

## ESRS Revision: Progress Report as of 20 June 2025

*This Progress Report has been prepared in accordance with Commissioner Albuquerque's request in her letter of 5 May 2025 to provide 'a written update by 20 June describing in more detail the intended modifications to the standards and how and to what extent they would reduce burden on companies'. It has been approved by the EFRAG Sustainability Reporting Board in a public session on 19 June 2025.*

### Background

1. As announced in the Explanatory Memorandum of the Omnibus proposals released on 26 February 2025, the European Commission (EC) intends to adopt a delegated act to revise the first set of European Sustainability Reporting Standards (ESRS). To deliver swiftly on the simplification and streamlining of the ESRS, and to provide clarity and legal certainty to undertakings, the EC aims to adopt the necessary delegated act as soon as possible and, at the latest, six months after the entry into force of the Omnibus proposals.
2. On 26 February 2025, following the unanimous agreement of its Sustainability Reporting Board (EFRAG SRB), EFRAG stated publicly its commitment to assist the EC in preparing the relevant technical measures required in the context of the Omnibus proposals. EFRAG immediately took preliminary steps in line with this commitment.
3. Per the 27 March 2025 [letter from Commissioner Albuquerque](#), the EC set out EFRAG's specific mandate with respect to the ESRS simplification. The deadline for delivering EFRAG's technical advice is 31 October 2025. The letter requested EFRAG's timeline and work plan to be communicated to the EC by 15 April 2025.
4. 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 EFRAG SRB in a public session held on the same day.
5. Per the [5 May 2025 letter from Commissioner Albuquerque](#), the EC suggested a number of points to be carefully considered when revising the standards and requested from EFRAG a written update by 20 June describing in more detail the intended modifications to the standards and how and to what extent they would reduce burden on companies.
6. On 15 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.
7. On 5 June 2025 EFRAG presented its work plan to the Legal Affairs Committee of the European Parliament as part of the annual consultation with the European Parliament and the Member States stipulated by the CSRD.
8. This Progress Report provides an update on the proposed amendments to the ESRS based on the preliminary decisions of the EFRAG SRB to date. They are still subject to change following the remaining discussions and resulting decisions from the EFRAG SRB in sessions scheduled up until the end of July.
9. From a general standpoint, it is to be kept in mind that EFRAG's work is based on the Omnibus proposals as set out by the EC and does not take into consideration the consequences of possible changes in the content of the Omnibus proposals that may stem from the legislative process. Should such changes be made, they might need to be taken into consideration before the delivery of appropriate technical advice.

## Reminder: Objectives and content of the revision

10. With the revision of the ESRS, the EC aims to alleviate unnecessary administrative burdens on undertakings while still meeting the core policy objectives of the European Green Deal.
11. This revision is based upon the content of the Explanatory Memorandum of the Omnibus proposals, which reads as follows.

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.

12. Burden reduction will be substantial and is conducted on the basis of an evidenced-based approach, leveraging the lessons learnt from the preparers that have implemented the standards and from the users of sustainability statements (investors and other stakeholders).
13. Based on the relevant paragraphs in the Omnibus proposals and the letter of 27 March 2025 mandating EFRAG to provide its relevant technical advice, EFRAG's goal is to produce a set of revised ESRS that better support relevant and decision-useful general-purpose sustainability statements, in line with the policy aim of the CSRD, while leading to a substantial reduction of both the reporting effort and the number of mandatory datapoints. Specific attention is paid to considering the implementation work already completed and being conducted by preparers. For this purpose, the ESRS text itself from the Delegated Act is the starting point for the simplification work and is being amended, where necessary, to meet the simplification goal.

## Work performed so far vis-à-vis the submitted work plan and timeline

### Overview

14. As per EFRAG's submission of 25 April 2025, the work plan and timeline are as follows:

Step	Time frame
1. Establishing a vision on actionable levers for substantial simplification (to be confirmed following the stakeholders' feedback)	April to mid-May 2025
2. Gathering evidence from stakeholders, analysis of the issued reports and other sources	

Step	Time frame
3. Drafting and approving the Exposure Drafts amending ESRS	Second half of May to July 2025
4. Publishing the Exposure Drafts, receiving and analysing feedback from stakeholders	August and September 2025
5. Finalising and delivering the technical advice to the EC	October 2025

**15. As of 20 June 2025, EFRAG assesses that progress has been achieved so far in accordance with the plan submitted on 25 April.**

*Step 1*

16. Step 1 was finalised on 7 May 2025 during a two-day closed session of the EFRAG SRB, based on the input gathered by the outreach and interviews until that date. An agreement was reached as a result of (i) preliminary technical discussions on possible actionable levers identified following the analysis of available sustainability statements and the outreach activities conducted at that date, (ii) a written survey of EFRAG SRB members and observers' views on levers to identify the level of support on each lever, (iii) discussions on the levers requiring further consideration before reaching a preliminary consensus and (iv) discussions on how to enhance and operationalise the well-supported levers. The conclusion reached by the EFRAG SRB was not expected to be final, but the levers which have been activated as a result of the adopted vision can be considered supported by a significant majority. Following Step 2, the EFRAG SRB concluded that the vision adopted on 7 May was still relevant, as it was confirmed by the most recurring comments received from the outreach activities (once completed) and the public call for input. The extremely valuable input received from the outreach activities and the public call is now being considered at the drafting stage.

*Step 2*

17. Step 2 was finalised in terms of substance in early June after two presentations made to the EFRAG SR TEG and SRB by the EFRAG Secretariat, one in a public session on 21 May and a second one in a closed session on 4 June. The detailed reports on the input gathered are currently being prepared. In line with the Commissioner's recommendation, EFRAG has paid particular attention to this step, which allowed the collection of extensive feedback on the amendments suggested by stakeholders, thus reinforcing the input expected from the short public consultation that will take place during the summer. EFRAG has dedicated substantial resources to this critical exercise. A large number of stakeholders responded to the consultations, contributing their perspectives, in spite of the short timeline provided, and offering their input on critical levers and challenges related to datapoints:

- More than 820 stakeholders responded to a survey-/questionnaire-based public call for input organised by EFRAG, which took place between 8 April and 7 May. Their comments (approximately 16 000) have been thoroughly analysed.
- 41 one-on-one interviews with preparers of different sizes, from different industries and from different countries, were conducted. 22 workshops with stakeholder communities (made of investors and other users, preparers, financial institutions, and CSO organisations) were organised. 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 companies in total.

- The EFRAG Secretariat conducted a benchmarking analysis of a sample of ESRS sustainability statements prepared in accordance with the ESRS to inform the proposed amendments. A detailed analysis of the questions received in the ESRS Q&A Platform from October 2023 to February 2025 has also informed the list of most critical provisions that need to be clarified in the standards.
  - In addition, EFRAG received a joint contribution from four National Standard Setters (ANC, DRSC, ICAC and OIC) and a joint industry contribution from four European industry associations (Insurance Europe, EBF, EFAMA and Business Europe).
  - Finally, an analysis of about 700 ESRS sustainability statements prepared for calendar year 2024 (and available as of 28 April 2025) in relation to 20 critical research questions has been prepared under a contribution in kind by the consulting firm BCG, and the summarised conclusions were presented in a closed meeting to the EFRAG SRB and SR TEG on 28 May and 4 June. The final report will be publicly available in July.
18. The overall input obtained is quite comprehensive and identifies not only suggestions for simplification but also more broadly elements to consider for a post-implementation review. In some cases, the input points to the need for further developing guidelines, definitions and methodologies (overlapping to some extent with the content that was already expected to be covered by EFRAG to-be-issued implementation guidance, based on the ESRS Q&A Platform in 2024 and early 2025). With a few exceptions, these additional guidelines, definitions and methodologies are not in the scope of the current simplification work for multiple reasons, including due to their timing.

### Step 3

19. Step 3 is dedicated to the drafting and approval of the Exposure Drafts amending the ESRS. As planned, this step was implemented immediately after the culmination of Step 1, and its implementation is due to last until the last week of July. As of 20 June, the progress made has been substantially in line with our detailed work plan and timeline.
- Input to and supervision of the drafting of the amendments in line with the strategic directions adopted at the end of Step 1 has been delegated to five sub-groups, which comprise EFRAG SRB members and members of the EFRAG Sustainability Reporting Technical Expert Group (SR TEG), in conjunction with the teams from the EFRAG Secretariat who are in charge. The sub-groups have been tasked with the implementation of the key levers identified during Step 1 with the objective of preparing an initial version ('V.0') on all standards excluding metrics (i.e., ESRS 1, ESRS 2 and specifications on Policies, Actions and Targets in the 10 Topical Standards) and then an intermediary version ('V.1') on all standards, including metrics. Version V.1 is the first complete draft provided to the EFRAG SRB and SR TEG to assess holistically the progress made.
  - Sub-groups have reported on a regular basis to the EFRAG SRB on their progress and have organised appropriate discussions at the EFRAG SRB level on any critical points identified during the sub-group work. SR TEG has been regularly informed on their progress.
  - The initial version ('V.0') was submitted to all EFRAG SRB and SR TEG members in two batches on 5 and 6 June for written input on the basis of a detailed survey to be received on 11 June.
  - Between 11 June and 16 June, the comments received on the 'V.0' were analysed and have been incorporated into the drafts together with elements on metrics to form the intermediary version ('V.1'), which has been shared with SR TEG and the EFRAG SRB

in the week starting 16 June. Presentations and discussions on 'V.1' have taken place during that week.

#### *Due process considerations*

20. From a due process and oversight perspective, all the necessary steps have been taken or are in progress. The EFRAG SRB has taken formal decisions on departures from the usual due process procedures and has informed the Due Process Committee of the Administrative Board and the Administrative Board itself for them to fulfil their respective statutory obligations. The departures stem from the timeline constraints associated with the 31 October deadline, required by the EC, for the delivery of EFRAG's technical advice to the EC and are related to (i) the envisaged duration of the public consultation (anticipated as of today to be only from 40 to 45 days between the last week of July and the first week of September) and to (ii) the simplified interaction between the EFRAG SRB and SR TEG.
21. With respect to the duration of the public consultation, the EC has informed EFRAG that certain stakeholders have expressed concerns with it since it is deemed too short and in a period that is not the most convenient. EFRAG is fully aware of the challenges associated with this critically important point, and also of the political implications of the timeline. However, EFRAG would like to indicate that it is willing to extend the duration of the consultation should the EC be willing to consider modifying the deadline set to October 31. It also considers that a longer timeline could contribute to a more secure management of quality.

#### *Emphasis on mobilisation*

22. In the context of this Progress Report, **it is important to highlight the level of mobilisation of all the parties concerned**. As mentioned above, the engagement with stakeholders has been extremely significant and fruitful in spite of very tight deadlines. EFRAG SRB members, SR TEG members and Secretariat members are contributing in an unprecedented manner. Experts recruited by EFRAG in the context of the Pilot Project "Embarking companies and stakeholders into the European sustainability reporting journey" have also contributed with their experience from the field. EC representatives have followed the progress of this work and interact with EFRAG at all levels in a very constructive way. Of course, much remains to be done, but for what has been achieved so far EFRAG expresses its gratitude to all.

#### **Implementing identified simplification levers**

23. As indicated in the work plan submitted to the EC on 25 April 2025 and highlighted in Commissioner Albuquerque's letter of 5 May 2025, 'reducing the burden on companies is not simply a question of substantially reducing the number of ESRS datapoints; there are in addition several other burden reduction levers that should be fully explored and used to the greatest extent possible'. This section of the Progress Report addresses the most significant levers that EFRAG is activating.

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

24. The double materiality assessment is pivotal to the preparation of sustainability statements under ESRS, but a serious revision of the provisions related to its operationalisation is considered necessary since it has been identified as a significant source of burden in practice. There is indeed a crucial need to place the emphasis on the goal of the DMA and to eliminate ambiguities or potentially misleading provisions in order to avoid transforming this critical process into a mere compliance exercise ultimately deprived of significance.
25. The input gathered from the first adoption of ESRS confirms that the determination of matters (or topics) to be reported upon has been particularly intense, including for audit purposes. While there have been benefits from the DMA exercise and the involvement of



various internal actors, including at the board level, frequent comments concern a disproportionate effort compared to the result, an excessive focus on process rather than outcome and the company's strategic context, the list of matters (in ESRS 1 AR16) being used as a checklist to document the non-materiality of each and every item, the use of quantitative scoring at the level of single IROs as a starting point, the absence of guidelines for sectors, thresholds and level of aggregation. Divergences in practice were observed as to whether negative impacts are assessed before or after mitigation, prevention and remediation actions, with important consequences in terms of comparability and relevance of information, and what constitutes a positive impact was not clear. The filter of materiality of information was not well understood, in particular for ESRS 2, resulting in reporting that was excessively granular, and in general the absence of a clear fair presentation assumption contributed to a compliance approach, leading sometimes 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.

26. The EFRAG SRB is therefore modifying a significant number of the provisions related to the DMA and to information materiality:

- to reduce the overall complexity of the process and the extent of unnecessary scoring by clarifying that the DMA is normally to start from the analysis of the business model to identify the most obvious material topics (a 'top-down' approach) and that the expected level of evidence to support the conclusions must be reasonable and proportionate, in particular in circumstances when it is obvious that a given topic is material for the sector, for peers and/or for the business model;
- to clarify and strengthen the information materiality criteria, emphasising decision-usefulness;
- to introduce the filter of information materiality for all datapoints (including the ESRS 2 datapoints);
- to clarify the following: the interaction between the identification of material impacts, risks and opportunities ('IROs') and the assessment of material topics and sub-topics; the illustrative nature of the list of topics in ESRS 1, AR 16; the assessment of material topics and sub-topics; and the expected level of granularity in reporting (topical or sub-topical, unless reporting at the IRO level is either required or necessary for a specific disclosure);
- to address two specific questions and a follow-up question that have been much debated and not concluded upon before with sufficient precision: namely, (i) the definition of impacts and how mitigation, prevention and remediation actions are considered in assessing an impact for materiality (gross or net approach); (ii) whether the undertaking can include in its sustainability statement information about non-material matters (e.g. when requested by rating agencies); and (iii) if so, under which conditions;
- to clarify that when only a sub-topic is material, the undertaking must limit the information reported to that sub-topic without triggering the reporting of all the datapoints in the relevant topical standard. To support this step, a non-mandatory appendix will illustrate which disclosures relate to a specific sub-topic;
- to place additional emphasis on the objective of fair presentation, a key concept which is retained by the ISSB and many other reporting frameworks, which is based upon the key quality characteristics of relevance and faithful representation and which is considered as reducing the risk of over-burdening associated with a compliance exercise. At this stage, clarifying that ESRS is a fair presentation system is the EFRAG

SRB's working assumption on which some EFRAG SRB members expressed reservations and which will therefore require further consideration.

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

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

28. 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. While different cultures exist for standardised reporting by companies (as illustrated by financial reporting practices in the EU), and while the observed number of 'pages' for published sustainability statements varies a lot (the average in different countries ranging from 70 to more than 200), the general feeling is that companies had difficulties in 'telling their story' with respect to sustainability topics and in sharing their views with their stakeholders, amongst other reasons, because the flexibilities that exist already in the standards were not clearly stated and, as such, have not been well understood by preparers and auditors. As a result, the perception of sustainability reporting as a compliance exercise has developed, and this is unfortunate in relation to the ambition of the CSRD to place sustainability reporting on a comparable status with financial reporting (i) by creating a repository of quality sustainability-related data and also (ii) by providing summarised information.
29. 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, which is on its own often criticised for a lack of relevance, aggravated this concern. In addition, the sequence of disclosures in the Standard was rigidly interpreted as an index, limiting the possibility of structuring sustainability statements in a way that would reflect the undertaking's circumstances, and sometimes resulting in the duplication of content. Due to the current mix of different elements in the sections on application requirements, it was difficult to identify the requirements to comply with, separately from the non-binding content. How to consider 'may disclose' datapoints in determining the materiality of information was unclear, leading to different conclusions, including their use as a checklist for entity-specific disclosures.
30. In order to address this issue without contradicting existing reporting cultures and, therefore, without being overly prescriptive, the EFRAG SRB is clarifying areas of flexibility:
- by providing the option to have an 'executive summary' at the beginning of the sustainability statement. In contrast to financial information, there are no 'primary statements' in sustainability reporting (such as the profit and loss account or the balance sheet in financial reporting) to offer a summarised view. Even if synthetic indicators similar to the ones in primary financial statements are not possible, the option to summarise the undertaking's material topics, their relationship with the key aspects of its strategy and governance, its performance and its contemplated trajectory with respect to these topics appears promising;
  - by providing the option to disclose the most granular information, such as detailed metrics, in dedicated sections or appendices;
  - by clarifying that presenting the EU Taxonomy-related information in a specific appendix is allowed;

- by suggesting the provision of additional information on non-material matters in dedicated sections or appendices;
- by discouraging fragmentation and/or repetition of information pertaining to the same topics.

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

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

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

33. The evidence collected shows that the current architecture of the ESRS is a source of complexity in their implementation due to the overlaps that exist between MDRs (for PATs) in ESRS 2, on the one hand, and topical mandatory datapoints, on the other. Similar overlaps exist between ESRS 2 and topical standards in the areas of governance and strategy and in relation to the disclosure requirement IRO 1<sup>1</sup>. In addition, the datapoints in the narrative disclosures of PATs in the topical standards are considered too granular and for this reason not always informative. In 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 is possible to structure the disclosures around PATs in a more aggregated level (e.g. all environmental topics in the same policy) than at the level of a single topic or matter.

34. In order to address this critical point, the EFRAG SRB is implementing the following preliminary decisions:

- maintaining cross-cutting MDRs at the ESRS 2 level in terms of 'shall' under a revised/reduced number of datapoints;
- drastically reducing the mandatory PAT specifications ('shall datapoints') in the topical standards to the strictly essential ones, the rest being either deleted or moved to non-mandatory guidance. This is a key factor for the reduction of mandatory datapoints (see below) and reflects a different, more principle-based standard-setting approach to narrative disclosures;
- clarifying that PATs are only to be reported 'if you have' them (i.e., no behaviour mandated) and if related to material matters, so that their granularity reflects the implemented policies (which would be focused on topics instead of individual IROs, (with exceptions when the latter is the level adopted for managerial reasons);

<sup>1</sup> Description of the processes to identify and assess material climate-related impacts, risks and opportunities.



- centralising around a single datapoint the list of material topics for which there are no PATs, without requiring the disclosure of reasons for not having them and offering an option to provide a timeline for implementing them;
- reinforcing flexibility and readability of streamlined disclosures 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; and
- replicating the same approach also for the topical specifications of ESRS 2 (Appendix C of ESRS2).

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

*LEVER 4: Improve the understandability, clarity and accessibility of the standards*

36. The following amendments are being proposed:

- 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. The EFRAG SRB is considering reducing significantly this category; and
- amending the general structure of the Standards, separating clearly mandatory and non-mandatory content. The paragraphs on mandatory guidance will be placed under the respective disclosure requirements to which they belong, while the non-mandatory content will be clearly separated from the former. Similarly, the possible (limited) voluntary disclosure requirements will be clearly identifiable as non-mandatory content. 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: Addressing other suggested burden-reduction reliefs*

37. The EFRAG SRB’s work on the strategic directions to be adopted, and the evidence-gathering exercise have identified a number of concerns of a different nature that need to be addressed. These are discussed in this section of the Progress Report.
38. *Acquisitions and disposals.* The SRB has been addressing how to disclose sustainability information in cases of acquisitions or disposals. The existing standards are not clear in this respect, which creates uncertainty and potential burdens. A specific relief has been proposed with a solution based on pragmatism and the availability of data.
39. *IFRS reliefs.* The SRB has been systematically reviewing the reliefs in IFRS S1 and S2 to incorporate all the provisions that are compatible with the European context. These include the broad use of the ‘undue cost and effort’, and reliefs on sensitive information about opportunities.
40. *Commercially sensitive information.* The SRB is prepared 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. A relief on opportunities is being considered part of the broader incorporation of IFRS reliefs.

41. *EU regulation datapoints.* The EFRAG SRB understands that the Omnibus proposals have not changed the general objectives (i) of supporting the creation of the data infrastructure necessary for implementing the Sustainable Finance Disclosure Regulation (SFDR) and (ii) taking into account the different EU regulations that require appropriate information from undertakings. In the ESRS adopted on 31 July 2023, all the related datapoints were added to the ESRS regardless of their relevance, including all optional SFDR PAI indicators. These ‘EU datapoints’ account for 16 per cent of the overall mandatory datapoints. 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, the EFRAG SRB is addressing this question from a general-purpose sustainability reporting standpoint by:

- reviewing the issues reported by preparers and users regarding the use of SFDR PAI indicators and suggesting modifications when deemed necessary; and
- considering the relevance of the datapoints that have a direct correspondence to other EU regulations.

EFRAG’s technical advice to the EC will provide a specific view on this.

42. *Relief for metrics when necessary input is not available.* In addition to the broader introduction of the ‘undue cost and effort’, which will also cover metrics in the value chain, the EFRAG SRB is considering specific reliefs. A recurring concern is that preparers are forced to report non-relevant information when reliable input is unavailable for use in the estimation process. The EFRAG SRB is considering two reliefs: one for own operations (to deal with the time necessary to implement the appropriate data collection) and one for value chain metrics. The formulation of the reliefs is currently under discussion, but they could allow reporting on a partial scope while providing transparency on assumptions, limitations and actions to increase data availability over time. In addition, the EFRAG SRB may reconsider the hierarchy of primary data and use of estimates for value chain metrics.

43. *Relief on metrics to exclude non-material activities from calculations.* This relief is intended to reduce the unnecessary reporting burden associated with complete data collection for group activities that, due to their nature, are not expected to contribute materially to the metrics being measured.

44. *Boundaries of reporting and value chain.* Several implementation issues relating to reporting boundaries have been reported, which illustrate the need to clarify the definitions of ‘own operations’ and ‘value chain’.

- There is general support for making clear that the starting point should be the perimeter of the consolidated financial statements. However, stakeholders have asked for clarification on the treatment of specific transactions such as leasing – which also relates to real estate investments – as well as pension funds and financial institutions (see the bullet point below).
- Stakeholders have expressed concerns about the boundaries of GHG emissions, following a new concept introduced in ESRS E1, which creates complexity and diverges from international standards. The EFRAG SRB proposes amending this aspect of ESRS E1 by adopting the consolidated financial statements as the relevant boundary, with an additional disclosure following an operational control approach in specific circumstances expected to affect industries where ownership structures frequently rely on this concept in practice, which is also the standard used in market communication.

- The CSRD value chain cap was already embedded in the ESRS and is currently being assessed based on the proposal of using the VSME) as its basis. The Omnibus provisions on value chain cap are likely to translate into greater reliance on estimates based on secondary data. Stakeholders' input suggests, on the one hand, reducing the emphasis on direct data collection when reporting on value chain, and on the other hand, providing reliefs when metrics are produced based on estimates (on this point, see above). Amendments are being proposed to produce less prescriptive requirements for the collection of direct information, emphasising the need to concentrate the reporting efforts where severe impacts and risks are more likely to arise. All of this falls under the general umbrella relief 'reasonable and supportable information that is available without undue cost and effort', replacing the previous two-step approach (i.e. assess whether direct data collection is feasible with reasonable effort and, after, estimate metrics with undue cost and effort).
45. *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. However, the EFRAG SRB may consider including a few dedicated paragraphs on value chain guidance applicable in the financial sector in the Exposure Drafts for comment to support more comparable information.
46. *Reliefs for anticipated financial effects.* While being critical for users, this disclosure is particularly challenging, as it entails reporting forward-looking and potentially sensitive information. Limited evidence is available on how this disclosure requirement has been implemented, as companies have generally opted to omit this disclosure during their first reporting exercise (phase-in transitional provisions). The starting point is the relief available in IFRS S2 (in addition to the general relief of undue cost and effort). This would allow for the reporting of qualitative information only when the level of estimation uncertainty is so high that the resulting information would not be useful. The EFRAG SRB is also considering to further extend the content of this relief, in particular for long term estimates.
47. All these reliefs are expected to substantially reduce unnecessary reporting efforts horizontally (across disclosures) and support more relevant reporting. At the same time, they are being carefully considered to avoid unintended consequences, such as failing to provide the right incentives to create the data ecosystem and the flow needed to meet the Green Deal objectives and avoiding an undue loss of transparency for users of information.

#### *Enhancing interoperability*

48. From a general standpoint, , the EFRAG SRB is considering all opportunities in order to align the provisions and avoid unnecessary misinterpretations or differences, particularly between the ESRS and the ISSB Standards. Another area of substantial enhancement of interoperability is the change of the reporting boundary for GHG emissions mentioned above, where the adoption of the consolidated financial perimeter as a basis for the reporting boundary is expected to align with IFRS S2 (and Greenhouse Gas Protocol). In addition, the language used for common provisions is being systematically revised to adopt the same wording as in IFRS S1 and S2 wherever possible. This alignment of language and the overall reduction of datapoints currently undertaken will generally simplify interoperability and the necessity to preserve interoperability is being assessed systematically as part of the datapoint reduction decision-tree (see below).

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

## Implementing the necessary reduction of mandatory datapoints

50. The EFRAG SRB is systematically reviewing all the mandatory datapoints based on the list previously published by EFRAG in the IG 3: *List of datapoints* to achieve a substantial reduction of their number.
51. Beyond the reduction of datapoints stemming from the activated levers of simplification described above, the evidence gathered highlights that:
- narrative datapoints are too granular and a more principle-based approach would be welcome; and
  - 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.
52. EFRAG has received a number of articulated proposals on datapoint reduction that are being considered very carefully. They all focus on the idea of ‘core’ information and emanate from national standard setters as well as from users of information. In line with the Omnibus proposals, most stakeholders highlight that the fundamental objectives of the CSRD are to be maintained.
53. *Revised approach to narrative disclosures.* 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 unnecessary reporting efforts, as the excessive granularity often results in less informative and more boilerplate disclosures rather than focusing on the key elements to disclose following the disclosure objective. Accordingly, as described above, the EFRAG SRB is adopting a less granular approach to narrative disclosures in the area of policies, actions and targets 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 is expected to derive either from deletions or from moving the corresponding content to non-mandatory guidance, reflecting a more principles-based approach to standard setting.
54. *Eliminating least relevant datapoints.* In conjunction with the approach to narrative disclosures described above, the systematic review of datapoints is performed using an agreed-upon ‘decision tree’ that combines various dimensions of reporting relevance (e.g. relevance *per se* with respect to the disclosure objectives, EU regulations on datapoints, ISSB or GRI datapoints, etc.), aiming at preserving the content required by the CSRD. The key criterion adopted for the reduction of (qualitative and quantitative) datapoints is to eliminate the least relevant, that is those that are not strictly necessary to meet the disclosure objectives. In a more principle-based system, with the requirement to disclose additional entity-specific information when an aspect is not sufficiently covered in the ESRS, this step is particularly critical. The deletions need to streamline and not make more complex future reporting efforts. Less relevant datapoints are being deleted, while some granular datapoints – such as breakdowns or elements of contextual information – are being moved to non-mandatory guidance to better support preparers. In the context of such a systematic review, merging two distinct datapoints is generally not considered a burden reduction. However, when the merged datapoints consist in granular aspects of the same disclosure,

merging them and redrafting the resulting provisions with less granular content contributes to streamlining the reporting.

55. *Preliminary results (order of magnitude)*. Preliminary indications based on the current status of discussions and still subject to change until the final decisions, suggest that the activation of the levers described above and the systematic review performed are expected to achieve a substantial reduction in the number of datapoints (aiming at 50+ per cent) while preserving the integrity of the core objectives of the CSRD. This takes as a reference the datapoint count published by EFRAG as IG 3 and takes into account as reduction the datapoints that are (i) deleted, (ii) moved to voluntary and (iii) transferred to non-binding guidance.
56. *Legal status of non-binding guidance*. As explained above, the EFRAG SRB is giving due consideration to the structure of the standards. With respect to non-binding guidance, the EFRAG SRB is considering the best possible placement of it and may propose the option, in its technical advice, either to have it as specific appendices within the standards themselves, and therefore within the delegated act, or to have it as an additional EFRAG publication (possibly in the Implementation Guidance ('IG') series). The EFRAG SRB will continue to follow up on this point with the EC representatives.

### Next steps prior to the public consultation

57. The next step is to produce a revised version of the Amendments ('V2') based on input from the EFRAG SRB and EFRAG SR TEG provided in the meetings of 17, 18 and 19 June, which is to be discussed in the EFRAG SRB meeting on 2 July. A presentation and a discussion in a public meeting are expected to be organised as soon as the drafting sessions produce a draft to be submitted for decision-making.
58. The approval of the Exposure Draft is planned for mid-July (with a supplementary decision-making session if needed on 25 July 2025). This is subject to the incorporation of the changes agreed upon in the approval meeting to be able to launch the consultation in the last week of the month.
59. The reports summarising the input gathered from stakeholders will be published at the latest in conjunction with the Exposure Draft. The Exposure Draft will be accompanied by a basis for conclusions that will illustrate the amendments and how they are expected to reduce the reporting burden.
60. The public consultation will be supported by an online survey for a more efficient analysis of the feedback.
61. EFRAG is currently selecting the service provider that will support the preparation of the cost-benefit analysis. Due to the tight timeline, this analysis will be developed in two steps: interim report based on the Exposure Draft at the end of October, and final report based on the draft revised ESRS at the end of December.