BASIS FOR CONCLUSIONS

DRAFT AMENDED ESRS

JULY 2025

Amended ESRS – Exposure Drafts July 2025

Basis for Conclusions

DISCLAIMER

This Basis for Conclusions accompanies but is not part of the 12 Exposure Drafts Amended ESRS issued by EFRAG for public consultation on 31 July 2025. It summarises the considerations of the EFRAG SRB and the EFRAG SR TEG in the standard setting process leading to the Exposure Drafts.
It does not reflect the position of the European Union or the European Commission DG Financial Stability, Financial Services and Capital Markets Union (DG FISMA).

1. Introduction, EFRAG mandate and approval of the ED

1. The objective of this document is to describe the process followed in defining the Exposure Draft for 12 Amended European Sustainability Reporting Standards ('Amended ESRS' or 'Amendments' or 'EDs'), including the methodological approach taken, the rationale leading to the content of the EDs and the key aspects discussed by the EFRAG Sustainability Reporting Board (the EFRAG SRB) and the EFRAG Sustainability Reporting Technical Expert Group (the EFRAG SR TEG). Annex II *Aggregated acronymous and glossary of terms* has also been amended reflecting the changes in the corresponding requirements.
2. This document describes the main changes in the EDs. For an exhaustive illustration of the changes that have been made per each paragraph of the 12 Standards, 12 Annexes to this Basis for Conclusions have been prepared and issued in conjunction with this document (see "Log of Amendments – ESRS"). Annex II *Aggregated acronymous and glossary of terms* is presented in markup to show the amendments done.
3. On 26 February 2025, following the unanimous agreement of EFRAG Sustainability Reporting Board ('SRB'), EFRAG stated publicly its commitment to assist the EC in preparing the relevant technical measures required in the context of the Omnibus proposals.
4. Per the 27 March 2025 letter from Commissioner Albuquerque, the EC sets out EFRAG's specific mandate with respect to delivering a technical advice on the ESRS simplification. That technical advice, to be delivered by end November 2025 (after prolongation of one month from 31 October 2025) was to consider the following objectives.
5. "The revision of the delegated act will substantially reduce the number of mandatory ESRS datapoints by (i) removing those deemed least important for general purpose sustainability reporting, (ii) prioritising quantitative datapoints over narrative text and (iii) further distinguishing between mandatory and voluntary datapoints, without undermining interoperability with global reporting Standards and without prejudice to the materiality assessment of each undertaking. The revision will clarify provisions that are deemed unclear. It will improve consistency with other pieces of EU legislation. It will provide clearer instructions on how to apply the materiality principle, to ensure that undertakings only report material information and to reduce the risk that assurance service providers inadvertently encourage undertakings to report information that is not necessary or dedicate excessive resources to the materiality assessment process. It will simplify the structure and presentation of the Standards. It will further enhance the already very high degree of interoperability with global sustainability reporting Standards. It will also make any other modifications that may be considered necessary considering the experience of the first application of ESRS." (source: Explanatory Memorandum to the Omnibus, page 5).
6. The Commissioner stressed the need to engage with undertakings that have direct experience with implementing ESRS and with the users of sustainability statements to better understand which datapoints are considered most critical.
7. The ESRS revision work plan and timeline document prepared by EFRAG was submitted to Commissioner Albuquerque on 25 April 2025, following its approval by the SRB.
8. In the 5 May 2025 letter from Commissioner Albuquerque, she suggested several points to be considered when revising the Standards. The Commissioner asked to integrate the reliefs available in the ISSB Standards (IFRS S1 and S2) into the ESRS. She also stressed the need to engage with undertakings and stakeholders that report and use the reported

information. She further stressed the need to engage closely with the assurance providers of the reporting. The Commissioner also requested a written update to be provided describing in more detail the intended modifications to the Standards and how and to what extent they would reduce burden on undertakings.

9. On 13 May EFRAG presented to the Legal Affairs Committee of the European Parliament an update on its ongoing activities related to the ESRS simplification efforts as part of a public hearing panel dedicated to reporting obligations. On 5 June 2025 EFRAG presented its work plan to the Legal Affairs Committee of the European Parliament as part of the annual consultation on EFRAG work programme with the European Parliament and the Member States stipulated by the CSRD.

10. On 20 June 2025 EFRAG provided an update on the simplification work done to the EC. The update clarified that a 50%+ reduction in the number of mandatory ("shall") datapoints was being achieved through the following levers:

    1 Simplification of the Double Materiality Assessment ('DMA')

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

    3 Critical modification of the relationship between Minimum Disclosure Requirements ('MDRs') and topical specifications.

    4 Improved understandability, clarity and accessibility of the Standards.

    5 Introduction of other suggested burden-reduction reliefs.

    6 Enhanced interoperability.

11. On 1 July 2025 the EC granted an extension of the initial deadline for the technical advice from 31 October 2025 to 30 November 2025. The EC recommended as well:

    1. To provide a thorough justification for creating, on an exceptional basis, new datapoints or converting voluntary (“may disclose”) datapoints into mandatory datapoints (“shall disclose”).

    2. Ensure that the Standards are internally consistent, avoid unnecessary repetitions, are substantially shorter, and that the drafting is crystal clear and of the highest quality.

    3. Avoid multiple categories of disclosures and clarify the advantages and disadvantages of maintaining voluntary disclosures.

    4. Only develop new or modified terms and concepts when they contribute to simpler and clearer Standards.

    5. Ensure that the reporting focuses on strategically important information.

    6. Identify cases where interoperability significantly hinders the simplification exercise and seek views of stakeholders on these. Interoperability with ISSB being a key item, as it aims at avoiding double reporting for some undertakings. EFRAG might explore with the ISSB the possibility that the IFRS S1 and S2 Standards could be simplified in case they hinder simplification.

Approval of the ED by EFRAG SR TEG

12. EFRAG SR TEG approved the EDs on its meeting on 9 and 10 July 2025. 26 members participated to the vote. The following EDs were approved by all the participating members: Amended ESRS 2 *General disclosures*, E3 *Water*, S2 *Workers in the value chain*, S3 *Affected communities*, S4 *Consumers and end-users*, G1 *Business conduct*.

13. ESRS 1 *General requirements*, E1 *Climate change*, E2 *Pollution,* E4 B*iodiversity and ecosystems*, S1 *Own workforce* were approved with one dissent each. The same member dissented on ESRS E1 *Climate change* and E4 *Biodiversity and ecosystems*. For the rest, there were different members dissenting on ESRS 1 *General requirements*, E2 *Pollution* and S1 *Own workforce* for different reasons.
14. While approving, members indicated several remaining reservations on points to be investigated in the public consultation. On ESRS 1 *General requirements*, there were nine aspects to be investigated following these reservations, of which five present a high number of members with reservations and diverging views among members with reservations. For ESRS 1 *General requirements* there are four aspects with isolated reservations.
15. A detailed report on the vote and reservations is presented in Appendix 1.
16. In approving the Amended ESRS, EFRAG SR TEG recommended several editorial changes. Other changes were made to the drafts following the EFRAG SRB approval. The version of the Amended ESRS EDs submitted for approval to the EFRAG SR TEG can be found in the EFRAG webpage dedicated to the SR TEG meeting on 10 July 2025[1].

Approval of the ED by EFRAG SRB

17. EFRAG SRB approved the EDs on its meeting on 14, 15 and 16 July 2025. 21 members participated to the vote. None of them dissented on any standard.
18. While approving the Standard, some members highlighted their remaining concerns or reservations on the following requirements, for which they agreed to have questions in the consultation:
19. Amended ESRS 1 *General requirements*: fair presentation, gross versus net, reliefs on metrics.
20. Amended ESRS 2 *General disclosures*: anticipated financial effects (inclusion of option 2)
21. Amended ESRS E1 *Climate change*: anticipated financial effects, exemption for banks on target setting in absolute value.
22. Amended ESRS S1 *Own workforce*: adequate wages non-EU hierarchy, new threshold for country disaggregation and unadjusted pay gap.
23. Other reservations were expressed in relation to the relief on acquisitions and disposals, human right incidents, the use of the term ‘non-employees’ and by-site disaggregation of disclosure.
24. A detailed report on the vote and reservations is presented in Appendix 2.
25. In approving the Amended ESRS, EFRAG SRB agreed on several editorial changes. The version of the Amended ESRS EDs submitted for approval to the EFRAG SRB can be found in the EFRAG webpage dedicated to the SR TEG meeting on 15[2] and 16[3] July 2025.

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[11] https://www.efrag.org/en/news-and-calendar/meetings-calendar/efrag-sr-teg-physical-meeting-10-july-2025

[22] https://www.efrag.org/en/news-and-calendar/meetings-calendar/efrag-srb-physical-meeting-15-july-2025

[3]https://www.efrag.org/en/news-and-calendar/meetings-calendar/efrag-srb-physical-meeting-16-july-2025

2. Key steps of EFRAG due process

26. In the workplan delivered to the EC on 25 April 2025 EFRAG described the due process envisaged for executing the simplification mandate.
27. EFRAG organised the revision of the Standards in accordance with the following internal timeline and steps (workplan adapted to the extension of deadline):

Activity	Timing
Establishing a vision on actionable levers for substantial simplification Gathering evidence from stakeholders, analysis of the issued reports and other sources	April to mid-May 2025
Drafting and approving the Exposure Drafts (‘Eds’) amending ESRS	Second half of May to July 2025
Publishing the Eds, receiving and analysing feedback (including via public consultation)	August and September 2025
Finalising and delivering the technical advice to the EC	November 2025

28. Hereafter and in the following chapters, each of the steps in the workplan is described.

Establishing a vision on actionable levers for substantial simplification

29. By the 7 May, EFRAG formed an initial "top-down" vision on the levers to be used for achieving a substantial simplification. Priority was given to establishing the strategic direction for overarching matters (e.g., materiality assessment, structure of the sustainability statement, interaction of cross cutting and topical Standards, other key levers, interoperability with international Standards). As part of this step, the analysis of selected technical issues allowed also to identify additional actionable levers for substantial simplification, beyond those identified in the top-down vision. The actionable levers (strategic level and technical issue level) were applied to the cross-cutting provisions first, then to the topical provisions

3. Gathering evidence from stakeholders, analysis of the issued reports and other sources

30. EFRAG reached out to stakeholders by means of:
    a) A public call for input.
    b) Interviews/workshops with different stakeholders’ categories.
    c) Benchmarking of 2024 ESRS sustainability statements, and
    d) Analysis of the input collected through the ESRS Q&A platform from October 2023 to February 2025.
31. Across this outreach EFRAG collected evidence on the existing issues in addition to suggested amendments from stakeholders in relation to the following:

a) Mandatory datapoints to be deleted as least important, as well as assessing which disclosures were most important and to kept, to make ESRS sustainability statements more decision useful.

b) Materiality assessment.

c) Disclosures and datapoints that create major operational issues.

d) Presentation of the Standards and interaction of cross-cutting and topical disclosure.

e) Provisions that need clarification.

f) Other modifications based on lessons learnt in the first-time adoption.

g) Additional feedback including in relation to interoperability and EU datapoints

32. The results of this outreach were used as input to the EDs. This step has been essential, in line with the Commissioner's recommendation, to build upon the experience of preparers and users of sustainability information in identifying the most useful versus the least useful DRs in general purpose sustainability reporting.

Public call for input on simplification

33. EFRAG issued a public call for input on 8 April 2025 which was open for a four-week period, addressed to all interested stakeholders based on an online questionnaire covering the points above. 823 stakeholders participated, delivering approximately 16,000 comments, which have all been analysed in detail. This number also includes comments received directly by written letter submissions to the Secretariat during the public consultation window.

Interviews and workshops with stakeholders

34. EFRAG held 41 one-on-one interviews with preparers of different sizes, sectors and Member States (including from Member States that had not transposed the CSRD). EFRAG organised 44 workshops with stakeholders (investors and other users, preparers, financial institutions, and CSO organisations). One-on-one interviews between stakeholders and EFRAG's technical leadership and staff, along with workshops, spanned over 110 hours of technical dialogue, involving approximately 600 undertakings in total[4].

35. In addition, EFRAG received a joint contribution from four National Standard Setters (ANC (Autorité des Normes Comptables), DRSC (Deutsches Rechnungslegungs Standards Committee), ICAC (Accounting and Auditing Institute) and OIC (Organismo Italiano di Contabilita), 'NSS' (National Standard Setters)) and a joint industry contribution from four European industry associations (Insurance Europe, EBF (European Banking Federation), EFAMA (European Fund and Asset Management Association) and Business Europe). During the process leading to the issuance of the ED, other communications were sent by NSS to emphasise some of the aspects to be further considered by EFRAG, including in some cases detailed recommendation of drafting.

36. EFRAG also held dedicated interviews with the audit community and individual audit firms in their role as assurance providers for collecting their views.

37. The results of this extensive outreach effort are included in the Report "*Consolidated feedback - public call for input, outreach events and preparer interviews*" made available jointly with the EDs.

[4] Either directly or via industry representation.

Benchmarking of reports and market analysis

38. An analysis of about 650 ESRS sustainability statements prepared for calendar year 2024 in relation to 20 critical research questions was prepared[5] ("State of play").

39. This analysis of initial ESRS-compliant reports from 2024 revealed distinct patterns in disclosure practices, with significant challenges and inconsistencies existing, particularly concerning data granularity, methodologies, and the reporting of financial effects between real economy undertakings and financial institutions.

40. The key messages of the State of Play 2025 report are available in Appendix 5 to this document.

41. The EFRAG secretariat conducted a benchmark analysis of the 2024 ESRS compliant sustainability statements, on a sample basis, to inform the amendments, supporting the identification per each standard, of the requirements that were omitted and of those that were raising challenges based on the observed market practices.

Inputs gathered through the ESRS Q&A platform

42. A detailed analysis of the 887 questions received through the ESRS Q&A Platform from October 2023 to February 2025 also informed the list of most critical provisions that needed to be clarified in the Amendments.

43. The EFRAG Secretariat had estimated at the end of 2024 that to address all the open issues arising from the Q&A platform, and categorised as future Explanations or Implementation Guidance, EFRAG would have needed two years of work. Accordingly, addressing all the open issues in the Amendments was not possible, particularly those requiring the issuance of new Guidance, which is beyond the simplification mandate. EFRAG in the Amendments has prioritised the most frequent implementation challenges.

44. The analysis of these inputs has been fed into the simplification of the different ESRS Standards. The table in Appendix 6 provides an overview of how the most frequent requirements needing clarification have been addressed in the EDs.

Drafting and approving the EDs amending ESRS

45. At the beginning of June 2025, based on the stakeholder inputs, the EFRAG SRB reviewed the initial strategic direction based on the actionable levers of substantial simplification and made adjustments where necessary, informing in this way the drafting of the Amendments.

4. Levers of simplification

46. The levers used in simplifying the ESRS (taking into consideration the inputs received from stakeholders) are as follows. They are illustrated in this section.

    a) Simplification of the Double Materiality Assessment

    b) Better readability/conciseness of the sustainability statements and better inclusion in corporate reporting as a whole

    c) Critical modification of the relationship between MDRs and topical specifications

    d) Improved understandability, clarity and accessibility of the Standards

    e) Introduction of other suggested burden-reduction reliefs

    f) Enhanced interoperability

[5] https://www.efrag.org/sites/default/files/media/document/2025-07/EFRAG_State%20of%20Play%202025%20Report_0.pdf

47. Please note the following requirements that were not changed in the Amended ESRS as recommended by the EC (European Commission) representatives, as they are subject to ongoing developments on level 1 regulation (i.e. the ongoing legislative process that will amend the CSRD):

    a) Definition of value chain for financial institutions (ESRS 1 *General requirements*). ESRS have been written having real economy undertakings and non-financial institutions in mind. A key implementation question is how to apply the own operation and value chain definition for these undertakings, given the relevance that their relationships with customers has in determining their material IRO. The EFRAG Secretariat has attempted to draft specific sector guidelines (few paragraphs in the main body and in AR) and has tested them with experts in the sector. The feedback indicated the need for more thorough consideration of the issues and potential unintended consequences, in particular as the timing of this consultation does not allow to test properly these new concepts. In addition, the EC representatives have confirmed that this aspect is being discussed in the context of the future Level 1 amendments.

    b) Exemption from consolidating subsidiaries by undertakings that are financial holdings (ESRS 1 *General requirements*). This was a request of some stakeholder in the input gathered. Trying to develop this exception would be beyond the EFRAG mandate, as this issue is being debated in the context of the future level 1 amendments.

    c) Relief for omission of confidential/sensitive information (ESRS 1 *General requirements*) and Phasing-in provisions (ESRS 1 *General requirements*). The former was a recurring suggestion for simplification in the context of the input gathered. EFRAG has been informed that this aspect may give rise to modification of the CSRD (level 1) accordingly it is not appropriate that EFRAG attempts to introduce a relief on this aspect.

    d) Clarify the meaning of '"compatibility with 1.5 degrees'" for the Transition Plans disclosure (ESRS E1 *Climate change*). This is a particularly challenging aspect of ESRS E1 Climate change and the debate about how to interpret the requirement to have transition plans that are compatible with this policy target was intense in 2024 when EFRAG worked at a draft implementation guideline on climate transition plans.

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

48. Double materiality covers both impact and financial materiality. Impact materiality pertains to the material information about the undertaking's impacts on people or the environment related to a sustainability matter; financial materiality pertains to the material information about risks and opportunities related to a sustainability matter. The identification of the material matters is the starting point to determine the material information to be disclosed in the sustainability statement on material IROs related to those matters.

49. The double materiality assessment is pivotal to the preparation of sustainability statements under ESRS. A thorough revision of the provisions related to its operationalisation was considered necessary since, also due the lack of clarity, this was identified as a significant source of burden in practice.

50. The input gathered from the first adoption of ESRS confirmed that the determination of matters (or topics) to be reported upon has been particularly intense, including for audit purposes. While there have been benefits from the DMA exercise and the involvement of various internal actors, including at board level, frequent comments concern a

disproportionate effort compared to the result. It was felt that there has been an excessive focus on process rather than outcome or the company's strategic context; the list of matters (in ESRS 1 *General requirements* AR 16) was being used as a checklist to document the non-materiality of each and every item; the use of quantitative scoring at the level of single IROs as a starting point; the absence of guidelines for sectors; thresholds and level of aggregation; the scoring at scale/scope/irremediability level for each IRO. Divergence in practice was observed as to whether negative impacts are assessed before or after mitigation, prevention and remediation actions, with important consequences in terms of comparability and relevance of information, and what constitutes a positive impact was not clear. The filter of materiality of information was not well understood, in particular for ESRS 2 *General disclosures*, resulting in reporting that was excessively granular, also considering that in some cases the framework has been interpreted as a mere compliance exercise, leading in those cases to the systematic inclusion of individual datapoints without the flexibility needed to focus in practice on information relevant to the specific circumstances of the undertaking.

51. To respond to this feedback, the following key amendments are proposed in Chapter 3 of ESRS 1 *General requirements* ED (further details at paragraph level can be found in the Log of Amendments – ESRS 1 *General requirements* issued jointly with the EDs):

    a) More emphasis has been put on the ESRS being a fair presentation framework, a key concept which is retained by the ISSB and many other reporting frameworks, based upon the key quality characteristics of relevance and faithful representation. EFRAG considered that this emphasis would be needed to reduce the risk of over-burdening reporting associated with a compliance exercise and impact the drafting of the Standards in terms of focusing on the principles. This concept has been heavily debated by the EFRAG SRB and some members expressed reservations on it when approving the ESRS 1 General requirements ED (see Appendix 2). For this reason, the EFRAG SRB is seeking specific feedback on this provision in the public consultation.

    b) A new section has been introduced presenting "practical considerations" in the execution of the DMA. To reduce the overall complexity of the process and the extent of unnecessary scoring, the ED clarifies that the DMA is normally to start from the analysis of the business model to identify the most obvious topics (a 'top-down' approach) and that the expected level of evidence to support the conclusions must be reasonable and proportionate, in particular in circumstances when it is obvious that a given topic is material for the sector, for peers and/or for the business model.

    c) The role of information materiality has been clarified and made more prominent, to have an overarching filter for the inclusion of any information in the sustainability statement. In addition, all datapoints (including the ESRS 2 *General disclosures* datapoints) are now clearly in the scope of it. The criterion of "significance" of information has been clarified, connecting it with the users' needs. Finally, it has been clarified that the undertaking can include in its sustainability statement information about nonmaterial topics (e.g. when requested by rating agencies) and the transparency required when this is done.

52. To respond to a frequent implementation question new guidance has been introduced on how to consider the implemented remediation, mitigation and prevention policies and actions when assessing the materiality of an impact (so called "gross versus net" issue). This has been done with a focus on impacts, in consideration that in the area of financial materiality undertakings in general have already the experience of financial reporting on which to leverage.

53. In addition, the following changes have been made:

    a) Across all the Standards, the relationship between identification of material impacts, risks and opportunities ('IROs') and the topics and sub-topics to be reported has been clarified. A specific focus has been put on intended granularity of the report (IROs versus topics), across all the disclosures and at a general requirement level, to avoid unnecessary granularity and encourage more focused reporting. Flexibility is provided to the undertaking to decide at which level to report, based on the nature of the IROs and reflecting the managerial approach to them. This is to avoid unnecessary details in the reported information and stay closer to the management approach. To simplify the requirements and avoid too many overlapping terms, the term "matter" is replaced by "topic" and the latter is meant to indicate either "topic" or "subtopic" depending on the level needed to meet the relevant disclosure objective. Along the same lines, it has been clarified that when only a sub-topic is material, the undertaking should limit the information reported to that sub-topic without triggering the reporting of all the datapoints in the relevant topical standard. To support this step, a non-mandatory appendix to illustrate the disclosures related to a specific sub-topic is now made available in NMIG[6] (and is based on the Explanation to the ESRS Q&A Explanation to question ID 177 issued in December 2024).

    b) Across all the Standards the term "material matter" is now replaced by "topic to be reported in relation to material IROs" (Impacts, Risks and Opportunities), to signify that a topic is not material per se, but its IROs determine that a given topic is to be reported.

    c) The now illustrative nature of the list of topics in ESRS 1 *General requirements* (former AR 16) has been clarified in Appendix A of Amended ESRS 1 *General requirements* (before a shall consider). To streamline the DMA process and reduce unnecessary granularity of it, the levels in AR 16 are now only two while respecting the content of the CSRD.

    d) More emphasis has been put on the aggregation and disaggregation criteria for reporting information at the right level. In particular, explanations have been provided with respect to the consideration of sites for the DMA and reported information, so as to avoid long lists of sites being included in the sustainability statement.

54. The EFRAG SRB discussed the introduction of the concept of "IROs with strategic relevance" and to differentiate between material IROs and IROs with strategic relevance to increase decision usefulness, thanks to a better link to strategy and business model. This proposal was debated and the SRB concluded that it would be the source of possible complexity due to the introduction of a second threshold of materiality and would depart from the alignment with GRI and ISSB materiality thresholds.

55. EFRAG is of the opinion that these modifications should simplify the DMA process and enhance effectiveness of the materiality of information to a large extent.

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

56. Many ESRS sustainability statements have been perceived as too granular and mixing critical information with excessively detailed datapoints. At the same time, some studies suggest that on average the length of reports has not substantially increased as compared

[6] Non-mandatory illustrative guidance to Amended ESRS, a document issued jointly with the 12 EDs, that gather some of the mandatory material that has been deleted from the mandatory content.

to previous practice. While different cultures exist for standardised reporting by undertakings (as illustrated by financial reporting practices in the EU), and while the observed number of 'pages' for published sustainability statements varies a lot (the average in different countries ranging from 70 to more than 200), the general feeling is that undertakings had difficulties in 'telling their story' with respect to sustainability topics and in sharing their views with their stakeholders.

57. As a result, the perception of sustainability reporting as a compliance exercise has developed, and this is unfortunate in relation to the ambition of the CSRD to place sustainability reporting on a comparable status with financial reporting.

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

59. In order to address these issues, without contradicting existing reporting cultures and, therefore, without being overly prescriptive, EFRAG is proposing in the Amendments to ESRS 1 *General requirements* and 2 *General disclosures* to clarify the following available areas of flexibility (further details at paragraph level can be found in the Log of Amendments by Standard – ESRS 1 *General requirements*, issued jointly with the EDs, Chapters 8.1, 8.3 and 9.1 and ESRS 2 *General disclosures* DR ARs to GDR-PAT):

    a) Option to have an 'executive summary' at the beginning of the sustainability statement. In contrast to financial information, there are no 'primary statements' in sustainability reporting (such as the profit and loss account or the balance sheet in financial reporting) to offer a summarised view.

    b) Emphasis on the option to use appendices: option to disclose the most granular information, such as detailed metrics, in dedicated sections or appendices within the sustainability statement, while respecting the qualitative characteristics of information; option to present the EU Taxonomy-related information in a specific appendix; option to present in appendix the additional information on non-material matters.

    c) Clarifying the concept of connected information and discouraging fragmentation and/or repetition of information pertaining to the same topics, in particular in the area of policies-actions and targets (PAT). The flexibility and readability of the report have been reinforced, by clarifying (i) that there should be no duplication of content on the same PATs in different parts of the sustainability statement, (ii) that a policy covering different topics should only be described once and (iii) that PATs can be limited to a sub-topic without triggering disclosures at the topical level.

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

LEVER 3: Critical modification of the relationship between General Disclosure Requirements in ESRS 2 ('GDR') and topical specifications

61. Minimum Disclosure Requirements (renamed 'General Disclosure Requirements' or 'GDR') in principle define, at a cross-cutting level (ESRS 2 *General disclosures*), the disclosures that are required on policies, actions and targets (PATs) in relation to topics

that are identified to be reported based on the materiality of their related IROs. Topical Standards in ESRS issued as Delegated Act in 2023 provide detailed mandatory datapoints that specify PATs for each topic. The combination of these general requirements (GDRs) in ESRS 2, with detailed mandatory specifications of PAT in topical Standards has been perceived as burdensome, leading to unnecessary duplication/repetition of the requirements and too granular, as well as a source of ambiguity, potentially resulting in an unnecessary volume of excessively detailed and systematic information.

62. The evidence collected shows that the current architecture of the ESRS is a source of complexity in their implementation due to the overlaps that exist between GDRs (for PATs) in ESRS 2, on the one hand, and topical mandatory datapoints, on the other.

63. Similar overlaps exist between ESRS 2 *General disclosures* and topical Standards in the areas of governance and strategy and in relation to the DR IRO 1 (i.e. GOV, SBM and IRO), where topical Standards add specifications to the content of ESRS 2 *General disclosures* (see Appendix C of ESRS 2 *General disclosures*).

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

65. In order to address these critical points, the EFRAG proposed in the EDs the following amendments:

    a) Maintaining cross-cutting GDRs at the ESRS 2 *General disclosures* level in terms of 'shall' under a revised/reduced number of datapoints and drastically reducing the mandatory PAT specifications ('shall datapoints') in the topical Standards to the strictly essential ones, the rest being either deleted or moved to NMIG. This is a key factor for the reduction of mandatory datapoints (see below) and reflects a different, more principle-based standard-setting approach to narrative disclosures. "Minimum" DRs were renamed to "general" disclosure requirements, reflecting the fact that they are the reference point for the required disclosure and there are no (or very limited) datapoints in topical Standards for PAT.

    b) Replicating the same approach as for GDR also for the other topical specifications of ESRS 2 *General disclosures* (Appendix C of ESRS 2 *General disclosures*, which is in fact eliminated). Topical specifications are all deleted with few exceptions (e.g. resilience in E1 *Climate change*).

    c) Clarifying that PATs are only to be reported 'if you have' them (i.e., no behaviour mandated). Preparers can now use a tabular format for the material IROs and PATs and indicate with a single datapoint for the list of material topics for which there are no PATs (see ESRS 2 *General disclosures* paragraph AR 28). In addition, the proposed Draft Amended ESRS 2 does not require disclosure of reasons for not having them or plans and timeline to implement them.

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

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

67. Due to the current mix of different elements in the sections on Application Requirements ('ARs') in the ESRS Delegated Act issued in 2023, it was difficult to identify the requirements to comply with, separately from the non-binding content. How to consider

'may disclose' datapoints in determining the materiality of information was unclear, leading to different conclusions. Some used them as a checklist for entity-specific disclosures that would be always reported when material, which aggravated the reporting burden including to demonstrate that omitted items were not material. On the contrary, others concluded that the 'may disclose' were the only items allowed to be reported as 'entity-specific disclosure', limiting the relevance of the reporting.

68. EFRAG proposes the following amendments in the ED, across the Standards:

   a) changing the approach to the "voluntary disclosure", which has been a source of significant discussions between preparers and auditors and interpreted by some as a checklist for entity-specific disclosures rather than an encouragement of good practice by more mature preparers. EFRAG has completely eliminated this category in the EDs.

   b) Amending the general structure of the Standards, separating clearly mandatory and non-mandatory content. The paragraphs on mandatory guidance (still named Application Requirements or 'AR') have been relocated under the respective DRs to which they belong. The non-mandatory content has been deleted from the EDs and moved to NMIG, except Appendix A (non-mandatory) list of topics to be reported, former AR 16) given its importance.

   c) Language has been streamlined, in particular for ESRS 1 *General requirements* where efforts were most needed, while not disrupting the implementation investment done by the undertakings in wave 1 by introducing new language for the most critical general requirements. This is expected to facilitate readability and understandability and reduce implementation and auditing efforts thanks to the ability to more clearly focus on what is mandatory.

LEVER 5: Introduction of other suggested horizontal burden-reduction reliefs

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

70. Reliefs in the ISSB's Standards IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and S2 Climate related Disclosures. The following is a unilateral assessment of EFRAG, that has not been validated by the ISSB. EFRAG has scrutinised the reliefs that exist in IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and S2 Climate related Disclosures and incorporated those that are compatible with the European context. These include the use of the 'undue cost and effort' for: materiality assessment, the extent of coverage in the value chain and for all metrics, the disclosure of ranges for quantitative financial effects, the relief for the presentation of quantitative financial effects. This does not include the relief that allows to omit Scope 3 GHG emissions when impracticable, considering the role of this metric in the Green Deal and sustainable finance. In addition, this does not include the relief regarding the disclosure of information about opportunities that IFRS S1 classifies as "commercially sensitive". EFRAG made this decision on the recommendation of EC representatives, who pointed out that, further to discussions in the Council on the EC's "Omnibus" proposal to revise the Corporate Sustainability Reporting Directive, it is possible that a similar provision may be included in the revised directive itself. It would not be appropriate for EFRAG's draft revised ESRS to pre-empt possible changes to the provisions of the directive. For the treatment of the relief on financial effects, see below.

71. <u>Additional reliefs not provided for in ISSB Standards</u> (the existing transitional reliefs in ESRS Delegated Act 2023 being maintained). EFRAG considered that the introduction in the ED of additional reliefs that are not provided for in IFRS S1 and S2 will likely result in

additional differences in the interoperability mapping (this because while providing further simplification, they add differences with IFRS). This will likely result in additional efforts for undertakings that are required to apply ESRS and also decide to report in accordance with IFRS S1 and S2. In addition, this will likely negatively affect the comparability between IFRS and ESRS reported information. Nevertheless, the reliefs were maintained in the ED to respond to the outcome of the input gathered. The EFRAG SRB is interested in specific feedback on this issue as part of the public consultation. They are:

72. Extension of undue cost and effort to all the metrics, including metrics in own operations (ESRS 1 *General requirements*, paragraph 86).

73. Consideration of additional reliefs for quantitative information about anticipated financial effects (Amended ESRS 2 *General disclosures*, paragraph 23 – options provided). Preparers' feedback to the public call for input indicated that disclosing quantitative information for financial effects is particularly challenging, including due to lack of mature methodologies, and being sensitive. Suggested solutions included the incorporation of the corresponding IFRS relief, the deletion of the requirement to report quantitative information, or reporting them only on a voluntary basis. The EFRAG SRB is specifically seeking input in the public consultation that would support the determination of the most appropriate relief.

74. The ED currently includes two possible options, which would apply for all topics including climate (ESRS E1-11): Option 1 requires to disclose qualitative and quantitative information, but it allows to omit quantitative information under certain conditions. Option 1 is substantially aligned with the IFRS relief, despite the fact that it includes some differences compared to it: under Option 1, as in the IFRS relief, the undertaking need not provide quantitative information when it is not able to measure separately the financial effect of a specific topic (or IRO) or when the level of uncertainty is so high that the resulting information would not be useful. Differently from the ISSB relief, Option 1 specifies that the undertaking may use the relief when there is no reasonable and supportable information derived from its business plans to be used as input in the calculation of anticipated long-term financial effects.

75. Differently from the ISSB relief, the undertaking cannot omit quantitative information when it does not have the skills, capabilities or resources to provide that quantitative information, as this part of the relief was considered not compatible with the entities that are expected to be in scope of the Amended ESRS. Option 2 limits the requirement to qualitative information only, and leaves undertakings to choose to report qualitative information on a voluntary basis, without having to meet any conditions.

76. Reliefs for metrics due to lack of data (quality) - Amended ESRS 1 *General requirements*, paragraph 90: A recurring concern is that preparers may be forced to report non-relevant information when reliable input is unavailable for use in the estimation process. The proposed new relief is applicable to both own operations and value chain metrics and allows to disclose metrics that cover only a partial scope, reflecting the lack of reliable data obtainable without undue cost or effort. The undertaking provides in this case transparency on this circumstance and on actions to increase data availability over time, in addition to the disclosure required by GDR-M (e.g. assumptions and limitations). This transparency is expected to provide sufficient incentive for the undertaking to improve the data quality and achieve a more complete scope in the calculation of the metrics. Accordingly, no time limit is included for the use of the relief. On this point, some EFRAG SRB members, while supporting the relief, considered essential to include a time limit. The EFRAG SRB is seeking specific input on this relief in the public consultation.

77. EFRAG also proposes to remove the hierarchy for input to be used in value chain metrics (ESRS 1 *General requirements* paragraph 61): there is no more indication to try first to collect primary data and use estimates as a fall-back solution. This is replaced by considerations of practicability and reliability. This responds to feedback that, given the lack of maturity of counterparts in the value chain, it cannot be systematically assumed that the result of direct data is more reliable than an estimate based on reliable secondary (sector etc.) data.

78. Relief on metrics to exclude non-material activities from calculations (ESRS 1 *General requirements*, paragraph 58). This proposed new relief is intended to reduce the unnecessary reporting burden associated with complete data collection for group activities that, due to their nature, are not significant drivers of material IRO's being measured.

79. Qualitative only information on resilience (quantitative on a voluntary basis). (ESRS 2 *General disclosures*, paragraph 24). Limit of resilience to risks (not anymore including impacts and opportunities). (ESRS 2 *General disclosures*, paragraph 24, ESRS E1 *Climate change*, paragraphs 20 and 21).

80. In the context of financial effects, limit the information on investments and plans to those that are already announced. (ESRS 2 *General disclosures*, paragraph AR 16).

81. Relief for acquisitions and disposals, allowing to include (exclude) the subsidiary starting from the subsequent (from the beginning of the) period, accompanied by transparency on significant events affecting the subsidiary for major transactions (ESRS 1 *General requirements* paragraph 71).

82. Relief for commercially sensitive information: EFRAG discussed how to address the question of commercially sensitive information, which is a concern frequently expressed by preparers. However, EC representatives have indicated that this question may be subject to debate at the level of Omnibus negotiations and should therefore be addressed at a later stage. In the Exposure Draft, the existing relief for secret information is maintained and a note is added in AR (ESRS 1 *General requirements* AR 35), to mention the existing option at Member State level granted by the CSRD, which gives also a relief, in those countries that have implemented it.

83. With respect to the boundaries of reporting and determining what is part of value chain information, several implementation issues have been reported, which illustrate the need to clarify the scope of 'own operations' and 'value chain'. There is general support for making clear that the starting point for 'own operations' should be the perimeter of the consolidated financial statements. However, stakeholders have asked for clarification on the treatment of specific transactions such as leasing - which also relates to real estate investments - as well as pension funds and financial institutions. EFRAG considers that the proposed provision on leasing is compatible with the operational control approach in the GHG Protocol.

84. Stakeholders have expressed concerns about the boundaries of GHG emissions, following a new concept introduced in ESRS E1 *Climate change*, which creates complexity and diverges from international Standards. EFRAG proposes amending this aspect of ESRS E1 *Climate change* by adopting the consolidated financial statements as the relevant boundary, with an additional disclosure following an operational control approach in specific circumstances where the financial control approach is not able to provide a fair presentation of the undertaking's overall emissions, given the relevance of operated assets outside the financial consolidation perimeter. This is the case for example the Oil and Gas sector, where operational control is the usual approach adopted for the calculation of emissions for the purposes of market communication. EFRAG assesses that this will enhance the compatibility with IFRS S2 *General Requirements* for Disclosure of

Sustainability-related Financial Information and the GHG protocol (GHGP), as the 2023 version of the ESRS E1 *Climate change* boundary could not find direct correspondence with any of the reporting boundaries allowed by the GHGP, while the one proposed now corresponds to the financial control approach in the GHGP. EFRAG considered the possibility to further align with IFRS S2 and the GHGP, by allowing all the existing options in the GHGP and to wait for further developments that are expected to arrive in the context of the announced review of the protocol. However, EFRAG considered that allowing the use of different approaches is not helpful for comparability. In addition, the alignment with the scope of financial reporting was indicated by many as a simplification and it supports connectivity with the financial statement.

85. The CSRD sets a limit (‘cap’) to the value chain information that can result from ESRS. ESRS cannot result in the large undertakings having to request data to their counterparts, which are not in scope of the CSRD, that are not reflected in the ESRS for listed undertakings (LSME) that EFRAG prepared but never finalised, due to the intervening changes to the CSRD in the context of the EC Omnibus proposal. This provision was embedded in the ESRS. The EC Omnibus proposal replaces as a reference for the value chain cap LSME with the voluntary standard for undertakings outside the revised scope of the CSRD (those with less than 1000 employees), that will be issued as Delegated Act, and will be based on VSME, the voluntary standard that EFRAG has issued in December 2024 for undertakings with less than 250 employees and for which the EC will soon issue a recommendation. The replacement of LSME with VSME as reference for the value chain cap has been analysed to consider potential consequences on the Amended ESRS (more details are provided in Chapter 7 of this document). The Omnibus provisions on value chain cap are likely to translate into greater reliance on estimates based on secondary data. Stakeholders' input suggests, on the one hand, reducing the emphasis on direct data collection when reporting on value chain, and on the other hand, providing reliefs when metrics are produced based on estimates. Amendments are being proposed to produce less prescriptive requirements for the collection of direct information, emphasising the need to concentrate the reporting efforts where severe impacts and risks are more likely to arise. All of this falls under the general umbrella relief 'reasonable and supportable information that is available without undue cost and effort', replacing the previous two-step approach (i.e. assess whether direct data collection is feasible with reasonable effort and, after, estimate metrics with undue cost and effort).

86. Financial institutions: stakeholders, in this sector, have complained that the ESRS do not adequately support the preparation of relevant disclosures, as they are primarily written from the perspective of non-financial sector undertakings. While the need to prepare sector guidance is often emphasised in the input gathered, such guidance is not compatible with the available timeline, as it would require careful consideration of unintended consequences and possibly field testing. The EFRAG Secretariat tried to develop few provisions to support the implementation of the concept of value chain, but preliminary feedback from its members indicate that this subject is indeed too complex to be effectively treated in the simplification project.

87. Reliefs for anticipated financial effects. While being critical for users, this disclosure is particularly challenging, as it entails reporting forward-looking and potentially sensitive information. Limited evidence is available on how this DR has been implemented, as undertakings have generally opted to omit this disclosure during their first reporting exercise (phase-in transitional).

88. Appendix 8 of this document provides further information on the suggestions made during the Q&A process that have been integrated into the revised Standards.

LEVER 6: Enhanced interoperability with the ISSB Standards (IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and S2 Climate related Disclosures)

89. A high level of interoperability is an advantage for undertakings in the scope of the CSRD that have also reporting obligations in other jurisdictions other than the EU, as they will likely also report in compliance with the ISSB Standards. The high level of interoperability documented in the joint interoperability guidance between the ESRS and the ISSB's standards with a focus on climate-related reporting which was published on 2 May 2024. The purpose of the joint guidance was to illustrate how undertakings reporting in compliance with ESRS can also comply with the ISSB's Standards with a few points of attention described in Chapter 3 of that interoperability guidance. Any additional difference between the two sets of Standards that would result from the Amended ESRS, will negatively affect the level of interoperability, triggering additional points of attention for those undertakings that intend to comply with the two sets of Standards.

90. Based on the Omnibus proposal, the EC declared the intention to revise the ESRS Delegated Act with the aim to "further enhance the already very high degree of interoperability with global sustainability reporting Standards."

91. The letter of Commissioner Albuquerque of 5 May 2025 encouraged EFRAG to consider incorporating in ESRS all the IFRS reliefs, unless there are overriding reasons not to do so. Further, the letter of the Commissioner of 1 July 2025 requested to identify cases where interoperability significantly hinders the simplification exercise and to seek views of stakeholders on these.

92. From a general standpoint, EFRAG has considered all opportunities to align the provisions and avoid unnecessary differences between the ESRS and the ISSB Standards. Below the EFRAG's assessment of interoperability, as a result of the amendments is presented. This assessment has not been confirmed nor reviewed by the ISSB. Further joint work on interoperability is necessary in the next phase. Building on and contributing to the global development of sustainability reporting remains a key objective for EFRAG. EFRAG continues to maintain a fruitful dialogue with all international initiatives.

93. Below are reported two detailed sections on the specific elements which promote enhancement with of alignment and others which might result in differences between the respective Standards.

94. The starting point of this analysis is the joint interoperability guidance between the ESRS and the ISSB Standards IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*/S2 *Climate-related Disclosures*, which was published by EFRAG and ISSB on 2 May 2024 with a focus on climate. The analysis focuses on *Section 1. Comments on general reporting requirements in ESRS and ISSB Standards* and *Section 2. Common climate-related disclosures*.

Amendments that enhance interoperability

95. Regarding the general approach adopted in the revision of ESRS, the following key aspects have enhanced the level of alignment reported in the interoperability guidance:

    a) The language used in ESRS 1 *General requirements*, ESRS 2 *General disclosures* and ESRS E1 *Climate change* for common provisions with the ISSB Standards has been revised to adopt the same wording as in IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and S2 *Climate related Disclosures* wherever possible.

    b) Despite the difference in materiality perspective which was not changed (ESRS relies on double materiality in contrast to IFRS that relies on financial materiality), the alignment in terms of general requirements has been improved, thanks to the emphasis now put on “fair presentation” framework which is the framework adopted by IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and S2 *Climate related Disclosures*.

c) The materiality of information (see section 1.1. of the interoperability guidance) has been reinforced. A new paragraph (21) under chapter 3.1 of ESRS 1 *General requirements* has been introduced to make clear that the sustainability statement shall include material information (materiality of information is now a general filter for all reported information) for meeting user’s needs, including the disclosure required in ESRS 2 *General disclosures*. ISSB Standards include the same general requirement. ESRS requiring a double materiality approach, this aspect of interoperability only relates to financial materiality, where the two respective Standards have an aligned definition of financial materiality.

d) The existing difference on the reporting boundary for GHG emissions has been addressed, by adopting one of the options in IFRS S2.

e) The reference to IFRS Industry Based Guidance (which includes the IFRS S2 *Climate related Disclosures industry based guidance* and the SASB Standards) (“may consider” in the Amended ESRS) when the undertaking reports entity-specific disclosure has become permanent, reflecting the elimination of ESRS sector Standards.

f) The inclusion of reliefs from the ISSB Standards (i.e. undue cost and effort, etc..) has also contributed to reach a better alignment, with the exception of few cases reported below which will likely result in slight difference.

96. In addition, Appendix 7 illustrates the changes to ESRS E1 *Climate change* that in EFRAG’s opinion enhance the level of interoperability with IFRS S2, *Climate related Disclosures* thanks to the use a more aligned terminology. They relate to transition plans, scenario analysis, resilience, internal carbon pricing, scope 3 measurement and anticipated financial effects (opportunities).

97. For the following two elements, current interoperability level with IFRS S2 *Climate related Disclosures* is preserved despite the streamlining of datapoints, as datapoints aligned with ISSB Standards have been maintained as mandatory application requirements:

   a. For the requirement related to the "anticipated financial effects", some part of the content related to the "investment and disposal plans" and the "planned sources of funding to implement its strategy" has been moved to AR;

   b. For the requirement related to resilience, "the entity's capacity to adjust or adapt its strategy and business model to climate change over the short, medium and long term" has been moved to AR.

Amendments that negatively affect interoperability

98. A series of additional reliefs, described above (see Lever 5), has been introduced in order to meet the simplification objectives and respond to frequent requests of alleviation of reporting burden. They will likely result in additional points to consider by undertakings that will have to comply with the two sets of Standards, starting from ESRS.

99. EFRAG considered whether the disaggregation required in IFRS S2 *Climate related Disclosures* paragraph 29 (a) (iv) (ii) would be necessary, once clarified that the sole scope of mandatory GHG boundary for Scope 1 and 2 is financial control and concluded that it is not necessary. In particular, emissions of associates and joint ventures would be treated as Scope 3, in accordance with the clarifications in ESRS 1 *General requirements* and therefore excluded from this disaggregation. At the same time, the amount of emissions related to unconsolidated subsidiaries should not be material, otherwise those

subsidiaries should have been included in the emissions of the group (consolidated). The ISSB has retained this breakdown as in accordance with the GHG protocol entities can use the equity method or operational control to account for a subsidiary, therefore a breakdown supports the understanding of the different methods applied. This is not needed under ESRS. This will likely also result in a difference.

100. The significant reduction in datapoints has only marginally negatively affected the high level of commonality described in Chapter 2 of the joint interoperability guidance. The necessity to preserve interoperability has been assessed systematically as part of the datapoint reduction decision-tree, with the exception of just 7 cases reported below. In terms of overlap, it is worth noting that in 3 cases there is still a substantial overlap with other maintained datapoints; in 2 case, it is likely that a new item will have to be added in Chapter 2 of the interoperability guidance; in 1 case, there is a new interoperability difference deriving from the deletion (disclosure of information about remuneration of the management), which is justified, as not needed to meet the CSRD requirements, as the CSRD only refers to remuneration of the administrative, supervisory and management bodies.

Aligned datapoint in ESRS Delegated Act	Justification for deletion
ESRS 2 *General disclosures* GOV-1 aligned with IFRS S1, para. 8 (22 c) The undertaking may disclose the management's role in the governance processes, controls and procedures used to monitor, manage and oversee impacts, risks and opportunities including information about whether the management role is delegated to a specific management-level position or committee and how oversight is exercised over that position or committee.	There is still another DP which overlaps with the one eliminated. The Amendments have introduced in paragraph 9 of Amended ESRS 2 *General disclosures* the requirement to disclose the material impacts risks or opportunities (and related topics) for which the administrative, management or supervisory board has not delegated the management to another committee or body. This datapoint replaces datapoint 26 (c) of ESRS 2 *General disclosures*-Delegated Act and therefore is not adding a new datapoint.
ESRS 2 *General disclosures* – MDR for actions and resources in relation to material topics, aligned with IFRS S1 para 38 Disclose if the undertaking monitors the progress made against the actions disclosed in previous reporting periods, including quantitative and qualitative information.	There is still another DP which overlaps with the one eliminated. In disclosing metrics, Amended ESRS 2 *General disclosures* GDR-M still requires an explanation of significant changes in the performance compared to the previous reporting periods.
E1 *Climate change* (AR 46(g), amended), aligned with IFRS S2 paragraph B32 Disclose information that enables users to understand the extent to which its Scope 3 greenhouse gas emissions are measured using inputs from specific activities within the entity's value chain	There is still another DP which overlaps with the one eliminated. GDR – M still requires for value chain metrics to disclose the reliance on data from indirect sources or proxies, and where applicable, the planned actions to improve the data quality in the future (see ESRS 1 *General requirements* Chapter 5).

(primary data), secondary data or a combination of both.	
ESRS 2 *General disclosures*- IRO-1,paragraph 53 (e) aligned with IFRS S1 paragraph 25 (b) In describing the decision-making process, the undertaking may disclose the extent to which and how the process to assess and manage material sustainability impacts, risks and opportunities is integrated into the undertaking's overall risk management process.	This aligned datapoint is eliminated and will likely result in a new difference item in Chapter 2 of the interoperability guidance.
E1 *Climate change* (53 amended), aligned with IFRS S2 paragraph 33 The undertaking may disclose its gross GHG emissions intensity (per unit of products and/or services). (AR 53 amended) This may be expressed on the basis of production, net revenue, or other relevant business metric, for example emissions per unit of production.	This aligned datapoint is eliminated and will likely result in a new difference item in Chapter 2 of the interoperability guidance.
ESRS 2 *General disclosures* GOV-2 - Integration of sustainability-related performance in incentive schemes, aligned with IFRS S1 par. 10 (29 c) The undertaking may disclose: a description of whether and how climate-related considerations are factored into executive remuneration; and the percentage of executive management remuneration recognised in the current period that is linked to climate related considerations. The deletion of these datapoint is justified as this is going beyond the letteral requests of the CSRD;	This aligned datapoint is eliminated and will likely result in two new differences in Chapter 2 of the interoperability guidance. The deletion is justified as this is going beyond the literal requests of the CSRD.

101. The EFRAG SRB considers that the changes described above provide an overall enhancement of the level of interoperability, while respecting the objectives of the Amendments. More work will be needed jointly with the ISSB in the next phases to further progress on this topic. The EFRAG SRB is seeking for specific views on this conclusion in the consultation.

5. Other key simplifications

Revised structure, drafting conventions and status of NMIG

102. The structure of the Standards has been revised and streamlined. In particular:

(a) All the "shall disclose/shall include/shall report/shall describe/shall explain" are presented in the main body of the standard. They have been counted as separate datapoints.

(b) Below the text of each DR (section for ESRS 1 *General requirements*), boxed content presents the corresponding mandatory methodological guidance, which is still named 'Application Requirements' or 'AR'. This includes "shall consider" as element of methodology for preparing the disclosure, and "may" for presentation options.

(c) All the "may disclose" datapoints have been deleted from mandatory material and some of them are gathered in NMIG, except for few of them that have been reformulated as supporting methodological elements in ARs, and four of them that are exceptionally proposed to be moved to shall datapoint (see Chapter 6 of this document). As indicated in the letter of the Commissioner of the 1st of July 2025, this is an exception based on individual justifications and it subject to a specific question in the consultation.

103. Appendix A of Amended ESRS 1 *General requirements* is the only non-mandatory appendix maintained in the EDs, on an exceptional basis, given their importance (former AR 16).

104. As a by-product of the simplification exercise, part of the non-mandatory content deleted from the EDs has been moved in a separate document named 'Non-mandatory illustrative guidance' (NMIG), issued in conjunction with the EDs. NMIG does not address all the existing implementation questions on each standard, but it simply gathers part of the content that was in the 2023 Delegated Act. In particular, NMIG includes content that was deleted from the ESRS, but was considered useful as illustrative material to the requirements, to support the implementation on a non-mandatory basis. NMIG contains "how to report" guidelines (methodology) and examples of possible items to cover when disclosing in accordance with a mandatory datapoint, mainly for narrative PAT disclosures. Its content should not be understood as a list of items of information requiring justification when not reported, consistent with the fact that the previous datapoints are deleted. The legal status of the NMIG will be considered by the EC in due course, however EFRAG recommends to the EC not to include this content in the Delegated Act. From the one hand, NMIG contains helpful support material that may reduce the implementation questions, by providing illustrations of items to disclose for the preparers whilst not being a checklist. From the other hand, if issued as Delegated Act, it could trigger additional efforts of analysis and/or have an ambiguous role as possible additional disclosure with entity-specific relevance.

Leveraging on IFRS language to streamline the requirements

105. EFRAG has performed a comparison of the language used in ESRS 1 *General requirements*, ESRS 2 *General disclosures* and ESRS E1 *Climate change* for the requirements that are common to ESRS and the ISSB Standards (IFRS S1 and S2). This resulted in several wording amendments.

Treatment of datapoints with SFDR PAI relevance

106. Regarding EU datapoints, EFRAG notes that the Omnibus proposals have not changed the general objectives (i) of supporting the creation of the data infrastructure necessary for implementing the Sustainable Finance Disclosure Regulation (SFDR) and (ii) taking into account the different EU regulations that require appropriate information from undertakings. In the ESRS adopted on 31 July 2023, all the related datapoints were added to the ESRS regardless of their relevance, including all optional SFDR Principal Adverse Indicators ('PAI'). These 'EU datapoints' (Appendix B of ESRS 2 *General disclosures*

Delegated Act 2023) account for 16 per cent of the overall mandatory datapoints. Input from investors confirms the need to implement the correct flow of information from their investees; however, evidence also suggests that a number of these indicators are not considered relevant in practice. Under the specific mandate received from the EC, EFRAG addressed this question from a general-purpose sustainability reporting standpoint by: (i) reviewing the issues reported by preparers and users regarding the use of SFDR PAI indicators and suggesting modifications when deemed necessary; and (ii) considering the relevance of the datapoints that have a direct correspondence to other EU regulations. As part of the systematic review of the datapoints for their reduction, EFRAG has assessed the relevance of the SFDR PAIs. Appendix 4 illustrates how the EU datapoints in Appendix A of Amended ESRS 2 *General disclosures* (formerly Appendix B of Amended ESRS 2 *General disclosures*) have been modified.

107. The key changes for Environmental Standards (ESRS E1 *Climate change* -E5 *Resource use and circular economy*) are:

   a) 8 SFDR PAI sensitive DPs have been deleted but they were either overlapping with other DPs or can be derived from other information (E1-5, para.38, 40-43; E1-6 para 44, 53-55; E3 -1, para 14; E3-4, para 29; E5-5 para 37 (d) and 39);

   b) 1 SFDR PAI sensitive DPs in Appendix B (indicator number 12 Table #2 of Annex I) was removed, following EFRAG's approach of reducing the content provisions related to PAT under topical Standards. This refers to the topic of marine resources, which is not in scope of ESRS E3 *Resource use and circular economy*. The content of this PAI, however, is now covered through an AR that specifies that, if a company has sustainable oceans/seas practices or policies it should specify so in their policy disclosure.

108. The key changes for Social Standards (ESRS S1 *Own workforce*, ESRS S2 *Workers in the value chain*, ESRS S3 *Affected communities* and S4 *Consumers and end-users*) are:

   a) A consolidation exercise. Firstly, for the policies related to human rights and for the alignment with UNGP and OECD MNE Guidelines (two SFDR PAI number 9 Table #3 and Indicator number 11 Table #1 of Annex 1), eight datapoints from the four Social Standards have been merged into a "human rights policy" in ESRS 2 *General disclosures* GDPR-P, for the four affected stakeholder groups. Secondly, the indicator in relation to severe human rights cases (SFDR PAI number 14 of Table #3 and number 10 of Table #1 of Annex 1) have been merged into one and it is maintained across the four Social Standards.

   b) A small number of amendments on the scope has taken place for (i) SFDR PAI Indicator 3 of Table #3 in relation to days lost as fatalities has been deleted from its scope (ESRS S1-13); and ii) the scope for the severe human rights cases (refer to (a) above) has been revised in order to provide a clearer definition (ESRS S1-16, S2-3, S3-3, S4-3) .

109. There were no changes in the ESRS G1 *Business conduct.*

110. In conclusion, despite the general significant reduction in DPs, the EFRAG SRB preliminarily considers that the coverage of SFDR PAI has been only marginally reduced and thanks to a limited number of amendments, the relevance of the corresponding information is now increased. EFRAG SRB is specifically seeking input in the public consultation on this conclusion.

Treatment of datapoints with Benchmark Regulation reference relevance

111. Except for Paris-aligned Benchmarks, the E1 datapoints linked with the Benchmark Regulation have been either kept or can be derived. The reference to Paris-aligned Benchmarks has been deleted as considered burdensome.

Disclosure Requirement in ESRS 2023	Benchmark Regulation reference	Disclosure requirement in Amended ESRS	Comment
ESRS E1-1 Undertakings excluded from Paris-aligned Benchmarks paragraph 16 (g)	Delegated Regulation (EU) 2020/1818, Article12.1 (d) to (g), and Article 12.2	N/A	Deleted
ESRS E1-4 GHG emission reduction targets paragraph 34	Delegated Regulation (EU) 2020/1818, Article 6	ESRS E1 paragraph 26	Unchanged
ESRS E1-6 Gross Scope 1, 2, 3 and Total GHG emissions paragraph 44	Delegated Regulation (EU) 2020/1818, Article 5(1), 6 and 8(1)	ESRS E1 paragraph 32	Total GHG emissions has been removed as it can be derived
ESRS E1-6 Gross GHG emissions intensity paragraphs 53 to 55	Delegated Regulation (EU) 2020/1818, Article 8(1)	N/A	It has been deleted but it can still be derived by users
ESRS E1-9 Exposure of the benchmark portfolio to climate-related physical risks paragraph 66	Delegated Regulation (EU) 2020/1818, Annex II Delegated Regulation (EU) 2020/1816, Annex II	ESRS E1 paragraph 40	Unchanged
ESRS E1-9 Degree of exposure of the portfolio to climate related opportunities paragraph 69	Delegated Regulation (EU) 2020/1818, Annex II	ESRS E1 paragraph 42	Amended to strengthen alignment with IFRS S2

6. Substantial reduction of mandatory and voluntary datapoints

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

113. The evidence gathered highlighted that narrative datapoints in the ESRS 2023 Delegated Act are too granular, that a more principle-based approach would be welcome and that many datapoints could either be deleted or moved to non-binding guidance without hindering the overall objective of yielding high-quality data, by focusing on 'core' information.

114. EFRAG has received several articulated proposals on datapoint reduction that have been considered very carefully. They all focus on the idea of 'core' information and emanate

from national standard setters as well as from users of information. In line with the Omnibus proposals, most stakeholders highlighted that the fundamental objectives of the CSRD are to be maintained.

115. Narrative information plays a crucial role in sustainability reporting and provides an essential contextual framework to understand performance and targets measured in quantitative terms. However, input from stakeholders clearly indicates that the initially retained granular standard-setting approach to narrative information is one of the most critical areas of perceived unnecessary reporting effort and more boilerplate (i.e. generic) disclosures. To respond to this feedback, EFRAG proposes in the EDs a less granular approach to narrative disclosures in the area of policies, actions and targets ('PAT'), as well as in the topical specifications of ESRS 2 (Appendix C of ESRS 2), where an essential contribution to the overall reduction of "shall" datapoints derives from deletions, reflecting a more principles-based approach to standard setting. The deleted content that was assessed to be useful as illustrative material for is gathered in NMIG.

116. In conjunction with the approach to narrative disclosures described above, the systematic review of datapoints has been performed using a 'decision tree' that combines various dimensions of reporting relevance (e.g. relevance per se with respect to the disclosure objectives, EU regulations on datapoints, ISSB or GRI datapoints, etc.), aiming at preserving the core content required by the CSRD.

117. The key criterion adopted for the reduction of (qualitative and quantitative) datapoints has been to eliminate the least relevant datapoints, i.e. those that are not strictly necessary to meet the disclosure objectives. In a more principle-based system, with the requirement to disclose additional entity-specific information, when an aspect is not sufficiently covered in the ESRS, this step is particularly critical. The deletions are intended to make future reporting efforts easier (e.g. by triggering more entity-specific disclosures). Less relevant datapoints have been deleted, while some granular deleted datapoints - such as breakdowns or elements of contextual information - are being gathered to NMIG to better support preparers.

118. In the context of such a systematic review, merging two distinct datapoints has not been considered a burden reduction, despite the fact that when the merged datapoints consist in granular aspects of the same narrative disclosure, merging them and redrafting the resulting provisions with less granular content may contribute to streamlining the reporting.

119. The activation of the levers described above, and the systematic review performed, achieved a substantial reduction in the number of "shall disclose" datapoints, i.e. 57% of shall disclose datapoints and 68% including also the "may disclose" datapoints that have been all deleted, while preserving the integrity of the core objectives of the CSRD. This takes as a reference the mandatory ("shall disclose") datapoint count published by EFRAG as IG 3 and considers as a reduction the datapoints that are (i) deleted, and (ii) deleted and moved to non-binding guidance (NMIG, as they are not mandatory anymore).

120. In performing the analysis, looking at the datapoints possibly transferred to some form of guidance that is not considered a datapoint, EFRAG considered different alternatives of drafting conventions for narrative detailed datapoints. EFRAG concluded that a clear cut is necessary, to avoid that these elements would still be treated as a list of possible items to cover if material. For this reason, the essential elements of the list of "shall disclose" datapoints to report in narrative disclosure have been maintained in the main body of the Standard as mandatory, while whenever possible other items have been deleted. Some of the deleted datapoints have been reformulated as illustrative guidelines in NMIG, as examples of possible disclosure.

Statistics on the datapoint reduction – methodology

121. The reduction table and its statistics do not constitute new Implementation Guidance and should not be considered for anything else than getting an overview on the ESRS Exposure Draft amendments. Its sole purpose is to illustrate the anticipated reduction of datapoints.

122. EFRAG might consider developing an official new Implementation Guidance - List of Datapoints as soon as the revised ESRS is adopted by the EC.

123. The statistics have been produced using the same counting methodology of the ESRS Set 1 Delegated Act. The methodology can be consulted through the EFRAG IG 3 List of ESRS Datapoints Explanatory Note available on EFRAG's website.

124. The statistics have been divided in three main groups, related to the "shall" datapoints, voluntary "may" datapoints and MDR/GDR. While "merged" could be considered as reduced datapoints according to the old methodology[7], they are not counted as deleted in the following statistics. MDR/GDR requirements are counted separately, as they have a different regime, i.e. they are to be reported only if the undertaking has adopted PATs.

Datapoints in ESRS 2 and topical standards other than GDR – total for all data types

Datapoints (excluding MDR/GDR)	**ESRS Set 1 DA 2023[8]**	**Amended ESRS ED 2025**	**Overall reduction**
Total “shall”	803	347	-56,8%
Total “may”	270	0	-100,0%
Total	1073	347	-67,7%

Datapoints in ESRS 2 General Disclosure Requirements PAT– total for all data types

Datapoints	**ESRS Set 1 DA 2023[8]**	**Amended ESRS ED 2025**	**Reduction/ increase**
MDR P[9] (now GDR-P)	7	5	-29%
MDR A (now GDR-A)	12	7	-42%
MDR T (now GDR-T)	13	10	-23%
MDR M (now GDR-M)	3	4	+33%
Total GDR, if policies, actions or targets are adopted	35	26	-26%

[7] See IG3 Explanatory Note, published on 30 May 2024, https://www.efrag.org/sites/default/files/sites/webpublishing/SiteAssets/EFRAG%20IG%203%20List%20of%20ESRS%20Data%20Points%20-%20Explanatory%20Note.pdf

[8] Including IG 3 addendum and 7 DP related to BP 2 paragraph 17 phasing in, excluding DPs with data type “Table”

[9] After revision MDR is renamed to GDR

Total GDR, if no policies, actions or targets are adopted	15	6	-60%

125. In relation to the share of qualitative datapoints, the share of "shall" datapoints with narrative and semi-narrative data types of 71% in ESRS issued as Delegated Act in 2023 has been reduced to 53% in the Exposure Drafts, counting merged datapoints as unchanged. When considering merged datapoints as a reduction (which would be in line with the old methodology), the amendments lead to a reduced share of 49%[10].

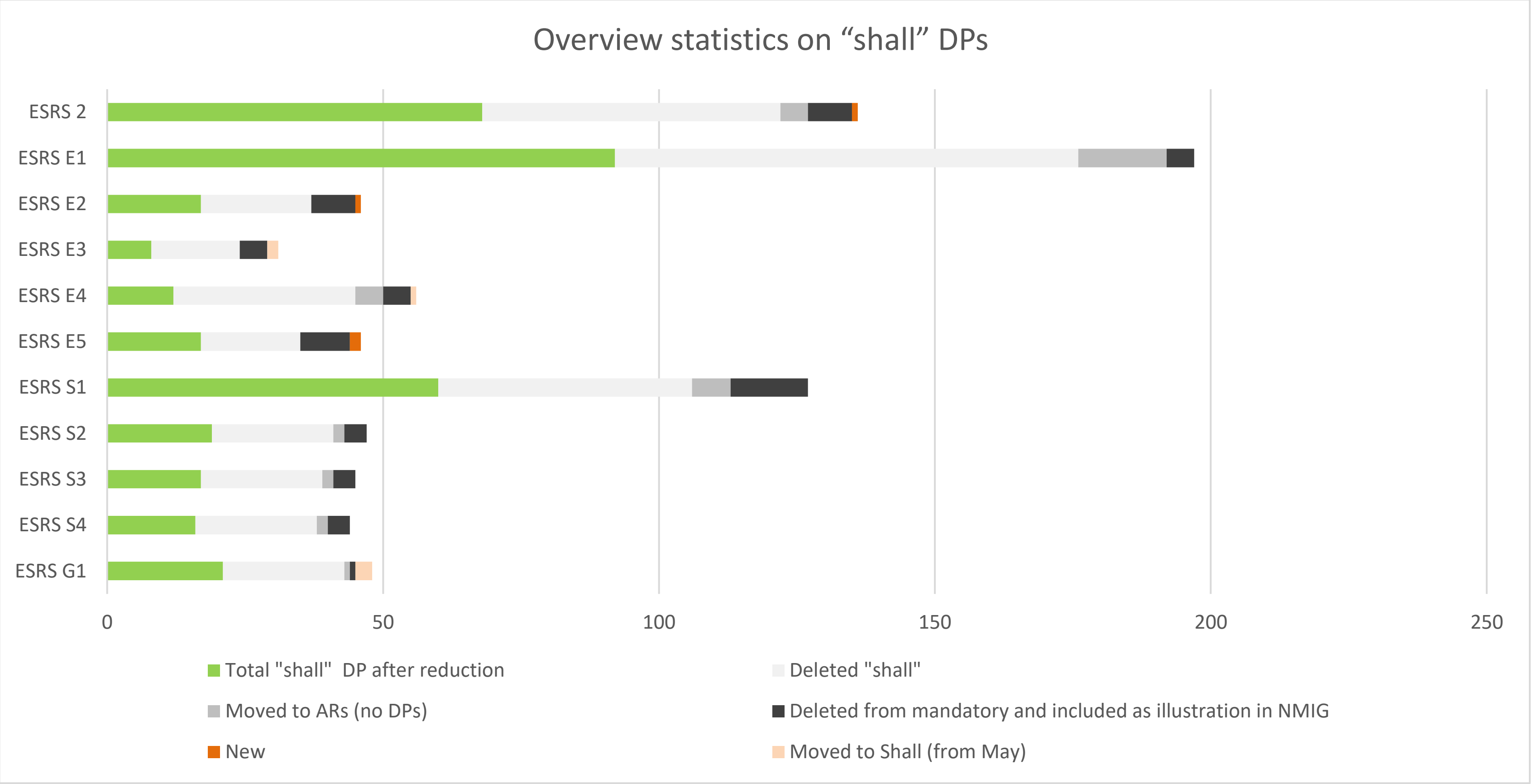
Datapoints in ESRS 2 and topical standards other than GDR – narrative and semi-narrative

Datapoints by data type (excluding MDR/GDR)	**ESRS Set 1 DA 2023[8] narrative and semi-narrative**	**Amended ESRS ED 2025 narrative and semi-narrative**	**Reduction of semi-narrative and narrative data types**
Total "shall"	572	185	-67,7%
Total "may"	220	0	-100%
Total	792	185	-76,6%

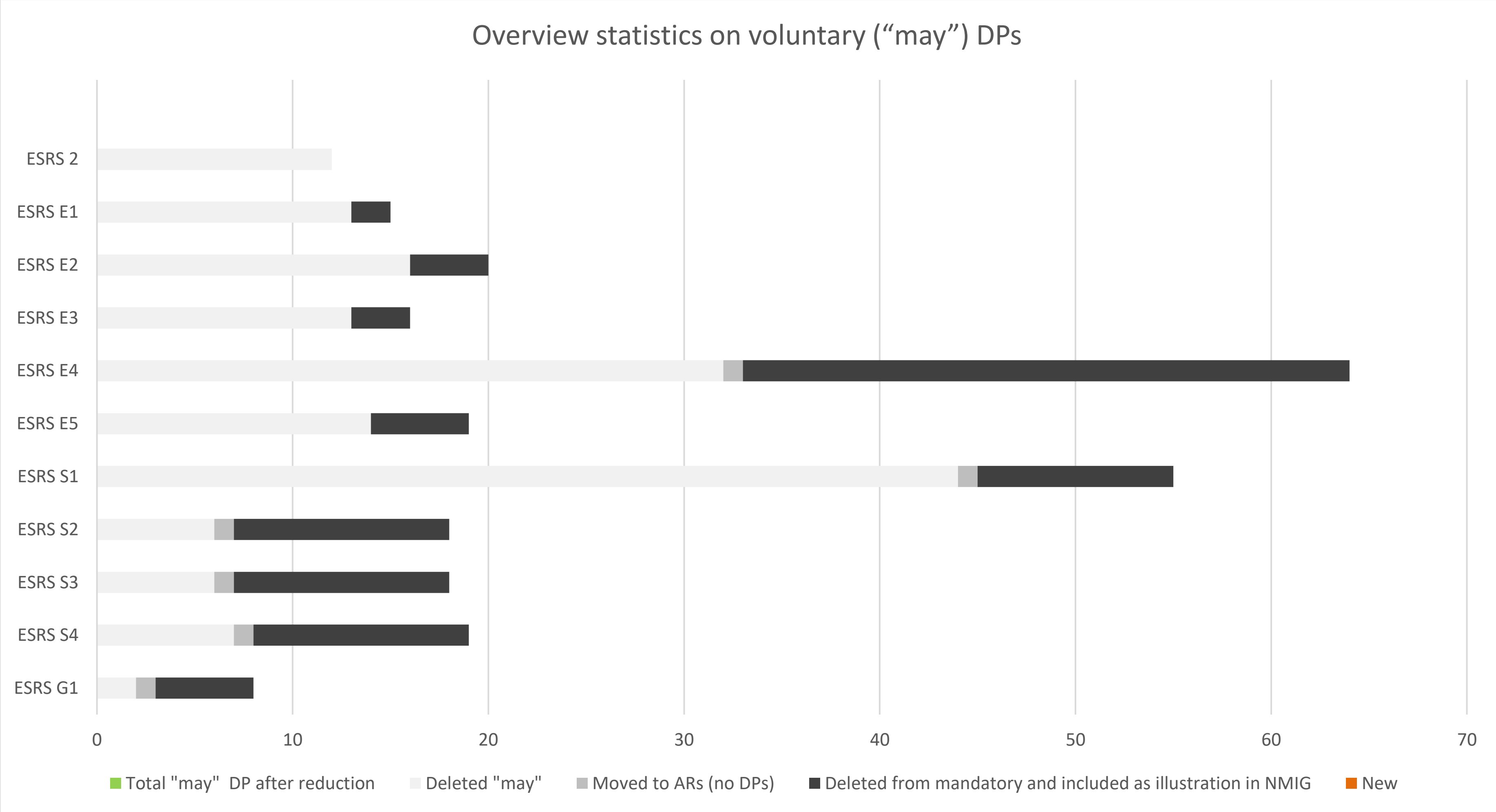
126. The "shall" datapoints in ESRS 2023 Delegated Act had, in most cases (92%), some correspondence to various sources, including ISSB IFRS S1, S2 and SASB, GRI, EU legislation, international regulation and frameworks (TNFD, CDP, OECD, ILO, etc.). In the amended ESRS ED 97% of the remaining datapoints have some correspondence to these sources.

[10] Merged datapoints are not counted in the burden reduction, however in the inventory of datapoints (i.e. IG3 List of Datapoints) they will not appear anymore. When assessing the share of narrative information on the total shall (under materiality) this information is important.

Graph - Reduction per standard – shall datapoints



Graph - Reduction per standard – may datapoints



Six datapoints moved as an exception to the rule of not moving ‘may datapoints’ to ‘shall disclose’

127 In accordance with the simplification mandate received, EFRAG has adopted a general rule of not increasing the reporting obligations. Accordingly, “may disclose” datapoints have not been transformed into mandatory ones, except in 6 cases, described below, which in the opinion of EFRAG are justified. It is important to note that they do not add new obligations, as the corresponding disclosure was already required, but they make explicit a separate element of required information. In addition, considering their very low number when compared to the overall datapoint reduction, they are not considered to jeopardise the achieved substantial simplification. On the contrary, their change of status improves the clarity of the reporting requirements.

Datapoint	**Rationale for moving from “may” to “shall”**
ESRS E3 *Water* - Own operations total withdrawal (Amended ESRS E3 paragraph 28 (c))	This requirement should not create an additional burden, as reporting water consumption already relies on understanding the water balance, including both withdrawals and discharges. Given this, the change from optional ('may') to mandatory ('shall') reflects the importance of these metrics in completing the water balance equation and ensuring fair presentation of material IROs. Water withdrawal—defined as the volume of water removed from ecosystems—is a key indicator for assessing pressure on local water resources, particularly in water-stressed regions.
ESRS E3 *Water*– Own operations total discharges (Amended ESRS E3 paragraph 17)	This requirement should not impose an additional burden, as reporting water consumption already depends on understanding the water balance, including both withdrawals and discharges. Accordingly, the change from optional ('may') to mandatory ('shall') reflects the importance of these metrics in completing the water balance equation and supporting the fair presentation of material IROs. Water discharges, in particular, serve as a complementary indicator to water withdrawals, providing a fuller picture of pressure on water resources.
ESRS E4 *Biodiversity and ecosystems*- Disclosure of transition plan for biodiversity and ecosystems	Changed to mandatory as this disclosure is considered highly decision-useful for users in relation to undertakings operating in certain sectors. Disclosing information on a transition plan (TP) is conditional to have one that is publicly released. This does not add burden as the plan is already public and the information normally available. Implementing TPs, and disclosing on them, is an area that is normalizing and expected to become increasingly important in future years.
ESRS G1 *Business conduct*– Training of procurement team (Amended ESRS G1 paragraph 10 (c))	The revision G1 has consolidated previous scattered datapoints on training in one generic provision, while specifying the target audience considered critical in sustainability (such as the procurement team). This DP is an important information related to management of

	suppliers' relationship for which several other DPs have been deleted.
ESRS G1 *Business conduct* confirmed incidents (Amended ESRS G1 paragraph 14) (1) Nature of incidents (2) Number of incidents	ESRS G1 did not include any mandatory metric on incidents of corruption and bribery, except for the SFDR indicators This provision replaces narrative information about corruption and bribery with a quantitative metric. The definition of confirmed incidents is well provided in the Glossary. The required disclosure does not include names or persons involved nor other recognisable characteristics, so that it does not interfere with any legal process.

128 The following change has also been perceived by some stakeholders as adding to the existing requirements. Here is an explanation why it is justified.

	Change in Requirement	**Rationale for change in requirement**
ESRS E1 Climate change	EFRAG extended the requirement on the disaggregation of "total energy consumption from fossil sources" to all undertakings. The actual Set 1 limits this information to "undertakings with operations in high climate impact sectors".	The notion of "high climate impact sector" is not properly defined and created practical issues. Disaggregation of fossil sources was considered essential for undertakings, but these apply the disaggregation requirements of ESRS 1 under a system of fair presentation. This should be sufficient if properly applied, to trigger disaggregation only in the circumstance where this is material.

Four new datapoints added as an exception to the general rule

129 In accordance with the simplification mandate received, EFRAG has adopted a general rule of not increasing the reporting obligations. Accordingly, no new "shall" datapoints have been added. In the context of the comprehensive revision of some of the DRs, to promote more focused and relevant information, four datapoints have been added. These exceptions are, in the opinion of EFRAG, justified.

130 It is important to note that they do not add new obligations, as they refer to an already existing disclosure objective, but they make explicit a separate element of required information. In consideration of their very low number when compared to the overall datapoint reduction, they are not considered to jeopardise the substantial simplification achieved. On the contrary, their change of status improves the clarity of the reporting requirements.

Datapoint	**Rationale for new datapoints**
ESRS 2 *General disclosures* – BP 1 the undertaking shall state	This may be considered as a new datapoint but replaces several datapoints compared to the Delegated Act. The undertaking now must only state when certain principles

that the general requirements of ESRS 1 have been applied for the preparation of its sustainability statement	were applied and when there is a divergent application from the general requirements, this means that it is not disclosed according to ESRS 1; examples are time horizons or changes in preparation or presentation of sustainability information.
E2-4 Secondary microplastics resulting from the breakdown of larger plastic items or being unintentionally produced through the life cycle of the product. Clarification of former ESRS E2 paragraphs 28(b) and AR 20 leading to new added DP .	The amount of secondary microplastics was already required to be reported in ESRS E2 through AR 20, which addressed both primary and secondary microplastics. However, the Q&A process and the outreach analysis highlighted a lack of clarity on the disclosure requirements in relation to primary and secondary microplastics. The addition of a new qualitative datapoint on secondary microplastics, separate from the Set 1 microplastics datapoint, was favoured to improve clarity and simplify the understanding of the microplastics requirements. Secondary microplastics represent the main source of microplastics released into the environment.
E5-4 Percentage of total weight that are critical and strategic raw material Added draft ESRS E5 paragraph 15(c).	Added for better alignment with recent EU regulatory developments, particularly the Eco-design for Sustainable Product Regulation and Critical Raw Materials Act.
E5-5 Percentage and/or total weight for which the final destination is unknown. Added in draft ESRS E5 paragraph 18(e).	Added to allow mass balance of final destination of waste to be completely disclosed, not forcing undertakings to make unreasonable estimations but instead allowing them to disclose on the figures they have and can reasonably document.

7. Other significant technical issues

Value chain cap

131 In Amended ESRS 1 *General requirements* paragraph 62, to take explicitly onboard the principle of limiting the burden on the value chain, the following has been included: “the information required by the ESRS to be obtained from undertakings in the upstream and/or downstream value chain shall not exceed the limit set by the relevant EU law and regulation”.

132 LSME is not anymore the reference content for the VC cap following the Omnibus proposal, but VSME has to be used for this purpose. EFRAG has assessed the requirements in ESRS against the differences in value chain coverage that exist between LSME and VSME, to assess whether any of the requirements in ESRS Delegated Act would need to be amended to reflect this change. EFRAG concluded that no adjustments were needed at level of specific disclosure. The following elements explain why:

(a) For the DMA, the identification of IROs in the value chain is still possible without the collection of primary data from counterparts in the value chain.

(b) For PAT, the undertaking is required to report only the PAT that it has adopted and to cover value chain only if and to the extent that they cover value chain counterparts.

(c) The only quantitative metrics that require coverage of value chain are Scope 3 GHG emissions, in addition to metrics reported on entity-specific basis.

(d) For the following items, the standardised metric in ESRS is limited to own operations, however the disclosure is able to inform about aspects of the value chain: microplastic (ESRS E2 *Pollution* para 16 (b)), waste (ESRS E5 *Resource use and circular economy*, para 18), removals of GHG (ESRS E1 *Climate change*, para 35), substances of high concern in procured/supplied articles (ESRS E2 *General disclosures* para 18-19-20) . Reporting on these elements leverages on managerial information and does not trigger data requests solely for reporting purposes.

(e) When necessary, in accordance with Amended ESRS 1 *General requirements* paragraph 10, the undertaking shall on an entity-specific basis, include upstream and downstream value chain data when disclosing on metrics. However, these items will be covered by information "commonly shared in the sector", in the sectors where they are material. Therefore, reporting under the current ESRS provisions is still possible.

133 EFRAG further heard the concern that ESRS should address the situation when the necessary data quality cannot be achieved when making an estimate, for value chain estimates and in general for all the metrics. To address this concern, the revised ESRS 1 *General requirements* includes a specific relief for metrics (Amended ESRS 1 *General requirements* paragraph 92).

134 In addition, to reduce the pressure to collect direct data, the hierarchy for data collection in ESRS 1 *General requirements* paragraph AR 17 that required first to try with reasonable effort to collect direct data and only after to develop estimates, is now deleted. Undertakings are required to consider which of the options (direct data collection or estimation) are reliable and practical approached to determining the required metrics (Amended ESRS paragraph 61).

Order of PAT Disclosure Requirements ('DRs')

135 Another suggestion raised was to rethink the order in which DRs are presented. The idea is that it could be easier for preparers to have DRs which connect information required by the Standards in a more meaningful way, linked to how business manage material topic: 1) identify what is material, 2) establish a relevant policy to manage this topic, 3) set targets related to the policy, 3) identify actions to reach the objectives/targets, 4) measure and track performance through metrics.

136 Therefore, the order of presenting DRs in the Standards could change into having 'P-T-A' (policies, targets and actions) instead of the current PAT order (policies, actions and targets). DRs related to metrics would keep the same location and order.

137 EFRAG notes that the reason to adopt the current sequence is the interoperability with IFRS (Governance - strategy - risk management - metrics and targets, i.e. targets are located as last item after risk management). This change has therefore not been implemented.

Static versus dynamic information.

138 Some suggested to consider a split between "static" information, i.e. narrative information that is not likely to change from one year to the other, from "dynamic information", i.e. information that relates to changes in the period. According to those stakeholders, the focus of the report should be on the dynamic information.

139 EFRAG notes that similar issues exist in financial reporting, where chapters like the risk disclosure or the accounting policies are largely unchanged from one year to the other. In this case, nevertheless, there is a requirement to continue including them entirely in each report. EFRAG further notes that the ESRS sustainability statement would not be complete if the static information would be omitted, as such information is necessary to understand elements such as basis for preparation, strategy and business model (products, markets, key stakeholders).

140 In terms of standard setting, this could be achieved by allowing that the undertaking separates the information that is likely not to change from the information that is likely to change from one period to the next.

141 For this reason, this change has not been implemented.

Glossary items

142 The glossary contains only terms used in the mandatory part of the ESRS as the former is part of the ESRS Delegated Act. In contrast, the NMIG is not expected to be included in the Delegated Act, hence terms used in the NMIG are not included in the glossary.

Definition of reporting entity and reporting boundaries

Challenges identified with the ESRS boundaries

143 The following challenges were identified in relation to ESRS boundaries:

(a) Misalignment between the ESRS reporting boundary in E1 *Climate change* and the GHG protocol.;

(b) Absence in ESRS of what constitutes “own operations” and how to deal with financial reporting unconsolidated subsidiaries;

(c) Consideration of employee pension funds / plan assets in the sustainability statement;

(d) Lessor treatment of leased assets/equipment;

(e) Treatment of investment entities (not addressed following the EC recommendation that the possible option to consolidate subsidiaries by financial holding undertakings will be addressed in the amendment of the CSRD directly).

144 EFRAG has addressed them in the ED as follows:

Alignment and reconciliation with GHG Protocol

145 EFRAG acknowledges the complexity created by the use of a boundary that cumulates two approaches (financial and operational control) in the former paragraph E1-50 and the need for more alignment of the boundary for GHG emissions with the GHG Protocol and IFRS S2. ESRS E1 in fact requires to report the sum of the emissions of the entities in the financial consolidation perimeter and of those of entities outside of it but over which the group has operational control. To address these uncertainties, EFRAG has clarified that “The organisational boundary to be used in disclosing [gross GHG emissions] shall be the reporting undertaking as defined in ESRS 1 *General requirements*, paragraph 60, which is equivalent to the financial control (consolidation) boundary of the GHG Protocol.”

146 As described above, when this approach fails to provide a fair presentation of the emissions derived from operated assets, the new AR 20 of ESRS E1, notes that “the undertaking shall also separately disclose its Scope 1 and Scope2 GHG emissions based on the operational control (consolidation) boundary, as defined in the GHG Protocol Corporate Standard (2004)”.

Absence in ESRS of what constitutes "own operations", unconsolidated subsidiaries

147 Amended ESRS 1 *General requirements* paragraph has introduced a definition for "own operations", which "usually" correspond to the assets/liabilities, revenues and costs of the entities in the perimeter of financial consolidation.

148 The "usually" is justified by existing exceptions already in the EDs and by the treatment of IROs associated to clients' relationships such as the loans for a bank, which give rise to Scope 3 emissions (value chain), despite being on balance-sheet. EFRAG debated whether this will unduly open to abuses and this aspect will be further assessed based on the outcome of the consultation.

149 Consideration of employee pension funds / plan assets in the sustainability statement. In Amended ESRS 1 it is clarified that assets held by long-term employee benefit funds are connected to the undertaking's value chain.

150 Leasing: In the Amended ESRS 1, it is stated that "impacts, risks and opportunities arising from the use of a leased asset do not depend on whether the asset is legally owned or leased". The lessee is causing and contributing to the impacts of the leased asset, therefore reports the impacts and associated risks and opportunities in its own operations. The lessor is directly connected with the impacts of the leased asset; therefore, it reports the impacts and associated risks and opportunities as part of its downstream value chain. Leasing is a very widespread phenomenon in all industries. All kinds of assets are leased, from vehicles to real estate, machines and other equipment, power plants, wind or industrial parks etc. So far ESRS, though being agnostic Standards, were silent on how to treat leasing both from the lessor or from the lessee perspective. Risks or opportunities of an asset leased-in are different as compared to an asset owned. For example, the risk of an asset becoming stranded after the lease period accrues to the lessor not the lessee. Who is exposed to which risk or opportunities in respect of the asset leased is stipulated in the leasing contract. For impacts questions were received in respect of the treatment of assets both from the lessor or the lessee perspective in the sustainability statement. EFRAG considers that an impact pertaining to the use of an asset does not depend on whether the asset is legally owned or "only" used during the lease period, but on who is causing the impact. It must also be noted that the impact is generally caused by the energy used while driving a leased vehicle or using a leased office space, water is used in the leased building and not by the asset being leased. Therefore, it is important to distinguish from the use of the asset itself and the energy, water, pollution being within or beyond own operations. If electricity is used by a leased asset it - the electricity - is in the reporting boundary and in own operations of the lessee (also in its financial statement as part of operational expense) and not the lessor. The solution proposed avoids the differentiation for both: the lessee between operational or finance lease (national GAAP) respectively the right-of use model (IFRS accounting Standards); and the lessor between finance and operational lease.

151 Lastly, impacts connected to an undertaking are considered agnostic to accounting conventions.

152 EFRAG is of the view that the above reasoning can also be applied to "investment properties" leased out. This relates to situations whereby a building owned by the entity and leased out under one or more operating lease (see IAS 40 paragraph 8 (c) as an example of an investment property), as those investment properties would also be considered downstream value chain. It should be noted that buildings leased out under a finance lease are not considered investment properties.

Value chain information for financial institutions

153 EFRAG notes that the Omnibus discussions are ongoing on the CSRS and CSDDD Level 1 regulations regarding the reporting obligations for financial institutions on the value chain.

Pending the outcome of these discussions, EFRAG is not addressing the specificities for financial institutions in terms of value chain reporting. Following the outcome, EFRAG will consider whether and how to address the issue.

Fine tuning of the list of topics/subtopics in AR 16 – currently in Amended ESRS 1 General Requirements Appendix A

154 Several challenges were identified with the list of topics/sub-topics/sub-sub-topics in ESRS 1 AR 16. Among these challenges were:

(a) Inconsistent nature of the topics, sub-topics and sub-sub-topics: Seen in the differing levels of granularity among the topical Standards, where Environmental topics mirrored the EU Taxonomy and Social and Governance topics reflected the CSRD's granularity. Overlapping and interdependent topics could lead to duplication or omission of critical issues, depending upon whether AR 16 and IRO-1 outcomes are connected in the DMA process.

(b) Absence of a reconciliation between disclosures and matters: The lack of clear mapping between specific datapoints and sustainability matters has led to over-disclosure when sub-topics are material. Clarification via the Question and Answers framework, in particular ID 177, linking Ds to matters, was issued too late to be implemented by most preparers who had already finalised their reports. NMIG includes an appendix dedicated to this issue.

(c) Ambiguity on role of AR16 and IRO 1 in DMA: There was confusion about the relationship between impacts, risks and opportunities (IROs) and sustainability matters, in part due to inconsistent structuring across topical Standards; , this led, sometimes, to burdensome one-to-one mapping exercises in the absence of ID177 being released. In addition, questions arose as to whether AR16 was mandatory or merely a reference point for identifying material IROs.

155 Some undertakings may have incorrectly treated AR16 as a mandatory checklist rather than a reference guide, potentially missing entity-specific material IROs. The Standards needed clarification that IROs and sustainability matters have a many-to-many relationship where matters guide reporting requirements for relevant material IROs. This has been clarified in Draft ESRS 1 *General requirements* Chapter 3 and Appendix A.

156 When mapping IROs to sustainability matters, one material IRO linked to one sub-topic triggered the materiality of the rest of the sub-topics of the topical standard, leading to disproportionate and irrelevant reporting. This has been remediated by clarifying in ESRS 2 General disclosures that only the requirements related to the material sub-topic are to be reported subject to conditions. In addition, to alleviate these challenges and meet the objectives of the Omnibus proposal, EFRAG has clarified the relationship between IROs and matters/topics. The layer of sub-sub-topics is eliminated and their content aggregated at the level of sub-topic.

157 EFRAG has intentionally limited the extent of changes to AR16 so as not to disrupt the implementation investments made so far by ESRS preparers.

8. Overview of main changes to individual ESRS and of the significant most frequent suggestions that were not implemented in the EDs

158 This chapter illustrates the main changes to the individual ESRS and the significant most frequent suggestions collected in the input gathering exercise, that were not implemented, with the reasoning for doing so. This is not an exhaustive list.

ESRS 1 General requirements

159 Language has been clarified and streamlined and, despite the addition of several new paragraphs of guidance (e.g. practical considerations in Chapter 3.5), the overall number of pages is unchanged in the Standard.

160 Stakeholders suggested that ESRS should provide clear guidance on auditors' role and mandate in providing assurance on the sustainability statement. EFRAG notes that this is beyond the mandate given by the EC to provide advice on sustainability disclosure standards.

Amendments to Objective

161 The term 'sustainability matters' is abandoned; instead 'sustainability topics' is used, the list of 'material topics' (former ESRS 1 AR 16, now ESRS 1 Appendix A) has been streamlined by removing the level of sub-subtopics.

162 Fair presentation has been introduced (for details see chapter 2).

163 Primary users and other users are mentioned explicitly as addressees to the general purpose sustainability statement in line with double materiality.

164 An explicit statement that ESRS do not mandate behaviour has been added, responding to questions received on the Q&A platform indicating that this was not always clear for preparers.

Amendments to Chapter 1. ESRS standards, reporting areas and drafting conventions

165 As a horizontal change, AR have been placed underneath each ESRS 1 chapter providing references to the paragraphs to which they relate.

166 The reference to sector-specific standards has been deleted. In absence of sector specific standards, the reference to best practices and available frameworks such as IFRS industry-guidance and GRI Sector Standards is now permanent.

167 Explanations on General Disclosure Requirements (former Minimum Disclosure Requirements), policies, actions, targets, and metrics and impact, risks, and opportunities are moved to ESRS 2 to streamline; and

168 Former voluntary disclosures ('may disclose') have been removed from all ESRS; if considered appropriate they have been moved to Non-Mandatory Implementation Guidance (NMIG); there status needs still to be evaluated.

Amendments to Chapter 2. Fair presentation and qualitive characteristics of information

169 'Fair presentation' has been introduced as a principles-based, overarching approach, following the public feedback received. It aligns with IFRS financial as well as ISSB's sustainability reporting. It is supposed to emphasise that sustainability reporting is not a compliance exercise.

Amendments to Chapter 3. Double materiality as the basis for sustainability disclosures

170 The structure of the chapter has been amended:

(a) Materiality of information is now a general filter (see below).

(b) Interaction between topics to be reported and material IROs has been clarified explaining when a material IRO triggers a topic to be reported.

(c) Double materiality with impact and financial materiality amending and clarifying both concepts of previous ESRS 1 including the "gross vs net" issue and when an impact can be considered positive.

(d) Practical considerations providing support and burden relief in determining material IROs and topics to be reported (new).

(e) Determining the information to be reported under ESRS 2 and topical standards.

(f) Level of aggregation and disaggregation and group reporting concentrating in one chapter provisions that were previously in different places of ESRS 1.

171 The main filter for materiality of information has been given more prominence (ESRS 1 paragraph 21). "Materiality of information", was frequently cited as a challenge in public calls, and its relationship to ESRS 2 and topical disclosures was considered not clear. It now relates clearer to double materiality (paragraph 21 (a) financial materiality; paragraph 21 (b) impact materiality).

172 A provision has been added on updating the conclusions of previous materiality assessments due to new circumstances (paragraph 29), to clarify that a full DMA is not required necessarily at each reporting data but only when there are changes in circumstances.

173 Chapter 3.3.1 introduces new guidance to respond to a frequent implementation question with current divergence in practice and potentially detrimental effects on the relevance of the reported information on how to consider the implemented remediation, mitigation and prevention policies and actions when assessing the materiality of an impact (the so called "gross versus net" issue) (see also ESRS 1 *Appendix C* providing mandatory implementation support on that issue). Furthermore, the chapter includes a definition of positive impacts, to avoid an excessively broad application of this concept because the need for a clarification emerged during the input gathering (paragraph 36).

174 Chapter 3.3.2 now clarifies that internal risk management processes are valid source of inputs for the financial materiality assessment – to support more consistency with the management approach.

175 Chapter 3.5 (incorporating feedback from first wave ESRS reporters) eases the preparation of the sustainability report by setting reasonable boundaries to the preparer's required efforts while also imposing minimum requirements. The related ARs clarify feasibility of the bottom-up approach, stipulate that top-down and bottom-up approaches are equally valid and expected to result in the same outcome.

176 Stakeholders suggested to add new guidance on thresholds for severity, scope, irremediability. ESRS is a principle-based system. Sectors, undertakings, and fact pattern differ in many respects. Providing thresholds for some or all Disclosure Requirements would be too detailed and bound to fail not applicable for some situations or being too low for some and too high for others. In addition, there will be no sector standards and sector guidance are outside the scope of simplification.

177 Stakeholders suggested disclosure on positive impacts and on opportunities to be optional. EFRAG notes that it is often difficult to determine the dividing line between positive and negative impacts and risks and opportunities. Missing on opportunity is a risk, and a risk not materialising is an opportunity. Making reporting on positive impacts and opportunities optional would therefore create additional complexity contrary to the objectives of the Omnibus proposal. EFRAG also notes that for undertakings it is important to report on their opportunities and positive impacts. However, EFRAG added provisions on what is a positive impact and what is not.

178 Stakeholders suggested to delete the requirement to disclose subsidiaries' specific information, where significant differences between material IRO at group level to those at subsidiary level are identified. EFRAG notes that this provision has been directly taken from

the CSRD. It further notes that material IROs of the subsidiary are also those of the group as the subsidiary forms part of the group.

Amendments to Chapter 4. Due Diligence

179 No changes in substance. Certain parts were relocated to AR and NMIG. Guidance on mapping reporting requirements on due diligence process are now in ESRS 2 NMIG.

Amendments to Chapter 5. Reporting undertaking and upstream and downstream value chain

180 In chapter 5.1 additions were made to clarify the definition of 'own operations', following numerous Q&A submissions, linking it to the (consolidated) financial statements of the undertaking. The term "usually" was added to reflect exceptions as listed in Chapter 5.2 to 5.4.

181 Amendments were made for inclusion of non-EU subsidiaries; for subsidiaries excluded from consolidation due to being not material; and for subsidiaries with different reporting periods, in response to implementation questions received.

182 Chapter 5.2 has a relief for value chain information allowing reasonable and supportable information that is available without undue cost or effort; the undertaking may use information collected directly from counterparties in the upstream and downstream value chain, or estimates, depending on practicability and reliability considerations to address possible unnecessary collection efforts of direct information from the up- or downstream value chain.

183 The concept of a "value chain cap" has been formally included, aligning with EU legal limits.

184 The standard acknowledges that materiality assessment can be conducted without direct information from counterparts, using average regional or sector data, or generally available information about the incidence of impacts, risks and opportunities.

185 Business relationships now explicitly cover in addition to joint ventures and associates also investments (clarification).

186 Chapter 5.3 stipulates how to consider leased assets and assets held under an employee pension plan by the undertaking in own operations, respectively in up- or downstream value chain; both addressing questions received through the EFRAG Q&A platform.

187 Chapter 5.4 has a new relief for acquisitions and disposals of subsidiaries in the reporting period addressing related Q&A submissions. If the relief is applied, limited additional disclosure are required for major acquisitions (disposals).

188 Stakeholders suggested to include a definition of value chain for financial institutions. This has been considered but ultimately rejected as more thorough considerations are needed (see chapter 4 Levers of simplification for more details).

189 Stakeholders suggested to limit up- and downstream reporting to tier 1. This proposal was rejected because it would be contrary to the provisions in the CSRD and the objectives of the Green Deal.

Amendments to chapter 6. Time Horizons

190 No major additions / amendments.

Amendments to chapter 7. Preparation and presentation of sustainability information

191 Comparative information is not required for newly identified material impacts, risks, and opportunities (chapter 7.1).

192 Chapter 7.2 Amendments to align provisions on judgements, measurement and outcome uncertainties and 7.3 Use of reasonable and supportable information that is available without undue cost or effort have amendments and new provisions to align them closer with IFRS S1. Chapter 7.3 now also has the IFRS provisions on information that is available without undue cost or effort.

193 Chapter 7.4 has new reliefs for metrics calculation to address data quality concerns and reduce unnecessary reporting burden. They address concerns raised via the Q&A platform regarding the need to justify the exclusion of immaterial activities when calculating a metric. Another relief is for joint operations over which the undertaking does not have operational control for environmental metrics other than ESRS E1; and

194 The former chapter 7.6 Consolidated reporting and subsidiary exemption was integrated in chapter 3.7 Level of aggregation, disaggregation and group reporting as part of chapter 3. Double materiality as the basis for sustainability disclosures to streamline, increase consistency and logic flow.

Amendments to Chapter 8. Presentation requirements and structure of the sustainability statement

195 Chapter 8.1 now provides greater flexibility to respond to stakeholder feedback for the structure of the sustainability statement, allowing appendices or separate sub-parts; also, for "Art. 8 taxonomy disclosures" which now can also be included in another part than the environmental part.

196 Chapter 8.2 now explicitly allows - as requested by questions received on the Q&A platform - undertakings to provide additional disclosures when specifically requested by users, such as rating agencies, even if the information does not pertain to matters related to material IROs.

197 In chapter 8.3, some contents were removed for simplification or because they are no longer needed following the Omnibus proposal, such as the sector specification. A new option allows an executive summary, either as part or outside the sustainability statement, responding to feedback that ESRS disclosures may be too detailed for investor communications.

198 Stakeholders suggested to provide a template for the sustainability statement and illustrative examples for disclosures. This is not compatible with the content and timeline of the simplification mandate.

Amendments to Chapter 9. Connected information and linkages with other parts of corporate reporting

199 the previous content on connectivity between different parts of the sustainability statements and between the latter and other documents of corporate reporting has been reorganised and streamlined.

200 Emphasis on the necessity to avoid duplication, encouraging to use cross-references.

201 Emphasis on connectivity between IROs and PAT.

202 Cross-reference to financial statements is now optional ('may cross-refer') and not mandatory anymore for both 'direct connectivity' (same amounts in both statements) and 'indirect connectivity' (amounts are an aggregation or part of an amount in the other statement).

203 Chapter 9.3 Incorporation by Reference largely unchanged, except clarification that only the information specifically incorporated by reference is subject to assurance and not the entire referenced document, responding to recurring questions on the Q&A platform and from stakeholders in some countries about the scope of the (required) audit coverage.

Amendments to Chapter 10. Transitional provisions

204 Former chapter 10.1 Transitional provisions on entity-specific disclosures was deleted, as sector-specific ESRS are no longer foreseen and agnostic standards are not expected to be complemented by them.

205 To address concerns raised - including via the EFRAG Q&A platform - it is clarified that for phase-in provisions the first application of ESRS depends on the timely transposition of the CSRD into national law.

206 It is to note that the phase-in provisions will be updated after the consultation to reflect the outcome on financial effects, i.e., option 1 or 2.

ESRS 2 General disclosures

207 The revised Standard represents 49% reduction in the number of datapoints and an overall word count reduction of 34%.

208 Across all DRs in ESRS 2 and in general, it has been clarified that the undertaking has the choice to report at level of IROs or at level of topic depending on what reflects more accurately the nature of the IROs and the way they are managed. This is expected to prevent the inclusion of unnecessary details and to allow a more view more closed to the management.

BP-1 Basis for preparation of the sustainability statement and BP-2 Specific information if the undertaking uses phasing-in options.

209 The revision in these two DRs brings a streamlined approach compared to the content of the Delegated Act.

210 BP-1 particularly has been significantly simplified to reflect the suggestions provided in the public call for input such as a streamlined approach on scope of consolidation. At the same time, the requirement to explicitly state the compliance with ESRS 1 has been added.

211 The new BP-1 follows a more simplistic 'comply or explain' approach linked to the principles of ESRS 1 General requirements (now placed in BP-1). The undertaking must only state when certain principles were applied and when there is a divergent application from the general requirements in ESRS 1 *General requirements* (such as time horizons or changes in preparation or presentation of sustainability information). This new approach also includes references to acquisitions and disposals and incorporation by reference tables, issues which were frequently asked in the ESRS Q&A platform as well as in the public call and targeted interviews.

212 The new BP-2 contains the specific requirements to inform about the use of phasing in options, which are not changed.

GOV-1-The role of the administrative, management and supervisory bodies in relation to sustainability, GOV-2-Integration of sustainability-related performance in incentive schemes, GOV-3- Statement on due diligence and GOV-4 Risk management and internal controls over sustainability reporting

213 A substantial amount of narrative DRs have been deleted in response to frequent stakeholder's requests while retaining core reporting elements and key information for users. The revision resulted in four (instead of five) main disclosures requirements.

214 In particular, the revised text of GOV-1 consolidates former datapoints, including those related to the GOV-2, into a more compact format that reduces granularity. A similar simplification exercise is done for GOV-3 and GOV-5 of the Delegated Act.

215 Contradictory views were expressed regarding the due diligence statement. The upcoming EU Corporate Sustainability Due Diligence Directive (CSDDD) will serve as the Level 1

framework for due diligence. Despite differing opinions, the statement on due diligence, which is a SFDR PAI, remains a mandatory disclosure, though simplified and allowing more flexibility in presenting the required information.

216 Throughout the consultation process, stakeholders frequently raised challenges relating to the duplication of information already reported in other public reports with a varying degree of assurance. After careful considerations, the provision on 'incorporation by reference' was retained, as it constitutes a key principle in the ESRS. Moreover, EFRAG notes that ESRS 2 GOV DRs are not fully covered by other legal requirements (e.g. national corporate governance codes) and that not all undertakings under the scope of the CSRD are legally required to publish corporate governance statements and remuneration reports.

217 Finally, stakeholders pointed to the lack of clarity of some definitions and calculation methodologies. Datapoints are in alignment with CSRD Art. 29(c)(i) and definitions are included in Annex II-Aggregated acronyms and glossary of terms ('Annex II') of the Delegated Act, whereas some of the datapoints concerned have been deleted.

218 Stakeholders suggested to delete the DPs already included in other reports and standards and to review the provision on incorporation by reference of information in documents with different assurance levels. They would like to be able to incorporate by reference without the need to submit the parts incorporated to audit. The suggestions were heavily debated and key datapoints were retained, due to the value of information for users and for IFRS interoperability purposes. Audit of information incorporated by reference was also considered as a key principle in the CSRD and ESRS and therefore it was not changed.

219 Stakeholders suggested to clarify terms, methods and expected level of granularity and/or provide illustrative examples. Some of the concerned DPs have been deleted whereas for others, EFRAG notes that the DPs are in alignment with CSRD Art. 29(c)(i) and definitions were available in the Glossary.

220 There were mixed views regarding the statement on due diligence (former GOV 4 now GOV 3) as some suggested deleting or turning voluntary while others requested further alignment with international instruments and other EU regulations. This was debated and EFRAG decided to retain the datapoint as a "shall" but simplified and more flexibility is provided in presenting the required information. Some preparers that are already subject to national due diligence regulation sought to enhance the connection between the ESRS due diligence reporting and the national law. Moreover, this datapoint is needed to support information needs of the SFDR PAI.

SBM-1- Strategy, business model and value chain, SBM-2- Interests and views of stakeholders and SBM-3- Interaction of material impacts and opportunities with strategy and business model, and financial effects

221 SBM-1 was also significantly reduced, clarified and simplified, for instance with a more guided approach on sector breakdowns and deletion of ESRS sector references. Value chain disclosures were also simplified but not completely deleted as the value chain description remains a fundamental element for understanding and connecting IROs in a sustainability statement. Reference to ESRS sector classification are deleted.

222 Stakeholders suggested to Delete SBM-1 value chain disclosures entirely as burdensome for preparers. This was debated but EFRAG decided to follow a different direction – though the complexity of these requirements was reduced, the disclosures were not fully eliminated as value chain information remains essential for understanding and linking impacts, risks, and opportunities (IROs) within a sustainability statement.

223 SBM-2 now is significantly reduced and focusses on key stakeholders. The requirements are now 'lighter' compared to the 2023 ESRS Delegated Act - for instance, elements such as amendments and strategies to business model based on stakeholder engagement have been deleted. NMIG also provides more guidance on SBM-2.

224 Regarding SBM-3, the requirements now only focus on the interactions between material IROS and strategy and business model. The general description of the material IROs has been moved instead to IRO-2 *Material impacts, risks and opportunities and disclosure requirements included in the sustainability statement* which now focusses on the materiality outcome.

225 Stakeholders expressed concerns for the complexity and the sensitivity of quantitative information about anticipated financial effects. They suggested either to adopt the IFRS reliefs, or to delete this information or to make it voluntary. The EFRAG SRB and SR TEG also debated and decided on including two options in the Exposure Draft ('ED') for the required type of disclosure for anticipated financial effects. Both options are considerably more simplified compared to the Delegated Act:

> ***Option 1:*** 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).
>
> ***Option 2:*** 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).

226 Stakeholders suggested to make resilience a voluntary only disclosure. Resilience analysis was simplified but the requirement was not deleted, with disclosure of qualitative information in SBM-3 only in relation to risks and their interactions with strategy and business model. More guidance has also been included in topical E Standards for the climate resilience analysis.

IRO-1- Description of the process to identify and assess material impacts, risks and opportunities and material information to be reported and IRO-2- Material impacts, risks and opportunities and Disclosure Requirements included in the sustainability statement

227 Simplifications were also performed in IRO-1 as the granularity of the detailed requirements associated with the process of the Double Materiality Assessment ('DMA) was perceived as too burdensome from the preparers. Therefore, the provisions on DMA process were reduced either by aggregating the granularity or by deleting content such as the extent to which and how the process to identify, assess and manage impacts and risks is integrated into the undertaking's overall risk management process. New ARs have been added to explain contextual information and methodology, for instance, the meaning of input parameters and to better link the different DRs related to stakeholders' engagement.

228 At topical level and specifically for ESRS E2 *Pollution*-E5 *Resource use and circular economy*, EFRAG SR TEG and SRB agreed on major simplifications in the requirements related to site assessments and the LEAP approach.

229 For IRO 1 and MDR-A stakeholders suggested to produce sector guidance and examples. This is not compatible with the simplification mandate and was not implemented.

230 IRO-2 has been redesigned in order to clearly reflect the distinction between the process and the outcome of DMA. To complement this new approach, the description of IROs was also moved from SBM-3 to IRO-2. Finally, the requirement to include a list of DRs the undertaking complied with as well as the EU DPs list were maintained. This is mainly

because this information is deemed as meaningful for users and the ESRS reports issued to date did not signs of non-compliance with these requirements.

231 Stakeholders suggested to delete the requirement to disclose the list of disclosure requirements included in the sustainability statement. EFRAG did not change, as this information is considered useful. The ESRS reports issued to date also did not indicate signs of non-compliance with these requirements.

GDR-P, -A, -T, -M-General Disclosure Requirements ('DRs') for Policies, Actions, Targets and Metrics

232 The relabelling the ESRS 2 Minimum Disclosure Requirements (MDRs) as General Disclosure Requirements (GDRs) has been made as part of the restructuring exercise to simplify the disclosure requirements, including in topical ESRS.

233 To respond to frequent feedback received, the text now clarifies the possibility to disclose PATM information at different level of aggregation, for a topic, a sub-topic or for one topic with cross-reference in another topic to the that topic where the PATM information is disclosed. A specification was also added in case of adoption of PAT but only for certain aspects. The text also now clarifies that the description of material IROs may be presented alongside information on PATM.

234 The GDR for policies (GDR-P) was also streamlined - for instance, the EFRAG SR TEG and SRB agreed to delete the specifications of senior accountability, the public availability of the policies and additional information in case the undertaking did not adopt a policy for a material IRO/ topic (same concept was implemented for Actions and Targets).

235 On GDR-T a reference to qualitative targets was added and the requirement on scientific evidence was better linked and explained with the reference to ecological thresholds for E matters, in cases where the undertaking uses them. Additionally, stakeholder engagement on target setting was moved from ESRS 2 *General disclosures* to Social Standards.

236 On GDR-A, the provisions on financial resources are simplified (current financial resources only if allocated during the reporting period / range for future financial resources, voluntary distinction between Capex and Opex as a presentation possibility) and guidance related to the scope of key actions and transition plans was added. Even though sector specific guidance has frequently appeared as a suggestion in consultations with constituents, this could not be envisaged at sector agnostic level.

237 Finally, for metrics on GDR-M, the provision on validation by an external body of metrics as well as metric labels and definitions were deleted. To better clarify the link between GDR-M and the provisions in ESRS 1, provisions were included for the reliance on data from indirect sources or proxies and for contextual information. The DR could not be deleted entirely as these provisions aim to standardise what is expected from undertakings to disclose in topical metrics of ESRS as well as metrics for entity-specific matters/topics.

238 Stakeholders suggested to remove stakeholder engagement in target-setting. This was debated but EFRAG decided to follow a different direction – instead, this requirement was moved to ESRS Social Standards as a topical specification.

239 Stakeholders suggested to remove entirely GDR-M. The provisions in GDR-M aim to standardise what is expected from undertakings to disclose in topical metrics of ESRS as well as metrics for entity-specific matters/topics, so this requirement was maintained.

E1 Climate change

E1-1 Transition plan for climate change mitigation

240 The revised Standard represents 53% reduction in the number of datapoints and an overall word count reduction of 65%.

241 The revised DR streamlines and clarifies expectations around transition plan disclosures. The text consolidates previous requirements into a more compact format that emphasises a high-level description of the key features of a transition plan, while retaining the core disclosure elements. In response to public feedback, the ARs clarify that undertakings are not expected to disclose all information used to manage the plan. Guidance is also delivered on how to present related disclosures in a unified format, referencing related information from other disclosures without duplication. While noting the feedback received, the requirement to disclose when no transition plan exists was preserved to maintain transparency. The sector-agnostic content of disclosure was also retained, notwithstanding the comments received, highlighting that provisions should be made more specific to certain sectors. To enhance the alignment with IFRS S2 Climate-related Disclosures, a new datapoint has been added on dependencies (i.e. assumptions, but the term 'dependencies' was retained for alignment with IFRS) on which the transition plan relies, which includes the qualitative assessment of locked-in emissions. Additionally, the datapoint on EU Paris-aligned Benchmarks has been deleted as considered burdensome.

242 The EC representatives decided not to attempt to clarify what compatibility with 1.5 degrees means, following a recommendation not to do so, as this is being considered for amendments in level 1 regulation.

243 Some stakeholders advocated for the removal of the locked-in emissions disclosure, but others underlined the importance of preserving it, which led to the decision to retain it.

244 Overall, the revisions favour a principle-based approach that focuses on consistency and clarity, while avoiding unnecessary reporting burden.

245 Former ESRS 2 General disclosures SBM and IRO specifications: Material IROs: processes to identify, their interaction with strategy and business model.

246 Disclosures SBM-3 and IRO-1 were reformulated in response to stakeholder feedback indicating that original expectations were unclear and onerous. Although some feedback suggested these disclosures should be voluntary or include only 'own operations', it was decided to maintain the disclosure as mandatory and focus on streamlining opportunities, given the strategic importance of climate change for undertakings and the needs of investors and other stakeholders. Additionally, amendments have ensured closer alignment with IFRS S2.22 on climate resilience.

247 Key revisions included renaming and reordering the original sections for a more coherent flow. These sections now start with the identification of IROs (E1-2), followed by the assessment of resilience in relation to the climate-related risks identified (E1-3). Notably stakeholder feedback indicated that it was unclear whether the use of scenario analysis was required to identify risks; it should be clear under E1-2, Climate related risks and scenario analysis that there is an expectation that undertakings report on key elements of the methodology to assess climate risks, but that scenario analysis is not required for all undertakings. However, if done, it should conform with AR 5 and AR 6 key methodological requirements. Methodological requirements on the identification of IROs and use of scenario analysis, have been consolidated in a single datapoint, improving clarity (E1, paragraph 19). Whilst IFRS.S2.22(b)(ii) makes explicit the requirement to identify key assumptions made in the scenario-analysis, E1-2 refers to 'key elements of the methodology' which could affect interoperability on this aspect.

248 For E1-3 (Resilience in relation to climate change) overall alignment has been improved, by aligning language with IFRS S2, and especially on areas of uncertainty related to climate resilience which aligns with IFRS.S2.22(a)(ii) (para. 21(b)).

249 In addition to the streamlining of language and overall datapoint reduction, a number of detailed narrative datapoints on the risk identification process were deleted or

consolidated into an overarching narrative to avoid repetition of the requirements in ESRS 2 IRO-1 and IRO-2, which have been referenced. Similarly, tabulated examples of climate-related hazards and transition events were moved to non-binding illustrative guidance.

Policies related to climate change

250 The original disclosure was almost entirely removed. In the revised version, the requirement to disclose on policies is limited to the reference to general ESRS requirements. This is consistent with the restructuring of the architecture. The requirement on 'whether and how policies address' particular areas was deleted, following public feedback that questioned its relevance.

Actions and resources related to climate change

251 The revised version streamlines and organises the content for increased clarity, while reducing specific examples, detailed financial linkages and contextual information to a minimum. Key requirements such as presenting actions by decarbonisation lever, expected GHG emission reductions or quantitative financial figures were preserved. At the same time, linkage to financial statements or explanation of dependency on resources were removed (to the extent applicable, included in E1-1, PARA. 14(C)), and the reference to EU Taxonomy was deleted and is now in non-mandatory guidance.

Targets related to climate change

252 The streamlined content adopts a clearer, principle-based approach and articulates more concisely key requirements while preserving core assumptions of the disclosure. The revised text focuses on three key elements: absolute GHG reduction targets (as well as, where relevant, intensity targets), consistency with inventory boundaries, and alignment of targets with the objective of limiting global warming to 1.5°C.

253 Interdiction to use of GHG removals, carbon credits or avoided emissions to meet targets was maintained, noting the mixed stakeholder feedback on the issue, as a safeguard to preserve the integrity of the disclosure. Necessity to translate targets into absolute values when intensity is used was also preserved, after extensive discussions on a possible exception for financial institutions and is being specifically addressed in the public consultation. Suggestions to eliminate the redundancies with E1-1 transition plan disclosure were considered in revision of the latter one.

254 While the compatibility with 1.5°C trajectory remains a key element for coherence with EU legislation, the revised Standards no longer require normalising baseline values (e.g. 3-year averages), or requirement to update targets every 5 years after 2030. Similarly, provisions such as applying targets at level of subsidiaries, and disclosures when there are no quantitative targets were deleted.

255 Overall, the changes led to an important reduction of mandatory datapoints, simplification of narratives and more flexibility in reporting. A possible trade-off may be less transparency on how targets are set and monitored, which may result in less comparability of information for users.

Energy consumption and mix

256 The revised content of the DR follows clearer structure, while preserving the minimum necessary datapoints.

257 The reference to high climate impact sectors was also deleted, in line with feedback received.

258 Finally, the tabular formats in ARs that were provided as a possible format to be followed were also removed to simplify the content.

Scope 1, 2 and 3 Greenhouse Gas ('GHG') Emissions

259 Revised version of the disclosure maintains the requirement to report Scope 1, 2 and 3 GHG emissions, in line with the requirements of CSRD.

260 The updated ED reflects a more streamlined and user-friendly structure while maintaining reference and alignment with Standards such as the GHG Protocol.

261 Critical elements of disclosure, such as disaggregation by scopes, or disclosure of both location-based and market-based scope 2 were maintained.

262 To simplify the content, requirement to disclose total GHG emissions was removed.

263 Following stakeholder feedback, the approach to GHG organisational boundary was revised to align better with the GHG Protocol, emphasising the financial control approach as a default boundary embedded within ESRS, requiring, when needed for fair presentation, additional reporting of Scope 1 and 2 under the operational control boundary (both aligned with GHG Protocol).

264 Biogenic emissions, previously addressed in the ARs, are now highlighted within the main DR for clarity, reflecting stakeholder requests and alignment with the GHG Protocol. Additional flexibility was introduced with respect to GWP use, allowing undertakings to use emission factors not based on the most recent GWP values, as per previous SR TEG and SRB discussions on Q&A received.

265 Finally, based on feedback, GHG intensity was deleted. The deletion of this metric may affect users' ability to understand an undertaking's carbon risk exposure and GHG emissions performance over time. With regards to the ARs, the reference to the GHG Protocol and PCAF A is maintained.

266 Requests received from stakeholders to include reference to PCAF B and C were not incorporated given their early development stage and lack of endorsement by the GHG Protocol. The tabular format related to presentation of GHG emissions was simplified following multiple comments. At the same time, multiple provisions were streamlined and consolidated for greater clarity, with some of the methodological requirements now further relying on the provisions and established practiced linked to the use of the GHG Protocol. These adjustments significantly reduce the reporting burden while maintaining alignment with ambition of EU Green Deal.

Other metrics (internal carbon pricing, carbon removals & credits)

267 The revised content on internal carbon pricing adopts a concise structure, while retaining the important datapoints. The revised text preserves the requirement on the explanation of carbon price and price of GHG emissions to ensure alignment with IFRS S2 paragraph 29(f) on internal carbon pricing, in response to public feedback calling for better interoperability. In addition, reflecting stakeholder input on the need for simplification, the remaining requirements have been removed.

268 The revised content on carbon removals developed or contributed to in the undertaking's value chain and carbon credits (outside its value chain) follows a more streamlined and organised format. It retains its original objective, with two distinct components (i) carbon removals in value chain and (ii) carbon credits outside value chain – accompanied by their associated ARs to maintain clarity. Key requirements related to GHG removal projects, use of carbon credits outside its value chain and public claims of GHG neutrality have been maintained.

269 In response to the broader call for simplification, certain requirements that posed reporting challenges have been deleted, for example the detailed disaggregation of carbon credit information required by AR 62. ESRS E1, paragraph 60 and 61(b) related to net-zero targets have also been deleted.

Anticipated financial effects

270 The revised version of the DRs E1-11 focused on the data needed by lenders to manage their indirect exposures to ESG risks and meet the supervisory expectations, as well as to be able to meet their own reporting (e.g. Pillar 3).

271 The text has been streamlined in line with IFRS S2 language on climate-related risks and opportunities. The streamlining involved the reformulation of the requirements replacing with 2 new datapoints regarding climate-related opportunities and 4 old datapoints on the same topics that have been deleted.

272 Regarding the data cuts, the datapoints on the reconciliations to the relevant line items or notes in the financial statements have been removed. It has been assumed that such reconciliations can be drawn by the data users and when needed they will be produced in accordance with the general requirement on connectivity in ESRS 1 General requirements. Besides the revision, it is noted that the disclosure is subject to the two reporting options detailed in ESRS 2 paragraph 24. Depending on the option chosen by the undertaking (qualitative or quantitative), the reporting might significantly differ.

273 Overall, the revised content covers (in 3 different paragraphs) the anticipated financial effects of physical risk, transition risk and climate-related opportunities. The related ARs allows flexibility in terms of disclosure (range or single amount for the quantitative figures) and details the type of assets in scope. The new structure seeks to be clearer, making it easier to read, while the DR has been simplified and number of data points reduced.

E2 Pollution

274 The revised Standard represents 61% reduction in the number of datapoints and an overall word count reduction of 68%.

Objectives and Interactions with other ESRS

275 This E2 *Pollution* section has been streamlined in alignment with the changes made across the topical Standards. In addition, the legal references were updated and a paragraph referencing the relevance of location-specific disclosures for the topic of pollution, in accordance with the disaggregation provisions outlined in ESRS 1 *General requirements*, was included.

Material IROs related to pollution: processes to identify and assess

276 This entire DR, along with all associated datapoints and ARs, has been fully deleted from ESRS E2 Pollution, due to its comprehensive coverage in ESRS 2 General disclosures.

277 For reduction purposes, the guidance formerly contained in the AR on how the different phases of the LEAP approach can inform the materiality assessment of pollution, and its disclosure, has been deleted (similar reductions were implemented under E3 *Water,* E4 *Biodiversity and ecosystems* and E5 *Resource use and circular economy*). The LEAP approach is, furthermore, generically mentioned in one AR under ESRS 2 *General disclosures* only, without further guidance on each of its steps.

278 The concept of affected communities is now addressed under the broader category of affected stakeholders in ESRS 1 to ensure applicability across sectors, including to financial institutions.

279 Additionally, the removal of the site screening requirement was particularly requested and driven by the lack of observed reporting practices.

280 In public feedback there were also requests for further guidance on material IROs and pollution, which could not be addressed in the scope of the simplification. The issue could be considered for integration in future guidance, also considering it may have a sector-specific perspective.

Disclosure Requirement E2-1-Policies related to pollution

281 Policy disclosures are now limited to cross-references to ESRS 2 *General disclosures* GDR-P, reflecting the assumption that most undertakings already have overarching sustainability policies.

282 A clarification was included in ESRS 2 on the fact that the description of key policy contents also reflects the impacts, risks and opportunities that the policy is meant to manage.

283 A minority of users expressed a preference for maintaining the pollution-related elements to cover, noting the link to the broader EU priorities. Therefore, pollution-related policy elements deleted from the ED were included in NMIG.

284 The introductory and objective paragraphs were deleted as no longer relevant and not well aligned with EU policy goals.

285 The paragraph on the integration into broader environmental or sustainability policies was deleted for simplification purposes.

286 The requirement on the description of pollutants and substances in a policy and the one on the alignment with the EU Action Plan were deleted and presented in NMIG, along with all pollution-specific elements from the main standard.

287 All AR requirements related to policies have been removed from the revised Standard.

Disclosure Requirement E2-2-Actions and resources related to pollution

288 Similarly to the DR on policies, this DR significantly streamlines the content of the introductory paragraph, objective, and pollution-specific requirements on the mitigation hierarchy, directing the focus to the general requirements in ESRS 2 *General disclosures* GDR-A, improving the clarity of requirements on actions related to pollution.

289 Voluntary disclosure specifications on how the mitigation hierarchy is applied with regards to actions, an element relevant also to other environmental topics, have been deleted at topical level (in a similar way also under E3 *Water,* E4 *Biodiversity and ecosystems* and E5 *Resource use and circular economy*) and are, furthermore, addressed by one simplified AR under ESRS 2 *General disclosures*. A minority of users expressed a preference for maintaining it. Therefore, pollution-related mitigation hierarchy elements were deleted and presented to the 'NMIG, as they represented illustrative examples of best practice. A clarification was included in ESRS 2 *General disclosures* on the fact that the key actions also reflect the impacts, risks and opportunities that the policy is meant to manage.

290 All AR requirements related to actions and resources have been removed from the revised Standard. In particular the paragraph on value chain engagements was redundant with ESRS 2 *General disclosures* content, the clarification on resources deleted and presented in NMIG in line with EFRAG's review approach of placing illustrative examples in this guidance.

291 The site-level requirement was deleted and a related paragraph added to the Objective sections of the environmental Standards referencing the overarching principle on disaggregation outlined in ESRS 1 *General requirements*.

Disclosure Requirement E2-3-Targets related to pollution

292 The DRs on policies and actions and this DR on targets was also reduced to a reference to the general requirements in ESRS 2 *General disclosures GDR-T*, and the pollution-specific requirements were moved to the NMIG, which also reflects the views of certain users that suggested their de-prioritisation. In addition to the deletion of the introductory paragraph and objective, all requirements (also from AR) on how ecological thresholds are applied in target setting - an element relevant also to other environmental topics were deleted at topical level (in a similar way also under E3 *Water*, E4 *Biodiversity and ecosystems* and E5 *Resource use and circular economy*), simplified and consolidated into one requirement

under ESRS 2 *General disclosures* , for reduction purposes and also to account for lack of methodological maturity in relation to certain environmental topics.

293 A clarification was included in ESRS 2 *General disclosures* on the fact that the targets also reflect the impacts, risks and opportunities that the policy is meant to manage. The requirement on the mandatory or voluntary nature of targets was moved to ESRS 2 *General disclosures* as a cross-cutting element.

294 The ARs on EU Taxonomy and value chain coverage were removed, respectively, for burden reduction (including as per users' request) and due to redundancies with ESRS 2 General disclosures.

295 A minority of preparers requested the de-prioritisation of the AR on site-level targets, which was, therefore, moved to the NMIG.

Disclosure Requirement E2-4-Pollution of air, water and soil

296 The revised content of this DR follows a clearer structure that focuses on the main indicators.

297 The introductory paragraph was removed as redundant with the content in the main requirements, while the objective was streamlined to align with the main datapoint content of DR E2-4.

298 Requirements on methodologies and data collection processes were deleted to avoid redundancies with ESRS 2 General disclosures. Information on inferior methodologies was deemed confusing by many stakeholders and, therefore, entirely deleted. The requirement on changes over time was moved to the ARs, as part of methodological indications.

299 Concerning the datapoints on pollutants, these now generally refer to material emissions to air, water and soil, for enhanced clarity and simplification. The reference to the E-PRTR regulation was deleted from the mandatory requirements to avoid critical challenges in disclosing at non-EU locations. It was, however, moved to the ARs as a methodological indication for undertakings that are covered by the E-PRTR and want to make use of the information already reported in connection to this regulation, and also in response to some stakeholders' suggestions to clarify the alignment with existing EU law.

300 The requirements on microplastics were split into the primary and secondary categories. In particular, secondary microplastics was added as a new datapoint that was previously addressed in an AR, and the disclosure of emissions to the environment, which was partially addressed in the same AR and not considered a requirement, was made explicit to better centralise the content on microplastics. The suggestion to remove the obligation for undertakings to disclose microplastics information, or to introduce a phase-in, was not implemented due to received feedback about the need for coverage of this sub-topic, given its severe impacts. The definition of microplastics was aligned with that of the REACH Regulation for clarity, and specific clarifications on the primary and secondary categories were added to improve the understanding of the related requirements.

301 The AR on microplastics was entirely revised to reflect the new information need on secondary microplastics and include a methodological indication on the possibility to disclose related information in qualitative or estimation form, to overcome the current lack of a mature methodology for measuring microplastics. The ARs on the site-level breakdown and emissions in areas at water risk and high-water stress were deleted, given the addition of a paragraph under the Objective section addressing site-level information (see Actions section above).

302 EU-BAT requirements were also removed, as already legally covered and in the interest of burden reduction. A new AR on transfers of water pollutants was added addressing stakeholder requests for clarification.

303 Specifications on non-compliance incidents, prioritization of quantification approaches, and contextual information were all moved from ARs to the NMIG, as they represent either entity-specific elements or non-mandatory methodological indications.

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

304 The revised content of this DR follows a clearer structure, with a more explicit breakdown of the indicators to improve the understanding of the requirements.

305 The introductory paragraph was removed as redundant with the content in the main requirements, while the objective was streamlined to align with the main datapoint content of DR E2-5.

306 The main requirements on substances of concern are now directed at manufacturers and importers of substances, allowing users of substances to focus on substances of very high concern only, which are clearly identified through a list. Suggestions to turn the requirements for users into voluntary datapoints were not implemented due to feedback received on the need for transparency in the disclosure on substances across the chemicals value chain, given the highly severe impacts and given that voluntary (‘may') requirements have ultimately been deleted from draft Standards. Requirements on substances of very high concern in articles are now addressed separately and clearly, aligning with the thresholds in the REACH regulation to ensure even further feasibility and availability of information at user level.

307 A new AR was added to clarify the scope of manufacturers and importers of substances. Additional indications were added to address double counting.

308 Information on the split into hazard classes was moved to the ARs as a methodological clarification, to simplify the main requirement.

Disclosure Requirement E2-6-Anticipated financial effects

309 This DR was deleted in its entirety given the lack of a mature methodology to prepare and report on such granular information. These requirements have now been significantly streamlined and centralised into ESRS 2 *General disclosures*.

E3 Water

310 The revised Standard represents 70% reduction in the number of datapoints and an overall word count reduction of 82%.

Objectives and Interaction with other ESRS

311 This E3 *Water* section has been streamlined in alignment with the changes made across the topical Standards. In addition, the legal references were updated and a paragraph referencing the relevance of location-specific disclosures for the topic of water, in accordance with the disaggregation provisions outlined in ESRS 1, was included.

Cross-standard revisions

312 The term 'marine resources' has been deleted from the name of the Standard and the related subtopics, in view that there were no specific DRs on that topic and that marine resources (biotic and abiotic) are a better fit in terms of scope in E5 standard on resource use. Disclosures related to the use of marine waters (e.g. related to desalination) are still in scope of E3. The use of marine resources (e.g. gravel or fish) is addressed under E5, drivers of marine biodiversity and ecosystem change under E1 and E2 and impacts on marine biodiversity and ecosystems under E4.

Disclosure Requirement E3- IRO-1 - Description of the processes to identify and assess material water-related impacts, risks and opportunities

313 For reduction purposes, the guidance formerly contained in the AR on how the different phases of the LEAP approach can inform the materiality assessment of water, and its disclosures, has been deleted (similar reductions were implemented under E2 *Pollution*, E4 *Biodiversity and ecosystems* and E5 *Resource use and circular economy*). The LEAP approach is, furthermore, generically mentioned in one Application Requirement ('AR') under ESRS 2 *General disclosures* only, without further guidance on each of its steps.

314 The concept of affected communities is are now addressed under the broader category of affected stakeholders in ESRS 1 to ensure applicability across sectors, including to financial institutions.

315 As with E2 *Pollution*, suggestions by stakeholders to provide additional guidance on the identification and assessment of material IROs related to water may be considered for future guidance.

Disclosure Requirement E3-1 - Policies related to water and marine resources

316 The revised DR simplifies and aligns the policy-related content with ESRS 2 General disclosures GDR-P by merging previous requirements into a single paragraph.

317 It retains the core obligation to disclose whether and how undertakings manage water-related impacts, risks and opportunities through formal policies. In line with the general approach applied across the ESRS, the introductory paragraph and the disclosure objective have been removed.

318 Similarly, the paragraph requesting information on policies related to sustainable oceans (SFDR datapoint, moved to AR in E4) and all related ARs were removed to reduce complexity and focus on mandatory elements.

319 Relevant guidance on water-related policy content has been incorporated into NMIG (1). The provision requiring undertakings to state when sites located in areas at water risk, including areas of high-water stress, are not covered by a policy was preserved due to the decision-usefulness of the information and its relevance for SFDR alignment. An earlier voluntary datapoint on disclosing a timeframe for adopting such policies was removed as part of EFRAG's effort to limit non-essential reporting requirements.

320 The scope of disclosures was maintained to areas at water risk and not limited to areas of high-water stress, as suggested by some stakeholders, to help account for all material IROs related to water and to keep alignment with relevant frameworks.

Disclosure Requirement E3-2 - Actions and resources related to water and marine resources

321 The revised disclosure consolidates and simplifies previous content on actions and resource allocation. It retains the core requirement for undertakings to disclose key actions taken and significant resources allocated to address material water-related impacts, risks and opportunities. The reference to ESRS 2 *General disclosures GDR-A* provides methodological framing, ensuring consistency across topics. The introductory and objective paragraphs and related ARs were deleted. Optional elements describing the mitigation hierarchy have been moved to NMIG 2. The provision related to actions in areas at water risk, including areas of high-water stress, was maintained, as it was considered relevant by EFRAG and stakeholders to retain disaggregation of water-related information by relevant geographies. Only minor editorial changes were introduced to improve clarity.

Disclosure Requirement E3-3 - Targets related to water and marine resources

322 The revised dr maintains the core requirement for undertakings to report their water-related targets in accordance with ESRS 2 *General disclosures GDR-T*.

323 The text was shortened and restructured for clarity and consistency with other environmental Standards. The introductory and objective paragraphs were deleted.

324 The original paragraph specifying how targets relate to areas at water risk, including areas of high-water stress, marine resource use, and water consumption was also removed and relocated to NMIG 4. This shift reflects the decision to streamline the Standard by removing non-mandatory datapoints from the main body.

325 References to EU Taxonomy criteria (substantial contribution and Do No Significant Harm (DNSH') in AR were deleted for burden reduction purposes.

326 EFRAG considered stakeholder suggestions to reassess the requirements on ecological thresholds, including whether to make them voluntary or remove them. As a result, the related methodological guidance was removed from the topical standard and redirected to ESRS 2 GDR-T.

Disclosure Requirement E3-4 - Water metrics (E3-4)

327 The revised disclosure maintains mandatory disclosure of total water consumption, water consumption in areas at water risk, including areas of high-water stress, water recycled or reused, and water stored. Importantly, total water withdrawal and total water discharges, previously optional and found in AR, have been explicitly amended to mandatory disclosures. EFRAG made this change recognising stakeholder feedback and acknowledging the critical relevance of these two metrics for accurately completing the water balance equation, as well as providing relevant information in relation to material IROs that support fair presentation.

328 Water withdrawal refers to the volume of water removed from ecosystems and is a key measure for assessing pressure on local water resources - particularly in water-stressed regions. Excessive withdrawals can reduce river flows, alter hydrological regimes, and place significant stress on aquatic ecosystems. This can lead to environmental and social impacts, such as reduced water availability for communities, agriculture, and biodiversity. Water withdrawal is already a major driver of water scarcity and ecological degradation in several regions, including in the EU. Addressing water withdrawals as part of sustainable water management is critical to enhance adaptation to climate change and water security. Water discharges serve as an additional indicator of resource pressure, complementing the disclosure on water withdrawals. In ESRS E3, the focus is on the volume of water discharges, while issues related to discharge quality and pollution are addressed under ESRS E2. For these reasons, deleting or making these or other water metrics voluntary, as suggested by some stakeholders, was not pursued.

329 Two new ARs have been added: AR 1 provides information on the calculation methodology for water consumption, while AR 2 summarises the units in which water metrics are to be reported - information that was previously repeated after each datapoint of E3-4.

330 The previous SFDR-aligned requirement for disclosing water intensity was removed, as stakeholders considered this information to have limited decision-usefulness and to be derivable from other reported data. Contextual disclosures, such as water source type, basin water quality, and seasonal variability, were relocated from the main standard to NMIG 5, aligning with the overall simplification and burden reduction objective.

331 The requirement for geographical disaggregation of water consumption, particularly for areas of high-water stress, remains mandatory, recognising its significance for transparency and relevance to stakeholders. Methodological guidance was introduced in the ARs to

clearly define the water balance calculation method and reporting units. The provision of additional guidance related to this and other water metrics, as requested by stakeholders, will be considered in the future.

Disclosure Requirement E3-5 - Anticipated financial effects

332 This DR was deleted in its entirety given the lack of a mature methodology to prepare and report on such granular information. These requirements have now been significantly streamlined and centralised into ESRS 2.

E4 Biodiversity and ecosystems

333 The revised Standard represents 78% reduction in the number of datapoints and an overall word count reduction of 78%.

Objectives and Interactions with other ESRS

334 This E4 section has been streamlined in alignment with the changes made across the topical Standards. In addition, references to 'marine ecosystems' have been made more explicit, the legal references updated and a paragraph referencing the relevance of location-specific disclosures for the topic of biodiversity and ecosystems, in accordance with the disaggregation provisions outlined in ESRS 1 *General requirements*, was included.

Disclosure Requirement E4-1 - Transition plan and consideration of biodiversity and ecosystems in strategy and business model

335 Revised E4-1 focuses solely on the transition plan and removes the provisions related to the resilience of the undertaking's strategy. The latter aspect is now addressed exclusively under ESRS 2 *General disclosures SBM-3* to avoid a perceived redundancy between the requirements at the cross-cutting and the topical levels and for reduction purposes. Disclosure specifications deleted on resilience in relation to ecosystems and biodiversity refer to, for instance, the description of the involvement of stakeholders with indigenous or local knowledge.

336 The DR on the transition plan for biodiversity and ecosystems has been made mandatory due to the relevance for users to access information on the topic, but its application is conditional on whether a plan exists and if it has been made public previously. The latter points recognise the current limited maturity in the implementation and disclosure of biodiversity transition plans, highlighted by stakeholders.

337 Formerly voluntary specifications outlined in the ARs related to elements to cover when disclosing on the transition plan have been moved to the NMIG for reduction purposes. A new simplified AR outlines elements that the disclosure can cover, aligned with the provisions in the climate mitigation transition plan DR (E1-1) and relevant transition plan frameworks.

338 Further guidance on biodiversity and ecosystem transition plans, as requested by stakeholders, was not included due to the approach followed by EFRAG of limiting the AR to methodological requirements only and will be considered for future guidance.

Disclosure Requirement E4 SBM-3 - Material impacts, risks and opportunities and their interaction with strategy and business model

339 The topical SBM-3-related section has been removed from E4 and its content edited and moved to other sections, including to the AR. This deletion is aligned with EFRAG's overall approach to consolidate SBM-3 related disclosures under ESRS 2 only and outside of the topical Standards.

340 Former SBM-3 related disclosures related to biodiversity-sensitive areas ('BSA') and disaggregation by sites (also under E4 IRO-1) have been consolidated under the metrics section (E4-5) to allow for one streamlined location-based DR. Provisions addressing

impacts related to land degradation or threatened species, which inform SFDR DRs, were deemed overly selective and not decision useful in the way they were drafted and have been relocated to the AR.

341 The recommendation raised by some stakeholders to delete datapoints connected to biodiversity-sensitive areas due to methodological challenges in assessing how these are affected by the undertakings activities was not included, as this location-specific information is considered highly decision-useful.

Disclosure Requirement E4 IRO-1 - Description of processes to identify and assess material biodiversity and ecosystem-related impacts, risks and opportunities

342 This section has been removed from ESRS E4 in alignment with EFRAG's approach of listing IRO-1 DRs under ESRS 2 only and outside of the topical Standards. Disclosure specifications concerning the undertaking's process for identifying material biodiversity-related IROs, such as descriptions of consultations with affected communities in relation to impacts of raw material use or on ecosystem services or the consideration of systemic risks have been removed.

343 For reduction purposes, the guidance formerly contained in the AR on how the different phases of the LEAP approach can inform the materiality assessment of biodiversity and ecosystems, and its disclosure, has been deleted (similar reductions were implemented under E2 *Pollution*, E3 *Water* and E5 *Resource use and circular economy*). The LEAP approach is, furthermore, generically mentioned in one AR under ESRS 2 only, without further guidance on each of its steps.

344 Scenario analysis, already an optional DRs in Set 1, has been moved to the AR and formerly optional disclosure specifications, e.g. on why the scenarios were selected and if they are informed by relevant science, have been moved to the NMIG.

345 Site-related disclosure specifications addressing BSA have been consolidated under the metrics section (E4-5) to allow for one streamlined location-based DR. Tables formerly included in the AR providing guidance on the materiality assessment of sites or the disclosure on raw materials have been moved to the NMIG.

Disclosure Requirement E4-2 - Policies related to biodiversity and ecosystems

346 Former DRs were almost entirely removed in alignment with EFRAG's approach of significantly reducing the content specifications for policies in the topical Standards and mostly limiting them to a reference to the related DR under ESRS 2 *General disclosures GDR-P*.

347 The objectives paragraph was deleted from this section in line with changes made across topical Standards. E4 maintains two topical specifications in relation to policies, one on traceability and one related to the coverage of sites near BSAs.

348 Other topical disclosure specifications and connected ARs, related for instance on how policies address social consequences of biodiversity and ecosystems-related impacts, including on the access of genetic resources and the fair sharing of benefits arising from its use, have been moved to the NMIG for reduction purposes.

349 Requirements to explicitly disclose whether policies cover certain topics such as agriculture, oceans or deforestation and which inform SFDR disclosures, have been streamlined under an AR, as the undertaking is expected to disclose this type of information in any case, if material, and a dedicated requirement was not deemed as necessary.

350 Formerly voluntary disclosure specifications related to the reference in policies of third-party Standards of conduct or how the policies connect to the mitigation hierarchy have been deleted and presented in streamlined form into the NMIG. A new AR was added including the definition of what being 'near a biodiversity-sensitive area' constitutes.

Disclosure Requirement E4-3 - Actions and resources related to biodiversity and ecosystems

351 Former DRs were removed or streamlined in alignment with EFRAG's approach of significantly reducing the content specifications for actions in the topical Standards and mostly limiting them to a reference to the related DR under ESRS 2 *General disclosures* GDR-A.

352 The objectives paragraph was deleted from this section, too, in line with changes made across topical Standards.

353 On actions, E4 *Biodiversity and ecosystems* maintains one topical specification only, namely addressing the use of biodiversity offsets in actions plans and consolidates into one paragraph most of the formerly connected disclosure specifications.

354 Voluntary disclosure specifications on how the mitigation hierarchy is applied with regards to actions, an element relevant also to other environmental topics, have been deleted at topical level (in a similar way also under E2 *Pollution,* E3 *Water* and E5 *Resource use and circular economy*) and are, furthermore, addressed by one simplified AR under ESRS 2 *General disclosures.*

355 The connected guidance on the mitigation hierarchy previously under AR has been deleted or moved to the NMIG.

356 All the formerly voluntary disclosure specifications on actions located in the AR, including on the need for consultations and how the actions contribute to alter the drivers of ecosystems change, have been deleted.

357 Specifications related to indigenous peoples' knowledge have been moved to the NMIG.

Disclosure Requirement E4-4 - Targets related to biodiversity and ecosystems

358 Former DRs were almost entirely removed in alignment with EFRAG's approach of significantly reducing the content specifications for targets in the topical Standards and mostly limiting them to a reference to the related DR under ESRS *2 General disclosures* GDR-T.

359 The objectives paragraph was deleted from this section, too, in line with changes made across topical Standards.

360 On targets, E4 *Biodiversity and ecosystems* maintains one topical specification only, namely addressing the use of biodiversity offsets in setting targets.

361 Requirements on how ecological thresholds are applied - an element relevant also to other environmental topics - were deleted at topical level (in a similar way also under E2 *Pollution*, E3 *Water* and E5 *Resource use and circular economy*), simplified and consolidated into one requirement under ESRS 2 *General disclosures*, for reduction purposes and also to account for lack of methodological maturity in relation to certain environmental topics.

362 Connected disclosure specifications on the type of ecological thresholds identified and the methodologies applied were deleted, as well as other content specifications related to targets, such as their allocation to the layers of the mitigation hierarchy.

363 Former ARs have been mostly deleted, e.g. in relation to providing guidance on what targets may express, or moved to the NMIG, e.g. in relation to illustrative tables on how to present targets or the connection to the EU taxonomy regulation.

364 An AR guiding undertakings in relation to aspects that biodiversity and ecosystems targets can cover is still to be included and EFRAG is seeking specific recommendations on this through its public consultation.

Disclosure Requirement E4-5 - Metrics related to biodiversity and ecosystems

365 Former DRs have been substantially deleted or streamlined for reduction purposes.

366 Site-specific provisions previously placed in various E4 sections (SBM-3, IRO-1, and E4-5 paragraphs) have been streamlined and consolidated under the revised metrics section (E4-5). The term "location" in place of "site" is used to allow for a more appropriate aggregation of the reported information where relevant, also strengthening alignment with other relevant nature Standards and frameworks. An AR was added to help undertakings in the prioritisation of the locations to be disclosed and avoid excessive disclosure granularity, which may obscure material information and add unnecessary burden to preparers.

367 Specifications to disclose additional metrics, previously addressed through several paragraphs showing indicators or metrics (mostly optional) on the various topics, have been consolidated into one generic paragraph requiring the disclosure of material metrics on biodiversity and ecosystems and maintaining the flexibility for the preparers to choose the adequate ones. This simplification was made for reduction purposes and in order to address stakeholder input related to the difficulty of prescribing metrics that lack reporting practice, methodological maturity or guidance.

368 The recommendation by stakeholders to make biodiversity metrics completely voluntary was not pursued, in view of the decision-usefulness of these disclosures. The reduction led to the complete removal of indicators that guided undertakings in the identification of metrics to disclose throughout the various subtopics, e.g. in relation to land-use change, invasive species, state of species and ecosystems extent and condition. These specifications have been streamlined and moved to the NMIG.

369 The suggestion by stakeholders to provide additional methodological guidance on metrics may be pursued in future guidance and aligning with the work of relevant frameworks.

370 Almost all related AR covering methodological and contextual specifications to be considered or disclosed when identifying and describing the chosen metrics have been deleted, including how metrics integrate ecological thresholds or the specification to align the metric's baseline with the baseline of the connected target (if existent). Overall contextual and methodological specifications related to metrics are, furthermore, mostly addressed in a streamlined way under ESRS 2 General disclosures. Provisions maintained as AR in E4 refer to the frequency of monitoring and the baseline condition and year of the metrics.

371 A new AR was added to highlight the relevance of state-of-the-nature metrics to determine impacts on biodiversity and ecosystems.

Disclosure Requirement E4-6 - Anticipated financial effects

372 This DR was deleted in its entirety given the lack of a mature methodology to prepare and report on such granular information. These requirements have now been significantly streamlined and centralised into ESRS 2 *General disclosures*.

E5 Circular economy

373 The revised Standard represents 60% reduction in the number of datapoints and an overall word count reduction of 72%.

374 The revision also addressed unclear provisions, improved interoperability across the ESRS framework, and introduced several structural simplifications.

375 One challenge raised during the public consultation was the lack of clear definitions within the Standard. To address this, definitions have been added to the Annex II Aggregated acronyms and glossary of terms ('Annex II') to facilitate better understanding and

consistent interpretation of the standard's requirements. Several definitions were also deleted as no longer in use in the Standard.

376 Another challenge identified was the difficulty in understanding the boundaries of the Standard, as the former ESRS E5 *Resource use and circular economy* included topics that were more appropriately linked to other environmental Standards, and, conversely, some relevant topics were missing from ESRS E5 but covered elsewhere.

377 EFRAG has clarified these aspects in the "Objective" section. para. 4(a) of the Standard including that marine-related resources are to be considered as part of the resource inflows, recognising their significance as a distinct and valuable category of natural resources previously covered in ESRS E3 *Water*.

378 Ecological thresholds have been deleted from ESRS E5 *Resource use and circular economy* and aspects connected to resource use are covered in ESRS 2 *General disclosures.* They are, however, most likely to be reported under connected topics in ESRS E2 *Pollution*, ESRS E3 *Water* and ESRS E4 *Biodiversity and ecosystems*, ensuring better thematic alignment. Additionally, the DRs regarding anticipated financial effects, previously found under ESRS E5-6 Potential financial effects from resource use and circular economy-related impacts, risks and opportunities are now covered by ESRS 1 *General disclosures*.

379 Of the 20 data points:

(a) 2 are newly introduced:

(i) Para. 15(c) on percentage of total weight of critical and strategic raw materials, to support the alignment of the Standard with the Critical Raw Materials Act.

(ii) Para. 18(c) on percentage or total weight of waste for which final destination is unknown, allows mass balance of final destination of waste to be completely disclosed, not forcing undertakings to make unreasonable estimations but instead allowing them to disclose on the figures they have and can communicate.

(b) and 2 significantly reformulate previously existing ones:

(i) Para. 11 on how the integration of circularity and design principles into policies on resource use on key products and services, is a reformulation of previous E5-5, para. 35.

(ii) Para. 17(d) on rate of recycled materials used in key products, replaces the former ESRS E5-4 disclosure on the rate of recycled components in resource inflows. By integrating this into the revised ESRS E5-5, which focuses on outflows, it overlooks recycled materials that end up in waste stream.

380 Non-mandatory content ('may' datapoints) were deleted and moved to a separate document NMIG, as examples of possible disclosure

Objective and Interactions with other ESRS

381 Compared to the former Standard, the revised ESRS E5 *Resource use and circular economy* introduces two key modifications. First, it explicitly references mineral and biotic marine resources as part of resource inflows, as mentioned above, thereby improving thematic alignment across the Standard and incorporating issues related with the ocean into the several existing E Standards.

382 Secondly, the terminology for resource outflows was updated from the former term 'products and materials' to revised 'products and services'. This change addressed stakeholder feedback that the previous wording in ESRS E5-5 was unclear and seemed focused mainly on manufacturers, potentially excluding service providers, which are

essential for the implementation of a circular economy. The revised term ensures broader applicability, covering undertakings that manufacture, bring to market, and deliver both products and services.

383 Furthermore, minor editorial changes were made to clarify the boundaries & correlations between ESRS E5 and other environmental and social Standards.

Material IROs related to resource use and circular economy

384 This entire DR, along with all associated datapoints and ARs, has been fully removed from ESRS E5 due to its comprehensive coverage in ESRS 2 *General disclosures*.

385 The concept of affected communities is now addressed under the broader category of affected stakeholders in ESRS 1 *General requirements*, ensuring broader applicability across sectors, including financial institutions.

Disclosure Requirements E5-1, E5,1 and E5-3 - Policies, Actions and Targets related to resource use and circular economy

386 The revised standard significantly reduces DRs on policies, actions, and targets ('PATs') to eliminate redundancies and to improve clarity and overall readability.

387 Policy disclosures are now limited to cross-references to ESRS 2 *General disclosures* GDR-P, reflecting the assumption that most undertakings already have overarching sustainability policies. ESRS 2 has been clarified to ensure these policies also address intended impacts.

388 The only addition on policies is how circularity and eco-design principles are integrated into key products and services, aligning with the Eco-design for Sustainable Products Regulation (EU) 2023/1230. This data point is a reformulation of the previous metric required in ESRS E5 para. 35 and partially covers previous E5 para. 15.

389 Similarly, requirements on actions and targets have been limited to general references in ESRS 2 *General disclosures* GDR-A and GDR-T.

390 Certain elements, such as policy aspects of resource inflows and outflows, stakeholder engagement, and circularity-related targets, have been moved to the NMIG, rather than removed.

391 All ARs related to PATs have been removed from the revised standard.

Disclosure Requirements E5-4 - Resource inflows

392 The revised disclosure streamlines and clarifies expectations related to resource inflows by consolidating previous elements into a more concise format that emphasises a high-level description of key resource characteristics, while preserving the core disclosure content.

393 In response to public feedback, the term "key" has been introduced in relation to materials used to manufacture, bring to market, and deliver the undertaking's products and services. This allows undertakings the flexibility to identify materials that are essential to their operations based on criteria such as volume, cost, criticality, or strategic relevance. Many comments from stakeholders requested clarifications on what were the relevant materials for their scope of activities. Such requests were not addressed as they were typically sector-specific and would pre-empt materiality assessments. Further guidance may be prioritized in the future on these aspects.

394 The requirement to disclose the total weight of technical and biological materials has been removed from the main disclosure and clarified in AR, if material. Definitions of 'technical' and 'biological' materials have been added to Annex II.

395 References to secondary resources and sustainably sourced materials have been streamlined, with new definitions also included in Annex II. A separate DR on critical and strategic raw materials has been added, with corresponding definitions added in Annex II.

Some stakeholders suggested expanding sustainable sourcing to general procurement, but this was not implemented as it would be a broad widening of the scope. Furthermore, guidance on 'sustainably sourced' of biological materials alone is a complex area where further guidance will have to be issued.

396 Finally, the structure has been simplified by limiting the DR to datapoints only. References to methodologies and data collection processes, previously seen as redundant and often confusing, have been removed to avoid overlap with ESRS 2 *General disclosures*.

Disclosure Requirements E5-5 - Resource outflows (Products and Services, Waste)

397 The revised ESRS E5-5 on resource outflows covers two sub-topics: products and services (with packaging reported separately) and waste.

398 In response to public feedback, disclosure on durability and repairability shifted from a quantitative metric to a narrative-based disclosure, offering greater flexibility. Definitions for 'durability' and 'scope of repairability' have been added to Annex II, while references to industry durability averages and repairability rating systems have been moved to the NMIG, due to limited cross-sector comparability.

399 The requirement on recyclable content in products and packaging remains unchanged. Packaging continues to be treated as an essential component of the DR, particularly for sectors such as food and beverage and pharmaceuticals, where recycled content in the product itself may not be considered material, but packaging is.

400 As mentioned previously, a reformulated data point on recycled materials has also been added, focused on the content of recycled materials in key products.

401 In the waste section, the number of datapoints has been reduced without loss of information, as the former version of the Standard included multiple redundancies and overlapping requirements.

402 The reference to the Sustainable Finance Disclosure Regulation ('SFDR') has been maintained, as total weight of non-recycled waste can be derived by calculating the difference between total waste and recycled waste, and the total amount of hazardous waste can be determined by summing hazardous waste diverted from disposal and hazardous waste directed to disposal. No changes were made to radioactive waste disclosure.

403 A new term has been added "scope of reparability" and defined in glossary. It was considered if, instead, the "obligation to repair" should be used, aligning with the Right to Repair Directive. This Directive emphasizes the "obligation to repair," but the Eco-design Directive focuses on ensuring products are repairable from the design phase. Therefore, "scope of reparability" is preferred as a sustainability indicator to understand the reparability requirements that undertakings may be obliged to implement.

404 As with resource inflows, all references to methodologies and data collection have been removed to avoid redundancy, deferring instead to the guidance in ESRS 2.

405 Several defined terms have been added for the Environmental ESRS Standards especially for ESRS E5 *Resource use and circular economy* because EFRAG received considerable questions on the EFRAG Q&A platform asking for definitions in these areas.

Disclosure Requirements E5-6 - Anticipated financial effects

406 This DR was deleted in its entirety given the lack of a mature methodology to prepare and report on such granular information. These requirements have now been significantly streamlined and centralised into ESRS 2 General disclosures.

S1 Own workforce, S2 Workers in the value chain, S3 Affected communities, S4 Consumers and end-users

407 The overall simplification approach for the Social Standards has been threefold. Firstly, significant reduction (>60%) of narrative disclosures and move towards a principles-based system for the common disclosures (i.e. DR 1 to 4). Secondly, reduction of granularity (e.g. breakdowns) and re-prioritisation of datapoints that led to the deletion of ESRS S1 Own workforce metrics datapoints and increased flexibility for preparers to use the tables or narrative text to report for a number of disclosures. Thirdly, enhanced clarity in definitions and examples for ESRS S1 *Own workforce* metrics and inclusion of standardised formulas. This exercise was also accompanied by the consolidation and, in one or two cases, reformulation of SFDR PAIs across all the Social Standards.

408 The revised S1 *Own Workforce* Standard represents 53% reduction in the number of datapoints and an overall word count reduction of 67%.

409 The revised S2 *Workers in the value chain* Standard represents 60% reduction in the number of datapoints and an overall word count reduction of 75%.

410 The revised S3 *Affected Communities* Standard represents 62% reduction in the number of datapoints and an overall word count reduction of 73%.

411 The revised S4 *Consumers and end-users* Standard represents 64% reduction in the number of datapoints and an overall word count reduction of 79%.

Amendments to Disclosure Requirements DR1 – DR5 for the Social standards

412 S2 Workers in the Value chain, S3 *Affected communities* and S4 *Consumers and end- users* currently consist of five disclosure requirements that deal with different aspects of the reporting undertakings relationship with its different stakeholders and are of a narrative nature. They are largely the same across these three Standards, although they take the specificity of those affected stakeholders into account, too.

413 The disclosures related to ESRS 2 *General disclosures* SBM-3 were deleted completely from ESRS S1 *Own workforce*/ESRS S2 *Workers in the value chain*/ESRS S3 Affected communities/ESRS S 4 *Consumers and end users* in accordance with EFRAG's decision to simplify the materiality assessment and architecture between cross-cutting and topical Standards. The potential information loss of this change would be that disclosures about material impacts, risks and opportunities become more generic and have less information about specific stakeholder groups as specifications about the level of granularity of the materiality assessment have been deleted.

414 Numerous datapoints in DRs 1, 4 and 5 were deleted or merged because they overlap with each other or with corresponding GDRs (also called MDRs in Set 1) in ESRS 2 *General disclosures* or because the information that they ask for is arguably not essential. Some were also moved to NMIG. The remaining ones were simplified linguistically. The goal of this exercise was clarification, simplification and reducing the number of required datapoints, while not reducing genuinely useful reporting content. However, there is a risk that certain nuances that are specific to stakeholder groups will be lost.

415 DRs 2 (Processes for engaging with a stakeholder group and their representatives about impacts) and 3 (Processes to remediate negative impacts and channels for stakeholder group to raise concerns) were merged to simplify reporting about the undertakings engagement with affected stakeholders and their concerns and because the connection between engagement, channels for raising concerns and remedy suggest merging them in a logical manner. General approach to remedy was moved after 'channels to raise concerns' for better alignment with UNGPs or OECD MNE. The remaining ones were

simplified linguistically and/or amended to clarify their scope. This was also in line with proposals received through the public input survey.

Amendments to Disclosure Requirements 6 to 17 of ESRS S1 (metrics)

Disclosure Requirement S1-6 Characteristics of the undertaking's employees

416 Several disclosures were deleted from S1-6 (S1-5 in the ED) to reduce the reporting effort, such as the mandatory gender breakdown for non-guaranteed hours employees and the voluntary breakdowns (e.g. permanent and temporary employees by region).

417 EFRAG decided to change the threshold for significant employment to 50 or more employees and ten largest countries in terms of employee numbers instead of those countries whose employees represent 10% of the own workforce. The current threshold could lead to large numbers of employees being omitted from the disclosure, especially when an undertakings workforce is distributed over many countries and the information by country is already required by other social metrics. A specific question has been included in the public consultation on the new threshold.

418 Among the requests from feedback received that were rejected out of a concern for the comparability of information were: allowing disclosures based on national statistics and accounting Standards or on the basis of business model. EFRAG also declined to give guidance about whether interns, trainees or inactive employees must be included as this depends on the national legislation.

Disclosure Requirement S1-7 Characteristics of non-employees in the undertaking's own workforce

419 Following frequent requests to reduce non-employee reporting due to data limitations in particular, all disclosures about non-employees were deleted except for the total number of employees. To emphasise the concept of materiality of information and guide preparers, a new AR 13 in ESRS S1 clarifies that the DR is only material when non-employees are a key part of the business model.

420 A significant number of respondents would have liked to remove non-employee reporting entirely or make it completely voluntary. However, it was decided to maintain it as it strikes an appropriate balance between reporting effort and information needs of users.

Disclosure Requirement S1-8 Collective bargaining coverage and social dialogue

421 The threshold for 'significant' that was introduced for own employee headcount numbers under S1-5 ((50 or more employees and 10 largest countries in terms of employee numbers) was also introduced for S1-8. Voluntary disclosures concerning working conditions for employees that are not covered by collective bargaining agreements and for non-employees in its workforce were deleted.

422 The request to clarify the definition of social dialogue further was rejected so as not to be overly prescriptive and allow flexibility for national differences.

Disclosure Requirement S1-9 Diversity metrics

423 The requirement to disclose the age distribution of the undertakings employees was deleted.

424 The request to grant undertakings the option to use their own definitions was declined because the only remaining disclosure, i.e. gender distribution at top management level, already allows undertakings to use their own definitions.

Disclosure Requirement S1-10 Adequate wages

425 This DR was streamlined through the merger of different paragraphs and more concise wording. The option of disclosing adequate wage information for non-employees was

deleted. There were frequent, often critical comments about the method for determining what counts as an adequate wage in different countries, both in- and outside the EEA. Some wanted this DR to become voluntary, while others wanted a single authoritative method and/or the creation of an authoritative database. Yet others criticised the reliance on minimum wages because a minimum wage did not guarantee a living wage.

426 In response to this discussion, EFRAG amended the method for determining the adequate wage for non-EU countries in accordance with a bi-partisan agreement reached by the social partners at the ILO. This agreement foresees a hierarchy between wages established in accordance with ILO wage setting principles and the ILO principles for determining a living wage. For EU countries, the AR was amended to reflect the fact that the EU Minimum Wage Directive has entered into application since the adoption of ESRS. In addition, the EFRAG SRB agreed to add a specific question on this matter for the public survey and launch a field test in September 2025.

Disclosure Requirement S1-11 Social protection

427 In response to feedback received EFRAG reduced the scope of this DR in two ways. First, by eliminating retirement from the list of live events against which social protection can be offered and by changing ‘parental leave’ to ‘maternity leave’. Second, by eliminating the requirement to disclose the types of employees that do not enjoy social protection. There were also editorial simplifications.

428 More far-reaching feedback to remove completely this DR or make it voluntary were rejected because of the importance of topic and the need to strike a balance between preparers’ concerns and users’ information needs.

Disclosure Requirement S1-12 Persons with disabilities

429 The option to disclose the percentage of employees with disabilities broken down by gender was deleted. In response to concerns that data collection for this DR might breach privacy laws we strengthened the already existing clause that restricted data collection only to when it is legally possible by adding another paragraph in AR that makes this principle even more explicit.

430 Legal concerns were also the reason why some respondents demanded that this DR be made voluntary or reduced even further, but this solution addresses the concerns that also satisfies the information needs of users.

Disclosure Requirement S1-13 Training and skills development metrics

431 The requirement to disclose the percentage of employees who had participated in performance reviews and the average number of training hours broken down by gender was included in NMIG as contextual information. The options to disclose these metrics broken down by employee category and also for non-employees were deleted.

432 In response to frequent questions (also through the Q&A online platform) we added two items to NMIG: a statement that undertakings have the option to exclude inactive employees from metrics calculations, and an explanation of the type of training activities that can be counted as training for the purpose of this DR.

Disclosure Requirement S1-14 Health and safety metrics

433 In response to frequent questions (also through the online Q&A platform) EFRAG has eliminated from the ‘days lost’ DR the days lost to *fatalities*, so that now the disclosure only requires days lost due to accidents, injuries and ill health. In response to complaints about the difficulty of collecting the relevant data, we also excluded fatalities due to ill health among non-employees from the total number of fatalities. Several items of AR that provided guidance about what counts as work-related injury or ill health were deleted.

434 The voluntary and conditional disclosure that the reporting company's health and safety management system has been audited internally or certified externally was moved to NMIG.

Disclosure Requirement S1-15 Work-life balance metrics

435 The requirement to disclose not only the percentage of employees who are entitled to family-related leave, but also the percentage of entitled employees who actually took such leave was moved to NMIG. The definitions of maternity leave, paternity leave etc. were moved to Annex II (*Aggregated acronyms and glossary of terms*).

436 EFRAG rejected requests for more guidance because it would have made the DR too prescriptive.

Disclosure Requirement S1-16 Remuneration metrics

437 The option of disclosing the total annual remuneration ratio adjusted for purchasing power differences was deleted. The option of presenting the gender pay gap adjusted by employee category or country/segment was deleted and a specific question was included in the public consultation questionnaire on this. The various requirements or options to disclose relevant context information for interpreting the metrics were merged into one very simple AR.

438 Many respondents have questioned the meaningfulness of the two metrics (SFDR datapoints), especially the unadjusted gender pay gap. There were various suggestions for dealing with it, e.g. giving undertakings the option of presenting only the *adjusted* gender pay gap. The most frequent request regarding the total annual remuneration ratio was that it should be calculated not on the basis of the median remuneration for all employees, but the mean remuneration instead. The metrics in the ED have been left unchanged because of the difficulty of finding solutions that are practical and that satisfy both the desire for simplification and the importance of standardised information. A specific question has been added to the public consultation in relation to the adjusted pay gap by employee category.

Disclosure Requirement S1-17 Incidents, complaints and severe human rights impacts

439 Numerous amendments and deletions have clarified, but also narrowed, the scope of the type of incident that needs to be reported under this DR. The concept of '*severe'* human rights incidents has been removed from this DR together with the accompanying AR. The DR now only talks about 'human rights incidents' with a limited scope of human rights and a substantiated filter for the incidents to be reported under materiality of information. A significant number of respondents had complained that the 'severe human rights incidents' concept caused confusion with 'severe human rights impacts'. As for *discrimination*, a new AR states that incidents of discrimination must only be reported if they are *substantiated*.

440 Moreover, the remaining disclosures about OECD National Contact Point ('NCP') cases or complaints filed were deleted and the connectivity disclosure narrowed down for the fines and penalties.

G1 Business conduct

441 The revised Standard represents 50% reduction in the number of datapoints and an overall word count reduction of 51%.

442 The revision in this topical standard brings a more streamlined approach compared to the content of the Delegated Act. A significant enhancement concerns the introduction of the Policy–Action–Targets (PAT) architecture, embedded directly into the Standard's design.

443 The DRs in G1-1: Business conduct policies and corporate culture, G1-2: Management of relationship with suppliers and G1-3: Prevention and detection of corruption and bribery

of the Delegated Act were critically reviewed and either removed or reorganized according to the new structure. The revised ESRS G1 *Business conduct* renamed and restructured G1-1, G1-2 and G1-3 as follows:

(a) G1-1: Policies related to business conduct

(b) G1-2: Actions related to business conduct

(c) G1-3 Targets related to business conduct

444 The topical requirements also interact more clearly with the provisions GDR-P (Policies), GDR-A (Actions), and GDR-T (Targets) in ESRS 2 *General disclosures.*

445 It must be noted that G1 *Business conduct* and ESRS 2 *General disclosures* GOV chapter address both "governance" requirements. However, the angle is different. The G1 *Business conduct* topical standard focuses on business conduct, while the ESRS 2 *General disclosures* GOV provisions focus the on the administrative, management and supervisory bodies and oversight of material topics/IRO's.

446 This streamlining results in a significant simplification, avoids duplication and ensures consistency across topical Standards, an issue raised in ESRS Q&A platform as well as in the public call and targeted interviews.

Disclosure Requirement G1-1 – Policies related to business conduct

447 Some datapoints related to policies regarding anti-corruption and anti-bribery as well as whistleblower protection have been retained in G1-1 due to their alignment with SFDR and regulatory relevance.

448 The concept "functions-at-risk" of corruption/bribery was clarified to address stakeholder feedback requesting greater specificity in identifying corruption-prone areas.

Disclosure Requirement G1-2 – Actions related to business conduct

449 Key information regarding the management of supplier relationships is retained while the NMIG contains more detailed information to support the implementation. Undertakings can also cross-reference to the 'Supplier Code of Conduct' which is incorporated in ESRS S2 *Workers in the value chain* as a datapoint aligned with SFDR.

450 In a similar spirit, key provisions have been kept regarding the prevention and detection of corruption and bribery.

451 Finally, scattered disclosures of training have been consolidated and adjusted examples are included in the Standard's NMIG to decrease the reporting burden and allow comparability.

Disclosure Requirement G1-4 – Metrics related to Incidents of corruption or bribery

452 Voluntary datapoints ('may') are deleted and moved to NMIG, except for one provision related to confirmed incident which is turned into a 'shall' datapoint. This is justified by the fact that there are no other metrics on corruption and bribery incidents, other than the number of convictions and amount of fines (mirrors SFDR indicators).

453 AR 3 to AR 5 are added to provide interpretive guidance by clarifying reporting scope (value chain involvement), legal thresholds (convictions and fines) and definition used (corruption) to ensure consistency and comparability across undertakings. This refinement reflects insights gained from stakeholder consultations.

Disclosure Requirement G1-5 – Metrics related to political influence and lobbying activities

454 Following stakeholder input during the ESRS revision process, DR G1-5, which focuses on metrics related to political influence and lobbying activities, was refined to enhance clarity and ensure relevance.

455 Several datapoints were deleted to reduce complexity.

Disclosure Requirement G1-6 – Metrics in relation to payment practices

456 DR G1-6, which addresses payment practices toward suppliers, including SME's, was simplified to address stakeholder concerns with respect to data collection, administrative burden and limited comparability.

457 The DR on the average time to pay an invoice was deleted.

458 DR G1-6 now focuses on core metrics, namely payment terms (with a specification added for SMEs) and legal proceedings, supported by illustrative examples in the NMIG.

Suggestion not implemented in ESRS G1

459 The suggestion to relocate the topic of animal welfare from G1-1 to ESRS E4 (Biodiversity and Ecosystems) was ultimately not adopted. As clarified in Q&A ID 1137, the scope of ESRS E4 *Biodiversity and ecosystems* is specifically centred on the impacts of the undertaking on biodiversity and ecosystems, particularly regarding species not directly controlled by the entity. This includes organisms that are affected indirectly through land use change, habitat degradation, pollution, or similar ecological disruptions. Given this thematic orientation, issues pertaining to animal welfare especially those involving animals under the direct ownership, care, or operational control of the undertaking do not fall within the ambit of ESRS E4. Instead, such matters are appropriately covered by ESRS G1, which addresses the entity's ethical Standards, integrity policies, and responsible practices, including the treatment of animals within settings such as agriculture, research facilities, or supply chains where control is exercised.

460 The recommendation broadening the scope of items for which the omission of sensitive or potentially unfavourable information would be permissible was not taken forward in the current reporting framework. This decision stems from the fact that the broader treatment of sensitive information remains an open topic under active review at the EC level. Specifically, the consideration of whether-and to what extent-undertakings may be granted the flexibility to exclude disclosures on grounds of confidentiality, strategic sensitivity, or reputational risk is currently being examined for potential amendments to Level 1 legislation.

461 Taxation and cybersecurity have not been incorporated as new datapoints in the revised ESRS. This omission is attributable to the fact that these subject matters do not currently fall within the scope of the CSRD As such, any decision to formally include tax or cybersecurity as topics would require amendment at Level 1 of the legislative hierarchy.

462 Annex II of Aggregated acronymous and glossary of terms has also been amended reflecting the changes in the corresponding requirements.

463 Annex II has been amended as a result of the changes to the corresponding requirements Defined terms that refer to deleted requirements have also been deleted. Some new definitions are introduced, either because they were initially missing or as they are part of the revision to the [Amended] ESRS Exposure Drafts.

Appendix 1: Due process approval notes – EFRAG SR TEG

SR TEG

1. The following members attended the SR TEG meeting on 10 July: (25) Eric Duvaud- ANC, Piotr Biernacki- Consultant, Luc Hendrickx - SME expert, Roberta Ceccon - Preparer, Chiara Del Prete- Chair, Jannik Leiendecker - Consultant, Julia Kölzer - Preparer insurance sector, Per Tornqvist - Preparer banking sector, Sigurt Vitols - Trade unions, Julia Zicke - Preparer, Anne-Claire Ducrocq- Preparer banking sector, Thierry Langreney - NGO, Luis Piacenza- Auditor, Robert Adamczyk- financial investor, PierMario Barzaghi- OIC, Carlota De Paula Coelho- Consultant, Guillaume Bône - NGO, Jose Moneva- ICAC, Sandra Atler- human right lawyer, Olivier Scherer- Auditor, Elena Philipova - ESG data infrastructure expert, Signe Lysgaard - human right expert, Luca Bonaccorsi - consultant/auditing firm, Jean-Francois Coppenolle - preparer insurance sector, Belen Varela – Preparer.
2. The following members were absent: Vanja Rusinova, Christopher Toepfer, Kati Beiersdorf. Vanja Rusinova had indicated her intention of vote the day before, so they are considered in these conclusions, i.e. 26 votes are considered.
3. The following Standards were approved by all the participating members: ESRS 2 *General disclosures*, E3 *Water*, S2 *Workers in the value chain*, S3 *Affected communities*, S4 *Consumers and end users*, G1 *Business conduct*.
4. ESRS 1 *General requirements*, E1 *Climate change*, E2 *Pollution*, E4 *Biodiversity and ecosystems*, S1 *Own workforce* were approved with one dissent each. The same member dissented on ESRS E1 *Climate change* and E4 *Biodiversity and ecosystems*. For the rest, there were different members dissenting on ESRS 1 *General requirements*, E2 *Pollution* and S1 *Own workforce* for different reasons.
5. While approving, members indicated remaining reservations on points to be investigated in the public consultation.
6. On ESRS 1 *General requirements*, there were nine aspects to be investigated following these reservations, of which five present a high number of members with reservations and with the exception of Gross Versus Net, the remaining four issues trigger diverging views in the members with reservations. For ESRS 1 *General requirements* there are four aspects with isolated reservations.
7. A detailed report of the vote by each standard is presented below (editorial changes not included).

ESRS 1 *General requirements*

8. The following 8 SR TEG members approved the Standard without reservation: Luis Piacenza, Thierry Langreney, Jannik Leiendecker, José Moneva, Carlota De Paula Coelho, Chiara Del Prete, Signe Lysgaard, Robert Adamczyk.
9. Despite its approval, Jose Moneva noted the following points of attention to be considered during the final revision after the public process: fair presentation, redrafted gross versus net for impacts, the preservation of entity-specific information, and the double materiality assessment process-taking into account the benefits of focusing on the IROs, avoiding two alternatives that could negatively affect comparability.
10. One SR TEG member (Piotr Biernaki) dissented. He dissents for the following reasons:
    a) Relief on metrics (section 7.4 para. 92 to 94), including para. 92 which allows to make use of a relief on metrics including own operations. In his opinion some undertakings may permanently abuse the relief to not report some or all metrics at all. That in turn would be detrimental to competitive position of the majority of companies that don't

use the relief. This would also trigger non complete information of investors. All the reliefs included in ESRS should be temporary only.

b) In the current draft, inclusion of non-material information is allowed. It is against the foundational principle of materiality which is the cornerstone of ESRS and corporate reporting as such. Inclusion of non-material information will result in obscuring of material information. In addition, it will even increase burden for companies, as bad practices of reporting non material information will spread across preparers.

c) AR 8 to para. 30. Local assessment is limited to supply chain and own operations and this is in contradiction to CSRD and to due diligence. Assessment should cover own operations, upstream and downstream value chain.

11. While approving the Standards, 16 SR TEG members expressed reservations on the current text.

12. Gross versus Net (Eric Duvaud, Roberta Ceccon, Vanya Rusinova, Julia Zicke, Olivier Scherer, Per Tornqvist, Elena Philipova, Julia Kölzer, Anne-Claire Ducrocq, Jean-Francois Coppenolle, PierMario Barzaghi). For all of them the provisions in the ED are perceived as too complex, the appendix should be in the main body. –In addition, importance to delineate better the different fact patterns in the tables, which slightly overlap (reservation of Olivier Scherer is limited to this last point).

    a) In addition, for some of them, the reservations are linked to the fact that this is a gross approach in some cases (potential impact) and this is contrary to simplification (ongoing mitigation activities are sometimes in place - if actions are effective, we should report on net basis). Reporting should reflect residual impacts - those that remain after mitigation - provided the mitigation is fully implemented, consistently applied, and demonstrably effective. SR TEG member Vanya Rusinova, asked to specify that this distinction is essential to achieving true simplification. Without clearly requiring reporting on a residual (net) basis, preparers are left uncertain, and this can result in an overload of information in the annual reports.

    b) In consideration of the high number of members with reservations on this point, the EFRAG SR TEG Chair proposed to suggest to the SRB a targeted field test on the approach during the public consultation, to identify the necessary adjustments. Members supported this suggestion.

    c) Reference to policies was added upon request of some of these members to avoid excluding from the assessment mitigation that is in place in the form of policies. Olivier Scherer and Signe Lysgaard are against adding the reference to policies: only actions taken should be considered. Policies (even implemented) can be misinterpreted. Signe Lysgaard accepted the addition of "implemented policies" as a compromise.

13. Materiality of information (Julia Kölzer, Julia Zicke, PierMario Barzaghi). Reservations on this point refer to para 21(b). Some in this group suggested to be deleted for impact materiality as it makes it impossible to omit information and does not work in reality, others suggested to use a general filter of decision usefulness for all users. PierMario Barzaghi noted that it is impossible for the undertaking to assess the use that a third part will do of information. While number of shall datapoint is reduced to half, it is necessary that companies are allowed to apply an effective materiality filter, fair presentation will help, but this filter of materiality of information needs to be more effective also. It is relevant to note though, that other SR TEG members (other than those with this reservation), have strong views against the deletion of para 21(b).

14. Suggestion from SR TEG is to reassess this point based on the outcome of the public consultation and possibly ask preparers if this provision should be deleted.

15. Complexity of the DMA - Chapter 3 (Eric Duvaud). The current chapter on DMA does not meet the need for simplification and it is not sufficiently simplified for small and mid-caps in wave 2. An alternative is proposed by ANC, that is based on the assumption that DMA can be achieved on the basis of knowledge of criteria gathered through studies, peers benchmarking, etc… without need to get into granular assessments. Current requirements and instructions are too long, and they could be drastically reduced without changing the conceptual content. This shorter version of Chapter 3 would bring the same results of the current one, so there would be no consequences for wave 1. At this stage of the process SR TEG would not suggest including in the public consultation two alternative formulations for DMA, as this is a fundamental element of the entire package of Standards.

16. SR TEG proposes to the SRB to have a specific focus in the public consultation on Chapter 3 and whether it has been sufficiently simplified and how it could be modified.

17. Fair presentation (PierMario Barzaghi, Roberta Ceccon, Eric Duvaud, Olivier Scherer). The rationale for these reservations is mainly linked to the consideration that introducing the concept of fair presentation is either premature or inappropriate. PierMario Barzaghi considered that unlike financial reporting CSRD did not introduce fair presentation but a compliance-based framework, and this could also create a risk of interpretation especially in the context of double materiality considering entity specific disclosures.

18. Olivier Scherer had a different position: its reservation is not on the concept per se (as fair presentation is considered as the right direction to go) but on the timing for introducing it for sustainability reporting as it seems too early to go in this direction as the first reports on impacts. A potential solution could be introducing fair presentation as a 'transitional provision' for impact materiality only. The EC representative reiterated what already confirmed in previous occasions, that there are more elements in the CSRD to conclude for fair presentation than the contrary.

19. The majority of TEG members did not express reservations or expressed explicit support to fair presentation. Considering the role of this principle in the overall simplification and the minority opposing to it, SR TEG acknowledged the need on having a specific focus/question on this element during the public consultation.

20. Reliefs for metrics, in particular chapter 7.4 - para 92 to 94 (Luca Bonaccorsi, Guillaume Bône, Elena Philipova, Olivier Scherer, Sigurt Vitols - same as Piotr Biernaki above). Reservations on this point are linked to the loss of information, potential abuse and the need for these reliefs to have a time limit. Belen Varela was in an opposite camp: the relief should be broader and extend also to GHG emissions.

21. The ECB observer further noted the extensive list of reliefs that go beyond IFRS raises concerns as it risks undermining the overall quality of the information provided and could create an unlevel playing field. If these reliefs are permanent, they take away the incentive to increase the necessary availability and quality of data that is needed to manage the issues and achieve the transition's objectives.

22. Relief for metrics in E Standards - para 94 (Olivier Scherer). Reservation on this point was expressed in relation to option currently granted on excluding joint operations from the calculation of E metrics in absence of joint control. His suggestion to the SRB is to remove this para until there is a holistic discussion on what the treatment is for joint operations.

23. Incorporation by reference (Belen Varela). Rationale for the reservation expressed here is linked to the request to submit to audit the parts of documents incorporated by refence information that they already publish according to national Member State legislation that does not require this info to be audited.

24. Non-material information shall not be allowed to be included (Vanya Rusinova, Per Tornqvist, Guillaume Bône - same as Piotr Biernaki above).

25. Use of the term "non-employees" (Luc Hendrickx). The term "non-employees" in the appendix D should be avoided. This reservation is better articulated in the discussion on S1 Own workforce.

26. Members discussed gross versus net for financial risks and recommended to delete the tentative addition in the draft, taken from ISSB staff TRG material. They considered that the new paragraph added in AR was sufficient. The ECB observer contributed to this discussion, stating clearly that for banks the supervisory expectations are that financial risks are assessed on a gross basis, as DMA is a risk assessment procedure. SR TEG member Vanya Rusinova left the following reservation: preparers should be able to use their existing risk management frameworks and processes, rather than having to establish parallel processes for sustainability risks. This flexibility would reduce the reporting burden and allow risks to be presented internally and externally in a coherent and consistent manner, alongside traditional risks.

ESRS 2 *General disclosures*

27. The following 18 SR TEG members approved the Standard without reservation: Chiara Del Prete, Sigurt Vitols, Robert Adamczyk, Sandra Atler, PierMario Barzaghi, Roberta Ceccon, Anne-Claire Ducrocq, Luc Hendrickx, Julia Kölzer, Thierry Langreney, Jannik Leiendecker, Signe Lysgaard, Elena Philipova, Luis Piacenza, Vanya Rusinova, Olivier Scherer, Per Tornqvist, Julia Zicke.

28. While approving the Standards, 8 SR TEG members expressed reservations on the current text.

29. The following members expressed reservations on financial effects, rejecting the inclusion of option 2 (disclosure of qualitative information as "shall disclose" and disclosure of quantitative information on a voluntary basis) in the consultation: Jean-Francois Coppenolle, Luca Bonaccorsi, Guillaume Bône. Rather than making requirements voluntary, companies should be given more time to adjust through longer phase-ins.. Another proposed alternative was to clarify that Option 1 aligns with IFRS Standards. It was noted that the relief for financial effects and the two options are equally applicable to the disclosure in E1-11.

30. By-site DMA-disclosure (Luca Bonaccorsi, Guillaume Bône, Robert, Jean Francois Coppenolle, Piotr Biernaki, Signe Lysgaard, Carlota De Paula Coelho). Former topical specifications of IRO 1 on whether and how the undertaking has screened its site locations for material impacts related to pollution, water, biodiversity, circular economy have been included to a single AR in ESRS 1 *General requirements*, to support DMA. This reflects the simplification intent, including the fact that there was too much emphasis on process rather than on outcome. However, the current draft is not satisfactory, and location (ESRS 1 *General requirements* versus ESRS 2 *General disclosures*) is still debatable. In addition, AR 8 in ESRS 1 *General requirements* is now limited to supply chain and this unduly restrict the scope, which originally was upstream and downstream value chain. In general, from a user perspective, it is important to understand the implications at the level of specific ecosystem to appreciate what the material impacts are. This does not mean disclosing the list of all material sites but disclosing an aggregation by ecosystem (including their size, nature of operations, nature of the impacts, what ecosystems are impacted). TNFD requires by site disclosure and in the future, it is likely that IFRS might do the same. It was noted that the issue relates also to pollution, not only to water and biodiversity.

31. At the same time, Belen Varela and Eric Duvaud pointed to the fact that disclosure by site is excessive in the management report. An aggregation by product, geographical areas etc. should be adopted, following the way these issues are managed.

32. It would be advisable that the draft is fine-tuned and revised as much as possible on a consensual basis, before the consultation, acknowledging that required disclosure at site level is not consensual and needs to be investigated further in the consultation. It was agreed to suggest to the SRB to include a question in the public consultation.

33. <u>Further streamlining is needed in BP1, BP2 and SBM 1</u> (Eric Duvaud). There are still too many details in these DRs. Furthermore, there is a need to check the consistency between objectives and the content of each DR. E.g. there are inconsistencies in the way the objectives are drafted, SBM 1 explain the strategy of the companies and the list of banned products is an element of excessive detail. Other comments will follow by mail.

34. <u>IRO 2 provision on IROs description (para 28 (a))</u> (Piotr Biernacki): as written (concise overview) it may risk discouraging good practices to report the list of IROs in a single place.

35. <u>GDR-A resources allocated to key actions (para 38)</u> (Belen Varela Nieto): need to better clarify that a company can disclose information on non-financial resources such as FTE. To be considered also that it is difficult for preparers to disclose financial resources allocated to actions. An illustration could help here.

36. The ECB observer Diana Garcia Lopez expressed concern with option 2 for anticipated financial effects. This information is critical for investors, for informed decision-making, and it is essential for the financial materiality angle with is a core part of the CSRD. It also goes against the legislator's emphasis on prioritising quantitative information task of EFRAG and the call for greater transparency and accountability. In addition, it is not aligned with global Standards (IFRS) and a voluntary disclosure risks leading to insufficient and not comparable information. Finally, there are other reliefs for confidentiality concerns. She also expressed concern for the wording in the Standard that limits to the supply chain the site-level considerations in biodiversity.

37. The CEAOB observer highlighted possible implications for the assurance of not-material information included in the sustainability statement.

ESRS E1 *Climate change*

38. The following 19 SR TEG members approved the Standard without reservation: Per Tornqvist, Belen Varela, Anne-Claire Ducrocq, Luis Piacenza, Eric Duvaud, Robert Adamczyk, Jannik Leiendecker, Julia Kölzer, Sigurt Vitols, Luc Hendrickx, Jose Moneva, Olivier Scherer, Chiara Del Prete, Elena Philipova, Signe Andreasen Lysgaard, Carlota De Paula Coelho, PierMario Barzaghi, Sandra Alter, Roberta Ceccon.

39. Guillaume Bone dissented, due to its reservations on absolute targets for banks (see below) and for climate adaptation actions, that according to him are missing in the Standard. The EFRAG Secretariat notes that adaptation actions are to be disclosed anyway as a material sub-topic covered by GDR-A in ESRS 2 *General disclosures*, so according to the architecture it is not necessary to have a topical requirement on adaptation actions in E1 *Climate change*.

40. While approving the Standards, 6 SR TEG members expressed reservations on the current text.

41. <u>Exemption for banks on absolute target setting</u>: Thierry Langreney, Jean-François Coppenolle -in addition to Guillaume Bone - were against the exception. Under SFDR PAI 1, FI need to report on absolute emissions scope 1, 2 and 3 (separately and in aggregate). This applies at product levels but also at entity level (for asset managers and insurance companies, not only for banks). Banks represent a big chunk of the equity market and an even larger part of the corporate bond market therefore providing an exemption to banks re absolute targets would create issues to report on SFDR PAI1. In addition, Pillar 3 is still in consultation, so this exemption is premature.

42. Others (including some that had reservations and others without reservations) noted that banks, insurers and asset managers are in the same position, so an exception limited to banks only is partial.

43. While noting the reservations above, the group agreed to suggest to the SRB to consult on the exception (leaving it in the text), however it needs to be better worded and framed in the correct way, to explain why the absolute value targets do not meet transparency criteria and the benefit of having intensity target by sector for financed emissions is at this stage of maturity of the metric the most transparent information.

44. The observer from ECB disagreed with the option to exclude banks from having to accompany their disclosures of intensity targets with absolute figures. A decrease in intensity does not necessarily mean an absolute decrease in emissions, so both are important to understand the implications of the bank's strategy. Current Pillar 3 templates allow for disclosed targets to be intensity or absolute, and banks are already disclosing absolute targets for certain sectors. According to the EBA Guidelines for ESG risk management, banks should banks should consider setting absolute targets and where relevant intensity. Banks are not an exception to the whole purpose of giving transparency; absolute value targets are relevant when you have divestment policies.

45. <u>Financial effects</u> (see ESRS 2 *General disclosures*)

46. <u>Disaggregation of GHG targets</u> (Julia Zicke): companies that set an aggregated target for Scope 1, 2 and 3 shall not be required to disclose separate targets; disclosing disaggregated Standards means that the company will end up having to actually set those targets internally.

47. <u>No definition of Net Zero in the Standards</u>: companies should be free to use their own entity-specific definition of net-zero (Julia Zicke). Luca Bonaccorsi requested to add to the text a glossary of official definitions of 3 typical targets used: carbon neutral, climate neutral, net-zero. These definitions derive from international treaties (Kyoto and Paris) and cannot be twisted and stretched and used as synonymous (to be verified with the EC if this can be done).

48. Vanya Rusinova: reservation on requirements for companies with existing climate targets. While agreeing with the requirement for companies to disclosing absolute emissions behind their intensity, the issue relate to the differences between requirement for how climate targets can be set for companies that are setting targets now, vs companies that have been working with climate targets for a long time (e.g. SBTi validated targets). Thus, reservation on AR 14 b).

49. Members noted as an important element that the EC has instructed EFRAG not to address the clarification needed on what does it mean to be "compatible" with 1.5 degrees, an issue that continues to exist in practice. The EC indicated that this issue is being discussed in the context of level 1 regulation and pending the outcome of such discussion, it is not appropriate to amend level 2. This aspect needs to be explained in the consultation package also. Olivier Scherer did not express a reservation on E1 Climate change based on this statement by the EC.

50. While approving E1 *Climate change*, E2 *Pollution* and E3 *Water*, Piermario Barzaghi noted that in the spirit of simplification, some paragraphs could be deleted, particularly those concerning the disaggregation of information and the inclusion of new requirements as mandatory, when they were voluntary in the previous Set 1.

51. Guillaume Bone brought to SR TEG's attention that the wording on carbon credits. AR 22, paragraph e): (AR 43(d), AR 45(f) and AR 46(k) amended) not include any removals, any purchased, sold or transferred carbon credits or GHG allowances in the calculation of Scope 1 GHG emissions. Scope 1 should be deleted from this paragraph. This will be done before the consultation. It is a material mistake.

ESRS E2 *Pollution, 3 Water AND 4 Biodiversity and ecosystems*

52. Reservation on the absence of site-specific disclosures - limited to sites connected with material IROs beyond the materiality threshold - (as discussed in the context of ESRS 2 *General disclosures*) were expressed in the approval of E2 *Pollution*, E3 *Water*, E4 *Biodiversity and ecosystems* by 9 members: Vanya Rusinova, Luca Bonaccorsi, Guillaume Bône, Robert Adamczyk, Jean Francois Coppenolle, Piotr Biernaki, Luca Bonacorsi, Signe Lysgaard, Carlota De Paula Coelho). Refer to ESRS 2 *General disclosures* above.

ESRS E2 *Pollution*

53. One member dissented on E2 Pollution: Luca Bonaccorsi. He finds the lack of mandatory disclosure for polluting sites contrary to EU law, international conventions on pollution control and basic human rights. He thinks that if the ESRS allow the omission of the disclosure of polluting sites the Standard will be challenged in Court and there will be reputational effects for EFRAG. A large number of existing laws (E-PRTR, IED, Seveso, Aarhus Convention etc.) all recognise people's right to know if the plant next to their homes/communities is potentially dangerous. The ESRS E2 *Pollution* in its current shape contradicts these laws and principles and will be severely criticised by the media and will lead to lawsuits. This is not just an E2 Pollution issue but a ESRS S3 *Affected communities* issue too.
54. 9 members approved with reservations on by-site disclosure (see above).
55. The following 16 SR TEG members approved the Standard without reservation: Eric Duvaud, Luc Hendrickx, Roberta Ceccon, Jannik Leiendecker, Julia Zicke, Belen Varela, Julia Kölzer, Anne C Ducrocq, Luis Piacenza, Chiara Del Prete, De Paula Coelho, Olivier Scherer, Elena Philipova, Piermario Barzaghi, Jose Moneva, Thierry Langreney.

ESRS E3 *Water*

56. The following 16 SR TEG members approved the Standard without reservation: Eric Duvaud, Luc Hendrickx, Roberta Ceccon, Jannik Leiendecker, Julia Zicke, Belen Varela, Julia Kölzer, Anne C Ducrocq, Luis Piacenza, Chiara Del Prete, De Paula Coelho, Olivier Scherer, Elena Philipova, Piermario Barzaghi, Jose Moneva, Thierry Langreney.
57. The following reservations were expressed:
    a) Marine resources are almost absent from any of the data points with only one single exception (Guillaume Bone).
    b) The Standard is biased towards own operations only and does not address value chain and this is inappropriate. Water is only really material in own operations in a couple of sectors (e.g. agriculture, mining). For all other sectors of the economy, it is mostly an issue in the value chain. (Luca Bonaccorsi).
    c) 9 members had reservations on by-site disclosure (See above).

ESRS E4 *Biodiversity and ecosystems*

58. The following 16 SR TEG members approved the Standard without reservation: Per Tornqvist, Belen Varela, Anne C Ducrocq, Luis Piacenza, Luc Hendrickx, Roberta Ceccon, Jannik Leiendecker, Julia Zicke, Carlota De Paula Coelho, Elena Philipova, Olivier Scherer, Jean-Francois Coppenolle, Piotr Biernacki, Piermario Barzaghi, Julia Kölzer, Jose Moneva, Thierry Langreney.
59. 9 members approved with reservations on by-site disclosure (see above).
60. Guillaume Bone dissented. His dissent is linked to the following elements:
    a) E4-5: Site-specific disclosures (as discussed in the context of ESRS 2 and as per reservations of other members for E2/3/4 above) and the need to list material sites.

b) E4-5: Lack of specific metrics under E4-5 do not allow for proper tracking of contributions to European and global biodiversity goals. The Secretariat disagrees with this position as the disclosure of metrics is mandatory, but the undertaking must define the appropriate metrics on an entity-specific basis.

ESRS E5 *Resource use and circular economy*

61. The following reservations were expressed:

    a) Reservation with by-site disclosure (see above, Guillaume Bone);

    b) Packaging: In resource outflows: (E5-5): AR 3. Packaging is now excluded and not part of the product. The ratios required in par. 17 (c) and (d) should be calculated both for products and their packaging, as the contents of the product and of its packaging is made of different materials and have different characteristics. In addition, in some industries (e.g. food & beverage), the recyclability and recycled ratios for packaging are meaningful, while they are not meaningful for products.

62. The rest of the members approved without reservations.

63. Olivier Scherer noted the need to clarify the notion of "water stored". Lack of definition is a problem as many preparers to not disclose considering it does not meet their own definition (e.g. natural lake).

ESRS S1 *Own workforce*

64. The following 18 (eighteen) SR TEG members approved the Standard without reservation: Per Tornqvist, Anne-Claire Ducrocq, Robert Adamczyk, Jannik Leiendecker, Julia Zicke, Jose Moneva, Julia Kölzer, Olivier Scherer, Chiara Del Prete, Elena Philipova, PierMario Barzaghi, Piotr Biernacki, Luca Bonaccorsi, Vanya Rusinova, Roberta Ceccon, Guillaume Bone, Jean François Coppenolle, Thierry Langreney.

65. There was one SR TEG member (Luc Hendrickx) that dissented. His dissent is linked to the use and definition of "non-employees" in para 7,8,26,27 and 42. He noted that there is no legal definition and no legal basis in the CSRD and in addition he linked his dissent to an agreement on the VSME definition used (the guidance was not changed by the Secretariat). In his opinion reference to self-employed in general is unacceptable as it considers every sub-contracting to a self-employed as risky and suspicious. This disclosure should be restricted to those self-employed individuals who work for only one contractor, AR14 for para 27 should be deleted and adapted to describe applicability (or situations) in line with the VSME wording.

66. While approving the Standards, 7 SR TEG members expressed reservations on the current text. In particular in relation to the following points:

    (i) Adequate wages. Reservation in relation to non-EU hierarchy for wage setting principles and transition provisions for EU (Sig Vitols, Carlota De Paula Coelho, Signe Lysgaard and Sandra Atler). With regards to non-EU, the reservation is due to concerns with the suggested emphasis on wage setting principles, rather than ILO principles for establishing a living wage for the purposes of the adequate wage methodology and a potential resulting de facto use of minimum wages that may not be adequate as benchmarks. Also noted an SR TEG member that suggested that this should be a may disclosure given lack of maturity (Eric Duvaud) and another member noted that this was not a mature disclosure (Belen Varela) but these were not a concern for public consultation.

    (ii) Other metrics with individual comments. a) Diversity metric. French investors to reintroduce age distribution (Eric Duvaud). b) Non employees: the use of estimates doesn't work for this disclosure (Belen Varela). c) Work-life balance: Reservation related to first set of ESRS as work-life balance has been limited to this metric on family-related leave rather than other aspects such as the right to disconnect that would affect to a wider percentage of the EU population.

ESRS S2 *Workers in the value chain,* S3 *Affected communities,* S4 *Consumers and end-users*

67. The following 22 (twenty-two) SR TEG members approved the Standard without reservation: Per Tornqvist, Anne-Claire Ducrocq, Robert Adamczyk, Jannik Leiendecker, Julia Zicke, Jose Moneva, Julia Kölzer, Olivier Scherer, Chiara Del Prete, Elena Philipova, PierMario Barzaghi, Piotr Biernacki, Luca Bonaccorsi, Vanya Rusinova, Guillaume Bone, Roberta Ceccon, Sigurt Vitols, Luc Hendrickx, Jean François Coppenolle, Luis Piacenza, Belen Varela, Carlota De Paula Coelho, Thierry Langreney.

68. None of the members dissented on ESRS S2 *Workers in the value chain*, ESRS S3 *Affected communities* and ESRS S4. *Consumers and end-users*.

69. While approving the Standards, three SR TEG members expressed reservations on the current text as disclosed above in relation to the same points of DR1-D4 that are applicable across all Social Standards (Signe Lysgaard, Sandra Atler, Eric Duvaud).

70. Two SR TEG members (Signe Lysgaard and Sandra Atler) explained that the nuance of examples across ESRS S2 *Workers in the value chain*, ESRS S3 *Affected communities* and ESRS S4 *Consumers and end-users* was important, an example was the whistleblowing mechanism and the channels to raise concerns that are designed differently for ESRS S2 *Workers in the value chain* with business partners and other editorial comments in relations to qualifications to the whistleblowing mechanisms. Another SR TEG member (Eric Duvaud) shared that the ESRS S2 - 3 datapoint on severe human rights cases should be subject to confidentiality.

ESRS G1 *Business conduct*

71. On 10 July EFRAG SR TEG expressed vote on ESRS G1 *Business conduct* based on the draft V1.6.

72. The following 20 SR TEG members approved the Standard without reservation: Chiara Del Prete, Sigurt Vitols Robert Adamczyk, Sandra Atler, PierMario Barzaghi, Kati Beiersdorf, Piotr Biernacki, Luca Bonaccorsi, Guillaume Bône, Roberta Ceccon, Jean-Francois Coppenolle, Carlota De Paula Coelho, Anne-Claire Ducrocq, Eric Duvaud, Julia Kölzer, Thierry Langreney, Jannik Leiendecker, Signe Andreasen Lysgaard, Jose Moneva, Elena Philipova, Luis Piacenza, Vanya Rusinova, Olivier Scherer, Christoph Töpfer, Per Tornqvist, Belen Varela, Julia Zicke.

73. None of the members dissented on G1 *Business conduct*.

74. While approving the Standards, one SR TEG members expressed a reservation on the current text. In particular in relation to G1-6: payment practices.

75. Late payments to SME's: the reduction is considered too extensive, request to reinstate the original paragraphs (Luc Hendrickx).

Overall Vote on the Package to be Issued

76. All the members agreed to recommend to the SRB the issuance of the package of EDs for consultation, on the assumption that the reservations illustrated above are considered in the consultation, that field test is conducted to the extent possible on Gross Net and on Adequate Wages.

Appendix 2: Due process approval notes – EFRAG SRB

77. The following 18 members attended the SR TEG meeting on 15 July: Patrick de Cambourg, Wim Bartels, Marcello Bianchi, Simon Braaksma, Monika Brom, Grégoire de Montchalin, Begoña Giner, Filip Gregor, Kristian Koktvedgaard, Salvador Marin, Roderik Meeder, Laurence Rivat, Cristina Saporetti, Charlotte Söderlund, Maria Dolores Urrea Sandoval, Susana Penarrubia, Luc Vansteenkiste, Ruben Zandvliet.

78. The following 3 members did not attend or only in part but provided a proxy to other members: Isabelle Schömann (proxy to Filip Gregor or Ruben Zandvliet), Kerstin Lopatta (proxy to Simon Braaksma) and Thomas Roulland (proxy to Roderik Meeder).

79. The following member was absent: Mariyan Nikolov.

80. Members agreed on the importance of mentioning at the beginning of ESRS 1 *General requirements* Exposure Draft (ED) the following elements, as not addressed in the EDs, because they are currently under discussion for possible amendments in the Level 1 regulation, as confirmed by the EC representatives:

    a) Exception to allow financial holding companies not to consolidate the subsidiaries;

    b) Value chain for financial institutions;

    c) Relief for omission of confidential/sensitive information;

    d) Phasing-in provisions;

    e) Compatibility with 1.5 degree in the Transition Plans disclosure.

ESRS 1 *General requirements*

81. None of the members dissented.

82. While approving the Standard, some members highlighted their remaining concerns or reservations on the following aspects, for which they agreed to have questions in the consultation. All members also noted the importance of keeping the overall number of specific questions in the public consultation as limited as possible.

83. Fair presentation (Marcello Bianchi, Laurence Rivat, Maria Dolores Urrea Sandoval, Cristina Saporetti). The following reasons were provided by these members for this reservation:

    i. The introduction of fair presentation is not compatible with the CSRD and should be avoided considering the different level of maturity of sustainability reporting compared to financial reporting. The fair presentation would significantly increase the responsibilities for the Board members on one side and for auditors on the other. Under such a regime, companies would not only need to apply the Standards and ensure consistency in the disclosures, but also to demonstrate that information is a fair presentation with respect to all relevant stakeholders. This concept, while it is clear in the Accounting Directive for financial reporting, it is not explicit in CSRD for the sustainability reporting. Indeed, the CSRD requires a compliance-based disclosure framework with regard to the auditing and assurance of sustainability reporting (see, in particular, Article 34, paragraph 1, letter aa). All references to fair presentation introduced by EFRAG in ESRS 1, and also in the other Standards should therefore be removes while it should be clarified that the objective of the sustainability reporting is to ensure the compliance with the provisions of the CSRD and of ESRS.

    ii. Not all constituents are interpreting the requirements of the Corporate Sustainability Reporting Directive (CSRD) and the ESRS, and in the same way and to conclude that the amendments made for fair presentation are just a "clarification". There could also be consequences on the approach followed by external assurance providers in providing assurance on the sustainability statement. Accordingly, this member would like to obtain a further understanding of what will be the consequences on the approach of assurance providers with the introduction of this principle, and whether or not this will affect the simplification exercise and reduction in reporting burden achieved by EFRAG otherwise.

iii. One member, who considers that the CSRD is a compliance approach, notes that the main concern with shifting from a compliance-based approach to a fair presentation regime is the potential increase in Board members' responsibilities regarding the Sustainability Statement. Under this regime, companies would not only need to apply the Standards and ensure consistency but also demonstrate that the information is fairly presented for all relevant stakeholders. This could lead to an open-ended obligation: if the fair presentation requirement is interpreted broadly, the scope of disclosure could become virtually unlimited. While the concept is well-established in financial reporting, its boundaries are much less defined in sustainability reporting. This creates a grey area where companies must determine what constitutes fair presentation, increasing the risk of litigation if stakeholders challenge the adequacy of disclosures. Additionally, under the current compliance regime, entity-specific datapoints are limited. In contrast, a fair presentation framework could significantly expand this number. It may also complicate the verification of first-wave reports, especially given the lack of a common European sustainability audit standard. Finally, while the concept is clear in the Accounting Directive, it is not explicitly addressed in the CSRD, and sustainability reporting is not yet mature enough to fully grasp the implications of such a shift. A more acceptable approach could be to try to better define the boundaries of what is expected under 'fair presentation'-both in terms of scope (staying within CSRD-related topics unless others are essential for understanding) and in terms of detail (placing stronger emphasis on 'general purpose' rather than 'individual stakeholders' purpose').A written confirmation by the European Commission that the CSRD intended to promote this principle would be necessary.

84. Gross versus Net (Cristina Saporetti, Marcello Bianchi, and Maria Dolores Urrea Sandoval). The following rationale for the reservation was noted:

i. These sections remain unnecessarily overly complex. Ambiguity or excessive complexity in the Standards can lead to varied interpretations and difficult discussions with auditors. Since ERM's risk assessment is based on a net approach (as "gross" is rarely used in practice), impacts should generally be evaluated on a net basis for consistency. However, where mitigation actions are particularly significant in terms of effort and resources, they could be disclosed alongside the net impact.

ii. The terminology should be clarified since several words, such as prevention, mitigation and remediation (which are supposed to be different), are used in the paragraphs, which could confuse readers about the approach to be followed. In addition, the appendix regarding gross vs. net approach is still complicated compared to the paragraphs in the main text. Sometimes, measuring the "real" gross impact (without the effect of mitigation action) is impossible. In our view, if the real "gross" effect could be measured, it should be the approach to consider; if not, the net approach should prevail.

85. Reliefs on metrics. (Filip Gregor, Isabelle Schömann, and Ruben Zandvliet) The absence of a time limit for reliefs in paragraphs 92 to 94 fails to provide the right incentive to take the necessary actions for a future availability of quantitative data, which are needed for the objectives of the transition (especially for own operations). The observer of the ECB echoed the same concerns.

86. Members expressed the following reservations, while not requesting a specific question on them:

i. Use of the term "non-employees" in Appendix A is a reservation for Salvador Marin (see also his reservation on ESRS S1 *Own workforce*).

ii. Gross versus Net for risks and opportunities (Cristina Saporetti). Also, if drafted for impacts only, these provisions may be interpreted as applicable by analogy to risks, therefore potentially forcing an approach that is not aligned with internal risk management.

iii. Relief on acquisitions and disposals. (Marcello Bianchi). While the SRB member agrees with the relief described in paragraph 73, he considers the following paragraph 74 as substantially undermining the effectiveness of such relief, as it requires an assessment of the effect of major acquisitions (disposals) "on the subsidiary's or business's exposure to material impacts, risks and opportunities", so reintroducing the materiality assessment excluded in paragraph 73. Furthermore, the definition of "major" transactions and of "available information" is vague and can produce uncertainties about if and what to be disclosed. Paragraph 74 should therefore be deleted.

iv. Entity-specific information and focus of the reporting on decision usefulness (Kristian Koktvedgaard). This SRB member believes the current approach to mandatory entity specific information in paragraph 10 is too broad and does not establish an appropriate threshold for mandatory required "entity specific information". Mandating information outside the topics covered by the CSRD (and hence the reporting Standards) should only be required when providing such information is "absolutely indispensable for decision making", as the link to "decision making" should be a key feature throughout the Standards, and for entity specific information in particular. He finds that the Standards have been drafted with significant emphasis on covering the most important aspects of the topics requested by the CSRD and reporting in accordance with the Standards themselves should be expected to provide a "complete or accurate" reporting framework, making the need for "entity specific information" to meet the mandatory requirements the exception, not the rule. The SRB member also finds that a better focussing and differentiating between principal/strategic IRO's and other, material IRO's in the DMA process would strengthen the link to decision usefulness and allow for a better and clearer focus of the reporting, support the link to the strategy and business model and hence set a better threshold and expectation around the mandatory need for entity specific information.

87. Finally, the observer from ESMA, mentioned two overarching concerns in relation to:

a. the extensive use of transversal reliefs which should have rather been targeted for specific cases rather than be drafted as blanket provisions; and

b. the importance of preserving interoperability with international standards notably ISSB, particularly for the quantitative disclosures on financial effects.

ESRS 2 *General disclosures*

88. None of the members dissented.

89. While approving the Standard, some members highlighted their remaining concern or reservation and they agreed to have questions in the consultation, for SBM-3 financial effects. In particular, Susana Penarrubia disagreed with the inclusion of option 2 (disclosure of quantitative information on a voluntary basis) in the consultation.

90. The ECB observer echoed these reservations. Rationale:

i. it departs from the IFRS relief and risks to result in a loss of information that is necessary for investors for a correct capital allocation;

ii. option 1 addresses the practical challenges while option 2 goes beyond and tries to resolve the issue of confidentiality and sensitiveness, for which there will be already a provision in Level 1.

ESRS E1 *Climate change*

91. None of the members dissented. No reservations.

92. However, while approving the Standard, members agreed to have questions in the consultation about:

93. Anticipated financial effects: one member suggested adding a question on the feasibility of the breakdowns asked in E1-11. Rationale: Anticipated financial effect remain one of the most sensitive information as these is a very delicate topic. Calculating sustainability-related anticipated financial effects lack reliable and harmonized guidance and therefore provide little information value. Additionally, reporting on financial opportunities can also reveal sensitive strategic information, leading to competitive disadvantages for European companies. It is recommended this is addressed in both ESRS and to collaborate further with the ISSB with the same objective.

94. Exemption for banks on target setting in absolute value: members agreed to remove the exception from the ED but to add a question on the necessity to have banks exempted from translation of intensity targets into absolute value.

ESRS E2 *Pollution*

95. None of the members dissented. No reservations, except for the one on by-site disaggregation commented above when discussing cross cutting Standards.

ESRS E3 *Water/E4 Biodiversity and ecosystems*

96. None of the members dissented. No reservations, except for the one on by-site disaggregation commented above when discussing cross cutting Standards.

ESRS E5 *Resource use and circular economy*

97. None of the members dissented. No reservations.

ESRS S1 *Own workforce*

98. None of the members dissented.

99. While approving the Standard, some members noted their reservations on the following aspects, for which they agreed to have questions in the consultation.

100. Adequate wages- non-EU hierarchy (Ruben Zandvliet): The methodological concern regards the mismatch between the objective and the methodology. The objective of the DR is to provide information on any gaps between actual wages and adequate wages. With the current methodology, however, assessing and reporting on ‘adequate wages’ would discriminate between employees inside and outside of the EU – using an adequate wage benchmark for the former based on Directive 2022/2041, and the often much lower national or sub-national minimum wage for the latter. Additionally, the methodology asks whether the statutory minimum wage takes into account the ILO wage setting principles. These principles are not relevant to the estimation of living wages. The reference point should solely be the ILO's principles for estimating a living wage. Split views exist and others suggested this to become a voluntary datapoint. Split views exist and others suggested this to become a voluntary datapoint.

101. The new threshold of largest ten countries for ESRS S1-5 and S1-7 (Cristina Saporetti) trigger additional countries and reporting for companies.

102. The following reservations were also noted (no specific question in the consultation here):

i. Human rights incidents (Cristina Saporetti): the qualifier "severe" has been removed from the DR and this could be understood that more incidents were to be reported.

ii. Non-employees. (Salvador Marín): While the SRB Member supports and understands the inclusion of workers who are not in a direct employment relationship with the reporting entity, he is concerned that the current level of detail in the definition may introduce ambiguity and reduce comparability across reports and jurisdictions. There really is no definition of non-employees. The definition of non-employees is not part of EU law, and the list of examples provided could be interpreted as exhaustive. The objective of the disclosure is also questionable.

ESRS S2 *Workers in the Value chain*-3 *Affected communities*-4 *Consumers and end-users*

103. None of the members dissented. No reservations noted.

ESRS G1 *Business conduct*

104. None of the members dissented. None of the members had reservations.

Appendix 3: Statistics about the number of datapoints

Reduction per standard – shall datapoints

	ESRS Set 1 DA 2023 *	Amendments through ESRS Revision 2025							Reduction
	Total "shall" DPs (excl. tables)	Deleted [-]	Moved ARs (no DPs) [-]	Deleted from mandatory and included as illustration in NMIG [-]	Moved to May (from Shall) [-]	Moved to Shall (from May) [+]	New [+]	Total "shall" DPs after reduction	Reduction of Total "shall" DPs
ESRS 2	134	54	5	8	0	0	1	68	**-49,3%**
ESRS E1	197	84	16	5	0	0	0	92	**-53,3%**
ESRS E2	44	20	0	8	0	0	1	17	**-61,4%**
ESRS E3	27	16	0	5	0	2	0	8	**-70,4%**
ESRS E4	54	33	5	5	0	1	0	12	**-77,8%**
ESRS E5	42	18	0	9	0	0	2	17	**-59,5%**
ESRS S1	127	46	7	14	0	0	0	60	**-52,8%**
ESRS S2	47	22	2	4	0	0	0	19	**-59,6%**
ESRS S3	45	22	2	4	0	0	0	17	**-62,2%**
ESRS S4	44	22	2	4	0	0	0	16	**-63,6%**
ESRS G1	42	22	1	1	0	3	0	21	**-50,0%**
Total	**803**	**359**	**40**	**67**	**0**	**6**	**4**	**347**	**-56,8%**

* Including IG3 addendum and 7 DP related to BP-2 paragraph 17 phasing-in, excluding datapoints with "Table" and "MDR" data types

Calculation of Total "shall" DPs after reduction:

Total "shall" DPs (excl. tables & including addendum) DA 2023
– Deleted
+ New [EXCEPTIONAL AND JUSTIFIED]
– Moved to ARs (no DPs)
– Deleted from mandatory and included as illustration in NMIG
+ Moved to Shall (from May) [EXCEPTIONAL AND JUSTIFIED]
– Moved to May (from Shall)

Total "shall" DPs after reduction

Reduction per standard – may datapoints

	ESRS Set 1 DA 2023 *	Amendments through ESRS Revision 2025							Reduction
	Total "may" DPs (excl. tables)	Deleted [-]	Moved ARs (no DPs) [-]	Deleted from mandatory and included as illustration in NMIG [-]	Moved to May (from Shall) [+]	Moved to Shall (from May) [-]	New [+]	Total "may" DPs after reduction	Reduction of Total "may" DPs
ESRS 2	12	12	0	0	0	0	0	0	**-100,0%**
ESRS E1	15	13	0	2	0	0	0	0	**-100,0%**
ESRS E2	20	16	0	4	0	0	0	0	**-100,0%**
ESRS E3	18	13	0	3	0	2	0	0	**-100,0%**
ESRS E4	65	32	1	31	0	1	0	0	**-100,0%**
ESRS E5	19	14	0	5	0	0	0	0	**-100,0%**
ESRS S1	55	44	1	10	0	0	0	0	**-100,0%**
ESRS S2	18	6	1	11	0	0	0	0	**-100,0%**
ESRS S3	18	6	1	11	0	0	0	0	**-100,0%**
ESRS S4	19	7	1	11	0	0	0	0	**-100,0%**
ESRS G1	11	2	1	5	0	3	0	0	**-100,0%**
Total	**270**	**165**	**6**	**93**	**0**	**6**	**0**	**0**	**-100,0%**

* Including IG3 addendum and 7 DP related to BP-2 paragraph 17 phasing-in, excluding datapoints with “Table” and “MDR” data types

Calculation of Total "may" DPs after reduction:
Total "may" DPs (excl. tables & including addendum) DA 2023
– Deleted
+ New
– Moved to ARs (no DPs)
– Deleted from mandatory and included as illustration in NMIG
– Moved to Shall (from May) [EXCEPTIONAL AND JUSTIFIED]
+ Moved to May (from Shall)

Total "may" DPs after reduction

Appendix 4: EU datapoints including SFDR (Appendix B of ESRS 2 Delegated Act – now Appendix A of Amended ESRS 2)

Disclosure Requirement and related datapoint in ESRS 2023 Delegated Act	**SFDR[8] reference**	**Action**	**Reasoning**	**Disclosure Requirement and related datapoint in Amended ESRS**
ESRS 2 GOV-1 Board's gender diversity paragraph 21 (d)	Indicator number 13 of Table #1 of Annex 1	Maintained (partly moved to AR)	Calculation methodology moved in AR but main datapoint maintained in main body as shall.	ESRS 2 par. 9 and AR 2
ESRS 2 GOV-4 Statement on due diligence paragraph 30	Indicator number 10 Table #3 of Annex 1	Maintained	Small amendment to meet better the users' needs	ESRS 2 par. 13
ESRS 2 SBM-1 Involvement in activities related to fossil fuel activities SBM 1-9 40 d i AR12-13	Indicator number 4 Table #1 of Annex 1	Maintained	Small amendment to meet better the users' needs	ESRS 2 par. 18 (c) i
ESRS 2 SBM-1 Involvement in activities related to chemical production paragraph 18(c) ii	Indicator number 9 Table #2 of Annex 1	Maintained	Maintained	ESRS 2 par. 40 d ii AR12-13 Undertaking active in chemicals production ESRS 2 par. 40 d ii AR12-13 Revenue from chemical production (activities falling under Division 20.2 Annex I EU Reg 1893/2006
ESRS 2 SBM-1 Involvement in activities related to controversial weapons paragraph 18 (c) iii	Indicator number 14 Table #1 of Annex 1	Maintained	Maintained (2)	ESRS 2 SBM-1-17 40 d iii AR13 ESRS 2 SBM-1-18 40d iii AR13
ESRS2-SBM3-S1 and S2 Risks of incidents of forced labour and child labour	Indicator number 13 Table #3 of Annex 1	Moved from ESRS S1 and S2	Moved to ESRS 2, in line with the EFRAG decision to move ESRS 2 related DRs to ESRS 2 and merged	AR 26 (para28) in ESRS 2 IRO-2

Disclosure Requirement and related datapoint in ESRS 2023 Delegated Act	SFDR[8] reference	Action	Reasoning	Disclosure Requirement and related datapoint in Amended ESRS
			with the corresponding ESRS S1 and S2 datapoint. No loss of content	
ESRS S1-1, S2-1, S3)1 and S4-1 Human Rights policy commitments	Indicators number 9 Table #3 of Annex I and number 11Table #1 of Annex I	Moved from ESRS S-1-S4	In line with feedback received in the outreach, the disclosure on human rights policy commitments has been moved from each S Standard to ESRS 2 as the policy could be overarching and cover more than one Social standard so it is disclosed once only. No loss of content. The grievance mechanism datapoint is included in ESRS S3-2.	ESRS 2 GDR-P para 35
ESRS E1-6 GHG emission reduction targets paragraph 34	Indicator number 4 Table #2 of Annex 1	Aligned/Maintained	No change proposed	ESRS E1-6 GHG emission reduction targets paragraph 26
ESRS E1-5 Energy consumption from fossil sources disaggregated by sources (only high climate impact sectors) paragraph 38	Indicator number 5 Table #1 and Indicator n. 5 Table #2 of Annex 1	Deletion of the constraint to “High climate impact sectors”	Disaggregated information on fossil energy was considered relevant information to maintain. High climate impact sectors shall report it if needed under fair presentation.	ESRS E1-7 29d AR33 ESRS E1-7 28-29
ESRS E1-5 Energy consumption and mix paragraph 37	Indicator number 5 Table #1 of Annex 1	Aligned/Maintained	No change proposed	E1-7 paragraph 28 previously was E1-5
ESRS E1-5 Energy intensity associated with activities in high climate impact sectors paragraphs 40 to 43	Indicator number 6 Table #1 of Annex 1	Deleted	Deleted as users can already find the information or calculate the ratio. Indicator can still be derived.	

Disclosure Requirement and related datapoint in ESRS 2023 Delegated Act	SFDR[8] reference	Action	Reasoning	Disclosure Requirement and related datapoint in Amended ESRS
ESRS E1-6 Gross Scope 1, 2, 3 and Total GHG emissions paragraph 44	Indicators number 1 and 2 Table #1 of Annex 1	Maintained	Scope 1, 2 and 3 emissions maintained. The data points on total emissions have been deleted as information can be derived from reported figures by users (as well as the SFDR carbon footprint, SFDR Indicator 2 of Table 1).	E1-8 Gross Scope 1,2,3 GHG emissions paragraph 32
ESRS E1-6 Gross GHG emissions intensity paragraphs 53 to 55	Indicators number 3 Table #1 of Annex 1	Deleted	Deleted as users can already find the information or calculate the ratio. Indicator can still be derived from E1-8 and the financial statement	E1-6_30, 31, 32
ESRS E2-4 Amount of each pollutant listed in Annex II of the E-PRTR Regulation (European Pollutant Release and Transfer Register) emitted to air, water and soil, paragraph 28	Indicator number 8 Table #1 of Annex 1 Indicator number 2 Table #2 of Annex 1 Indicator number 1 Table #2 of Annex 1 Indicator number 3 Table #2 of Annex 1	Maintained	Previously, DR E2-4 referred to the pollutants listed in the E-PRTR Regulation. This reference was removed in the revision, and a generic requirement on amounts of material pollutants emitted to air, water and soil was maintained to support reporting at non-EU locations. This is still in alignment with the originally mapped SFDR PAIs: emissions to water (#8, Table 1); emissions of inorganic pollutants (#1 Table 2); emissions of air pollutants (#2 Table 2); emissions of ozone-depleting substances (#3 Table 2). The disaggregation by sectors, geographical area, type of source, and site location is no longer a characterisation of the related datapoints in IG 3.	E2-4-02; 03;04-16a (used to be 28a)

Disclosure Requirement and related datapoint in ESRS 2023 Delegated Act	SFDR[8] reference	Action	Reasoning	Disclosure Requirement and related datapoint in Amended ESRS
			3 ESRS dapoints address 4 PAIs (as indicated in the SFDR reference column)	
ESRS E3-1 Water and marine resources paragraph 9	Indicator number 7 Table #2 of Annex 1	Maintained	Users can derive information from disclosures on Policies on the topic “Water”.	E3 MDR P01-06 AR16-18 paragraph 11
ESRS E3-1 Dedicated policy paragraph 13	Indicator number 8 Table 2 of Annex 1	Maintained	Wording simplified, but information kept.	E3 paragraph 12
ESRS E3-1 09 para 13 Sustainable oceans and seas paragraph 14	Indicator number 12 Table #2 of Annex 1	Deleted	Removed for reduction purposes following EFRAG's approach of reducing the content provisions related to PAT under topical Standards and because the topic of marine resources is furthermore not addressed under ESRS E3. E4 AR 4 addresses policies on oceans. No information loss.	
ESRS E3-4 Total water recycled and reused paragraph 28 (c)	Indicator number 6.2 Table #2 of Annex 1	Maintained	Maintained and in a new related guidance AR1, AR2, AR3, NMIG5, MNIG6	17e
ESRS E3-4 Total water consumption in m³ per net revenue on own operations paragraph 29	Indicator number 6.1 Table #2 of Annex 1	Deleted	Intensity ratio can be derived and not significant for every sector (evidence from the public call, Q&As as well as public call, outreach preparers, SR TEG/SRB discussion.	
ESRS E4 paragraph 16 (a) i Activities negatively affecting biodiversity-sensitive areas	Indicator number 7 Table #1 of Annex 1	Maintained	Considered decision –useful information by EFRAG and other stakeholders	Para 11 AR 16-18

Disclosure Requirement and related datapoint in ESRS 2023 Delegated Act	SFDR[8] reference	Action	Reasoning	Disclosure Requirement and related datapoint in Amended ESRS
ESRS E4 paragraph 16 (b)	Indicator number 10 Table #2 of Annex 1	Moved to AR	Moved from former E4 SBM-3 **DR to AR** under metrics (E4-5), as per EFRAG's decision not to include SBM-3 sections at the topical level anymore. Edited to reflect that AR 8. **shows specifications of content that the undertaking will provide in connection with ESRS 2 SBM-3 disclosures when material and which do not require a specific disclosure requirement.** At the same time, the connection to SFDR datapoints is maintained.	AR7
ESRS E4 paragraph 16 (c)	Indicator number 14 Table #2 of Annex 1	Moved to AR	Moved to AR Moved from former E4 SBM-3 **DR to AR** under metrics (E4-5), as per EFRAG's decision not to include SBM-3 sections at the topical level anymore. Edited to reflect that AR 8. **shows specifications of content that the undertaking will provide in connection with ESRS 2 SBM-3 disclosures when material and which do not require a specific disclosure requirement.** At the s ame time, the connection to SFDR datapoints is maintained.	AR8

Disclosure Requirement and related datapoint in ESRS 2023 Delegated Act	SFDR[8] reference	Action	Reasoning	Disclosure Requirement and related datapoint in Amended ESRS
ESRS E4-2 Sustainable land / agriculture practices or policies paragraph 24 (b)	Indicator number 11 Table #2 of Annex 1	Moved to AR	Former DR 24b_c_d streamlined and moved into one AR as considered by EFRAG of limited decision usefulness in its current form ('whether or not') and following EFRAG's approach of reducing topical specifications under PATs. Edited to reflect that this AR does not require disclosure of additional DPs, but that if undertaking identified these topics as material and discloses policies on them, it needs to make these topics recognizable.	E4 AR4.
ESRS E4-2 Sustainable oceans / seas practices or policies paragraph 24 (c)	Indicator number 12 Table #2 of Annex 1	Moved to AR	Moved to AR Former DR 24b_c_d streamlined and moved into one AR as considered by EFRAG of limited decision usefulness in its current form ('whether or not') and following EFRAG's approach of reducing topical specifications under PATs. Edited to reflect that this AR does not require disclosure of additional DPs, but that if undertaking identified these topics as material and discloses policies on them, it needs to make these topics recognizable.	E4 AR4.
ESRS E4-2 Policies to address deforestation paragraph 24 (d)	Indicator number 15 Table #2 of Annex 1	Moved to AR	Iormer DR 24b_c_d streamlined and moved into one AR AR as considered by EFRAG of limited decision usefulness in its current form ('whether or not') and following EFRAG's approach of	E4 AR4.

Disclosure Requirement and related datapoint in ESRS 2023 Delegated Act	SFDR[8] reference	Action	Reasoning	Disclosure Requirement and related datapoint in Amended ESRS
			reducing topical specifications under PATs. Edited to reflect that this AR does not require disclosure of additional DPs, but that if undertaking identified these topics as material and discloses policies on them, it needs to make these topics recognizable.	
ESRS E5-5 Percentage and total weight of non-recycled waste paragraph 37 (d)	Indicator number 13 Table #2 of Annex 1	Deleted (X2)	Overlapping with 37 (b), amounts and percentages can be calculated with information requested in new paragraph 18.	18 (c)
ESRS E5-5 Hazardous waste and radioactive waste paragraph 39	Indicator number 9 Table #1 of Annex 1	Deleted 1 and 1 unchanged	Hazardous waste was deleted because a repetition of pararaph 37 (b) and (c) while radioactive waste was kept unchanged in the new standard	Hazardous waste is now covered by 18 (c) and (d) and radioactive waste by paragraph 19
ESRS 2- SBM3 - S1 Risk of incidents of forced labour paragraph 14 (f)	Indicator number 13 Table #3 of Annex I	Moved to ESRS 2 IRO-2 T	No SBM-3 specificities in topical Standards and hence the move to ESRS 2.	para. 27 (e) in ESRS 2 IRO-2
ESRS 2- SBM3 - S1 Risk of incidents of child labour paragraph 14 (g)	Indicator number 12 Table #3 of Annex I	Moved to ESRS 2 IRO-2	No SBM-3 specificities in topical Standards and hence the move to ESRS 2.	para. 27 (e)) in ESRS 2 IRO-2
ESRS S1-1 Human rights policy commitments paragraph 20	Indicator number 9 Table #3 and Indicator number 11 Table #1 of Annex I	Moved to ESRS 2 GDR-P and merged the two SFDR PAIs	Moved to ESRS 2 in an effort to avoid repetition across the S Standards as it was a common outreach feedback was that companies typically have one human rights policy for all affected stakeholder groups.	GDR-P para 34 in ESRS 2

Disclosure Requirement and related datapoint in ESRS 2023 Delegated Act	SFDR[8] reference	Action	Reasoning	Disclosure Requirement and related datapoint in Amended ESRS
ESRS S1-1 Processes and measures for preventing trafficking in human beings paragraph 22	Indicator number 11 Table #3 of Annex I	Maintained	Maintained	ESRS S1-1 para 12
ESRS S1-1 Workplace accident prevention policy or management system paragraph 23	Indicator number 1 Table #3 of Annex I	Maintained	Editorial change to further align wording with the EU Directive on Health and Safety without changing its content.	ESRS S1-1 para 13
ESRS S1-3 Grievance/complaints handling mechanisms paragraph 32 (c)	Indicator number 5 Table #3 and number 11 Table #1 of Annex I	Maintained	Indicator number 11 includes both the policies to monitor compliance with UNGC or OECD or grievance mechanism. The latter element has been mapped to this DR.	ESRS S1-2 para 16
ESRS S1-14 Number of fatalities and number and rate of work-related accidents paragraph 88 (b) and (c)	Indicator number 2 Table #3 of Annex I	Maintained		ESRS S1-13 40c
ESRS S1-14 Number of days lost to injuries, accidents, fatalities or illness paragraph 88 (e)	Indicator number 3 Table #3 of Annex I	Amended	Days lost to fatalities deleted as per feedback from the Q&A process related to the lack of methodology in the ESRS to count days lost to fatalities)	(1-13 para 40e
ESRS S1-16 Unadjusted gender pay gap paragraph 97 (a)	Indicator number 12 Table #1 of Annex I	Maintained	Unchanged	ESRS S1-15 para 44a)
ESRS S1-16 Excessive CEO pay ratio paragraph 97 (b)	Indicator number 8 Table #3 of Annex I	Maintained	Unchanged	ESRS S1-15 para 44b)

Disclosure Requirement and related datapoint in ESRS 2023 Delegated Act	SFDR[8] reference	Action	Reasoning	Disclosure Requirement and related datapoint in Amended ESRS
ESRS S1-17 Incidents of discrimination paragraph 103 (a)	Indicator number 7 Table #3 of Annex I	Maintained	Unchanged	ESRS S1-16 para 46a)
ESRS S1-17 Non-respect of UNGPs on Business and Human Rights and OECD Guidelines paragraph 104 (a)	Indicator number 10 Table #1 and Indicator n. 14 Table #3 of Annex I	Merged with #14 Table 3	Retained in the footnote reference for the indicator on human rights incidents. Specific datapoint on cases of non-respect deleted, due to overlap with the datapoint on severe human rights incidents and unclarity overall on how to measure cases of non-respect of principle-based frameworks, such as the UNGPs and OECD Guidelines, which outline the due diligence process	ESRS S1-16 para 46b)
ESRS 2- SBM3 – S2 Significant risk of child labour or forced labour in the value chain paragraph 11 (b)	Indicators number 12 and n. 13 Table #3 of Annex I	Moved to ESRS 2	No SBM-3 specificities in topical Standards and hence the move to ESRS 2.	Moved to ESRS 2 IRO-2 para. 28 e)
ESRS S2-1 Human rights policy commitments paragraph 17	Indicator number 9 Table #3 and Indicator n. 11 Table #1 of Annex 1	Moved to ESRS 2 GDR-P and merged	Moved to ESRS 2 in an effort to avoid repetition across the S Standards as it was a common outreach feedback was that companies typically have one human rights policy for all affected stakeholder groups.	GDR-P para 35 in ESRS 2
ESRS S2-1 Policies related to value chain workers paragraph 18	Indicator 4 Table #3 of Annex 1 and indicator n. 11 Table #1 of Annex 1	Maintained	Indicator number 11 includes both the policies to monitor compliance with UNGC or OECD or grievance mechanism. The latter element has been mapped to ESRS S2 -2.	ESRS 2-1 para 12 ESRS 2-2 para 15

Disclosure Requirement and related datapoint in ESRS 2023 Delegated Act	SFDR[8] reference	Action	Reasoning	Disclosure Requirement and related datapoint in Amended ESRS
ESRS S2-1Non-respect of UNGPs on Business and Human Rights principles and OECD guidelines paragraph 19	Indicator number 10 Table #1 of Annex 1	Merged with #14 Table 3	Retained in the footnote reference for the indicator on human rights incidents. Specific datapoint on cases of non-respect deleted, due to overlap with the datapoint on severe human rights incidents and unclarity overall on how to measure cases of non-respect of principle-based frameworks, such as the UNGPs and OECD Guidelines, which outline the due diligence process	ESRS S2-3 para 19
ESRS S2-4 Human rights issues and incidents connected to its upstream and downstream value chain paragraph 36	Indicator number 14 Table #3 of Annex 1	Amended	Retained in the footnote reference for the indicator on human rights incidents. Specific datapoint on cases of non-respect deleted, due to overlap with the datapoint on severe human rights incidents and unclarity overall on how to measure cases of non-respect of principle-based frameworks, such as the UNGPs and OECD Guidelines, which outline the due diligence process	ESRS S2-3 para 19
ESRS S3-1 Human rights policy commitments paragraph 16	Indicator number 9 Table #3 of Annex 1 and Indicator number 11 Table #1 of Annex 1	Moved to ESRS 2 GDR-P and merged	Moved to ESRS 2 in an effort to avoid repetition across the S Standards as it was a common outreach feedback was that companies typically have one human rights policy for all affected stakeholder groups. Indicator number 11 includes both the policies to monitor compliance with UNGC or OECD or grievance mechanism. The latter element on	GDR-P para 35 ESRS S3-2 para 13

Disclosure Requirement and related datapoint in ESRS 2023 Delegated Act	SFDR[8] reference	Action	Reasoning	Disclosure Requirement and related datapoint in Amended ESRS
			grievance mechanisms has been mapped to ESRS S3-2 .	
ESRS S3-1 non-respect of UNGPs on Business and Human Rights, ILO principles or OECD guidelines paragraph 17	Indicator number 10 Table #1 Annex 1	Merged with #14 Table 3	Retained in the footnote reference for the indicator on human rights incidents. Specific datapoint on cases of non-respect deleted, due to overlap with the datapoint on severe human rights incidents and unclarity overall on how to measure cases of non-respect of principle-based frameworks, such as the UNGPs and OECD Guidelines, which outline the due diligence process	ESRS S3-3 para 17
ESRS S3-4 Human rights issues and incidents paragraph 36	Indicator number 14 Table #3 of Annex 1	Amended	Retained in the footnote reference for the indicator on human rights incidents. Specific datapoint on cases of non-respect deleted, due to overlap with the datapoint on severe human rights incidents and unclarity overall on how to measure cases of non-respect of principle-based frameworks, such as the UNGPs and OECD Guidelines, which outline the due diligence process	ESRS S3-3 para 17
ESRS S4-1 Policies related to consumers and end-users paragraph 16	Indicator number 9 Table #3 and Indicator number 11 Table #1 of Annex 1	Moved to ESRS 2	Moved to ESRS 2 in an effort to avoid repetition across the S Standards as it was a common outreach feedback was that companies typically have one human rights policy for all affected stakeholder groups. Indicator number 11 includes both the policies to monitor compliance with UNGC or OECD or	GDR-P paragraph 35 ESRS S4-2 para 12

Disclosure Requirement and related datapoint in ESRS 2023 Delegated Act	SFDR[8] reference	Action	Reasoning	Disclosure Requirement and related datapoint in Amended ESRS
			grievance mechanism. The latter element has been mapped to ESRS S4 -2	
ESRS S4-1 Non-respect of UNGPs on Business and Human Rights and OECD guidelines paragraph 17	Indicator number 10 Table #1 of Annex 1	Merged with #14 Table 3	Retained in the footnote reference for the indicator on human rights incidents. Specific datapoint on cases of non-respect deleted, due to overlap with the datapoint on severe human rights incidents and unclarity overall on how to measure cases of non-respect of principle-based frameworks, such as the UNGPs and OECD Guidelines, which outline the due diligence process	ESRS S4-3 para 16
ESRS S4-4 Human rights issues and incidents paragraph 35	Indicator number 14 Table #3 of Annex 1	Maintained	Retained in the footnote reference for the indicator on human rights incidents. Specific datapoint on cases of non-respect deleted, due to overlap with the datapoint on severe human rights incidents and unclarity overall on how to measure cases of non-respect of principle-based frameworks, such as the UNGPs and OECD Guidelines, which outline the due diligence process	ESRS S4-3 para 16
ESRS G1-1 Policies consistent with United Nations Convention against Corruption paragraph 10 (b)	Indicator number 15 Table #3 of Annex 1	Maintained	Unchanged	paragraph 8 (a)
ESRS G1-1	Indicator number 6 Table #3 of Annex 1	Maintained	Unchanged	paragraph 8 (b)

Disclosure Requirement and related datapoint in ESRS 2023 Delegated Act	SFDR[8] reference	Action	Reasoning	Disclosure Requirement and related datapoint in Amended ESRS
Policies on the protection of whistle- blowers paragraph 10 (d)				
ESRS G1-4 Convictions and fines for violation of anti-corruption and anti-bribery laws paragraph 24 (a)	Indicator number 17 Table #3 of Annex 1	Maintained	Unchanged	paragraph 13
ESRS G1-4 Actions to address breaches of Standards of anti- corruption and anti- bribery paragraph 24 (b)	Indicator number 16 Table #3 of Annex 1	Maintained	Unchanged	paragraph 10 (b)

Appendix 5: Key messages from the "State of Play 2025" report

105. The most mature and consistent reporting practices were centred on basic information, policy-level, and mandatory quantitative disclosures. For cross-cutting Standards, information based on preparation (ESRS 2 *General disclosures* BP-1) and the composition and roles of governance bodies (GOV-1) were almost always provided. Governance (G1) reporting was strong, with remarkably high disclosure on anti-corruption policies and near-universal reporting of mandatory metrics like convictions and fines for bribery. Climate Change (E1) was the most consistently reported environmental topic, with robust disclosure of climate-related policies, GHG emission targets, and energy consumption data. Among Social Standards, S1 (Own Workforce) was consistently deemed material and was well-reported across sectors, particularly its policies and processes for workforce engagement.

106. Practices were still evolving for more nuanced disclosures. An emerging trend, particularly among real economy companies, was the "clustering" of related metrics, such as reporting all age-related diversity data points together in a single table to improve clarity. Also, the strategic use of phase-in provisions was used consistently by financial institutions for specific social disclosures like training and skills development and work-life balance. Companies were experimenting with different presentation formats for governance information, using a mix of narrative text and diagrams to explain their structures.

107. The least reported areas were consistently those that require forward-looking estimates, complex data collection, or explanations for inaction. The most critical and widespread gap was the reporting of anticipated financial effects. This was a major challenge for impacts, risk and opportunities (IROs) under strategy and business management (SBM-3) and was heavily phased-in or omitted across all environmental Standards (E1-E5). Biodiversity (E4) was the least-reported environmental standard, with extremely low disclosure on specific impact metrics like ecosystem conditions and a widespread lack of data on ecological thresholds. Disclosures on microplastics (under E2) were also severely underreported. Affected Communities (S3) was the least-reported social disclosure regarding policies, actions & targets (PATs) particularly in the financial sector.

108. Evolving practices and challenges differ notably between sectors. Financial institutions show mature disclosure on grievance mechanisms for their own workforce (S1) and consumers (S4) and provide detailed methodologies for gender pay gap calculations. However, they frequently deem S3 (Affected Communities) not material. In contrast, real economy companies show remarkably high disclosure rates for policies on their own workforce and actions taken on negative impacts in the value chain (S2).

109. Generally, based on the findings, EFRAG found a key area for improvement for the real economy sectors is moving beyond generic statements on topics like 'adequate wages' to provide more specific, contextual data. Across all sectors, there is a need to improve benchmarking outside of the European Economic Area (EEA) and enhance reporting on alignment with international instruments such as the United Nations Guiding Principles (UNGP) or International Labour Organisation (ILO) conventions, particularly for social topics. The analysis indicates that while undertakings are successfully reporting on established governance frameworks and high-level topical commitment for E1 *Climate change*, S1 *Own workforce* and G1 *Business conduct*, practices should now evolve to meet more granular and quantitative requirements, within the boundaries of the ESRS simplification exercise.

Appendix 6: How the frequent questions gathered in the ESRS Q&A platform have been addressed in the Amendments

110. The analysis of these inputs has been fed into the simplification of the different ESRS Standards. This table provides an overview of how the most frequent requirements needing clarification have been addressed in the EDs.

ESRS standard	Q&A suggestion for changes
ESRS 1	• The definition of own operations is now provided. • Treatment of non-EU subsidiaries is clarified as part of the boundary. • Dealing with subsidiaries with different year ends has been addressed. • New guidance is introduced on how to consider implemented actions when assessing impacts for materiality ('Gross vs Net'). • Clarification has been provided on when is an impact positive. • Disclosure requirements when information is not available are addressed through reliefs. • Presentation of non-material information required by rating-agencies or similar third parties have been clarified. • Relationship of impacts, risks and opportunities (IRO) with 'topic' / 'sub-topic' and 'matter' has been clarified. • Need to assess all components of severity has been clarified (practical considerations). • How to run DMA in groups and dealing with subsidiaries that do / do not contribute to material IROs has been clarified. • Consideration of employee pension funds in sustainability statement has been clarified. • Consideration of leasing in sustainability statement has been clarified. • Acquisitions and divestments during the reporting period have been covered by a relief. • Operational and financial control are clarified through the definition of the boundary.
ESRS 2	• Interaction with topical Standards has been clarified (including for variable remuneration and financial effects in E1) • Dealing with target setting. Clarified better how the DRs in ESRS 2 are prepared with the appropriate level of aggregation (as described in ESRS 1) Also better clarified better the interaction of PATs with IROs to avoid duplications. • Streamlined DPs such as public available policies and senior accountability, issues that often appeared in Q&A

ESRS standard	Q&A suggestion for changes
	• Better clarified financial resources for actions
E1	• The interaction between E1 and other Standards has been clarified. • Overall, disclosures have been simplified, namely: transition plan for climate change mitigation; scenario analysis; resilience; policies, actions and targets (PATs), namely on what concerns disclosures related to CapEx and OpEx; energy consumption and mix; GHG emissions; GHG removals and carbon credits; carbon pricing; and anticipated financial effects. • The disclosure on alignment with the Paris-aligned benchmarks have been removed. • Application Requirements ('ARs') have been simplified and streamlined and are focused on mandatory methodological requirements. Some aspects related to methodological requirements have been removed, such as reference table to climate hazards and transition events, methodological requirements on target setting; presentation tables. • The following Disclosure Requirement have been removed: alignment with the Paris-aligned benchmarks; and GHG intensities on revenue; concept of high climate impact sectors; total GHG emissions; net-zero target; requirements on acute and chronical physical risk exposure and several non-priority data points related to anticipated financial effects (AFE) not considered as priority for banks. • The organisational boundaries for GHG emissions inventory have been clarified and aligned with one of the two options in the GHGP organisational boundaries.
E2	• Considerations for disclosure of site-level information clarified as a general principle. • AFE centralised in ESRS 2, including reliefs • Updated regulatory references, including related definitions of substances of concern and microplastics. • Clarified scope and application of Disclosure Requirements related to: (a) pollutants to air, water and soil (beyond the E-PRTR reference); (b) microplastics in own operations vs upstream/downstream value chain; SoC/SVHC (including in articles). • Added a clarification on pollution transfers to third-party plants.
E3	• Included definition of 'water storage'. • Included definition of 'area of high-water stress'. • Streamlined disclosure requirements on contextual information for metrics under ESRS 2 MDR-M. • Deleted disclosure on water intensity.

ESRS standard	Q&A suggestion for changes
E4	• Clarified scope of disclosures (own operations versus value chain), including through specifications in ESRS 1 and 2. • Edited the definition of 'in or near' biodiversity sensitive area for clarity. • Edited the definition of 'impact drivers' to now address the term 'drivers of ecosystem and biodiversity change', still based on Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) definitions.
E5	• E5 now clarifies whether waste incineration is a disposal operation. • The (explicit) datapoint on non-recycled waste has been removed. • E5 now clarifies the categorisation of waste streams. • Recycling metrics and terms are clarified and aligned with new definitions (added in the Glossary).
S1	• Further guidance has been introduced for the definitions of employees, non-employees and value chain workers in non mandatory implementation guidance (NMIG). • Revision of the adequate wage benchmark hierarchy for non-EU countries in line with ILO proposal. • The calculation methodology for the percentage of employees that participated in regular performance and career development reviews has been clarified. • The SFDR indicator included in DR 13 on days lost to injuries, accidents, ill health and fatalities has been reduced in scope, by deleting days lost to fatalities, due to the lack of a methodology on how to count days lost to fatalities. 111. Deletion of datapoint on uptake of family-related leave that received questions on its calculation as definition includes four different types, of which two or three could apply to one employee and the disclosure was at global level.
S2	• Further guidance has been introduced for the definitions of employees, non-employees and value chain workers in NMIG.
S3	The scope of 'human rights incidents' has been clarified in ESRS S1- 16 and it is applicable for the rest of the Social Standards.
S4	The scope of 'human rights incidents' has been clarified in ESRS S1- 16 and it is applicable for the rest of the Social Standards.
G1	• PAT-structure has been implemented in the G1 topical standard. • A clearer distinction has been made between lobbying and political influence. • Additional guidance has been added for functions-at-risk of corruption. • Clarification has been added on which definition of corruption and bribery to apply.

ESRS standard	Q&A suggestion for changes
	• Guidance on convictions and fines has been added.

Appendix 7: ESRS E1 wording enhancements for interoperability

IFRS	Revised ESRS para	Type of change in Revised ESRS	Rationale
IFRS S2.34(a)	ESRS E1 AR 2 for para. 14(a)	Enhancement with IFRS wording	(1) application requirement (ESRS E1 paragraph AR2 for paragraph 14(a)) on 'third-party' validation of the target set
IFRS S2.14(a)(iv)	ESRS E1 para 14(c)	Enhancement with IFRS wording	(2) datapoint on dependencies used by an entity in developing transition plan in ESRS E1 paragraph 14(d)
S2.22(b)(i)(2-4)	ESRS E1 para. 19	Enhancement with IFRS wording	(3) alignment in language has been strengthened on climate-related scenario analysis (request for the ranges of scenario used in ESRS E1 paragraph 19).
IFRS S2.22(a)	ESRS E1 paras. 21, AR 10 and 11	Enhancement with IFRS wording	(4) for resilience, EFRAG has largely improved the language alignment with IFRS S2
IFRS S2.29(d)	ESRS E1 para.42	Enhancement with IFRS wording	(5) EFRAG aligned with the wording on the climate-related opportunities in ESRS E1 paragraph 42,

IFRS S2.29(f)	ESRS E1 para.38	Enhancement with IFRS wording	(6) EFRAG enhanced the alignment on language regarding E1-10 in ESRS E1 paragraph 38
IFRS S2.29(a)(i)(3) IFRS S2.B38–B57	ESRS E1 para. AR 25(d)	Enhancement with IFRS wording	(7) Scope 3 measurement: EFRAG aligned with the wording on the need to prioritize direct measurement of Scope 3 GHG Emissions in ERSS E1 paragraph AR 25(d) for paragraph 32(c).
IFRS S2.10(c)	ESRS para. 22b)	Enhancement with IFRS wording	Enhancement For the requirement related to the "anticipated financial effects", some part of the content related to the "investment and disposal plans" and the "planned sources of funding to implement its strategy" has been moved to AR;
IFRS S2.22	ESRS para. 24	Enhancement with IFRS wording	For the requirement related to resilience, "the entity's capacity to adjust or adapt its strategy and business model

			to climate change over the short, medium and long term" has been moved to AR.