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Simplifying ESRS

Understanding EFRAG's technical advice

December 2025

A step closer

Greater clarity

Companies now have greater clarity on how they would report under simplified ESRS, after EFRAG submitted its technical advice to the European Commission (the Commission).

Simplifying ESRS is part of the Omnibus initiative to reduce sustainability reporting requirements for preparers while maintaining the spirit of the EU Green Deal.

What are the proposed changes?

Following a public consultation during August and September 2025, EFRAG has further enhanced its recommendations. EFRAG has also proposed deleting over 60 percent of the mandatory datapoints, on the basis that they are repetitive or less relevant, as well as all the voluntary datapoints.

This guide will help you understand:
- the changes EFRAG has proposed to ESRS; and
- what these changes would mean in practice.

What's next?

The Commission will proceed with its own due process to determine whether the standards need to be revised further. This process is expected to include another public consultation in early 2026.

The Commission intends the revised standards to be mandatory for 2027 reporting periods. It may allow Wave 1 companies to early adopt the revised standards for 2026.

In this guide, explore our Top 10 highlights and see our recommendations for actions to take now.

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How to use this guide

The text on the **left-hand side** of each page highlights key changes from currently effective ESRS.

Changes proposed following the public consultation are denoted by New .

The panels on the **right-hand side** of each page summarise the expected practical implications for companies.

Contents

Objective is fairly presented information

Materiality as a general filter

- Under the **fair presentation principle**, companies need to report any material information, including entity-specific disclosures when applying ESRS is not sufficient to enable an understanding of IROs.
- The proposals introduce the **materiality of information** as a general filter that applies to all disclosures (including ESRS 2) – i.e. moving away from any implied checklist approach.
- Combined with proposals to streamline reporting and reduce redundancy (discussed throughout this guide), this filter would promote **decision-useful information**.

Reporting scope and boundaries clarified

- The proposals clarify that the ESRS reporting boundary generally follows that of financial reporting.
- However, GHG emissions from the use of a leased asset would be attributed to the lessee's own operations. The lessor would consider the impact of leased assets as part of its downstream value chain.
- A similar provision would apply to IROs arising from assets held as part of an employee pension scheme.

Impact for companies

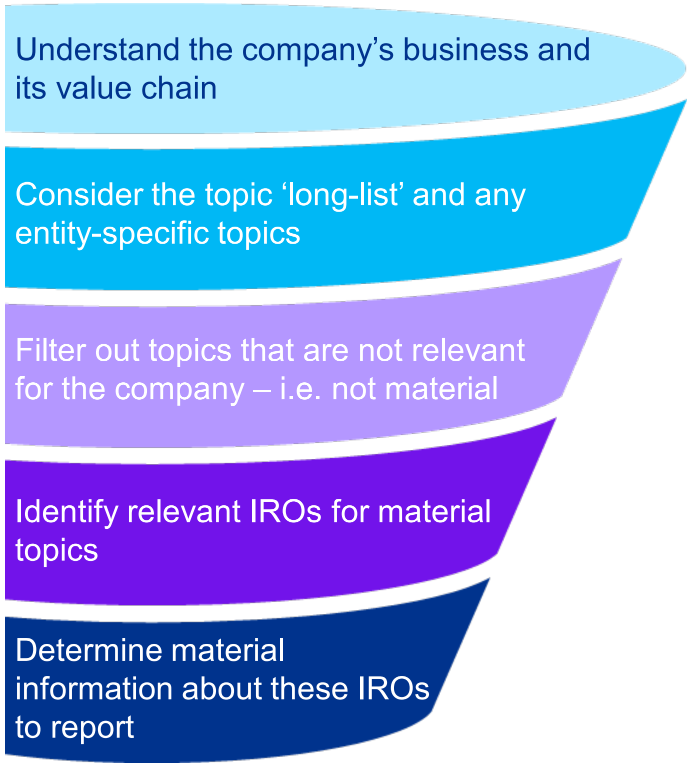
The fair presentation principle, together with fewer mandatory datapoints, may drive more entity-specific disclosures.

This would require companies to exercise greater judgement in determining what information is material and relevant.

Clarified reporting boundaries, particularly regarding leased assets and pension schemes, may help companies better attribute IROs within their own operations and value chains.

Still double materiality, but streamlined

Top-down as an easier route



Materiality assessment simplified

Companies could use a top-down approach to materiality assessment and focus on value chain actors with existing or likely material IROs.

- When a material IRO relates to a particular subtopic, only information related to that subtopic would be reported.
- Annual updates to the DMA process would not be needed unless warranted by changed circumstances or management judgement.

The proposals also clarify how **mitigation, remediation and prevention measures** would be considered in materiality assessments.

- For **actual** negative impacts, companies would only consider mitigation measures for impacts originating from previous periods. They would assess current period impacts without considering remediation measures.
- For **potential** negative impacts, companies would only consider prevention and mitigation policies and actions that are effective in reducing severity or likelihood.
- New: Information about impacts may be decision-useful to users even if the company manages these impacts effectively. The materiality assessment would need to take this into account.

Impact for companies

A top-down materiality assessment would allow companies to focus on the topics most relevant to their strategy and value chain, potentially reducing unnecessary detail.

Existing materiality judgements may need to be revisited, in particular for information required under ESRS 2.

Greater clarity on mitigation and remediation actions can support companies in identifying material negative impacts.

ESRS 2 remains the foundation

Disclosures consolidated and streamlined

- Many general disclosures in topic-specific standards would become part of ESRS 2 to avoid repetition. Additional topic-specific PAT requirements would remain in the relevant standards.
- MDRs would become GDRs, emphasising that they are subject to materiality.
- Many granular narrative requirements would be deleted – e.g. contextual information for metrics.
- Application requirements would be streamlined and located under the related disclosure requirements.

General disclosure requirements in ESRS 2

Basis for preparation	Governance	Strategy	IRO management	MDRs becoming GDRs
General basis for preparation (BP-1)	Role of governing bodies (GOV-1)	Strategy, business model & value chain (SBM-1)	IRO identification & assessment process (IRO-1)	Policies (GDR-P)
	Incentive schemes (GOV-2)	Stakeholder consideration (SBM-2)		Actions & resources (GDR-A)
Specific information (BP-2)	Due diligence (GOV-3)	Interaction of IROs and strategy (SBM-3)	DMA outcome & material information (IRO-2)	Metrics (GDR-M)
	Interaction with risk management (GOV-4)			Targets (GDR-T)

Impact for companies

Consolidating general disclosures in ESRS 2 would be likely to reduce duplication and streamline reporting, helping companies to maintain consistency across the standards.

A principles-based approach and fewer detailed requirements may help companies to explain their sustainability-related context more clearly. However, it would also require them to exercise more judgement.

Connectivity enhanced

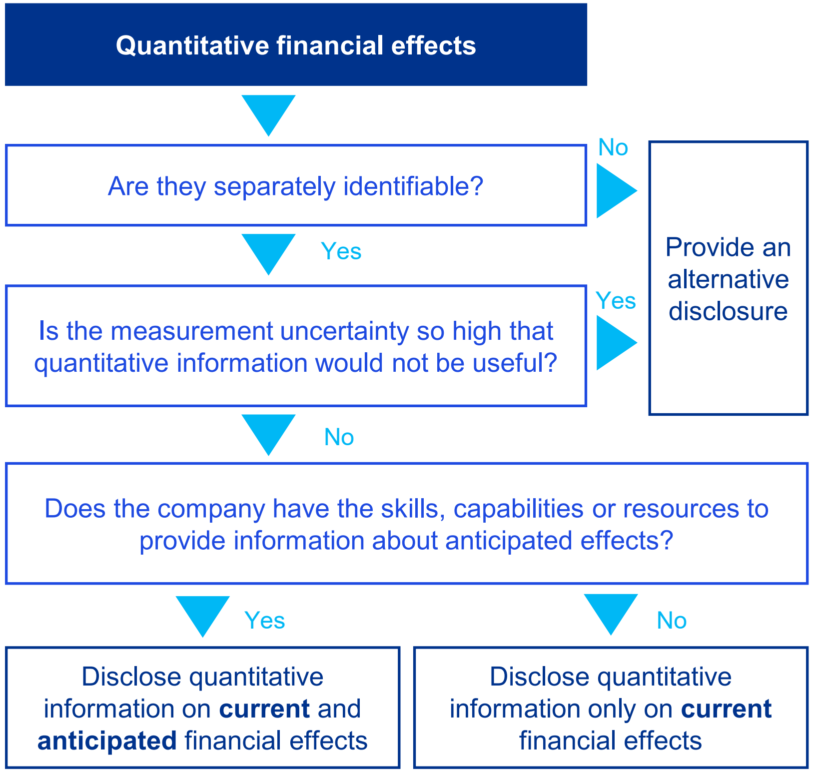
Core principle remains the same

- Companies would be required to explain connections both within the **sustainability statement** and between the sustainability and **financial statements**.
- Data and assumptions used in preparing the sustainability statement would need to be consistent with those in the financial statements to the extent possible. Any significant differences would need to be explained.

Increased interoperability in reporting financial effects New

- Companies would continue to disclose information about current and anticipated financial effects, but the requirements would align with IFRS® Sustainability Disclosure Standards.
- In some cases, companies would not need to provide quantitative information about current or anticipated financial effects.

Proposed reliefs on omitting quantitative financial effects information New



Impact for companies

No changes are proposed to the core principles regarding connectivity between the sustainability statement and financial reporting.

Requirements for disclosing anticipated financial effects would be aligned with IFRS Sustainability Disclosure Standards, which require quantitative information unless specific conditions are met.

See also quick fix amendments for additional transitional relief relating to anticipated financial effects.

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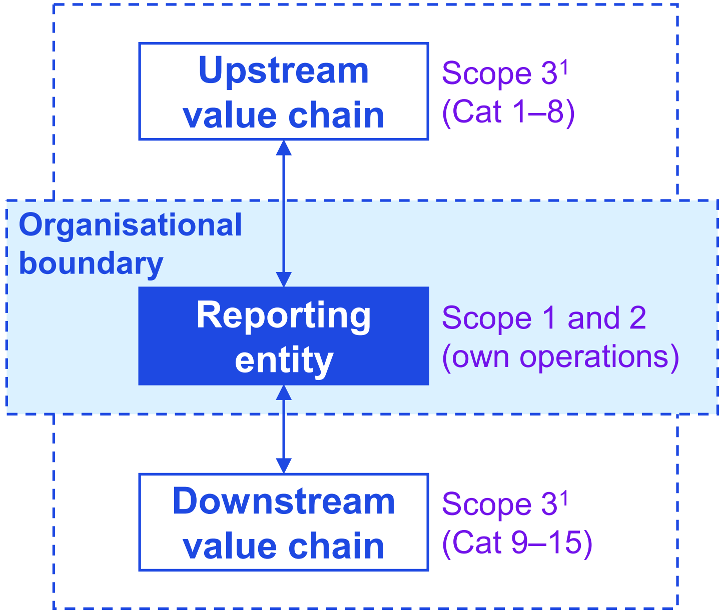
Key climate disclosures clarified



1. GHG emissions for each significant Scope 3 category would continue to be disclosed, prioritising inputs and assumptions based on the characteristics of the data.

General principle remains the same

- Sustainability reporting would continue to follow the perimeter of the (consolidated) financial statements (financial control approach of the GHG Protocol).
- However, GHG emissions from leased assets would be attributed to Scope 1 and 2 emissions of the lessee.
- In some circumstances, a company would need to disclose information on its Scope 1 and 2 GHG emissions under the operational control approach.

Transition plan disclosures clarified

- New If a transition plan exists, then disclosure of the key features would still be required. However, the proposals clarify that a company is not required to disclose all information used to manage the plan and that scenario analysis is not mandatory.
- Companies would still need to state whether their GHG emissions reduction targets are science-based and compatible with limiting global warming to 1.5°C. However, they would no longer be required to update their targets every five years after 2030.

Impact for companies

Companies may need to revise their approach to determining organisational boundaries for GHG emissions reporting to align with the GHG Protocol financial control approach.

Clarifying that scenario analysis is not required could reduce complexity in transition plan reporting.

Other E standards simplified and clarified

EFRAG has proposed simplifying, clarifying or removing several disclosures in E2, E3, E4 and E5 to allow greater focus on decision-useful information. It has also proposed a small number of additional disclosures.

ESRS	Disclosure	Proposed key amendments
E2	Scope for SoC and SVHC	• Limit disclosures to chemical manufacturers, formulators and importers of substances
	E-PRTR	• Replace E-PRTR references with **general pollutant reporting**
	Pollution metrics	• Align the scope, definition and thresholds for reporting on microplastics, SoC and SVHC with **REACH** • Split microplastics into primary/secondary
E3	Water	• Reduce scope of standard to focus on only **water resources** (marine resources remain part of E4 and E5)
	Water metrics	• Require disclosure of **water withdrawals and discharges**
E4	Biodiversity transition plan and ecosystem metrics	• Align disclosures with those for climate and market practice • Provide guidance to **disaggregate locations**; define sensitive areas
	Biodiversity transition plan	• Require companies to disclose key features of a biodiversity transition plan if they have been made public
E5	Resource inflows and outflows	• Limit disclosures about materials used for manufacturing products to **key materials** • Disclose packaging separately
	Resource outflows	• Introduce new definitions for the **durability and reparability** of products

Impact for companies

Temporary reliefs, such as the option to omit certain disclosures, may reduce reporting requirements in the short term, allowing companies to strengthen their reporting capabilities and processes.

The proposed focus on key materials and new definitions for durability and reparability could prompt companies to reassess their supply chains and product life cycle data.

See also quick fix amendments for extended transitional reliefs.

Own workforce, business conduct focus

EFRAG has proposed simplifying, clarifying and supplementing certain disclosures to streamline reporting and improve the relevance of the information provided, including a new requirement to disclose the benchmark used for adequate wage calculations.

ESRS	Disclosure	Proposed key amendments
S1	Employees	• Revise the threshold for disclosing the **number of employees by country**
	Collective bargaining	• Revise the threshold for disclosing the **percentage of employees** covered by collective bargaining agreements by country
	Adequate wages	• Require disclosure of the **benchmark** used in the assessment New
	Human rights incidents	• Limit disclosure to include only **substantiated instances** New
G1	Political influence	• Distinguish between the datapoints related to **political influence** and **lobbying activities**
	Incidents of corruption/bribery	• Require disclosure of **confirmed incidents** of corruption or bribery

To simplify reporting, the following datapoints have been deleted:

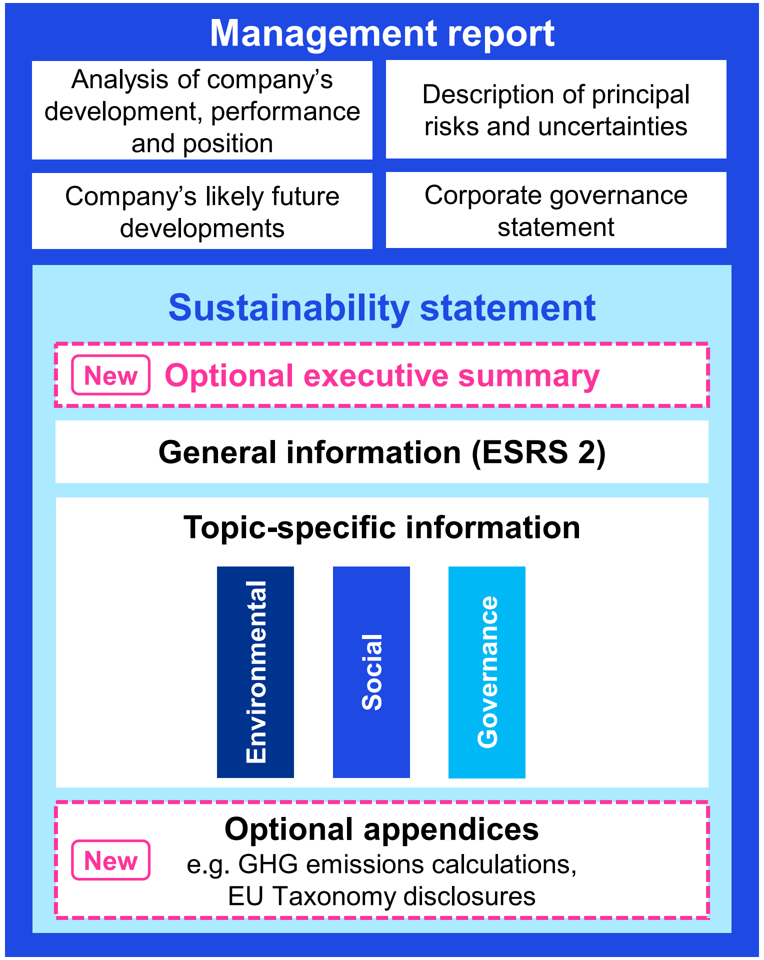
- Explanation of methodologies and assumptions for non-employees
- Employee age distribution
- Gender breakdowns for training metric
- Ill health for non-employees and workers in the value chain
- Percentage of employees taking family-related leave
- Number of human rights complaints filed through internal channels
- Average time to pay invoices

Impact for companies

Changed thresholds and fewer workforce-related disclosures may reduce reporting requirements but could also entail updates to data collection and management systems.

Enhanced focus on distinguishing political influence from lobbying, and mandatory reporting of confirmed incidents of corruption or bribery, could require more detailed information to be disclosed.

More options to tailor the statement



Greater flexibility of layout

Companies would have the following options.

- Include an **executive summary** in the sustainability statement or locate it elsewhere and cross-reference.
- Present detailed calculations, information about non-material matters and EU Taxonomy disclosures in **dedicated sections** or **appendices**. Currently, EU Taxonomy disclosures are required to be in the environmental section and can run to many pages.
- Provide disclosures about **PATMs in aggregate**, reflecting the level at which they are managed.
- Describe material IROs **alongside** the information about PATMs.

Impact for companies

Increased flexibility in structuring the sustainability statement may enable companies to present information in a way that better reflects their business model and strategic priorities.

The inclusion of an executive summary and appendices may enhance clarity and make information more accessible for users.

Interoperability further improved

Alignment with IFRS Sustainability Disclosure Standards would improve in certain areas, but key differences would remain.

Key areas of alignment	Key areas of difference
Fair presentation Companies would apply a common understanding of complete, neutral and accurate information.	**Materiality and value chain** ESRS would retain the double materiality concept and require value chain reporting.
Disclosure of financial effects Companies could provide qualitative rather than quantitative information, subject to certain conditions (see #04).	**Acquisitions and disposals** ESRS would offer reliefs for disclosures related to acquisitions or disposals during the year.
ISSB™ industry-based guidance Companies could use the ISSB guidance for entity-specific disclosures under ESRS.	**Scenario analysis** Unlike IFRS S2, ESRS would not require scenario analysis.
Reasonable and supportable information Companies would report all reasonable and supportable information available at the reporting date without undue cost or effort.	**GHG emissions reduction targets** ESRS would require disclosure of whether targets are science-based and align with 1.5°C.

Impact for companies

Alignment in key areas, such as the fair presentation principle and the use of reasonable and supportable information, would support consistency in reporting across both sets of standards.

Despite progress, differences remain between the frameworks. This may continue to create practical challenges for companies.

More relief for companies

Phase-in reliefs extended

Disclosures subject to phase-in	Wave 1 companies
All disclosures under E4 and S2–S4	Omit until 2026.
Specific disclosures under S1	Omit until 2026.
Information on anticipated financial effects (ESRS 2.27 and partly E1–11)	Omit all information until 2026 and report only qualitative information until 2029. No relief for certain disclosures relating to climate-related physical and transition risks. New
Quantitative information on substances of concern (E2–5)	Omit until 2029. New
Value chain information	When information cannot be obtained from the value chain without undue cost or effort, explain the reasons for omission, efforts made to source the missing information and plans to obtain it in future. This relief could be applied in the first three years of reporting.

Additional reliefs

- Far-reaching relief based on preparing sustainability disclosures using reasonable and supportable information available at the reporting date without undue cost or effort. This would include information on the company's own operations and anticipated financial effects.
- Exclude activities that are not significant drivers of IROs; disclose partial estimates with actions to improve data quality; and exclude joint operations from metric calculations in the E standards (other than ESRS E1) if there is no operational control.
- Additional relief from disclosures on acquisitions and disposals made during the reporting period.

Impact for companies

Transition reliefs and extended phase-ins would provide companies with additional time to strengthen data collection and control processes.

The principle of reasonable and supportable information without undue cost or effort allows companies to meet disclosure requirements while encouraging a pragmatic approach to data collection.

Information relating to assets acquired or disposed of during the reporting period may not need to be reported.

Actions to take now

Wave 1

- Large EU PIEs with more than 500 employees
- Already reporting under ESRS

- Continue to apply currently effective ESRS for your FY25 report
- Define and integrate a clear overarching narrative in your reporting
- Use an executive summary to emphasise the narrative of your disclosures
- Apply materiality of information as a general filter
- Monitor future developments as the revised and simplified ESRS are finalised

Wave 2

- Other large EU companies
- Due to start reporting for FY27

- Prepare to apply the revised and simplified standards for your FY27 report
- Shape a consistent narrative for your sustainability disclosures from the start
- Start, or continue, to develop your DMA approach by benchmarking your sector or business model in published Wave 1 reports
- Monitor future developments such as further application reliefs

Impact for companies

Wave 1 companies need to apply currently effective ESRS for FY25 reporting.

These companies, along with Wave 2 reporters, can also start preparing now for the introduction of revised and simplified ESRS.

Abbreviations and key terms

Cat

Categories of Scope 3 GHG emissions

DMA

Double materiality assessment

EFRAG

The EU's advisory body on corporate reporting

E-PRTR

European Pollutant Release and Transfer Register

ESRS

European Sustainability Reporting Standards

GDRs New

General disclosure requirements

GHG

Greenhouse gases

IROs

Impacts, risks and opportunities

MDRs

Minimum disclosure requirements

PATs

Policies, actions and targets

PATMs

Policies, actions, targets and metrics

PIEs

Public interest entities

REACH

Regulation on the registration, evaluation, authorisation and restriction of chemicals

SoC

Substances of concern

SVHC

Substances of very high concern

List of standards

ESRS 1	General requirements
ESRS 2	General disclosures
ESRS E1	Climate change
ESRS E2	Pollution
ESRS E3	Water
ESRS E4	Biodiversity and ecosystems
ESRS E5	Resource use and circular economy
ESRS S1	Own workforce
ESRS S2	Workers in the value chain
ESRS S3	Affected communities
ESRS S4	Consumers and end-users
ESRS G1	Business conduct

Keeping in touch

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Supplement this guide with the webcast replay that most suits your requirements:

- KPMG in Germany with a focus on EU companies ▶
- KPMG in the US with a focus on non-EU companies ▶

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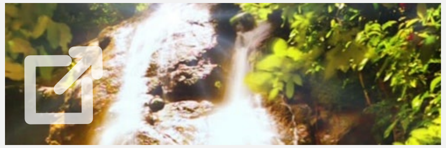

EU Sustainability
Our latest insights and guidance on European Sustainability Reporting Standards

IFRS Sustainability
Our latest insights and guidance on IFRS Sustainability Disclosure Standards

EU Omnibus hub
Digital hub on revisions to sustainability reporting

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