EFRAG

Simplified ESRS


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Following the Approval of the Omnibus Proposals, EFRAG Receives the Simplification Mandate from EU Commissioner Albuquerque

"Simplify and enhance the first set of ESRS to ensure they remain practical, effective, and proportionate, supporting companies in delivering meaningful and decision-useful sustainability information while maintaining the ambition of the CSRD"

Outcome of the EFRAG Consultation

44	**+600**	**+ 800**
Outreach Events	Companies Involved	Feedback collected

EFRAG Releases the Amended ESRS

JULY 2025

Explore all the available resources on the dedicated webpage

-60% approx.	**-57%**	**-68%**
Overall length of the standards	**Mandatory Datapoints** (*If Material*)	**Total Disclosures** (Mandatory & Voluntary)

6 Simplification Levers Used

- Simplify DMA
- Clarify sustainability statements
- Reframe MDR–topical specification onnection
- Improve standards clarity
- Relieve burdens
- Enhance interoperability

Making Sense of the Amended ESRS

Legend: New | *Amended* | *Specific question included in the public consultation*

Cross-Cutting Standards

ESRS 1 - General Requirements

- (New) *"Fair presentation"*introduced as a principles-based, overarching approach
- (New) Guidance on the *"gross vs net"* when assessing the materiality of an impact
- (New) Broad use of "*undue cost or effort*" principle
- (New) Relief for metrics without time limit; forward-looking quantitative information on financial effects; acquisitions; and to exclude non-material activities from calculations
- (Amended) More flexible disclosure approach for strategy, business model, value chain, and governance (option to use appendices for granular information)
- (Amended) Clearer distinction between own operations and value chain reporting
- (Amended) All voluntary disclosures deleted and standards' language simplified
- (Amended) Materiality assessment process simplified with new 'practical considerations' section in ESRS 1 Chapter 3 and no datapoints required outside scope of information materiality
- (Amended) Removed systematic preference for direct data in value chain metrics
- (Amended) Flexible reporting: by topic or by specific impacts/risks/opportunities as managed internally
- (Amended) Resilience assessment now limited to risks only, with qualitative disclosure only
- (Amended) No sector-specific definition of value chain for financial institutions yet
- (Amended) Treatment of commercially sensitive information under discussion

ESRS 2 - General Disclosures

- (New) BP-1 simplified with direct reference to ESRS 1 via *"comply or explain"* principle
- (Amended) Governance: less granularity in narrative requirements and consolidation of GOV-1 and GOV-2.
- (Amended) Less granularity in SBM: SBM-1 – reduced detail on business model & value chain; SBM-2 – stakeholder-engagement-driven strategy changes removed; SBM-3 – focus on IROs interacting with strategy & business model and resilience analysis now limited to qualitative information on risks interacting with strategy & business model
- (Amended) IRO-2 now covers DMA outcomes and general IRO description while IRO-1 focuses on DMA process description
- (New) MDRs relabelled as GDRs (Policies, Actions, Metrics, Targets) to simplify disclosure requirements
- (Amended) GDRs on Policies, Actions, Metrics and Targets simplified by deleting potential duplications with topical standards and a number of datapoints
- (Specific question) On SBM-3, two options for anticipated financial effects disclosure:
  - Option 1: Quantitative with reliefs for current and anticipated financial effects; qualitative if quantification is not possible considering the reliefs— stronger ISSB interoperability between the two options
  - Option 2: Mandatory qualitative, voluntary quantitative — less strong ISSB alignment for quantitative disclosures, more sensitivity protection

Legend: New | Amended | *Specific question included in the public consultation*

Topical Standards

Environment (E1-E5)

ESRS E1 – CLIMATE CHANGE

- Major simplifications across 11 DRs; E1-4 to E1-6 aligned with ESRS 2 (no redundancies)
- E1-7 — Deleted revenue-based energy intensity metric
- E1-8 — GHG emissions aligned with GHG Protocol; simplified biogenic emissions provisions
- E1-9 — Carbon credits & GHG removals no longer referenced to net zero targets
- E1-11 — Anticipated financial effects simplified; optional splits for financial institutions

ESRS E2 – POLLUTION

- E2-4 — Replaced E-PRTR references with general pollutant reporting; microplastics now clearly split into primary/secondary categories
- E2-5 — Targeted scope: substances of concern only for chemical manufacturers/importers; substances of very high concern apply to chemical manufacturers/importers & users; REACH threshold added

ESRS E3 – WATER

- E3-4 Metrics — Water withdrawals & discharges now mandatory (previously voluntary); revenue-based water intensity metric removed
- Focus narrowed to water-related impacts, risks, dependencies; marine water use still in scope; standard simplified to 4 DRs

ESRS E4 – BIODIVERSITY AND ECOSYSTEMS

- E4-1 — Transition plan for biodiversity & ecosystems mandatory only if plan exists and is publicly available
- Removed biodiversity/ecosystem resilience requirements
- Consolidated metrics into one generic requirement for all material E4 topics; companies free to choose relevant metrics

ESRS E5 – RESOURCE USE AND CIRCULAR ECONOMY

- E5-4 — New data point: % of key raw materials that are critical/strategic per Critical Raw Materials Act.
- E5-5 — New data point: % of waste with unknown final destination
- E5-4 — Scope clarified to "key materials" (new glossary concept)

Social (S1-S4)

ACROSS ALL SOCIAL STANDARDS (S1-S4)

- The disclosures have been significantly simplified with a principle-based approach, reducing ESRS S1 by one DR and ESRS S2 to S4 to 4 DRs each.
- Human right policy disclosures centralised in ESRS 2 GDR-P rather than in the Social standards (S1-S4 DR1).
- Simplification and merger of previous DR 2 and 3 into one disclosure. These relate to stakeholder engagement, channels to raise concerns/grievance mechanism and approach to remedy.

ESRS S1 – OWN WORKFORCE

- S1-5 *Characteristics of employees*— Reduced granularity in breakdowns. To change top 10 for the ten largest countries . Also applicable to S1-7
- In the case of S1-5 and S1-7 preparers have the option of using a standardised tabular format or narrative text for their disclosures
- S1-6 *Characteristics of non-employees (self-employed or people provided by undertakings primarily engaged in employment activities)* - reduced to one essential datapoint and clarification of when these people are material added via Application Requirements.
- S1-7: Collective bargaining coverage and social dialogue – the disclosure now uses the same "significant" threshold as S1-5, focusing on 50 or more employees in the top 10 countries
- S1-9: *Adequate wages*— the non-EU hierarchy has been revised following the ILO ministerial agreement in February 2024. This DR is subject to a specific field test.
- S1-12: *Training and skills development* – gender breakdowns removed
- S1-13: *Health and safety* – fatalities due to ill health among non-employees or value chain workers excluded; clarification on what counts as work-related injury/illness has been added.
- S1-14: *Work-life balance* - now only reports entitlement to family-related leave (not those that took the family-related leave).
- S1-15: *Remuneration* – removal of the voluntary datapoint on adjusted gender pay gap by employee category and breakdown by country.
- S1-16: *Incidents of discrimination & other human rights incidents* – only SFDR PAI datapoints and connectivity datapoints kept. Clarification of the universe of human rights to consider and the substantiated test for incidents.

Governance (G1)

- G1-1 to G1-3 now follows PAT (Policies, Actions, Targets) approach

G1-1 – POLICIES RELATED TO BUSINESS CONDUCT

- Maintains SFDR indicators on anti-corruption & whistle-blower protections
- Clarifies concept of "functions-at-risk"

G1-2 – ACTIONS RELATED TO BUSINESS CONDUCT

- Maintains key datapoints on suppliers' relationship and prevention of corruption and bribery
- Consolidates all training disclosures under this disclosure requirement

G1-3 – TARGETS RELATED TO BUSINESS CONDUCT

- Introduction of measurable, time-bound, outcome-oriented qualitative or quantitative targets related to business conduct or subtopics

G1-4 – METRICS RELATED TO INCIDENTS OF CORRUPTION & BRIBERY

- Maintain SFDR indicator - convictions and fines - plus one provision on confirmed incidents, and new guidance (scope, legal thresholds and definitions to be used)

G1-5 – METRICS RELATED TO POLITICAL INFLUENCE & LOBBYING ACTIVITIES

- Clarification of political influence and lobbying and reduction of mandatory and voluntary datapoints

G1-6 – METRICS RELATED TO PAYMENT PRACTICES

- Simplified by eliminating metric on average time to pay an invoice

What Happens Next?

Join the Public Consultation

Share your feedback by **29 September 2025** and help make the revised ESRS fit for purpose

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