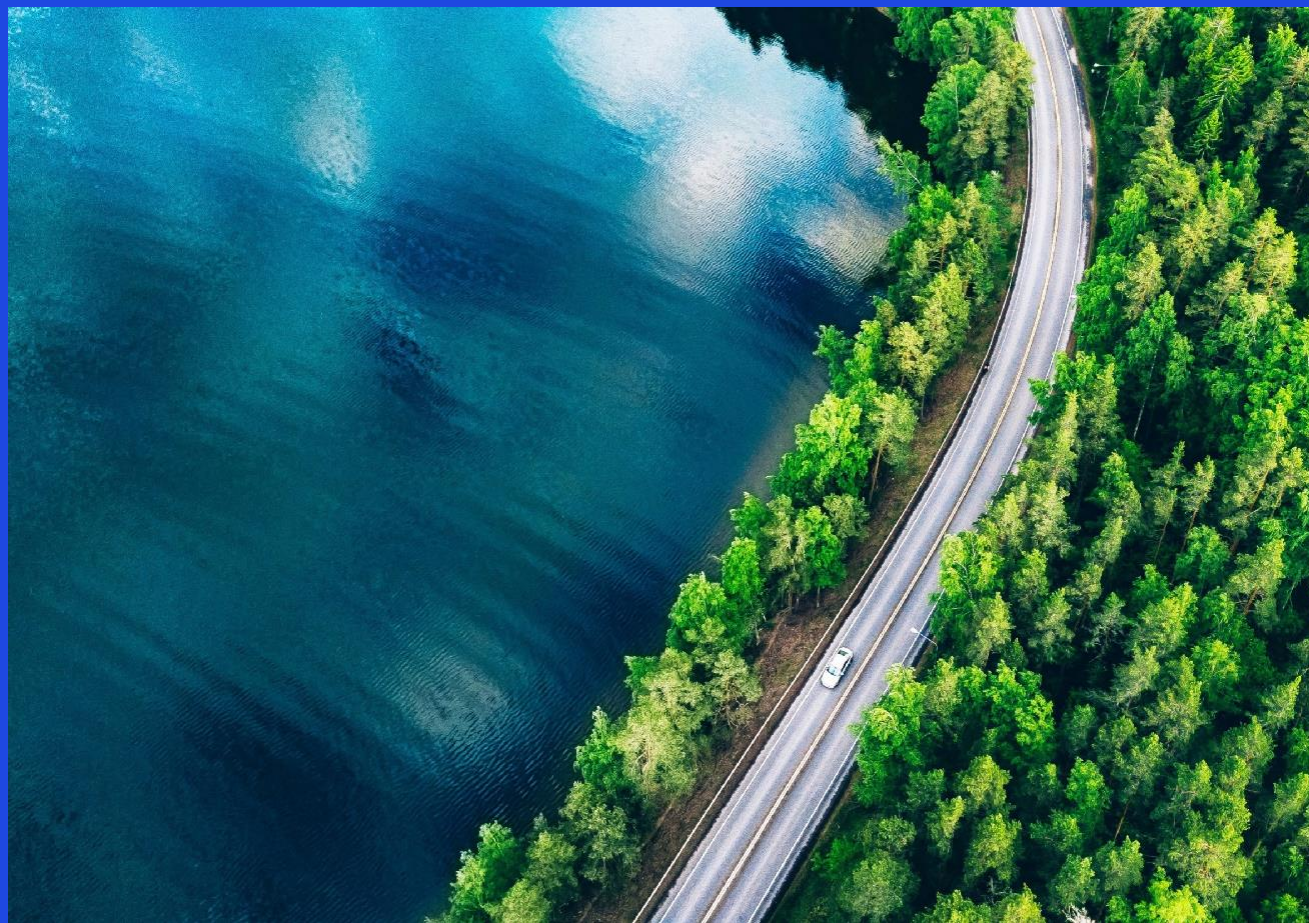
[Link to VSME recommendations](#)



Updates on EU Taxonomy

The EU Taxonomy, in force since July 12, 2020, defines a unified classification for sustainable economic activities. The updated Delegated Regulation (C(2025) 4568 final), published on **July 4, 2025**, simplifies disclosure and screening criteria to boost transparency, cut reporting burdens, and support sustainable investment.

If no objections occur during the scrutiny period, the amendments will apply for 2025 reporting periods,
with an option to delay their application until the 2026 reporting period.



Accepted changes on EU Taxonomy for non-financial companies

Accepted key adjustments by the Commission, 4th of July 2025



Scoping

- Full reporting: More than 1,000 employees and above €450M net revenue
- Voluntary reporting: Financial institutions in adjusted CSRD scope but below €450M net revenue that want to claim that their activities are taxonomy-aligned



Materiality

- **10% materiality threshold:** Can be reported as non-material if activities cumulatively account for less than 10% of turnover, capex, or opex
- **Opex exemption:** Template can be omitted if opex is not material; company must disclose total opex and provide justification



New reporting template

- New summary table (static template) added
- Templates simplified: Data points reduced by 64%, from 78 to 28
- Detailed reporting templates for gas & nuclear deleted and now reported in aggregate in general templates



Do-no-significant-harm criteria

Revised criterion (c), (d), and (f) of Appendix C:

- The DNSH criteria for “pollution prevention and control” related to the use and presence of chemicals are simplified
- Clarifying the application of certain exemptions under EU environmental law
- Only substances of very high concern, meeting the criteria laid down in Article 57 of Regulation (EC) No 1907/2006 (REACH), need to be assessed



Assets covered in the KPI calculation

No change on this aspect

Simplified reporting templates: Template 1

TEMPLATES FOR THE KPIs OF NON-FINANCIAL UNDERTAKINGS

Template 1: Proportion of turnover, CapEx, OpEx from products or services associated with Taxonomy-eligible or Taxonomy-aligned economic activities – disclosure covering year (N)(summary KPIs)

Financial year (N)					Breakdown by environmental objectives of Taxonomy aligned activities										
KPI (1)	Total (2)	Proportion of Taxonomy eligible activities(3)	Taxonomy aligned activities (4)	Proportion of Taxonomy aligned activities(5)	Climate Change Mitigation (6)	Climate Change Adaptation (7)	Water (8)	Circular Economy (9)	Pollution (10)	Biodiversity (11)	Proportion of enabling activities (12)	Proportion of transitional activities (13)	Not assessed activities considered non-material (14)	Taxonomy aligned activities in previous financial year (N-1) (15)	Proportion of Taxonomy aligned activities in previous financial year (N-1) (16)
Text	Currency	%	Currency	%	%	%	%	%	%	%	%	%	%	Currency	%
Turnover		%		%	%	%	%	%	%	%	%	%	%		%
CapEx	1	%	1	%	2	%	%	%	%	%	%	%	3		%
OpEx		%		%	%	%	%	%	%	%	%	%	%		%

- 1 **Column (2/4):** Denominator of the respective KPI.
- 2 **Columns (6)–(11):** Breakdown of the aligned activities in Column (5) by environmental objective. The sum must equal Column (5).
- 3 **Column (14):** shows the share of the KPI linked to non-material activities not assessed for Taxonomy eligibility or alignment. It must not include any part of turnover, CapEx, or OpEx from material activities, which must be fully assessed.

**Avoid double counting. If an activity contributes to multiple objectives, show it under each objective in Template 2, but do not double count in Template 1.*

Simplified reporting templates: Template 2

Template 2: Proportion of turnover, CapEx, OpEx from products or services associated with Taxonomy-eligible or Taxonomy-aligned economic activities – disclosure covering year (N) (activity breakdown)

Reported KPI (Turnover/ CapEx/ OpEx)													
Financial year (N)													
Economic Activities (1)	Code (2)	Taxonomy eligible KPI (Proportion of Taxonomy eligible Turnover / CapEx / OpEx) (3)	Taxonomy aligned KPI (monetary value of Turnover / CapEx / OpEx) (4)	Taxonomy aligned KPI (Proportion of Taxonomy aligned Turnover, CapEx, OpEx (5)	Environmental objective of Taxonomy aligned activities						Enabling activity (12)	Transitional activity (13)	Proportion of Taxonomy aligned in Taxonomy eligible (14)
					Climate Change Mitigation (6)	Climate Change Adaptation (7)	Water (8)	Circular Economy (9)	Pollution (10)	Biodiversity (11)			
Text		%	Currency	%	%	%	%	%	%	%	(E where applica ble)	(T where applicable)	%
Activity 1				%	%	%	%	%	%	%			%
Activity 2				%	%	%	%	%	%	%			%
Sum of alignment per objective					%	%	%	%	%	%			
Total KPI (Turnover/ CapEx / OpEx)				%	%	%	%	%	%	%	%	%	%

- 1 An activity may align with **more than one environmental objective**. For such activities, additional line items will be included for the number of environmental objectives the activity contributes to. In essence: Two lines, meaning the activity contributes to two environmental objectives.
- 2 Non-financial undertakings must use a **separate table for each KPI** (turnover, CapEx, OpEx), clearly titled. If a KPI shows zero Taxonomy-eligible value in Template 1, column (3), Template 2 for that KPI may be omitted.
- 3 **Row “Total KPI”:** Columns (3)–(13) show the total across all activities. Non-financial undertakings must avoid double counting in columns (4)–(11) by reporting only the most relevant environmental objective per activity. Column (5) must equal the sum of columns (6)–(11). Financial undertakings must use the Total KPI figures from Template 1 when computing their own KPIs. Totals in Template 2 must match the corresponding columns in Template 1.

Accepted changes on EU Taxonomy for financial institutions

Accepted key adjustments by the Commission, 4th of July 2025



Scoping

- Full reporting: More than 1,000 employees and above €450M net revenue
- Voluntary reporting: Companies in adjusted CSRD scope but below €450M net revenue that want to claim that their activities are taxonomy-aligned



Materiality

- **10% materiality threshold:** No need to assess exposures with known use of proceeds if they represent <10% of total
- **Credit institutions relief:** May skip reporting on activities contributing <10% of total turnover



New reporting template

- Postponed reporting: Trading book and fee/commission income reporting is only for credit institutions from 2027
- Templates simplified: Data points reduced by 89%
- Detailed reporting templates for gas & nuclear deleted and now reported in aggregate in general templates



Do-no-significant-harm criteria

Revised criterion (c), (d), and (f) of Appendix C:

- The DNSH criteria for “pollution prevention and control” related to the use and presence of chemicals are simplified
- Clarifying the application of certain exemptions under EU environmental law
- Only substances of very high concern, meeting the criteria laid down in Article 57 of Regulation (EC) No 1907/2006 (REACH), need to be assessed



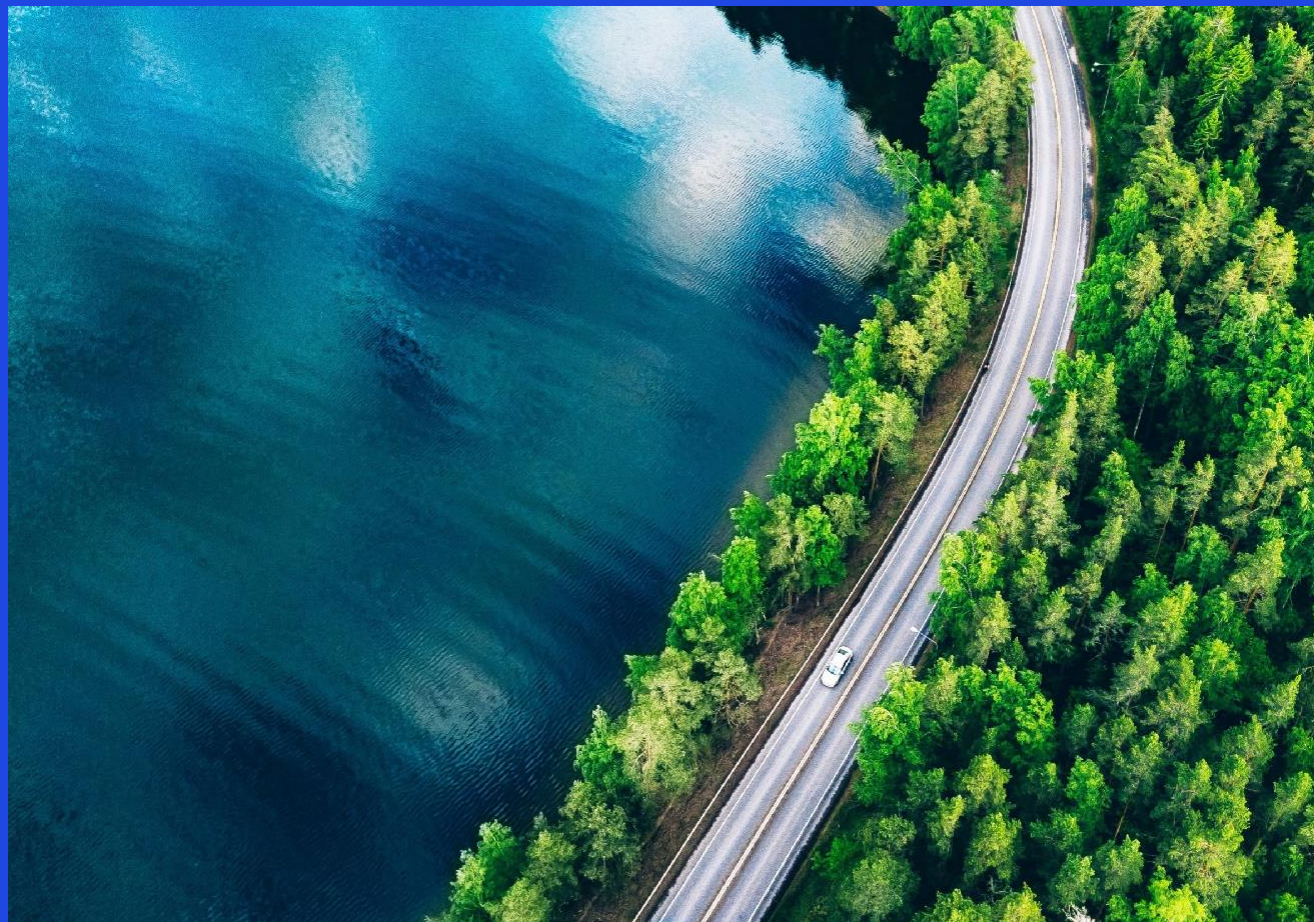
Assets covered in the KPI calculation

Denominator exclusions: Assets like cash, derivatives, goodwill, commodities, and non-reporting counterparties are excluded from taxonomy ratios

Optional inclusion: Allowed if counterparties report voluntarily or use of proceeds is known



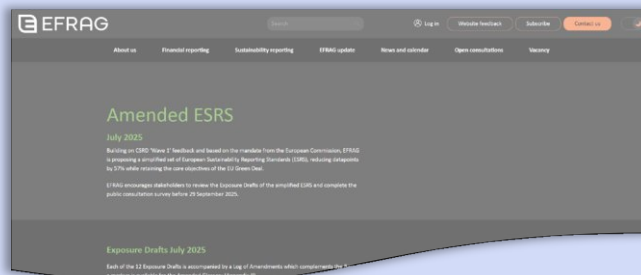
Exposure Drafts Amended ESRS



Let's take a closer look on the timetable for the ESRS Simplification



ESRS Exposures have been published on 31st of July ...



[EFRAG webpage on Amended ESRS](#)

[Press release on amended ESRS & start of 60-day public consultation](#)



... and you can download the standards and accompanying materials:

Revised Exposure Drafts			One Pager	Basis for Conclusions
ESRS 1	ESRS E1	ESRS S1		
ESRS 2	ESRS E2	ESRS S2		
... and Log of Amendments for all ESRS	ESRS E3	ESRS S3		
	ESRS E4	ESRS S4		
	ESRS E5	ESRS G1		
FAQ	Non-Mandatory Illustrative Guidance	Annex II Acronyms & Glossary of Terms	Consolidated Stakeholder Feedback	

Supplementary materials to help you understand the changes in the ESRS

FAQ

- 28 questions to summarize the process
- Explanation of key decisions



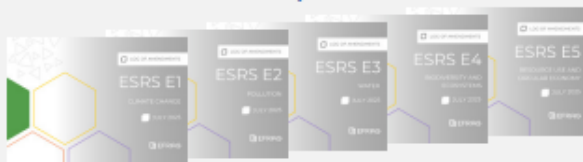
Basis for conclusions

- Detailed explanation of overall process
- One document, overview of main changes per ESRS (Section 8)



Logs of Amendments

- Tracked changes on level of paragraphs
- One document per ESRS



Level of detail

Illustrative example

ESRS Set 1 as per Delegated Act 2023	[Draft] Amended ESRS E1 <i>Climate Change</i>	Rationale
<p>Disclosure Requirement E1-2 – Policies related to climate change mitigation and adaptation</p> <p>22. The undertaking shall describe its policies adopted to manage its material impacts, risks and opportunities related to climate change mitigation and adaptation.</p> <p>23. The objective of this Disclosure Requirement is to enable an understanding of the extent to which the undertaking has policies that address the identification, assessment, management and/or remediation of its material climate change mitigation and adaptation impacts, risks and opportunities.</p> <p>24. The disclosure required by paragraph 22 shall contain the information on the policies the undertaking has in place to manage its material impacts, risks and opportunities related to climate change mitigation and adaptation in accordance with ESRS 2 MDR-P <i>Policies adopted to manage material sustainability matters</i>.</p> <p>25. The undertaking shall indicate whether and how its policies address the following areas:</p> <ol style="list-style-type: none"> climate change mitigation; climate change adaptation; energy efficiency; renewable energy deployment; and other 	<p>Disclosure Requirement E1-2 E1-4 Policies related to climate change</p> <p>22. The undertaking shall describe its policies adopted to manage its material impacts, risks and opportunities related to climate change mitigation and adaptation.</p> <p>23. The objective of this Disclosure Requirement is to enable an understanding of the extent to which the undertaking has policies that address the identification, assessment, management and/or remediation of its material climate change mitigation and adaptation impacts, risks and opportunities.</p> <p>24. The disclosure required by paragraph 22 shall contain the information on the policies the undertaking has in place to manage its material impacts, risks and opportunities related to 22. The undertaking shall disclose its climate change <u>policies</u> mitigation and adaptation in accordance with the provisions of [Draft] Amended ESRS 2 GDR-P. Policies adopted to manage material sustainability matters.</p> <p>25. The undertaking shall indicate whether and how its policies address the following areas:</p> <ol style="list-style-type: none"> climate change mitigation; climate change adaptation; energy efficiency; renewable energy deployment; and other 	<p>Moved Moved to ESRS 2.</p> <p>Deleted Received feedback indicated that objectives to disclosures are seen redundant with the actual DR. [...]</p> <p>Amended Integration from former [14(b)]. [NMIG contains related guidance for par. 22]</p> <p>Deleted Received feedback indicated that [...] same disclosure [is] provided under ESRS E1 par. 24 [...]</p>

Next stop ahead: Public consultation considering Exposure Drafts



Participate in the public consultation by ...

... reviewing the amended ESRS from EFRAG's website

... entering the Public Consultation Survey:

**Amended ESRS Exposure Draft July 2025
Public Consultation Survey**



... answering the survey questions structured in 3 parts:

Part 1: Profile of the respondent (*always required*)

Part 2: General feedback (*option to choose questions*)

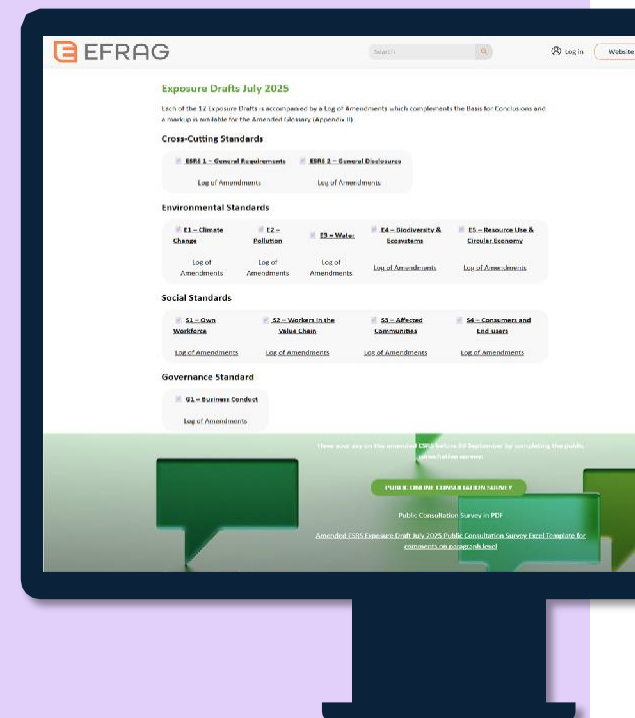
Part 3: Detailed feedback at level of DR or paragraph (*optional*)

→ Detailed feedback at paragraph level can be provided by using and uploading the [provided Excel Template](#) (XLSX file)







... considering to join the two separate fields tests:

**Adequate Wage
Methodology**









**Gross vs. Net in the
DMA**



Exposure Drafts show progress on EFRAG's six simplification levers

<h2>DMA Simplification</h2> <p><i>Reorganisation of topic clustering, removing sub-sub-level</i></p> <p>Conclusion based on material IRO's remains, but more pragmatic approach</p> <div><p>Topic long-list Discard topics clearly non-material IROs identification for material topics and "close-calls" IRO-assessment for "close-calls"</p></div> <p><i>Introducing a more pragmatic DMA process</i></p>	<h2>Readability and connected reporting</h2> <p><i>Flexibility, streamlined structure and less redundancy</i></p> <ul style="list-style-type: none">→ Introduction of an executive summary and use of appendices→ Shift of ESRS-2-related disclosures from topical ESRS into ESRS2→ Aggregation in E1-2 and E1-3 of datapoints on climate risk & scenario's and climate resilience→ Aggregation in datapoints related to channels to raise concern and engagement with stakeholders in one DR→ Introduction of (P)AT DR's for business conduct	<h2>GDR/MDR and topical standard information</h2> <p><i>Principle-based disclosures with less duplication</i></p> <ul style="list-style-type: none">→ "Minimum Disclosure Requirements" are now titled "General Disclosure Requirements"→ More flexible aggregation and disaggregation of PATM disclosures→ From checklist to principle-based reporting→ Introduction of (P)AT DR's for business conduct	<h2>Understandability, clarity, accessibility</h2> <p><i>Clear separation and significant reduction</i></p> <div><p>Separating "may" to NMIG and mandatory ARs are next to DRs</p><div><p>Non-Mandatory Illustrative Guidance on voluntary datapoints</p></div><p>Application Requirements</p><div><div><p>Set 1</p><p>DR 1</p><p>DR 2</p><p>...</p><p>AR to DR 1</p><p>AR to DR 2</p></div><div><p>Exposure Drafts</p><p>DR 1</p><p>AR to DR 1</p><p>DR 2</p><p>AR to DR 2</p><p>...</p></div></div></div>	<h2>Other revisions</h2> <p><i>Reduction of reporting burden and other clarifications</i></p> <div><div><p>'Undue cost or effort'</p><ul style="list-style-type: none">✓ Undertakings shall use reasonable and supportable information available without undue cost or effort</div><div><div><p>Partial scope reporting of metrics</p><ul style="list-style-type: none">✓ For own operations and value chain data✓ Requirement to disclose circumstancesX Excluding GHG emissions reporting (E1-8)</div><div><div><p>Acquisitions and disposals</p><ul style="list-style-type: none">✓ Option to include/exclude reporting on acquired/ disposed subsidiaries in current reporting periodX Limitation for major events with IRO impact</div></div><p>Reporting boundary Confirmation of financial control approach</p></div></div>	<h2>Enhanced interoperability</h2> <p><i>Harmonizing language and key concepts with ISSB</i></p> <div><p>Increased ISSB alignment</p><p><i>Alignment in key concepts and wording as far as possible</i></p><p><i>„fair presentation“</i></p><p><i>„undue cost and effort“</i></p><div></div></div>
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What stays: Selected aspects that did not change in the Exposure Drafts

	Double Materiality Assessment	The overarching concept of the double materiality assessment persists in structure & methodology
	IROs remain basis for reporting	Consequently, basis of the reporting are still impacts, risk and opportunities identified as material for which policies, actions, targets and metrics are to be reported
	Structure of standard	Overall structure of the ESRS and topics in the topical standards stay the same
	Climate transition plan & anticipated financial effects	Climate transition plan remains as one single, concise narrative with reference to other disclosures, especially policies, actions and targets Specific disclosure requirements for climate-related anticipated financial effects remain (in contrast to E2 – E5)
	Disclosure on biodiversity sensitive areas stays	Disclosure on policies related to sites in or near biodiversity sensitive areas and new Application Requirement definition and guidance for ‘near’ biodiversity sensitive areas
	Marine resources is still in	Although marine resources is removed from the title of the E3 <i>Water</i> standard, reporting on marine resources remains part of E5 <i>Resource use and circular economy</i> and on marine ecosystems remains part of E4 <i>Biodiversity and ecosystems</i>
	Non-employees stay in for particular cases	Total number of non-employees only to be reported, when they are a significant driver of IROs related to own workforce. Disclosures on non-employees with regards to health & safety remain.
	Incidents of corruption and bribery	Total number of convictions and amount of fines remain in place, while “may” datapoint related to confirmed incidents has been turned into a “shall” datapoint

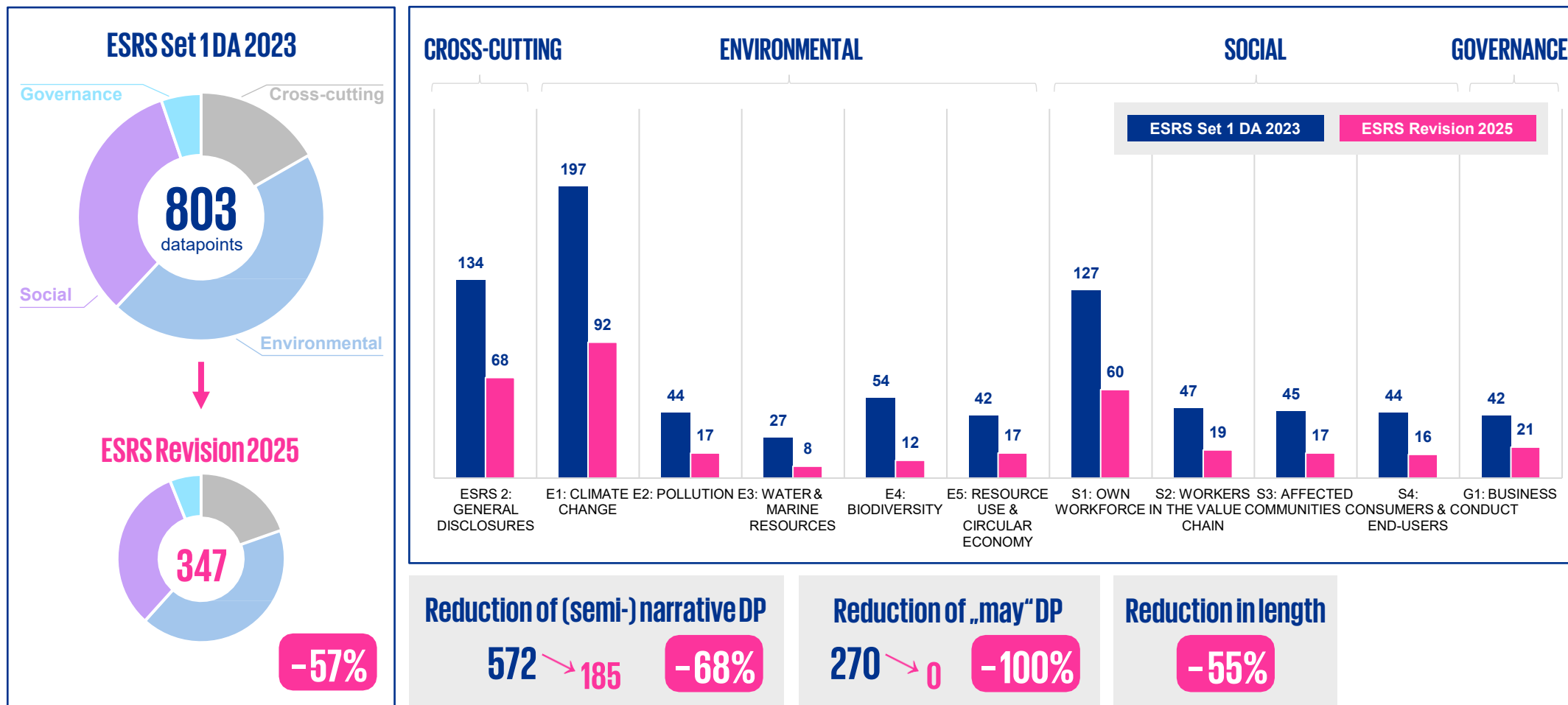
Cross Cutting

Environment

Social

Governance

The Exposure Drafts reduce the volume of the ESRS significantly but not necessarily the associated efforts in proportion



DP = datapoints | based on EFRAG IG 3 counting methodology | figures pertain to „shall“ DP, „may“ DP only included in separate „may“ statistic

KPMG Selected key changes in the ESRS Exposure Drafts

The selected changes presented below are further explained in the deepdives in the next chapter.

Cross-Cutting

- **Introduction of fair presentation principle**
- **Adaptability in reporting** through choice of reporting level, topic simplifications, and use of executive summaries & appendices
- **Reporting boundary** clarified
- **Aggregation alongside disaggregation**
- **No undue cost or effort & reliefs on metrics calculation**
- **“Practical considerations” for DMA** introduced potentially reducing granularity of IROs
- **Concept of materiality of information** in greater focus
- Clarifying Appendix on **gross vs. net impacts**
- Presentation of **non-material information** required by rating agencies/ similar third parties clarified
- **List of topics reworked;** level of sub-sub-topic removed
- Compared to other standards, **ESRS 2 DRs were substantially restructured**
- MDRs are now named **“General Disclosure Requirement”** (GDRs)

Environment

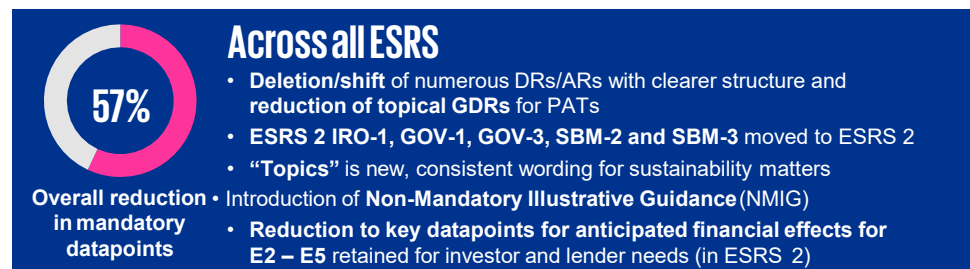
- **E1 Transition plan** disclosures are simplified, yet the transition plan is going to stay
- **Climate-related risks, scenario analysis & climate resilience** have two dedicated DRs
- **GHG emission reporting boundaries** clarified (financial control) with additional requirement on operational control
- **If material E2 IROs arise at local level**, disaggregation as per ESRS 1 has to be considered (sites or assets)
- **Scope of SoC & SVHC Metrics** clarified, and a REACH threshold included
- **E3 is now titled Water**, “marine resources” disclosures moved to other topical standards
- Water metrics with **additional disclosures** on **withdrawal and discharge**
- **“Double” conditional disclosure of E4 Biodiversity transition plan** (if in place and made public)
- Definition of **biodiversity sensitive areas** in AR/Annex II
- **Concept of “key materials”** in E5 resource inflows & inclusion on **critical/strategic raw materials**
- **Packaging** to be disclosed separately

Social

- Updated **clustering of sub-topics**
- **Human rights policy** disclosures moved to ESRS 2
- **Merger of DRs on processes to engage and raise concern** (S#-2 and S#-3)
- Obligation to **always report on S1-5 and S1-16** (if own workforce material) **and S1-6** (if non-employees material)
- **Simplified data approach**, e.g. on lost days due to fatalities, age distribution and live events for social protection
- **Concept of “significant employment” updated** for employee characteristics and bargaining agreements
- Limited disclosures on **non-employees**
- **Adequate wages hierarchy adjusted** for non-EEA countries
- Concept of **“severe” human rights incidents removed**

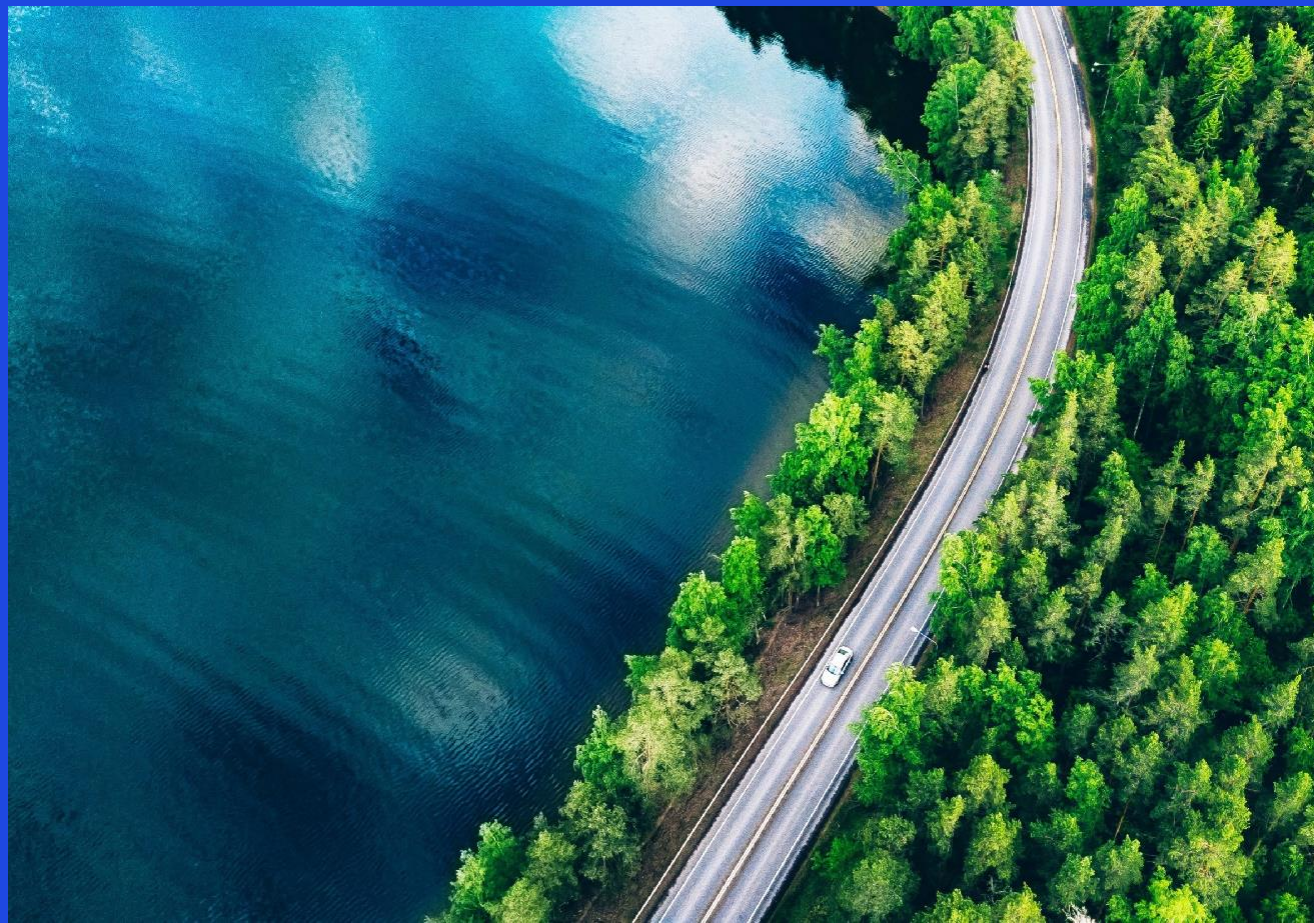
Governance

- **Introduction of clear PAT-architecture** in G1
- **Adjusted examples and more guidance** to support implementation
- Datapoints on **training of procurement team and confirmed incidents transformed into “shall”**
- **Simplification by deletion or moving** several voluntary metrics to NMIG
- Removal of **average time to pay an invoice**





Deepdives



What changed: ESRS 1 General requirements

Exposure Draft Changes	
Word count +/- 0%	
no datapoints	
Cross-Cutting	ESRS 1
	ESRS 2
Environmental	E1
	E2
	E3
	E4
	E5
Social	S1
	S2
	S3
	S4
Gov	G1

- 1 Introduction of fair presentation principle
- 2 Flexibility regarding level of reporting based on IROs
- 3 Clarifications on reporting boundary
- 4 No undue cost or effort & reliefs on metrics calculation
- 5 Adaptability in reporting regarding structure

2. Fair presentation	<ul style="list-style-type: none"> Reporting of relevant information and faithful representation* Basis are materiality and qualitative characteristics: relevance, faithful representation (fundamental) as well as comparability, verifiability and understandability (enhancing) Following concept of ISSB and other frameworks
3.2 Interaction between reporting & mat. IROs	<ul style="list-style-type: none"> Level of sub-sub-topics is deleted Clarity that only data points related to a material sub-topic are to be reported Introduction of management approach: Reporting may be on IRO or topic level depending what provides the most relevant information
5. Reporting boundary	<ul style="list-style-type: none"> In general, financial control approach confirmed for group sustainability statements Unconsolidated subsidiaries need to be included only when group is exposed to material IROs through such subsidiaries "Value chain cap" concept has been formally included, aligning with EU legal limits Reliefs for changes in perimeter (acquisitions and disposals) and subsidiaries with different reporting periods
7.3 Undue cost or effort	<ul style="list-style-type: none"> Introduction of "undue cost or effort" principle for obtaining reasonable and supportable information.* Information needs of users need to be considered
7.4 Reliefs for Metrics	<ul style="list-style-type: none"> Own operations: Possibility to exclude activities in metric calculations if not significant value driver and exclusion does not impair relevance of information Own operations & value chain: Possibility to cover only part of the undertaking when undue cost or effort prevail* in direct measurement or estimation (except E1-8 / former E1-6)
8. Structure	<ul style="list-style-type: none"> Use of appendices for details and executive summaries allowing effective investor communication to provide flexibility in presenting the disclosures*

Find ESRS 1 Exposure Draft [here](#). AR = Application Requirement, IROs = Impacts, Risks & Opportunities. * = specific question in the public consultation. First column in the table does not refer to original ESRS titles of disclosure requirements.

In-depth analysis: ESRS 1, Appendix A (former AR16)

Exposure Draft Changes		Topics	Sub-topics	Topics	Sub-topics
Word count +/- 0%	no datapoints	ESRS 1	Climate change	ESRS 2	Climate Change Mitigation
			Climate Change Adaptation		Climate Change Adaptation
Cross-Cutting	ESRS 1	ESRS 2	Energy	ESRS 1	Working conditions (adequate wages, work-life balance, working time, secure employment, social protection)
			Pollution of air		Social dialogue, freedom of association, works councils, participation rights of workers, and collective bargaining
Environmental	E1	E2	Pollution of water	S1	Health and safety
			Pollution of soil		Training and skills development
Social	S1	S2	Substances of concern, including substances of very high concern	S2	Diversity and equal treatment (gender equality, equal pay for equal work, employment and inclusion of people with disabilities, non-discrimination, anti-harassment)
			Microplastics		Other labour-related human rights (child labour, forced labour, privacy and adequate housing, water & sanitation ¹)
Gov	G1	G2	Water withdrawals	G1	Communities' economic, social and cultural rights (land-relate, security-related impacts, adequate housing and food, water and sanitation)
			Water consumption		Communities civil and political rights (freedom of expression, freedom of assembly, impacts on human rights defenders)
Environmental	E2	E3	Water discharges	S3	Rights of indigenous peoples (free, prior and informed consent ("FPIC"), self-determination, cultural rights)
			Water storage		Information-related impacts for consumers and/or end users (privacy, access to information, freedom of expression)
Social	S1	S2	Drivers of biodiversity and ecosystem change (terrestrial and marine habitat change, invasive species)	S4	Personal safety of consumers and/or end users (health and safety, protection of children, security of a person)
			State of species		Social inclusion of consumers and/or end users (access to products and services, responsible marketing practices, non-discrimination)
Gov	G1	G2	The extent and condition of terrestrial and marine ecosystems	G1	Corporate culture (including anti-corruption and bribery, protection of whistle-blowers & animal welfare)
			Ecosystem services		Political influence and lobbying activities
Environmental	E1	E2	Resource inflows	G2	Management of relationships with suppliers including (unfair) payment practices
			Resource outflows related to products and services		
Social	S1	S2	Resource outflows (waste)	G3	

SoC and SVHC are now one topic

Previously sub-sub-topic level on water topics

Equivalent structure for S1 & S2 remains²

Restructuring of social topics as mixture of previous sub-topics and sub-sub-topics. Some aspects upgraded from sub-sub- to sub-topic

Sub-topics have been integrated into Corporate culture

Title includes lobbying now

¹ Water and sanitation only applicable to ESRS S2. ² Appendix A, ESRS 1: "The level of detail of the materiality assessment for workers in the value chain, compared to that performed for own workforce, depends on the type and quality of data available."



In-depth analysis: Own operation vs. value chain

Exposure Draft Changes

Word count

+/- 0%

no
datapointsCross-
Cutting

ESRS 1

ESRS 2

E1

E2

E3

E4

E5

S1

S2

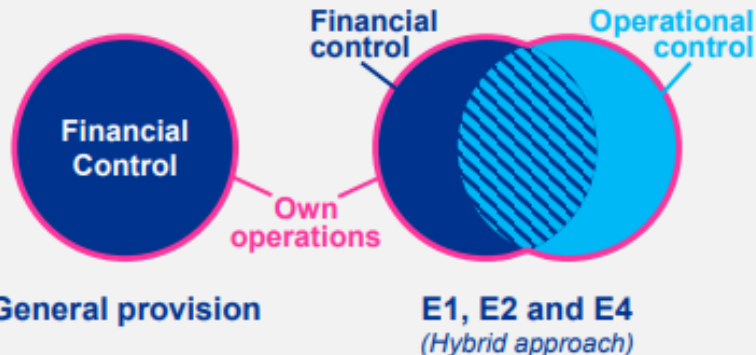
S3

S4

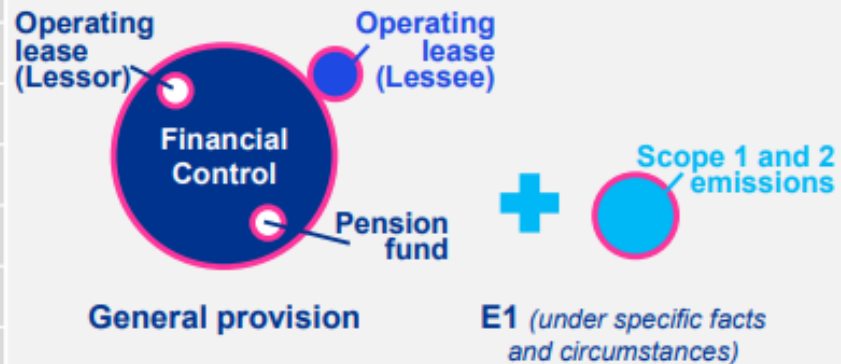
Gov

G1

ESRS 1.0



Exposure Draft [31.07.2025]



What does this mean for your reporting?

Changed provision may have an impact on leased assets in particular.

Review both your operating and finance leases:



Example

The reporting entity is the **lessor of an operating lease arrangement** (lessor has financial control over the leased asset and recognizes the asset on its balance sheet):

- **ESRS 1.0:** Within own operation of the lessor
- **Exposure Draft:** Lessor is directly connected with the impacts of the leased asset and therefore reports on IRO in its value chain

Changed provision

In-depth analysis: Reliefs for metrics

Exposure Draft Changes

Word count

+/- 0%

no
datapointsCross-
Cutting

ESRS 1

ESRS 2

Environmental

E1

E2

E3

E4

E5

Social

S1

S2

S3

S4

Gov

G1

ESRS 1.0

- No specific metrics reliefs beyond value chain provisions

Exposure Draft [31.07.2025]

Exclude non-significant activities



Activities within a company or group may be excluded from metric calculations if they are not significant drivers of impacts, risks, and opportunities, and their exclusion from the calculation is **not expected to impair the relevance or faithful representation** of the reported information.

Partial scope exclusion



Except for GHG emissions, if a company can only partially estimate metrics **due to cost or effort constraints**, it must disclose actions to improve data coverage and quality, assess progress, and adjust estimates when reliable data becomes available.

New provision

What does this mean for your reporting?

Exclude non-significant activities from metrics to maintain relevance and accuracy.

Material impact:
Water consumption in manufacturing processes

Factories



Include in calculation

Offices



Option to exclude from calculation

Disclose partial estimates and actions and improve data quality for future reporting.

Material impact:
Pollution through substances of concern

Site with reliable data



Include in calculation

Site without reliable data

Data (incl. estimates) not available without undue cost or effort



Option to exclude from calculation + Actions to improve

What changed: ESRS 1 General requirements - DMA

Exposure Draft Changes	
Word count +/- 0%	
no datapoints	
Cross-Cutting	ESRS 1
	ESRS 2
Environmental	E1
	E2
	E3
	E4
	E5
Social	S1
	S2
	S3
	S4
Gov	G1

- 1** Emphasis on Materiality of Information and when a material IRO triggers a topic to be reported
- 2** Introduction of “practical considerations” in determining material IROs and topics form a “top-down” perspective provide support and burden relief
- 3** Guidance how to consider prevention, mitigation and remediation actions (“gross versus net” issue)
- 4** Aggregation alongside disaggregation foster faithful presentation

3.1 Materiality of Information	<ul style="list-style-type: none"> In general, the role of information materiality has been clarified* All data points are subject to materiality of information for users Immaterial information may be included (e.g. when requested by rating agencies) when separately identified as such. Additional information must not obscure material information Clarified that DMA has to be only updated whenever circumstances change
3.5 Practical Considerations	<ul style="list-style-type: none"> Reduced granularity of assessment for “obviously” (im-)material (sub-)topics (labeled as “top-down approach”)* Reduced expected level of evidence to support conclusions for such IROs Introduction of undue cost or effort principle in information gathering for DMA in general
3.3.1 Impact Materiality Assessment	<ul style="list-style-type: none"> Severity of actual impacts is to be assessed after mitigation and prevention actions implemented prior to their occurrence* Mitigation and prevention actions considered may reduce severity and/ or likelihood of potential impacts* Supportable evidence is needed to take mitigation and prevention actions into account* Consideration of significant ongoing mitigation/ prevention actions is not possible* Remediation actions taken during the reporting period or planned to be taken in the future cannot be considered* Compliance with law and regulation are not positive impacts Business activities, products and services mitigating or remediating negative impacts of others are considered positive impacts of the reporting undertaking New <i>ESRS 1 Appendix C</i> contains a case overview on how to consider mitigation, prevention and remediation actions in DMA and reporting
3.7 (Dis-) Aggregation	<ul style="list-style-type: none"> Clarification that information shall be reported at an appropriately (dis-)aggregated level reflecting level of IROs while ensuring that material information is not obscured* IROs only relevant for part of group may be reported at level of these activities

Find ESRS 1 Exposure Draft [here](#). AR = Application Requirement, IROs = Impacts, Risks & Opportunities. * = specific question in the public consultation. First column in the table does not refer to original ESRS titles of disclosure requirements

In-depth analysis: Top-down approach

Exposure Draft Changes

Cross-Cutting	ESRS 1
	ESRS 2
Environmental	E1
	E2
	E3
	E4
	E5
Social	S1
	S2
	S3
	S4
Gov	G1

Word count

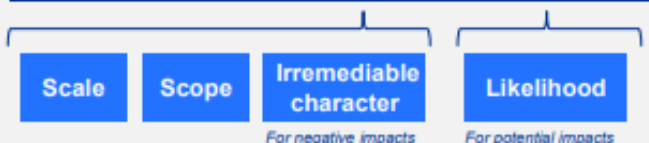
+/- 0%

no
datapoints

ESRS 1.0

Assessment of severity/magnitude and likelihood for every IRO

Impact Materiality = Severity x Likelihood



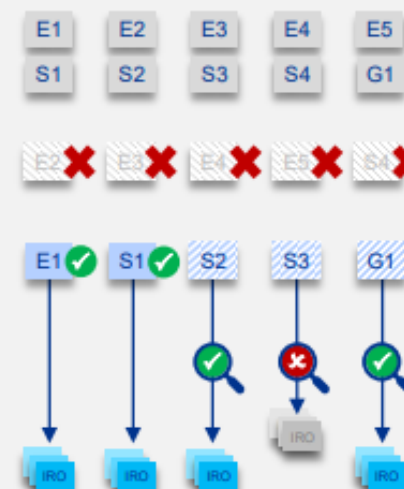
Financial Materiality = Magnitude x Likelihood

Exposure Draft [31.07.2025]

Assessment of severity/magnitude and likelihood only for those IROs which are not clearly material or immaterial

What does this mean for your reporting?

The DMA and its documentation is simplified; DMA based on ESRS 1.0 can still be used



Simplification

Simplified visualization!

Analysis on sub-topic level recommended, e.g. "Corporate Culture" in ESRS G1

Example

A Professional Service Firm P concludes that the topics in E1 and S1 are clearly material and E2 to E5 as well as S4 are clearly immaterial

P For G1, S2 & S3, P identifies potentially material IROs and assesses their materiality **based on severity/magnitude and likelihood** to determine if they are above or below the reporting threshold.

P For E1 and S1, P identifies and describes the related material IROs **without the need to assess their severity/magnitude and likelihood**.

In-depth analysis: Gross vs. net

New provision

ESRS 1.0

Lack of clear provision on how to consider prevention, mitigation and remediation efforts in DMA assessment



Exposure Draft [31.07.2025]

Introduction of differentiation of actions by type:

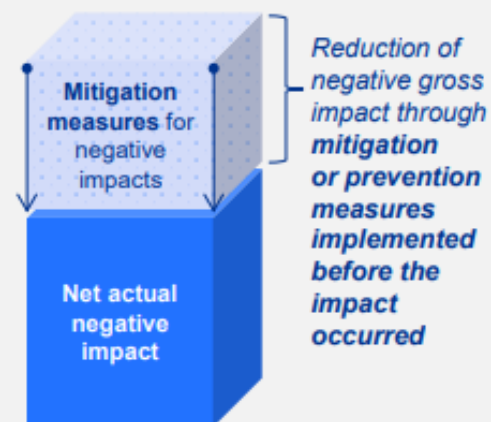
- Prevention
- Mitigation
- Remediation

Remediation actions must not be considered

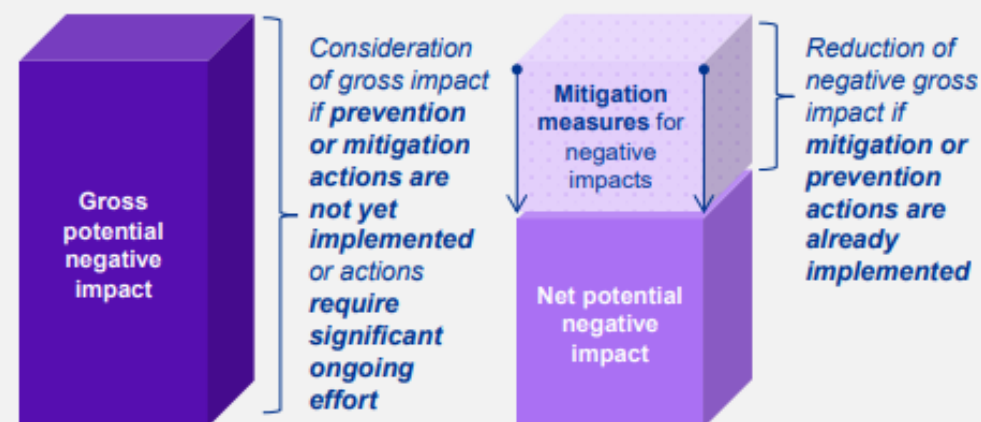
What does this mean for your reporting?

New provision may result in different outcomes of the DMA & additional material impacts to be reported

Actual negative impacts



Potential negative impacts



Negative impact: Impaired Health and Safety (H&S) of employees in the manufacturing department

Mitigation actions: Implemented H&S management system that requires significant ongoing effort

- **Actual negative impact:** No material actual impacts due to effective mitigation actions
 - **Potential negative impact:** Material potential impacts, as mitigation actions require significant ongoing effort
- **Health and Safety must be reported**

Example

What changed: ESRS 2 General disclosures (1/2)

Exposure Draft Changes	
Word count	-34%
-49% datapoints	
Cross-Cutting	ESRS 1
	ESRS 2
Environmental	E1
	E2
	E3
	E4
	E5
Social	S1
	S2
	S3
	S4
Gov	G1

- ESRS 2 DR were substantially restructured, merged and simplified, to prevent reporting of unnecessary while focusing on management of IROs
- Streamlining disclosures of basis for preparation considering specific information
- Extensive deletion of narrative disclosures resulting in 4 instead of 5 main disclosure requirements and reduction of granularity
- Disclosures on strategy, business model and value chain significantly reduced, clarified and simplified focusing on significant sectors and key stakeholders

Contents	Set1	ED	Revision
Objective			<ul style="list-style-type: none"> Clarifying the choice of level of disaggregation to report at level of IROs or at topic
Basis for preparation	BP-1		<ul style="list-style-type: none"> Simplifying the "comply or explain" approach aligned with ESRS 1 General Requirements only for divergent applications (i.e. time horizons, changes in preparation/presentation, acquisitions/disposals, and incorporation by reference)*
	BP-2	BP-2	
Governance	GOV-1	GOV-1	<ul style="list-style-type: none"> Clarifying of roles and responsibilities regardless of the level of reporting disaggregation
	GOV-2		<ul style="list-style-type: none"> Shortened disclosures on incentive schemes removal of approval process
	GOV-3	GOV-2	
	GOV-4	GOV-3	<ul style="list-style-type: none"> Presentation of the Statement of due diligence is simplified allowing more flexibility in presenting and aligning with SFRD
	GOV-5	GOV-4	<ul style="list-style-type: none"> Prescriptive datapoints are deleted while principle to disclose scope, main features and components of the risk management and internal control processes and systems remains
Strategy	SBM-1	SBM-1	<ul style="list-style-type: none"> More guidance on significant sectors and products/services, markets/ customers, but removal of sector references Information on business model and value chain simplified (removal of input, output, benefits, main features of up- and downstream, main business actors)
	SBM-2	SBM-2	<ul style="list-style-type: none"> Shortened details on stakeholder engagement focusing on key stakeholder
	SBM-3	SBM-3	<ul style="list-style-type: none"> Move of description of IROs to IRO-2, focusing on interactions between material IROs and strategy and business model* Two options (qualitative or voluntary) on anticipated financial effects proposed for discussion*

Find ESRS 2 Exposure Draft [here](#). DR = Disclosure Requirement, IROs = Impacts, Risks & Opportunities, BP = Basis for preparation, GOV = Governance, SBM = Strategy and business model, SFRD = Sustainable Finance Disclosure Regulation, * = specific question in the public consultation.

What changed: ESRS 2 General disclosures (1/2)

Exposure Draft Changes

Word count

-34%

-49%
datapoints

5

Reporting on DMA process is restructured by aggregating or deleting and simplified aligning interactions between material IROs, strategy, business model, process and outcome

6

Relabeling of MDRs as General Disclosure Requirements “GDRs” depicts restructuring and simplifying the ESRS; Specifics to PATMs are moved from topical standards to ESRS 2

Contents Set1 ED Revision

Impacts, Risks & Opportunities	IRO-1	IRO-1 GOV-4	<ul style="list-style-type: none"> Restructured and simplified disclosures on DMA process Standardized, generic disclosures (“boilerplate”) shall be avoided Integration of IROs in risk management process shifted to GOV-4 Description of related internal control processes deleted New ARs added to explain contextual information and methodology
	IRO-2 SBM-3	IRO-2 SBM-3	<ul style="list-style-type: none"> Redesigned to reflect distinction between process and outcome of DMA Removal of voluntary explanation for immaterial topics (Except E1, although limited to basis for conclusion and future outlook deleted) New disclosure of exposure o forced/compulsory/child labor on heightened risk of incidents Table of datapoints from EU legislations remains
General Disclosure Requirements	MDRs	GDRs	<ul style="list-style-type: none"> Clarified possibility to disclose PATM information at different level of aggregation and cross-reference PATs next to IRO descriptions* PATs referring to compliance with laws/regulation are not to be reported Elimination of reasons if no PAT in place, but disclosing this fact remains
	MDR-P	GDR-P	<ul style="list-style-type: none"> Eliminated disclosures on senior level accountability and public availability Disclosure overarching human rights policy moved to GDR-P
	MDR-A	GDR-A	<ul style="list-style-type: none"> Simplified disclosures on significant current financial resources for key actions and move of disclosure on mitigation hierarchy to GDR-A
	MDR-M	GDR-M	<ul style="list-style-type: none"> External validation of metrics, labels and definitions deleted and new provisions on reliance on indirect data and actions to improve data quality of value chain metrics
	MDR-T	GDR-T	<ul style="list-style-type: none"> Reference to qualitative targets added and disclosure on ecological thresholds from environment part moved to GDR-T, incl. scientific evidence if available

Find ESRS 2 Exposure Draft [here](#). DMA = Double materiality analysis, AR = Application Requirement, PATM = Policies, actions, targets, metrics, IROs = Impacts, Risks & Opportunities, BP = Basis for preparation, GOV = Governance, SBM = Strategy and business model. * = specific question in the public consultation.



In-depth analysis: ESRS 2 Anticipated financial effects

Subject to Phase-in
(until FY27)

Two options on the quantification of financial effects of ROs will be included in the public consultation [ESRS 2.23].
The final text after consultation will only include one option.

Word count

-34%

-49%
datapoints

Cross-Cutting

ESRS 1
ESRS 2

Environmental

E1
E2
E3
E4
E5

Social

S1
S2
S3
S4

Gov

G1

Option 1 –

Quantitative and if undertaking applies **relief** qualitative:

“Focus on quantitative disclosures with addition of a relief to give more flexibility; this option allows undertakings which cannot quantify the financial effects to provide only qualitative disclosures (this option better supports ISSB interoperability).”

Quantitative disclosures



Qualitative Relief



Qualitative disclosure



ISSB interoperability

Option 2 –

Qualitative **mandatory** and **quantitative** **voluntary**:

“Focus on qualitative disclosure with the opportunity, on a voluntarily basis, to quantify the anticipated financial effects is (this option is less interoperable with the ISSB Standards but responds to preparers' concerns regarding the disclosure of sensitive information associated with the quantification).”

Qualitative disclosure



Quantitative Option (voluntary)



Quantitative disclosures



ISSB interoperability

In-depth analysis: ESRS 2 MDR/GDR reductions and possibility to aggregate

Amended

Exposure Draft Changes

Word count

-34%

-49%
datapoints

Cross-Cutting	ESRS 1
	ESRS 2
Environmental	E1
	E2
	E3
	E4
	E5
Social	S1
	S2
	S3
	S4
Gov	G1

ESRS 1.0

Minimum Disclosure Requirements for policies – MDR-P

Rigid, prescriptive and detailed structure of MDRs with additional requirements in topical ESRS

MDR-P

- ☐ a)...
- ☐ b)...
- ☐ c)...
- ☐ d)...
- ☐ e)...
- ☐ f)...

Exposure Draft [31.07.2025]

General Disclosure Requirement for policies – GDR-P

Consolidated and principle-based description of General Disclosure Requirements in ESRS 2. Explicit flexibility to tailor reporting to appropriate level of management approach

GDR-P



What does this mean for your reporting?

Depending on the level the IROs are managed through implemented policies, Company A choses the level of disclosures on those policies:

Case 1): One policy for entire material topic

Human rights
POLICY



Case 2): One policy for group of material IROs

Pollution of soil
POLICY



Pollution of air
POLICY



Case 3): One policy for each material IRO

SVHC
POLICY



GHG Scope 3
POLICY



Water consumption
POLICY



MDR = Minimum Disclosure Requirement, GDR = General Disclosure Requirement.

What changed: E1 Climate change

Exposure Draft Changes	Word count -65%	
	-53 % datapoints	
Cross-Cutting	ESRS 1	
	ESRS 2	
Environmental	E1	
	E2	
	E3	
	E4	
	E5	
Social	S1	
	S2	
	S3	
	S4	
Gov	G1	

- Disclosures on Transition plan simplified, yet it is going to stay**
- NEW: Disclosures dedicated to climate-related risks & resilience**
- PATs are specified most extensively**
- Streamlined energy disclosures**
- GHG emission reporting boundaries clarified**

Wordcount and reduction of datapoints based on EFRAG IG 3 counting methodology as presented in the Basis for Conclusion.



Contents	Set1	ED	Revision
Climate Change Transition Plan	E1-1	E1-1	<ul style="list-style-type: none"> Key features as one single, concise narrative, with reference to other disclosures (PATs), inclusion of compatibility with 1.5° will be discussed in EC Reference to EU Taxonomy plans moved to NMIG Dependencies on which TP relies; enhancing alignment with IFRS S2
Climate-related risks & resilience	IRO-1 SBM-3	E1-2 E1-3	<ul style="list-style-type: none"> Revised disclosure requirements on climate-related risks and scenario analysis Information on resilience in relation to climate change incl. connection to business model, scenario analysis, actions, transition plan & anticip. financial effects Split between acute and chronic physical risks made voluntary
PATs	E1-2 E1-3 E1-4	E1-4 E1-5 E1-6	<ul style="list-style-type: none"> Partially moved to ESRS 2, but specific disclosure requirements remain (e.g. key CCM actions by key decarbonisation lever) Maintained option reduction targets in intensity value & ref. to current/future fin. res.
Energy	E1-5	E1-7	<ul style="list-style-type: none"> Restructured and simplified with focus on energy consumption metrics Removal of energy intensity Breakdown of energy consumption from fossil sources to be reported for all undertakings (no high climate impact sector specification)
GHG emissions	E1-6	E1-8	<ul style="list-style-type: none"> Reporting boundary equivalent to financial control (cons.) boundary of GHG Protocol (additional operational control application in exceptional cases)* Deleted disclosure GHG intensity based on net revenue; biogenic em. included
GHG removals	E1-7	E1-9	<ul style="list-style-type: none"> Streamlining of disclosures on GHG removals and carbon credits outside the value chain, incl. simplified guidance
Internal carbon price	E1-8	E1-10	<ul style="list-style-type: none"> Reduction of details for description of internal carbon pricing scheme (e.g., deletion on coverage of GHG emissions by carbon price)
Anticipated fin. effects	E1-9	E1-11	<ul style="list-style-type: none"> Reduced and simplified, for example removal of reconciliation requirement with financial statements line items* Limited disclosures on opportunities

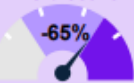
Find E1 Exposure Draft [here](#). DR = Disclosure Requirement, IROs = Impact, Risk & Opportunities, BP = Basis for preparation, GOV = Governance, SBM = Strategy, business model, GHG = Greenhouse gases, TP = Transition plan, CCM = Climate change mitigation. * = specific question in the public consultation.



In-depth analysis E1: Climate risk and scenario analysis

Exposure Draft Changes

Word count

-53 %
datapoints

Cross-Cutting

ESRS 1

ESRS 2

Environmental

E1

E2

E3

E4

E5

Social

S1

S2

S3

S4

Gov

G1

ESRS 1.0

Disclosure **requirements** were **distributed** in E1 along SBM-3 and IRO-1, incl. a number of detailed datapoints

Disclosure requirement related to ESRS 2 IRO-1 – Description of the processes to identify and assess material climate-related impacts, risks and opportunities.

(7) information about the resilience of the undertaking's strategy and business model regarding its capacity to address its material impacts and risks and to take advantage of opportunities and their interaction with strategy and business model

18. The undertaking shall explain for each material climate-related risk it has identified, whether the entity considers the risk to be a climate-related physical risk or climate-related transition risk.

19. The undertaking shall describe the resilience of its strategy and business model in relation to climate change. This description shall include:

(a) the scope of the resilience analysis;

Exposure Draft [31.07.2025]

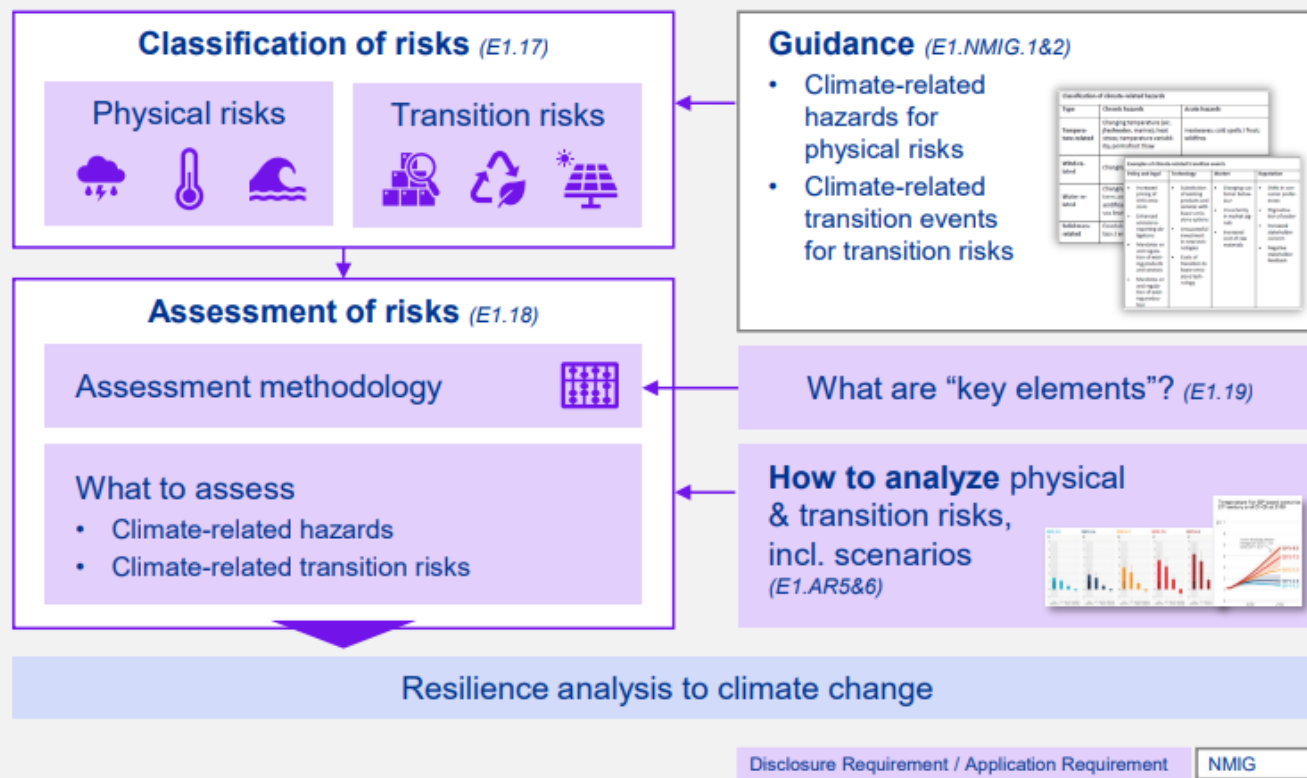
Two new disclosure requirements were restructured:

E1-2 Climate-related risks and scenario analysis

E1-3 Resilience in relation to climate change

What does this mean for your reporting?

Streamlining and reordering, but general requirements maintain, incl. scenarios and method



Wordcount and reduction of datapoints based on EFRAG IG 3 counting methodology as presented in the Basis for Conclusion.

What changed: E2 Pollution

Exposure Draft Changes	Word count
	-68%
Cross-Cutting	ESRS 1
	ESRS 2
Environmental	E1
	E2
	E3
	E4
	E5
Social	S1
	S2
	S3
	S4
Gov	G1

- 1 Metrics on pollution of air, water and soil: E-PRTR replaced by IEPR**
- 2 Dedicated datapoint on secondary microplastic**
- 3 Clarified scope for metrics on SoC and SVHC & more alignment with REACH established**

Contents	Set1	ED	Revision
Objective			<ul style="list-style-type: none"> Consideration of appropriate (dis)aggregation of the reported information (e.g., by site, asset, location)
PATs	E2-1 E2-2 E2-3	E2-1 E2-2 E2-3	<ul style="list-style-type: none"> Simplified DRs to avoid redundancies with ESRS 2 GDR-P, GDR-A & GDR-T Introduced NMIG on possibility to include specific PATs disclosures related to pollution that were before in DRs and ARs
Pollution of air, water & soil	E2-4	E2-4	<ul style="list-style-type: none"> Pollutants relate to Industrial Emissions Portal Regulation (Annex II of Regulation (EU) 2024/1244) which replaces European Pollutant Release and Transfer Register (E-PRTR) Disclosures on methodologies and data processes were deleted and datapoints generally refer to material emissions New AR: Transfers of water pollutants to external treatment plants qualifying as pollution in downstream value chain Mandatory quantitative metrics on primary microplastics (production/use & release) and clarified disclosure on secondary microplastics (plastic items from the products)* Amended definition of microplastic in Annex II
Substances of concern and SVHC	E2-5	E2-5	<ul style="list-style-type: none"> Metrics regarding SoC and SVHC shall be reported by manufacturers and importers of chemical substances; while users only report on SVHC With a breakdowns of procured/manufactured, sold and directly released Soc/SVHC Amended definition of SoC in Annex II SVHC to be disclosed above 0.1% threshold of Art. 33 REACH Regulation Introduced NMIG on counting method of SoC and SVHC
Anticipated fin. effects	E2-6	—	<ul style="list-style-type: none"> Fully deleted, nevertheless general information covered under ESRS 2

Wordcount and reduction of datapoints based on EFRAG IG 3 counting methodology as presented in the Basis for Conclusion.

Find E2 Exposure Drafts [here](#). DR = Disclosure Requirement, IROs = Impact, Risk & Opportunities, BP = Basis for preparation, GOV = Governance, SBM = Strategy, business model, SoC = Substances of concern, SVHC = Substances of very high concern. * = specific question in the public consultation.



In-depth analysis E2: Substances of concern and SVHC

Exposure Draft Changes

Word count

-68%

-61%
datapoints

Cross-Cutting

ESRS 1

ESRS 2

Environmental

E1

E2

E3

E4

E5

Social

S1

S2

S3

S4

Gov

G1

ESRS 1.0

Uncertainties in connection to disclosures on SoC/SVHC

32. The undertaking shall disclose information on the production, use, distribution, commercialisation and import/export of substances of concern and substances of very high concern, on their own, in mixtures or in articles.
33. The objective of this Disclosure Requirement is to enable an understanding of the impact of the undertaking on health and the environment through **substances of concern** and through **substances of very high concern** on their own. It is also to enable an understanding of the undertaking's material risks and **opportunities**, including exposure to those substances and risks arising from changes in regulations.
34. The disclosure required by paragraph 32 shall include the total amounts of **substances of concern** that are generated or used during the production or that are procured, and the total amounts of substances of concern that leave its facilities as emissions, as products, or as part of products or services split into main hazard classes of substances of concern.
35. The undertaking shall present separately the information for **substances of very high concern**.

Exposure Draft [31.07.2025]

Main requirements on SoC/SVHC maintained, but streamlined/clarified **breakdown, differentiation** between manufacturers, importers and users and voluntary **tabular format**

Disclosure Requirement E2-5 – Substances of concern and substances of very high concern

32. (33 amended) The objective of this DR is to help users understand the undertaking's material impacts on health and the environment, and associated risks and opportunities deriving from the manufacturing, trading or use of substances of concern (SoC) and substances of very high concern (SVHC), including risks arising from changes in regulations.
33. (34 amended) Manufacturers and importers of substances on their own and in mixtures shall disclose the total weight of each, and separately, the total weight of SVHC that are:
 - (a) procured or manufactured as substances on their own or in mixtures;
 - (b) sold as substances on their own or in mixtures; and
 - (c) directly released into the environment (air, water, and soil), including any unintentional releases from leaks or spills.
34. (35 amended) Users shall disclose the total weight of each, and separately, the total weight of SVHC that are:
 - (a) part of procured components or articles for levels above the 0.1% threshold of Art. 33 of the REACH Regulation; and
 - (b) part of sold components or articles for levels above the 0.1% threshold of Art. 33 of the REACH Regulation.

[Draft] Amended ESRS E2 Exposure Draft – July 2025

[Draft]
Amended ESRS E2 Exposure Draft – July 2025

What does this mean for your reporting?

Manufacturers and importers should identify their SoC/SVHC, while **users** only need to report on SVHC

Undertaking	Substances of concern	Substances of very high concern
Manufacturers of chemical substances	✓	✓
Importers of chemical substances	✓	✓
Users of substances	✗	✓

Alignment with REACH thresholds for requirements on substances of very high concern

"E2.20 Manufacturers, importers and users of articles with SVHC shall disclose the quantities of those substances that are:

(a) part of procured components or articles for levels above the 0.1% threshold of Art. 33 of the REACH Regulation"

Wordcount and reduction of datapoints based on EFRAG IG 3 counting methodology as presented in the Basis for Conclusion.

What changed: E3 Water

Exposure Draft Changes

Word count	-82%
-70% datapoints	
Cross-Cutting	ESRS 1 ESRS 2
Environmental	E1 E2 E3 E4 E5
Social	S1 S2 S3 S4
Gov	G1

- E3 is now titled “Water”**
- Areas of high-water stress remain relevant**
- “Water metrics” introduce new additional mandatory disclosures**

Wordcount and reduction of datapoints based on EFRAG IG 3 counting methodology as presented in the Basis for Conclusion.



Contents	Set1	ED	Revision
Objective			<ul style="list-style-type: none"> E3 is now titled “water” instead of “water and marine resources” Topical standard covers use (withdrawal, discharge, consumption and storage) of surface water, groundwater and marine water Marine resources under other standards: E1 and E2 (as impact drivers for ecosystems change), E3 (as for the use of marine waters; e.g., desalination), E4 (as impacts on ecosystems and biodiversity) and E5 (as use of marine resources; e.g., fish) Consideration of appropriate (dis)aggregation of the reported information (e.g., by site, asset, location)
PATs	E3-1 E3-2 E3-3	E3-1 E3-2 E3-3	<ul style="list-style-type: none"> Simplified DRs to avoid redundancies with ESRS 2 GDR-P, GDR-A & GDR-T Introduced NMIG on possibility to include specific PATs disclosures related to water that were before in DRs and ARs, except for PAT disclosures related to areas at water risks (incl. areas of high-water stress)
Water Policies	E3-1	E3-1	<ul style="list-style-type: none"> Disclosure on sites located in areas at water risk that are not covered by water-related policies remains, but discl. on reason for this & timeframe to adopt deleted Removal of specifications (e.g., sustainable oceans, water treatment)
Water Metrics	E3-4	E3-4	<ul style="list-style-type: none"> Disclosure of “water withdrawal” and “water discharge” is now mandatory and explained in AR as calculation component* Quantitative disclosure on “water intensity” removed Added definition of “water storage” to Annex II; Deleted disclosure on changes in water storage Contextual information on water metrics reduced to GDR-M, specific datapoints removed to NMIG
Anticipated fin. effects	E3-5	—	<ul style="list-style-type: none"> Fully deleted, nevertheless general information covered under ESRS 2

Find E3 Exposure Draft [here](#). DR = Disclosure Requirement, IROs = Impact, Risk & Opportunities, BP = Basis for preparation, GOV = Governance, SBM = Strategy, business model, B = Biodiversity. * = specific question in the public consultation.

In-depth analysis E3: Water metrics

Exposure Draft Changes

Word count
-82%-70%
datapoints

Cross-Cutting

ESRS 1

ESRS 2

Environmental

E1

E2

E3

E4

E5

Social

S1

S2

S3

S4

Gov

G1

ESRS 1.0

Disclosure on **water consumption**, incl. contextual information and voluntary disclosures in AR

Disclosure Requirement E3-4 – Water consumption

[Quicklink to AR](#)

28. The disclosure required by paragraph 26 relates to own operations and shall include:

- (a) total **water consumption** in m³;
- (b) total water consumption in m³ in areas at water risk, including **areas of high-water stress**;
- (c) total water recycled and reused in m³; ^(*)
- (d) total water stored and changes in storage in m³; and
- (e) any contextual information necessary regarding points (a) to (d), including the water basins' water quality and quantity, how the data have been compiled, such as any standards, methodologies, and assumptions used, including whether the information is calculated, estimated, modelled, or sourced from direct measurements, and the approach taken for this, such as the use of any sector-specific factors.

29. The undertaking shall provide information on its **water intensity**: total **water consumption** in its own operations in m³ per million EUR net revenue ^(*).

Exposure Draft [31.07.2025]

Water metrics disclosure with focus on mandatory datapoints

Disclosure Requirement E3-4 – Water metrics

16. (27 amended) The objective of this DR is to help **users** understand the undertaking's water management practices and progress over time.

17. (28 amended) The undertaking shall disclose for its own operations:

- (a) total **water consumption**;
- (b) total **water consumption** in **areas at water risk**, including **areas of high-water stress**;
- (c) total **water withdrawal**;
- (d) total **water discharges**;
- (e) total **water recycled or reused**; and
- (f) total **water stored**.

What does this mean for your reporting?

New disclosures on withdrawal and discharges as well as deletions

ESRS 1.0 – E3-4	Exposure Draft – E3-4
Total water consumption	Total water consumption
Total water consumption in areas at water risk, including areas of high-water stress	Total water consumption in areas at water risk, including areas of high-water stress
-	NEW: Total water withdrawal
-	NEW: Total water discharges
Total water recycled and reused	AMENDED: Total water recycled and or reused
Total water stored	Total water stored
Changes in water storage	Changes in water storage
Water intensity	Water-intensity

Water metrics expressed in m³ (E3.AR2)

Wordcount and reduction of datapoints based on EFRAG IG 3 counting methodology as presented in the Basis for Conclusion.

What changed: E4 Biodiversity and ecosystems

Exposure Draft Changes	
Word count	-78%
-78% datapoints	
Cross-Cutting	ESRS 1
	ESRS 2
Environmental	E1
	E2
	E3
	E4
	E5
Social	S1
	S2
	S3
	S4
Gov	G1

1 Disclosure of transition plan for biodiversity is “double conditional”

2 Actions and targets disclosure focus on biodiversity offsets

3 Streamlined location-specific disclosures including specification on Biodiversity Sensitive Areas (BSA)

Contents	Set1	ED	Revision
Objective			<ul style="list-style-type: none"> Specification of topic scope: terrestrial, freshwater, marine and other aquatic ecosystems and ecological complexes (inter alia) Consideration of appropriate (dis)aggregation of the reported information (e.g., by site, asset, location)
Biodiv. Transition Plan	E4-1	E4-1	<ul style="list-style-type: none"> TP is “double conditional”: (1) is in place and (2) has been made public* DPs on the resilience of the strategy moved to ESRS 2 (no SBM-3 in E4) Disclosure to be aligned with E1-1 key features of TPs
PATs	E4-1 E4-2 E4-3	E4-1 E4-2 E4-3	<ul style="list-style-type: none"> Simplified DRs to avoid redundancies with ESRS 2 GDR-P, GDR-A & GDR-T Introduced NMIG on possibility to include specific PATs disclosures related to biodiversity that were before in DRs and ARs
B Policies	E4-2	E4-2	<ul style="list-style-type: none"> Disclosure on policies related to traceability of products, components and raw materials along the value chain, and sites in or near biodiversity sensitive areas AR and NMIG on biodiversity scenario analysis with reference to PAT
B Actions	E4-3	E4-3	<ul style="list-style-type: none"> Simplified with a focus on biodiversity offsets
B Targets	E4-4	E4-4	<ul style="list-style-type: none"> Simplified, focusing on biodiversity offsets and removal of mitigation hierarchy Reference to ecological thresholds moved to ESRS 2 GDR-T Target setting shall consider consent of local/indigenous people (AR)*
B Metrics	E4-5	E4-5	<ul style="list-style-type: none"> New definition and guidance for ‘near’ biodiversity sensitive areas Mandatory disclosure locations & list biodiversity-sensitive area(s) Deletion of disclosure on number and area (in hectare) of sites owned, leased or managed in or near biodiversity areas) Depending on sub-topics assessed as material respective metrics to be disclosed
Anticipated fin. effects	E4-6	—	<ul style="list-style-type: none"> Fully deleted, nevertheless general information covered under ESRS 2

Wordcount and reduction of datapoints based on EFRAG IG 3 counting methodology as presented in the Basis for Conclusion.

Find E4 Exposure Draft [here](#). DR = Disclosure Requirement, IROs = Impact, Risk & Opportunities, BP = Basis for preparation, GOV = Governance, SBM = Strategy, business model, B = Biodiversity. * = specific question in the public consultation.



In-depth analysis E4: Biodiversity sensitive areas

Exposure Draft Changes

Cross-Cutting	ESRS 1
	ESRS 2
Environmental	E1
	E2
	E3
	E4
	E5
Social	S1
	S2
	S3
	S4
Gov	G1

Word count

-78%

-78%
datapoints

ESRS 1.0

Distributed requirement along E4 IRO-1, SBM-3 and E4-5. **Uncertainty** on specific terms.

19. The undertaking shall specifically disclose:
(a) whether or not it has **sites** located in or near **biodiversity-sensitive areas** and whether activities related to these sites negatively affect these areas by leading to the deterioration of natural **habitats** and the habitats of species and to the disturbance of the species for which a **protected area** has been designated; and

Exposure Draft [31.07.2025]

Streamlined requirements in **biodiversity metrics** (E4-5) and clarification on 'in or near' biodiversity-sensitive area in AR and NMIG

If the undertaking's site is in a *biodiversity sensitive area*, it is highly likely that its activities will negatively affect the area. Whether a site, which is outside of a biodiversity sensitive area, is *near* such an area shall be determined:

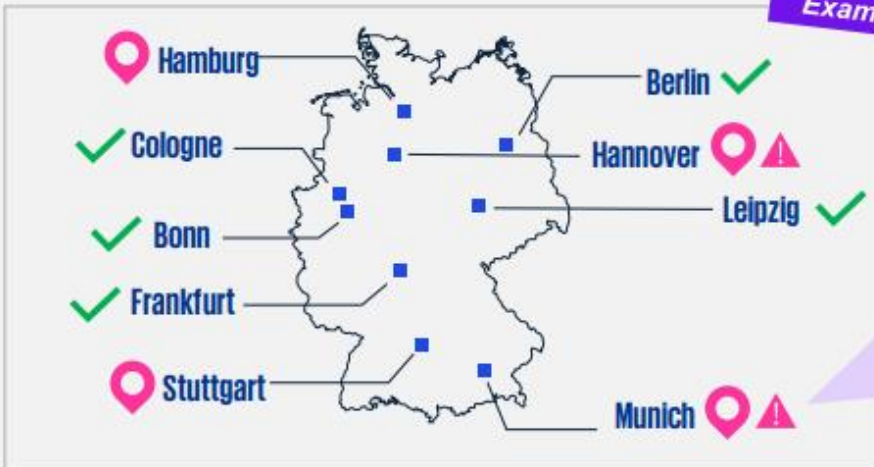
- (a) by the capacity of activities related to the site to negatively affect species and ecosystems in the biodiversity sensitive area;
- (b) based on a buffer zone specific to the type of activity and the species and ecosystems in the area. Buffer zones can be determined following industry best practice and science-based recommendations, such as by the Integrated Biodiversity Assessment Tool (IBAT) or based on findings of a site-level survey.

What does this mean for your reporting?

E4.20: Disclose locations to which the material impact, risks or opportunities relate and (if applicable) a list of biodiversity-sensitive areas:

Production site	Location	BSA Name	BSA Type	Activities neg. affecting
Logos Manu- facturing MUC	Munich	River floodplains near south of Heust	Protected under the Habitats Directive	Noise pollution, also during nighttime

Example



Wordcount and reduction of datapoints based on EFRAG IG 3 counting methodology as presented in the Basis for Conclusion.



What changed: E5 Resource use and circular economy

Exposure Draft Changes



-60 %
datapoints

Cross-Cutting	ESRS 1
	ESRS 2
Environmental	E1
	E2
	E3
	E4
	E5
Social	S1
	S2
	S3
	S4
Gov	G1

1 Concept of “key materials” used

2 Several definitions on circular economy disclosures added

3 NEW: Disclosure on critical and strategic raw materials

4 NEW: Disclosure on waste with destination unknown, and packaging to be disclosed separately

Contents	Set1	ED	Revision
Objective			<ul style="list-style-type: none"> • Marine resources are explicitly included as resource inflows • “Products and materials” revised to “materials” • Former outflows “products & materials” revised to “products & services” • Added explanation of Circular Economy and other EU Regulation
PATs	E5-1 E5-2 E5-3	E5-1 E5-2 E5-3	<ul style="list-style-type: none"> • Simplified DRs to avoid redundancies with ESRS 2 GDR-P, GDR-A & GDR-T • Introduced NMIG on possibility to include specific PATs disclosures related to circular economy that were before in DRs and ARs
CE Policies	E5-1	E5-1	<ul style="list-style-type: none"> • Disclosure simplified with a disclosure on circularity and eco-design principles of key products and services
Resource Inflows	E5-4	E5-4	<ul style="list-style-type: none"> • Introduction of concept “key materials” so that the undertaking does not report on all materials and breakdown of key materials used • Focus on key materials used to manufacture, were put on the market or were part of the delivery of products and services • New quantitative disclosure on critical and strategic raw materials and removal of products (incl. packaging) as resource inflows*
Resource Outflows	E5-5	E5-5	<ul style="list-style-type: none"> • Rates of recyclable and recycled materials of key products and packaging to be disclosed separately • Added flexibility on now narrative disclosure on durability and reparability of key products • Disclosure on waste streams refer to “key materials” • New disclosure for Waste for which the destination is unknow*
Anticipated fin. effects	E5-6	—	<ul style="list-style-type: none"> • Fully deleted, nevertheless general information covered under ESRS 2

Wordcount and reduction of datapoints based on EFRAG IG 3 counting methodology as presented in the Basis for Conclusion.

Find E5 Exposure Drafts [here](#). DR = Disclosure Requirement, IROs = Impact, Risk & Opportunities, BP = Basis for preparation, GOV = Governance, SBM = Strategy, business model, CE = Circular Economy. * = specific question in the public consultation.



In-depth analysis E5: “Key materials” and critical & strategic raw materials

Exposure Draft Changes

Word count

-72%

-60 %
datapoints

Cross-Cutting

ESRS 1

ESRS 2

Environmental

E1

E2

E3

E4

E5

Social

S1

S2

S3

S4

Gov

G1

ESRS 1.0

Resource inflows DR on quantitative/ qualitative requirements, incl. packaging, and lack of clear definitions within the standard

30. The disclosure required by paragraph 28 shall include a description of its **resource inflows** where material products (including **packaging**) and materials (specifying critical raw materials and rare earths), water and property, plant and equipment used in the undertaking's own operations and along its upstream value chain.
31. When an undertaking assesses that resource inflows is a material sustainability matter, it shall disclose the following information about the materials used to manufacture the undertaking's products and services during the reporting period, in tonnes or kilograms:
 - (a) the overall total weight of products and technical and biological materials used during the reporting period;
 - (b) the percentage of biological materials (and biofuels used for non-energy purposes) used to manufacture the undertaking's products and services (including **packaging**) that is sustainably sourced, with the information on the certification scheme used and on the application of the cascading principle; and
 - (c) the weight in both absolute value and percentage, of secondary reused or recycled components, secondary intermediary products and secondary materials used to manufacture the undertaking's products and services (including packaging).
32. The undertaking shall provide information on the methodologies used to calculate the data. It shall specify whether the data is sourced from direct measurement or estimations, and disclose the key assumptions used.

Exposure Draft [31.07.2025]

Streamlined DR on resource inflows, focus on “**key materials**”, several **added definitions** and a **new metric**

Disclosure Requirement E5-4 – Resource inflows

34. (29 amended) The objective of this DR is to provide an understanding on the **resource inflows** of the undertaking. This includes information on the types and quantities of resources entering the organisation, with a focus on their **circularity**.
35. (30-31 amended) When ‘Resource Inflows’ is assessed as a material topic, the undertaking shall disclose the following information about the **key materials** used to manufacture, were put on the market or were part of the delivery of the product:

- (a) the key materials used to manufacture the undertaking's products and services (including packaging);
- (b) the total weight of key materials of total weight;
- (c) the percentage of total weight of key materials that is sustainably sourced;
- (d) the percentage of total weight of secondary materials used to manufacture the undertaking's products and services (including packaging);
- (e) the percentage of total weight of key biological materials used to manufacture the undertaking's products and services (including packaging).

Key materials:

[AMENDED]

Materials which are essential for its manufacturing and delivery of products and services. These materials can be defined as ‘key’ due to their volume, cost, criticality for the operations, or strategic importance. Key materials (can be sourced ‘as is’ or be assembled in goods and services).

[NEW]

Materials previously used (secondary) and that are recovered from waste streams and used to manufacture the undertaking's products and services (including packaging).

[NEW]

Integration of social, ethical, and environmental performance factors into the process of selecting suppliers.

Plus: Clarification that “**products**” refer to the reporting company's output and are therefore only relevant for E5-5 „resource outflows“

What does this mean for your reporting?

Newly introduced concept of “**key materials**” and inclusion of “**critical/ strategic raw materials**”

ESRS 1.0 – E5-4	Exposure Draft – E5-4
Overall total weight of products and technical and biological materials used during the reporting period	Total weight of key materials with a breakdown per key material (in weight or percentage of total weight)
-	NEW: Percentage of total weight of critical and strategic raw materials
The absolute weight of secondary reused or recycled components, secondary intermediary products and secondary materials used to manufacture the undertaking's products and services (including packaging)	Percentage of total weight of secondary resourced materials
Percentage of secondary reused or recycled components, secondary intermediary products and secondary materials	
Percentage of biological materials (and biofuels used for non-energy purposes)	Percentage of total weight of key biological materials sustainably sourced

Wordcount and reduction of datapoints based on EFRAG IG 3 counting methodology as presented in the Basis for Conclusion.



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Document Classification: KPMG Public

42

What changed: ESRS S1-S4 (Own Workforce, Workers in the Value Chain, Affected Communities, Consumers and End-Users)

Exposure Draft Changes	Word count	All topical ESRS on Social matters have been adjusted similarly due to identical structures.	
	-74%	This slide provides overarching conceptual changes.	
Cross-Cutting	ESRS 1	1	Clustering of sub-topics
	ESRS 2		
Environmental	E1	2	Disclosure Requirements related to SBM-2/3 deleted
	E2		
	E3		
	E4		
	E5		
Social	S1	3	Human rights policy commitments moved to ESRS 2
	S2		
	S3		
	S4		
Gov	G1	4	Merger of Disclosure Requirements on processes to engage and raise concern

Wordcount and reduction of datapoints based on EFRAG IG 3 counting methodology as presented in the Basis for Conclusion. Statistics combined for ESRS S1 – S4.



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Contents	Set1	ED	Revision
Objective			<ul style="list-style-type: none"> Reference to amended clustered list of sub-topics DRs related to SBM-2 (Interests and views of stakeholders) and SBM-3 (Material IROs and their interaction with strategy and business model) have been deleted with exception of two SFDR indicators, which are moved to ESRS 2 as topical specifications (S1 and S2 regarding child labour and forced/compulsory labour) *
Policies	S#-1	S#-1	<ul style="list-style-type: none"> Human rights policy commitments moved to ESRS 2 *
Engagement & Channels	S#-2 S#-3	S#-2	<ul style="list-style-type: none"> Merge of DRs on processes for engaging with stakeholders/representatives about impacts and processes to remediate negative impacts and channels to raise concerns
Actions and resources	S#-4	S#-3	<ul style="list-style-type: none"> Disclosing what approach is taken in situations where tensions arise between key actions to prevent, mitigate or remediate material negative impacts and other business pressures was moved from voluntary to mandatory Clarification that information gathering on reported human rights issues and incidents is subject to the relevant privacy regulation Only S1/2/3-related: Specifications of actions taken to mitigate negative impacts or risks arising from climate and just transition
Targets	S#-5	S#-4	<ul style="list-style-type: none"> Reporting on engagement for target-setting and/or performance tracking remains mandatory, but details on the identification of lessons learned or improvements are no longer explicitly to be disclosed

Find S1 Exposure Draft [here](#), S2 [here](#), S3 [here](#), S4 [here](#). # refers to the respective S1, S2, S3 or S4 standard. DR = Disclosure Requirement, SBM = Strategy, business model, SFDR = Sustainable Finance Disclosure Regulation. * = specific question in the public consultation.

In-depth analysis Social ESRS: Reduction of redundancies

Exposure Draft Changes

Word count

-74%

-57%
datapoints

Cross-Cutting

ESRS 1

ESRS 2

Environmental

E1

E2

E3

E4

E5

Social

S1

S2

S3

S4

Gov

G1

ESRS 1.0 to Exposure Draft [31.07.2025]

From **prescriptive and repetitive** Disclosure Requirements to **streamlined reporting**:

SBM-2: ~~Interests and views of stakeholders~~

SBM-3: ~~Interaction of material IROs with strategy and business model~~

S#-1: ~~Policies related to [stakeholders*], incl. human rights policy commitments~~

S#-2: ~~Engagement with [stakeholders*], existence of channels to raise concerns or needs and approaches to remedy~~
Processes for engaging with [stakeholders*] and representatives about impacts

S#-3: ~~Processes to remediate negative impacts and channels for [stakeholders*] to raise concerns~~

x4

What does this mean for your reporting?

Reporting on these aspects **remains relevant** but the simplification efforts enable **more individualized story telling**:

ESRS Set 1

ESRS 2

SBM-2: Stakeholder

SBM-3: IROs & SBM

S1

SBM-2: Stakeholder

SBM-3: IROs & SBM

S1-1: Human rights policy

S1-2: SH engagement

S1-3: Channels & remedy

S2

S3

S4

Exposure Draft

ESRS 2

SBM-2: Stakeholder

SBM-3: IROs & SBM

GDR-P: Human rights policy

S1

S1-2: Stakeholder engagement, channels & remedy

S2

S3

S4

*Applies to respective stakeholder groups of S1 – S4 (i.e., own workforce, workers in the value chain, affected communities, consumers and end-users)

What changed: S1 Own Workforce (1/2)

Exposure Draft Changes	Word count	
		
	-53% datapoints	
	Cross-Cutting	ESRS 1
		ESRS 2
	Environmental	E1
		E2
		E3
		E4
		E5
	Social	S1
		S2
		S3
		S4
Gov	G1	

1 Obligation to always report on S1-5, S1-16 and, where relevant, on S1-6

2 New definition of “significant employment”

3 Materiality of non-employees clarified

4 Adjustments to adequate wage hierarchy (outside the EU)

5 Various metrics simplifications

Contents	Set1	ED	Revision
Objective			<ul style="list-style-type: none"> While the obligation to report on material sub-topics only is emphasized, this does not apply to S1-5 and S1-16 (when own workforce is material) and S1-6 (when non-employees are material)
Characteristics of employees	S1-6	S1-5	<ul style="list-style-type: none"> Significant employment: Total number of employees for the top 10 countries with over 50 employees, instead of 10% criterion * No sub-breakdown by gender for total number of non-guaranteed hours employees Option to use narrative disclosures or formerly mandatory tables
Characteristics of non-employees	S1-7	S1-6	<ul style="list-style-type: none"> Total number of non-employees only to be reported, when they are a significant driver of IROs
Collective bargaining & social dialogue	S1-8	S1-7	<ul style="list-style-type: none"> Significant employment: Bargaining agreement coverage for the top 10 countries with over 50 employees, instead of 10% criterion * Option to use narrative disclosure or formerly mandatory table
Diversity metrics	S1-9	S1-8	<ul style="list-style-type: none"> Deletion of distribution by age group
Adequate wages	S1-10	S1-9	<ul style="list-style-type: none"> Modification of the non-EU hierarchy in accordance with a bi-partisan agreement reached at ILO * Benchmark for adequate wages for EU countries was updated to reflect the enforcement of the EU Minimum Wage Directive
Social protection	S1-11	S1-10	<ul style="list-style-type: none"> Deletion of retirement from the list of major life events “Parental leave” is called “maternity leave” now No requirement to disclose the types of employees that do not have social protection

Wordcount and reduction of datapoints based on EFRAG IG 3 counting methodology as presented in the Basis for Conclusion.

Find S1 Exposure Draft [here](#). EEA = European Economic Area, DR = Disclosure Requirement, SBM = Strategy, business model, SFDR = Sustainable Finance Disclosure Regulation. * = specific question in the public consultation.

What changed: S1 Own Workforce (2/2)

Exposure Draft Changes	
Word count	-67%
-53 % datapoints	
Cross-Cutting	ESRS 1
	ESRS 2
Environmental	E1
	E2
	E3
	E4
	E5
Social	S1
	S2
	S3
	S4
Gov	G1

5

Various metrics simplifications

6

Removal of the concept of “severe” human rights incidents

Contents	Set1	ED	Revision
Persons with disabilities	S1-12	S1-11	<ul style="list-style-type: none"> Only to report data that can be lawfully collected Recognition that disability status depends on national legal definitions
Training & skills development	S1-13	S1-12	<ul style="list-style-type: none"> Calculation methodology corrected Mandatory gender breakdowns removed New guidance for training definitions and statement on the option to exclude inactive employees from metrics calculations
Health and Safety	S1-14	S1-13	<ul style="list-style-type: none"> Deletion of number of days lost to fatalities Disclosure of fatalities from work-related ill-health for employees only Obligation to use the definitions as per national laws of the employees' base countries for work-related accidents Removal of guidance on what counts as work-related injury or ill health
Work-life balance	S1-15	S1-14	<ul style="list-style-type: none"> “Entitlement” of family-related leave still mandatory, while percentage of employees who took family-related leave was moved to NMIG
Remuneration	S1-16	S1-15	<ul style="list-style-type: none"> No change of the obligation to disclose the unadjusted gender pay gap and removal of explicit option to voluntarily disclose the gender pay gap adjusted by employee category and with breakdowns* No change of the median annual remuneration as denominator for calculating the total annual remuneration ratio
Discrimination & other human rights incidents	S1-17	S1-16	<ul style="list-style-type: none"> Deletion of severity concept due to lack of definition Incidents of discrimination and other human rights incidents must only be reported if they are substantiated Fines do not have to be cross-referenced or reconciled with the financial statements and relate to administrative or judicial proceedings
Appendices	A.1-4	—	<ul style="list-style-type: none"> Appendices with examples of disclosures to support the application of the PAT requirements have been deleted

Wordcount and reduction of datapoints based on EFRAG IG 3 counting methodology as presented in the Basis for Conclusion.

Find S1 Exposure Draft [here](#). EEA = European Economic Area, DR = Disclosure Requirement, SBM = Strategy, business model, SFDR = Sustainable Finance Disclosure Regulation. * = specific question in the public consultation.

In-depth analysis S1: Definition of “significant employment”

Exposure Draft Changes



-53%
datapoints

Cross-Cutting
ESRS 1
ESRS 2

Environmental
E1
E2
E3
E4
E5

Social
S1
S2
S3
S4

Gov
G1

ESRS 1.0

“at least 50 employees by head count representing at least 10% of its total number of employees”



&

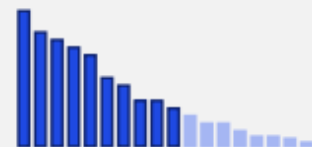


Exposure Draft [31.07.2025]

“50 or more employees by head count and that are the 10 largest countries in terms of employee numbers for the undertaking”



&



Relevant for S1-5 (former S1-6) and S1-7 (former S1-8)

What does this mean for your reporting?


More breakdowns due to the new definition, but mostly the same effort for data collection

Country		Employees	ESRS 1.0	ED
	Germany	1,250 25%	✓	✓
	United States	850 17%	✓	✓
	France	600 12%	✓	✓
	China	450 9%	✗	✓
	Australia	400 8%	✗	✓
	South Africa	350 7%	✗	✓
	India	300 6%	✗	✓
	Mexico	200 4%	✗	✓
	Italy	200 4%	✗	✓
	Chile	100 2%	✗	✓
	Canada	50 1%	✗	✗
	Egypt	50 1%	✗	✗
	South Korea	50 1%	✗	✗
	Czech Republic	50 1%	✗	✗
	Ghana	50 1%	✗	✗
	Thailand	50 1%	✗	✗

Example

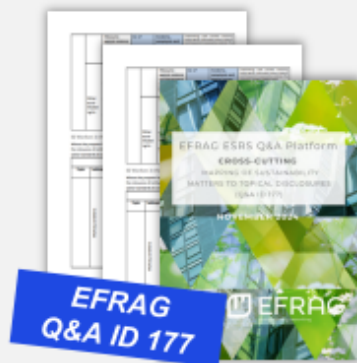
Slightly different, regional approach to non-EU countries in S1-7 (former S1-8).

In-depth analysis S1: Concept of materiality of non-employees

Exposure Draft Changes	Word count	
		
	-53 % datapoints	
	Cross-Cutting	ESRS 1
		ESRS 2
	Environmental	E1
		E2
		E3
		E4
		E5
Social	S1	
	S2	
	S3	
	S4	
Gov	G1	

ESRS 1.0

Number of non-employees to be reported if S1 deemed material



Exposure Draft [31.07.2025]

This DR is applicable when *non-employees* within the undertaking's own workforce are a significant driver of *impacts, risks* and *opportunities* related to *own workforce*. This situation arises when non-employees are a key part of the undertaking's *business model*, for example when they are used to provide flexible labour or when they are used in key processes. *Dependencies* on non-employees due to the business model can be a risk for the undertaking, particularly when the reliance on non-employees is increasing, for example due to changes in labour market regulations. The use of non-employees can also be a significant driver of negative impacts when non-employees make up a substantial proportion of own workforce or where *potential* or *actual* negative *impacts* are material in relation to non-employees.

"This DR is applicable when non-employees within the undertaking's own workforce are a significant driver of impacts, risks and opportunities related to own workforce."

What does this mean for your reporting?

Possible indicators to assess whether non-employees are a significant driver of IROs:



Key part of business model



Used in key processes of to provide flexible labour



Related to dependencies



Significant part of own workforce



Specific IRO link



In-depth analysis S1: Adequate wage hierarchy

Exposure Draft Changes

Word count
-67%-53%
datapoints

Cross-Cutting	ESRS 1
	ESRS 2
Environmental	E1
	E2
	E3
	E4
	E5
Social	S1
	S2
	S3
	S4
Gov	G1

ESRS 1.0

Assess **lowest pay category** against:

- In the EEA:** Adequate Wage Directive or workaround if Directive not yet applied in a country
- Outside the EEA:** Hierarchy of three levels
 - Decent standard of living wage
 - Minimum wage / collective bargaining
 - Any benchmark meeting certain criteria

Exposure Draft [31.07.2025]

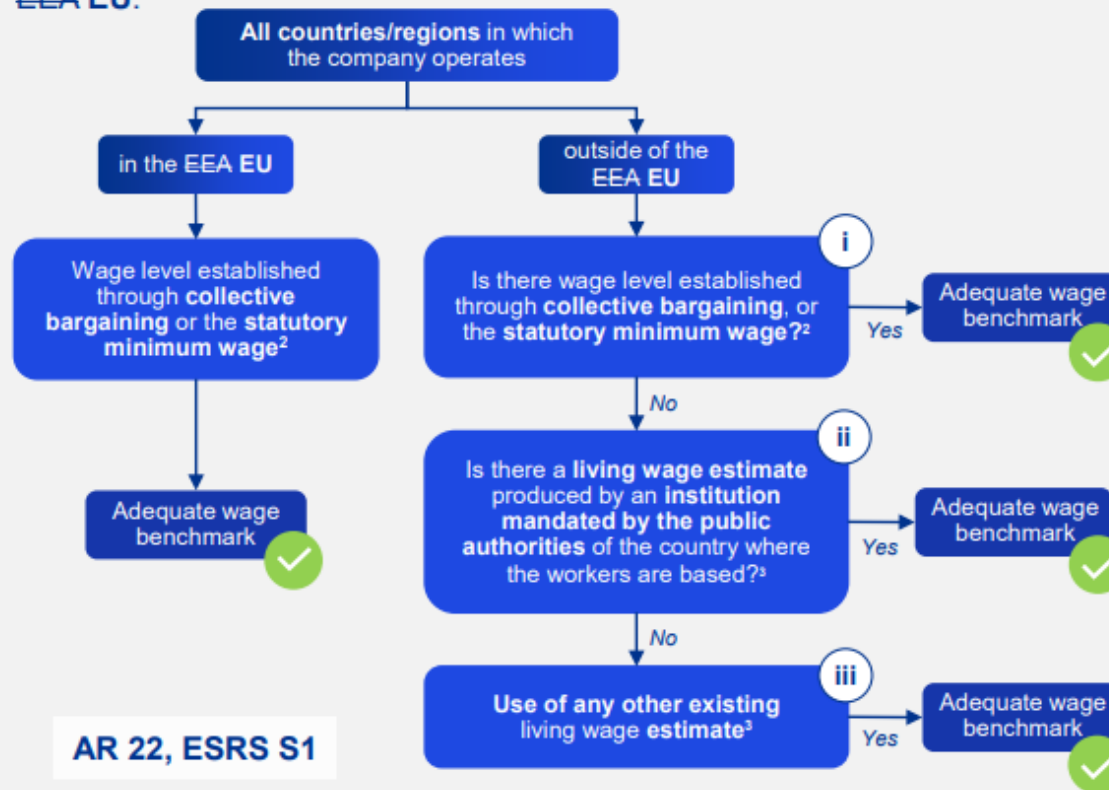
Assess **lowest wage** against:

- In the EU:** Adequate Wage Directive (now fully transposed)
- Outside the EU:** Revised hierarchy (see right), based on ILO 2024 agreement on living wages¹

EFRAG Public Consultation:
Field Test – Adequate Wage Methodology

What does this mean for your reporting?

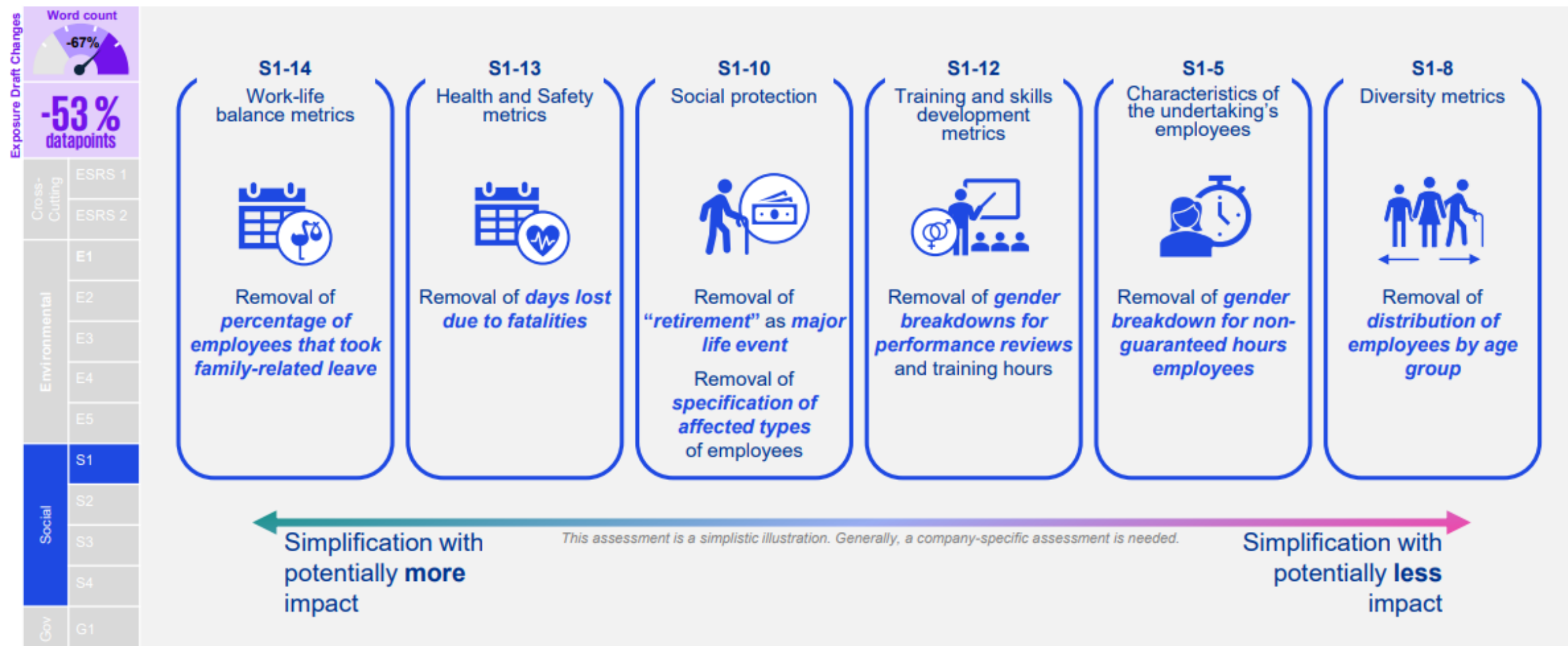
Revised hierarchy to identify adequate wage benchmark outside of the EEA EU:



AR 22, ESRS S1

¹ see [here](#); ² Periodically reviewed/adjusted every two years and takes into account ILO wage setting principles; ³ Takes into account the ILO principles on estimating a living wage; The adequate wage benchmark used under points i), ii) or iii) in the hierarchy should take into account both needs of workers and their families, as well as economic factors, as stated in the ILO Minimum Wage Fixing Convention No.131.

In-depth analysis S1: Metrics simplifications



What changed: G1 Business conduct

Exposure Draft Changes	<div>Word count</div> <div><div></div><div>-51%</div><div></div></div> <div>-50 % datapoints</div>	
	Cross-Cutting	ESRS 1
		ESRS 2
	Environmental	E1
		E2
		E3
		E4
		E5
	Social	S1
		S2
		S3
		S4
	Gov	G1

- 1 Structure of G1 is now aligned with other topical standards through the introduction of PAT structure
- 2 Disclosure of training activities on business conduct consolidated and now “shall” datapoint
- 3 “Number and nature of the confirmed incidents of corruption or bribery” now “shall” datapoint
- 4 Disclosure “Average time to pay an invoice” removed

Contents	Set1	ED	Revision
PATs	—	G1-1 G1-2 G1-3	<ul style="list-style-type: none"> PAT architecture has been introduced to G1 Standard to align with the architecture in the other topical standards and GDRs apply respectively now
Governance Policies	G1-1 G1-3	G1-1	<ul style="list-style-type: none"> Narrative policy DPs simplified, but disclosure whether policies cover anti-corruption, anti-bribery and whistleblower protection is maintained due to their alignment with SFDR Concept “Function-at-risk” of corruption/bribery was clarified through an example
Governance Actions	G1-1 G1-2 G1-3	G1-2	<ul style="list-style-type: none"> Key information regarding the management of supplier relationships and the prevention and detection of corruption and bribery retained Scattered disclosures about training have been consolidated and training of procurement team transformed into “shall” *
Metrics Incidents of corruption and bribery	G1-4	G1-4	<ul style="list-style-type: none"> Number and nature of confirmed incidents of corruption and bribery is now mandatory, while other voluntary disclosure move to NMIG* Number of convictions and total amount of fines for violation of anti-corruption and anti-bribery laws maintained (SFDR alignment) Definitions on “corruption and bribery”, “convictions for the violation of anti-corruption and anti-bribery laws” and “fines issued for the violation of anti-corruption and anti-bribery laws” added to Application Requirements.
Metrics Political influence and lobbying	G1-5	G1-5	<ul style="list-style-type: none"> Clear distinction between DRs related to political influence & lobbying Deleted disclosures regarding lobbying expenses and registration to Transparency Register
Metrics Payment practices	G1-6	G1-6	<ul style="list-style-type: none"> “Average time to pay an invoice” removed Focuses now on payment terms (with a specification added for SMEs) incl. percentage of coverage and legal proceedings Illustrative table for standard payment terms provided in NMIG

Wordcount and reduction of datapoints based on EFRAG IG 3 counting methodology as presented in the Basis for Conclusion.

Find G1 Exposure Draft [here](#). DP = Datapoint; PAT = Policies, actions, targets; NMIG = Non-mandatory Illustrative Guidance, DR = Disclosure requirement. * = specific question in the public consultation.

In-depth analysis G1: Corruption and bribery

Exposure Draft Changes	Word count -51%	
	-50% datapoints	
Cross-Cutting	ESRS 1	
	ESRS 2	
Environmental	E1	
	E2	
	E3	
	E4	
	E5	
Social	S1	
	S2	
	S3	
	S4	
Gov	G1	

ESRS 1.0

Provide information on **incidents of corruption or bribery**.

Exposure Draft [31.07.2025]

- **May datapoint** moved to **mandatory**.
- This is justified by the fact that there are no other metrics on corruption and bribery, other than the number of convictions and amount of fines.

Application Requirements

New provision

Added *Application requirements* to provide interpretive guidance to ensure **consistency and comparability across undertakings** by clarifying

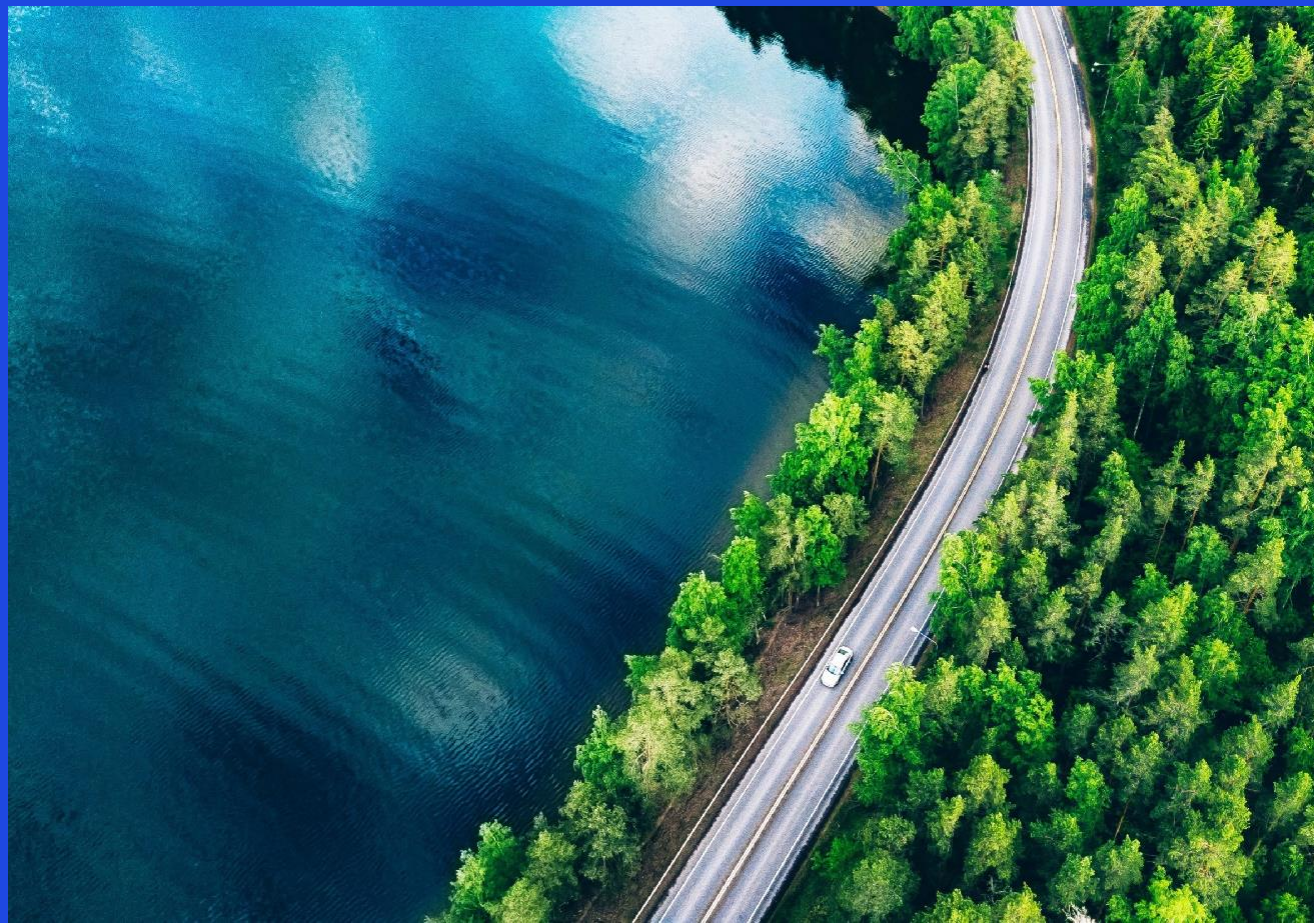
- reporting scope (value chain involvement),
- legal thresholds (convictions and fines) and
- definition used (corruption).

What does this mean for your reporting?

ESRS 1.0 – G1-4	Exposure Draft – G1-4
Number of convictions and amount of fines for violation of anti-corruption and anti-bribery laws	Number of convictions and the <u>total</u> amount of fines for violation of anti-corruption and anti-bribery laws <u>during the reporting period</u> .
“May”-Disclosure: Total number and nature of confirmed incidents of corruption or bribery	NEW: “Shall”-Disclosure: the number and nature of confirmed incidents of corruption or bribery <u>that occurred during the reporting period</u>
“May”-Disclosure: the number of confirmed incidents in which own workers were dismissed or disciplined for corruption or bribery-related incidents	Deleted from mandatory content and moved to NMIG 4
“May”-Disclosure: the number of confirmed incidents relating to contracts with business partners that were terminated or not renewed due to violations related to corruption or bribery	
“May”-Disclosure: details of public legal cases regarding corruption or bribery brought against the undertaking and its own workers during the reporting period and the outcomes of such cases. [...]	



What is next?



Navigating the regulatory roller coaster: Action plans for every wave

Our suggestion if you are...



Translating the ESRS amendments into action (1/3)

Cross-Cutting

- Introduction of fair presentation principle
 - **Adaptability in reporting** through choice of reporting level, topic simplifications, and use of executive summaries & appendices
 - **Reporting boundary clarified**
 - **Aggregation alongside disaggregation**
 - **No undue cost or effort & reliefs on metrics calculation**
-
- **“Practical considerations” for DMA** introduced potentially reducing granularity of IROs
 - **Concept of materiality of information** in greater focus
 - Clarifying Appendix on **gross vs. net impacts**
 - Presentation of **non-material information** require-ed by rating agencies/ similar third parties clarified
-
- **List of topics reworked;** level of sub-sub-topic removed
-
- Compared to other standards, **ESRS 2 DRs were substantially restructured**
 - MDRs are now named **“General Disclosure Requirements” (GDRs)**

Call for Action

Leverage the enhanced flexibility to craft a more compelling & consistent ESG reporting narrative for your organization!

01

Design and tell your story

- Consider using an executive summary to present the narrative thread of your report
- Use appendices to streamline your report and enhance readability

02

Identify your material topics and IROs

- Consider new topic list and top-down approach for (a refresh of) your DMA

03

Manage your material IROs

- Focus on policies, actions and targets fit for your organization rather than fit for reporting and aggregate appropriately

04

Collect your metrics systematically and set up processes

- Review KPI profiles and data collection processes
- Review qualitative disclosures and their implementation

05

Ensure compliance for your future reporting

- Reflect on clarifications in the Exposure Drafts and assess impact for your reporting (e.g. gross/net or reporting boundary)

Translating the ESRS amendments into action (2/3)

Exposure Draft Changes	Key changes Exposure Drafts ESRSE1 to E5	
	Cross-Cutting	ESRS 1 ESRS 2
Environmental	E1	
	E2	
	E3	
	E4	
	E5	
Social	S1	
	S2	
	S3	
	S4	
Gov	G1	

Environmental

- Disclosure requirements on **Climate Transition Plan** still prominent
- Clearly **dedicated and streamlined** disclosure requirement on **climate risk analysis**
- Clarified GHG **emission reporting**
- Clear focus on relevant **metrics for pollutants, microplastics, and SoC/SVHC**
- **Water metrics with additional disclosures** on withdrawal and discharge
- **Mandatory Transition Plan for biodiversity**
- **Biodiversity-sensitive areas and biodiversity offsets** are focus topics
- **Restructuring and updates** in the areas of **resource inflow, products, and waste**

*The depicted amendments are **selected examples** – the Exposure Drafts are **still detailed**, and the environmental disclosure requirements **remain complex**.*

Call for Action

Leverage the time gained to start or continue implementation efforts for environmental topics that remain complex!

01

Climate-related analyses & strategic planning

- Continue or start working on your climate transition plan
- Focus on climate-related risks and resilience
- Your GHG emission accounting is a key element

02

Compliance & value-creation

- Develop and consider environmental policies, actions and targets
- Understand whether those are suitable to manage your material topics and put your sustainability strategy into action

03

Environmental metrics

- Review the E-metrics and the still comprehensive disclosures
- Assess data availability across your company and processes in place

04

Biodiversity & Circular Economy

- Focus on transition planning and location-based impacts for biodiversity
- Review updates on circular economy, also as potential performance driver

05

The best time to start is now

- If you are still within the scope of CSRD, you should start addressing environmental topics now, as the requirements are still extensive

Translating the ESRS amendments into action (3/3)

Social & Governance

- Updated clustering of sub-topics
- Disclosure Requirements related to SBM-2/3 deleted
- Human rights policy disclosures moved to ESRS 2
- Merger of DRs on processes to engage and raise concern

- Obligation to **always report on S1-5 and S1-16 and S1-6**
- Updated concept of “significant employment”
- Materiality considerations for non-employees
- Simplified data approach for multiple metrics
- Adequate wages hierarchy adjusted for non-EEA countries
- Concept of “severe” human rights incidents removed

- Introduction of **clear PAT-architecture in G1**
- Training activities on business conduct and number and nature of confirmed incidents now “shall”-datapoints
- Removal of average time to pay an invoice

*The depicted amendments are **selected examples** – the Exposure Drafts are **still detailed**, and the social & governance disclosure requirements **remain complex**.*

Call for Action

Leverage the enhanced flexibility to craft a more compelling & consistent ESG reporting narrative for your organization!

01

Think about relevant stakeholders when telling your story

- Engage with your actual and potential stakeholders to understand their views and expectations and reflect these perspectives in the guiding thread of your sustainability statement

02

Ensure that your PATs clearly align with your material IROs

- As your IROs for the social topics will refer to specific stakeholder groups, ensure that the respective PATs responds to those specifically

03

Review metrics simplifications & guidance and (dis)aggregate data

- Consider simplifications and review material for guidance & examples
- When developing company wide reporting processes for metrics, consider the level of aggregation and disaggregation of your material topics

04

Do not underestimate Governance metrics

- Plan sufficient time and allocate enough resources to Governance disclosures even if you might feel familiar with these topics

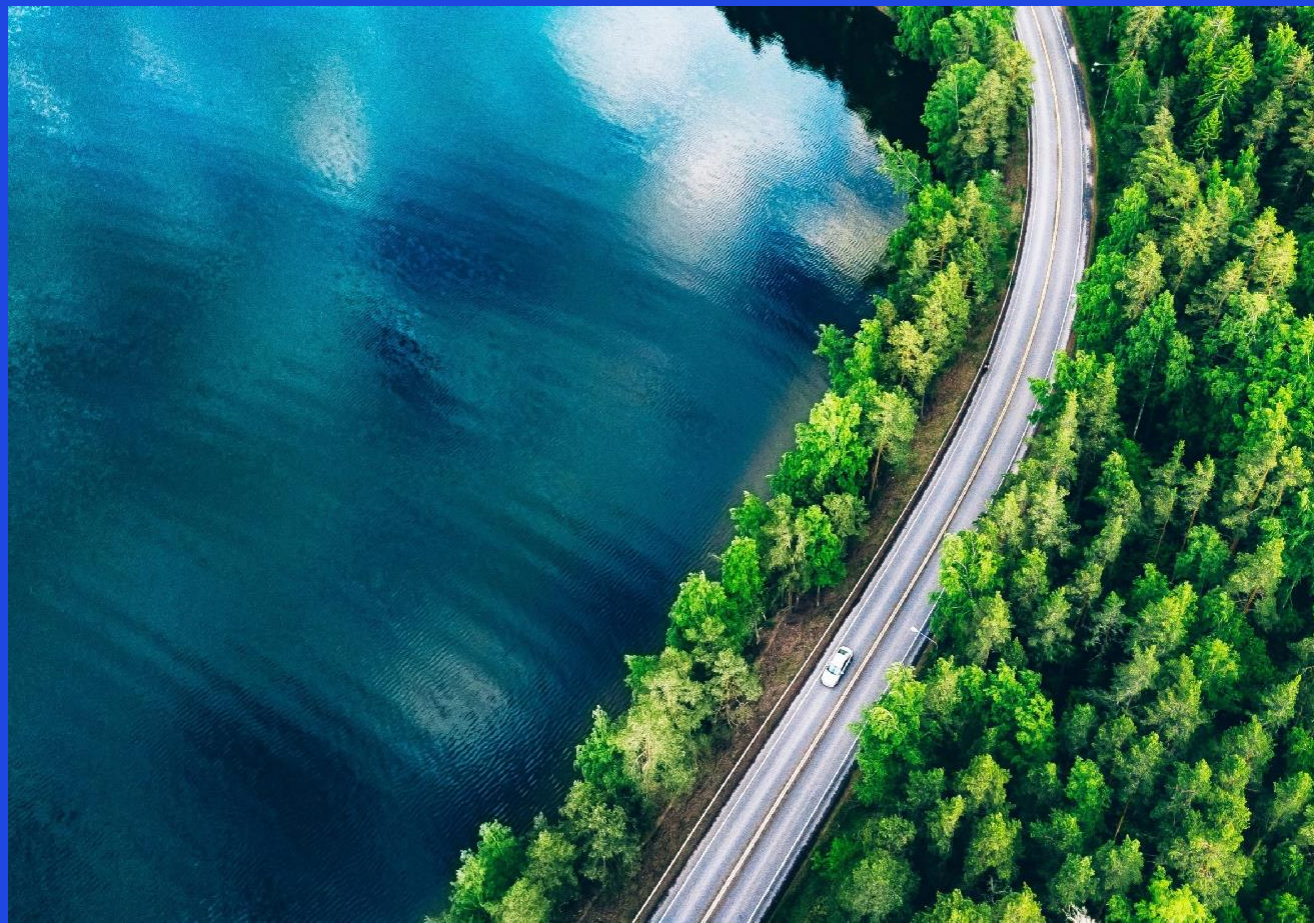
05

The best time to start is now

- If you are still within the scope of CSRD, you should start addressing social & governance topics now, as the requirements are still extensive



Appendix

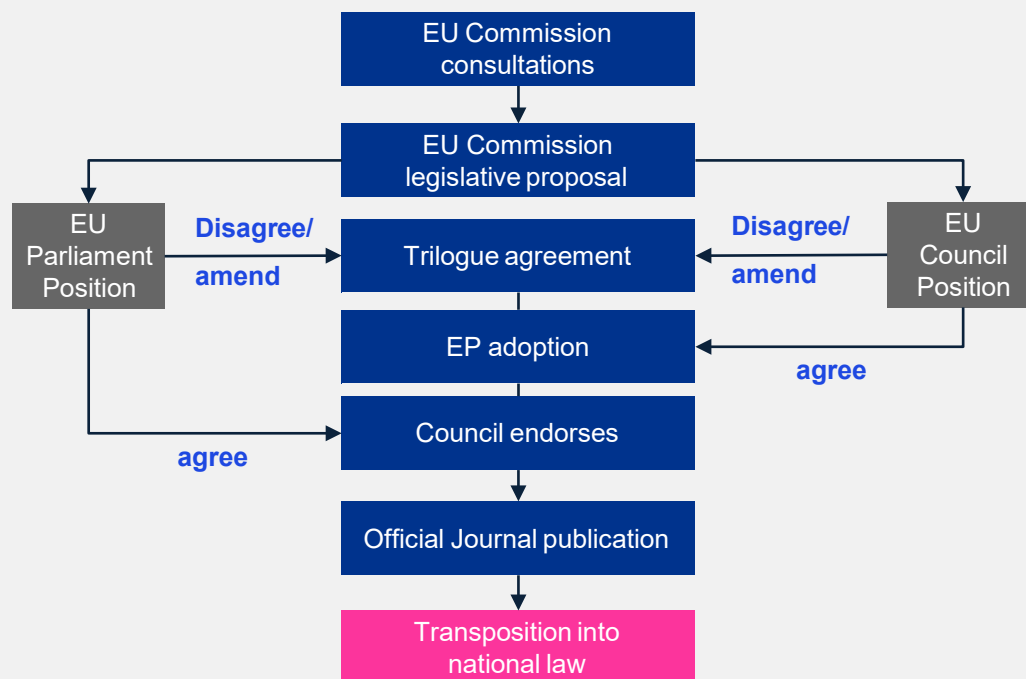


Due process for EU legislation

The next steps depend on EU adaptation and national transposition

CSRD (Directives)

Level 1 Process



ESRS (Delegated Regulations)

Level 2 Process



ESA = European Supervisory Authorities
* Does not apply to implementing acts or implementing technical standards



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