EFRAG
sustainability reporting

COST-BENEFIT ANALYSIS

on the Draft Amended European Sustainability Reporting Standards

December 2025

- **Cover Letter** on the Cost-Benefit Analysis for the Draft Amended ESRS
- **Cost-Benefit Analysis** on the Draft Amended ESRS prepared by Prometeia Syntesia

EFRAG SRB Cover Letter on the cost-benefit analysis for the draft Amended European Sustainability Reporting Standards (draft Amended ESRS)

The Corporate Sustainability Reporting Directive[1] (CSRD) requires that EFRAG's Technical Advice is 'accompanied by cost-benefit analyses that include analyses of the impacts of the technical advice on sustainability matters.'

The objective of this cover letter is to explain how EFRAG has discharged this obligation for the Amended ESRS.

EFRAG's Due Process Procedures (paragraph 2.22) states that « the purpose of Cost-Benefit Analyses is to understand the impacts of proposed ESRS and amendments to ESRS from various stakeholders' perspectives on a systematic basis to enable informed judgements about how to balance the needs of competing interests, including costs and benefits but also wider impacts on sustainability matters ».

EFRAG has commissioned Prometeia and Syntesia (hereafter 'the contractors') to conduct an assessment of the costs and benefits of the Amended ESRS (level 2 regulation only). The report is submitted to the EC and published together with this cover letter.

In selecting the contractors, through a public tender process, EFRAG has in particular considered the experience of the contractors in conducting similar work for the European Commission.

Contractors' report on the Cost-benefit analysis of the Amended ESRS

The contractors' report accompanying this cover letter assesses the possible costs and benefits of the Amended ESRS and presents the methodology, evidence and data collected in the context of the costs and benefits analysis to arrive at estimates. The study presents an assessment of the impact of the Amended ESRS across different stakeholder groups, these are mainly EU undertakings (under the scope of the Omnibus proposal as per 26 February 2025 or that form part of their value chain), and users of ESG data (investors, civil society, and society at large). The analysis considers the cost savings for companies as well as the potential loss of information for users of ESG data resulting from the revision of the ESRS, assessing both positive and negative impacts, and distinguishing between direct and indirect effects. The survey design and the contractors' cost calculations followed the EU Standard Cost Model as per Better Regulation guidelines. In particular, the administrative and assurance cost savings were estimated by the contractors by retrieving data from their targeted consultation and interviews carried out in parallel to the public consultation conducted by EFRAG, as well as from the estimates provided in other related studies.

The information and views set out in the contractors' report are those of the authors and do not necessarily reflect the views or opinion of EFRAG. Taking into account the stringent timeline of the Amended ESRS revision, the EFRAG Sustainability Reporting Board (EFRAG SRB) and the EFRAG Sustainability Reporting TEG (EFRAG SR TEG) have been informed of the work and progresses done by the contractors in the following meetings:

- In July 2025, the EFRAG SR TEG and the EFRAG SRB were presented with the cost-benefit analysis methodology and process.
- In a joint EFRAG SR TEG and EFRAG SRB meeting on 9 October 2025, the contractors updated the EFRAG SR TEG and EFRAG SRB members with the cost-benefit analysis conducted based on the Amended ESRS Exposure Drafts published at the end of July 2025.

[1] Directive - 2022/2464 - EN - CSRD Directive - EUR-Lex

- On 28 November 2025, the contractors presented to the EFRAG SRB an updated version of the cost-benefit analysis considering the changes reflected in the versions following the public consultation.

EFRAG has shared with the contractors the feedback received from the public consultation on the Exposure Drafts of the Amended ESRS as well as the working versions to reach the final standard.

EFRAG's consideration on the cost and benefit analysis on the Amended ESRS

EFRAG acknowledges the information in the report and its conclusions. In particular, the analysis, compared to the original ESRS as enacted in 2023, identifies an overall cost reduction trend and benefits for preparers without affecting significantly the costs and benefits for the users of sustainability statements. With respect to the costs for individual undertakings, EFRAG notes that they depend on the undertaking's size and circumstances and may differ widely. With respect to the benefits for users of sustainability statements, EFRAG underlines that, given their nature, they are difficult to quantify and are assessed in the report mainly in qualitative terms.

In conclusion, in its decision process, the EFRAG SRB has taken note that the contractors' report assesses that the Amended ESRS overall strike a balance between costs and benefits that is consistent with the policy objectives of the simplification mandate given to EFRAG.

Yours sincerely,

Patrick de Cambourg, Acting Chair of the EFRAG SRB

Brussels, 22 December 2025

COST BENEFIT ANALYSIS OF THE DRAFT AMENDED EUROPEAN SUSTAINABILITY REPORTING STANDARDS (DRAFT AMENDED ESRS)

December, 2025

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Executive Summary

The study presents **an assessment of the impact of the Amended ESRS** across different stakeholder groups, namely preparers (Wave 1and future companies) and users of ESG data (i.e., financial institutions, NGOs, consultancies, data and ESG services providers, industry associations, civil society organizations, and research institutions). The Cost–Benefit Analysis considers both negative and positive impacts arising from the Amended ESRS, distinguishes between direct and indirect impacts, and employs a combination of quantitative and qualitative methods. Cost calculations follow the EU Standard Cost Model in line with the Better Regulation guidelines.

The results are based on analyses derived from a stakeholder consultation involving more than 200 responses. The sample is balanced with respect to the country and sectoral distribution of CSRD companies, according to the scope defined in the Omnibus Simplification Package adopted by the European Commission on 26 February 2025.

The Amended ESRS deliver significant positive benefits for preparers. Overall, the cost savings amount to EUR 476 million in 2027, EUR 900 million in 2028, and EUR 747-805 million annually in 2029–2031; **total savings over the period amount to EUR 3.7 billion.** In percentage terms, over the five-year period, savings correspond to **34% of the baseline costs** (namely, 28% in 2027, 38% in 2028, and 33-36% from 2029 onwards).

After accounting for savings across the supply chain, resulting from fewer information requests from preparers to their business counterparts, the total savings would increase by approximately EUR 1.1 billion over the period. Overall savings would therefore rise from **EUR 3.7 billion to EUR 4.7 billion, or from 34% to 44% in percentage terms.**

Table 1. Total reporting costs and costs savings (EUR millions) – Amended ESRS

Year	2027	2028	2029	2030	2031
Baseline – ESRS 2023	1,705	2,370	2,237	2,237	2,237
Amended ESRS	1,229	1,471	1,433	1,491	1,491
Reporting costs	1,068	1,467	1,429	1,487	1,487
Adjustment costs	161	3	3	3	3
Net savings	476	900	805	747	747
	28%	38%	36%	33%	33%

Source: Authors' own elaboration on targeted consultation

The simplifications introduced have improved the readability and usability of sustainability statements, although some users expressed concerns that the reduction in data points and level of detail could, in certain cases, affect the depth of analysis and completeness of the information available.

The revision is not expected to have significant effects on the competitiveness of preparers, e.g. in terms of access to green markets, green public procurement, value chains. Similarly, the reduction in data points will not result in different conditions for access to and the cost of credit, equity and green finance. If any effect can be expected for preparers, with respect to access to green finance, they are likely to be limited, but positive. The only partially negative impact concerns the availability of information for users, given the reduced amount of data points and granularity; however, this is compensated by the improved usability and conciseness of the sustainability statements. Hence, also in this respect, potential downsides are expected to be none or limited.

Overall, the analysis suggests that the simplification—guided by proportionality and interoperability—should generate economic benefits without compromising the fundamental objectives of the CSRD.

AUTHORS
Claudio Colacurcio (Prometeia), Team Leader
Alberto Bolognini (Syntesia), Quality Manager
Massimiliano Coluccia (Prometeia)
Tommaso Crescioli (Prometeia)
Sofia Maria Lauriola (Prometeia)
Francesco Lorenzon (Prometeia)
Giacomo Luchetta (Syntesia)
Marta Moretti (Syntesia)

1. INTRODUCTION

This report has been prepared within the scope of the assignment "Developing a cost-benefit analysis for companies involved in the preparation of sustainability disclosures in relation to the Amended ESRS." The revision of the European Sustainability Reporting Standards (ESRS), published in draft form by EFRAG on 3 December 2025, is part of a broader process aimed at simplifying and streamlining reporting obligations under the Omnibus proposal as of 26 February 2025[1]. To support this revision, a Cost-Benefit Analysis (CBA) was conducted with the objective of systematically assessing the effects of the proposed simplification measures. The analysis considers the cost savings resulting from the revision of the ESRS, assessing both positive and negative impacts, and distinguishing between direct and indirect effects. It employs both quantitative methodologies (such as the Standard Cost Model – SCM) and qualitative ones, depending on the nature of the effect and the availability of evidence.

After **Chapter 1** the document is structured as follows:

- **Chapter 2**: Legal background and ESRS revision
- **Chapter 3**: Existing studies and evidence on CSRD reporting costs
- **Chapter 4**: Findings from stakeholder engagement
- **Chapter 5**: Cost-benefit analysis (general approach, methodology, and results)
- **Chapter 6**: Emerging considerations
- **Chapter 7**: Conclusions

1.1. Purpose and Scope of the Study

The study aims to provide a CBA of the **Amended ESRS**, considering the different target populations. The analysis focuses on two main groups of companies:

- **Preparers**, i.e., companies subject to the CSRD according to the perimeter specified in the Omnibus proposal, divided into:
    - *Wave 1*: companies that have already published disclosures under the first set of ESRS;
    - *Other waves (also defined in the document as Wave 2)*: companies that will begin reporting from the 2027 financial year onward.
- **Users**, i.e., users of ESRS information according to definition in ESRS 1 §4 (a) and (b).[2]

The impacts assessed include cost savings in reporting and assurance, benefits along the value chain, improvements in competitiveness and access to capital, as well as adjustment costs and potential loss of information for users.

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[1] *The European Commission's 'Omnibus I' package, proposed on February 26, 2025 (COM(2025)080).*

[2] *Users of general-purpose sustainability statements are: (a) primary users of general-purpose financial reports, such as existing and potential investors, lenders and other creditors, including asset managers, credit institutions and insurance companies; and (b) other users of general-purpose sustainability statements, such as the company's business partners, trade unions and social partners, civil society and non-governmental organisations.*

1.2. Summary of Activities

The methodology considered the ESRS as enacted in 2023 (Set 1 or ESRS 2023)[3], the Exposure Draft ESRS of 31 July 2025 and the Amended ESRS published by EFRAG as technical advice to the European Commission on 3 December 2025.

To measure the costs and benefits of the Amended ESRS, that is the final version published by EFRAG to the Commission, a sequential methodology is adopted, that required assessing various 'versions' of the ESRS. The ESRS as enacted in 2023 serve as the baseline to assess the impacts of the revision. Then, the CBA of the Exposure Draft ESRS is carried out. Finally, based on the above preliminary analysis, the CBA of the Amended ESRS as published on 3 December 2025 is presented.

Data for the CBA were mostly retrieved via consultation. Consultation activities were conducted in a targeted and differentiated manner across stakeholder categories:

- Companies (also defined in the document as preparers) within the scope of the Omnibus proposal;
- Providers of ESRS assurance services;
- Users, according to definition in ESRS 1 §4 (a) and (b) (including financial institutions, NGOs, consultancies, data and ESG services providers, industry associations, civil society organizations, and research institutions).

The methodology included:

- **32 semi-structured[4] interviews**, conducted by senior team members using questionnaires with both closed and open-ended questions;
- **An online structured survey** (170 responses), aimed at collecting data from a broader sample of companies and complementing the interview findings. To ensure representative geographic coverage, the consultation involved companies established or listed in the European Economic Area (EU + EFTA), with attention also to smaller or recently acceded Member States.

The work began in July 2025, with an initial meeting between the study team and EFRAG SR TEG and SRB presenting the methodology and operational approach of the CBA. This was followed by further technical meetings and regular follow-ups with EFRAG Secretariat.

The data collection and analysis phase began on 8 August 2025 with the launch of the online survey and concluded at the end of September. It involved European companies, banks and other financial institutions, NGOs, investors, consultancy firms, and academics. The geographic distribution of participants aligns with the scope of companies under the Omnibus proposal.

Preliminary results of the CBA were presented to the EFRAG SRB and SR TEG on 9 October 2025 and discussed with all participants. The final analysis reflects the comments received. The last phase focused on integrating the changes of the ESRS that led from the Exposure Draft ESRS to the Amended ESRS. Results were presented to the EFRAG SRB on 28 November 2025.

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[3] *Commission Delegated Regulation (EU) 2023/2772 of 31 July 2023 supplementing Directive 2013/34/EU of the European Parliament and of the Council as regards sustainability reporting standards*

[4] *These are interviews guided by a predefined set of questions or themes, while allowing flexibility for follow-up questions and open discussion to explore respondents' views in greater depth*

2. LEGAL BACKGROUND AND ESRS REVISION

In recent years, the growing focus on sustainability has led to a significant evolution in European regulation on non-financial reporting. The 2022 Corporate Sustainability Reporting Directive (CSRD) expanded the scope of the previous NFRD, strengthening environmental, social and governance (ESG) transparency requirements for a larger number of companies. The CSRD requires the disclosure of detailed and standardised information according to the European Sustainability Reporting Standards (ESRS), developed by EFRAG. The first set of ESRS, adopted as Delegated Act in 2023, includes general standards (ESRS 1 and 2) and thematic standards, with precise parameters to report ESG topics and ensure comparable and reliable information.

In 2024, European institutions and key persons, including Mario Draghi, highlighted the compliance burden stemming from CSRD and CSDDD, calling for simplification of reporting with the aim of reducing obligations by at least 25%. The European Commission confirmed its intention to propose an "omnibus simplification package" in January 2025, aimed at simplifying sustainable financial reporting, due diligence, and the EU taxonomy, focusing the regulatory framework on large companies while reducing costs for SMEs.

On 26 February the Commission therefore adopted a package of so-called "Omnibus" proposals[5] designed to reduce the administrative burden on companies and to boost growth and investment. That included a proposal to amend certain provisions of the CSRD and of Directive (EU) 2024/1760 of the European Parliament and of the Council ('the Corporate Sustainability Due Diligence Directive' or 'CSDDD'). In the case of the CSRD, the proposed amendments include applying the reporting requirements only to large companies with more than 1000 employees, thereby reducing the number of companies subject to the requirements by about 80%. The main measures of the package include:

- <u>Amendments to the CSRD</u>: revision of size thresholds and postponement of certain deadlines ("stop-the-clock"), reducing the initial scope and giving companies more time.
- <u>ESRS adjustments</u>: reduction of mandatory datapoints and refinement of guidance, focusing on information that is decision-useful.

The revision of ESRS foresees: removal of less essential obligations, stronger emphasis on quantitative data, a clear distinction between mandatory and voluntary disclosures, without compromising interoperability with global standards and corporate materiality assessments.

With regard "stop-the-clock", the "omnibus" proposal included a separate legislative proposal which defers by two years the date by which Member States are to apply the measures necessary for wave two and wave three companies to comply with the CSRD reporting requirements. That legislative proposal was adopted by the European Parliament and the Council without significant modifications and entered into force on 17 April 2025. The stop-the-clock proposal, as adopted, does not postpone the reporting requirements for wave one companies.

Delegated Act of the European Commission of 11 July 2025 (Quick-fix). On 11 July 2025, the European Commission adopted a delegated act, known as a "quick fix", for companies already subject to the Corporate Sustainability Reporting Directive (CSRD) - referred to as wave 1. This intervention forms part of Directive (EU) 2025/794, which is part of the Omnibus I legislative package. It postpones the application of reporting requirements for 'wave two' and 'wave three' companies from the 2025 and 2026 financial years ("stop-the-clock"). Wave 1 companies were not covered by this postponement, which meant they risked having to comply with more stringent reporting requirements without an adequate adjustment period. The delegated act therefore aims to prevent wave one companies from facing an additional regulatory burden during a period of regulatory uncertainty. It postpones the additional reporting requirements for these companies by two years, meaning they will not have to comply with phase-in provisions of ESRS Set 1 for the 2025 and 2026 financial years. It also extends the phase-in provisions relating to ESRS E4 (biodiversity and ecosystems), ESRS S2

[5] https://finance.ec.europa.eu/news/omnibus-package-2025-04-01_en

(workers in the value chain), ESRS S3 (affected communities) and ESRS S4 (consumers and end users). These provisions currently apply only to wave 1 companies with up to 750 employees. The safeguard provision, whereby if a company uses these temporary exemptions for an entire thematic standard, it must report certain summary information on the subject if the theme in question is material, is also extended to all wave 1 companies.

The delegated act proposed by the European Commission must be approved by the Council and the European Parliament before it can enter into force 20 days after its publication in the Official Journal of the European Union. It applies to financial years beginning on 1 January 2025 or thereafter.

Certain exclusions that remain unchanged in the Amended ESRS may be subject to revision by a future delegated act under the CSRD. Specifically, these include: 1) the definition of value chains for financial institutions; 2) the exemption of financial holding company from consolidation of subsidiaries; 3) the exemption of confidential/sensitive information and provisions on phased implementation; 4) the clarification of the meaning of “1.5-degree compatibility” for the disclosure of transition plans under the climate change standard.

ESRS revision. EFRAG’s response to the European Commission’s mandate for the simplification of the ESRS was presented in a Work Plan on 25 April 2025, which outlines the measures EFRAG would adopt to revise the standards, with the aim of reducing reporting burdens for company without compromising quality. On 31 July 2025, EFRAG published the revised and simplified Exposure Drafts ESRS, launching a 60-day public consultation. The EFRAG SRB had approved these standards on 28 November 2025. On 2 December 2025, EFRAG submitted to the European Commission, as technical advice, the Amended ESRS. In line with the mandate, the letter to Commissioner Albuquerque of 2 December 2025 provides an overview of the Amended ESRS and identifies the strategic simplification levers introduced to make sustainability reporting more proportionate and clearer. The main simplification levers are summarized below:

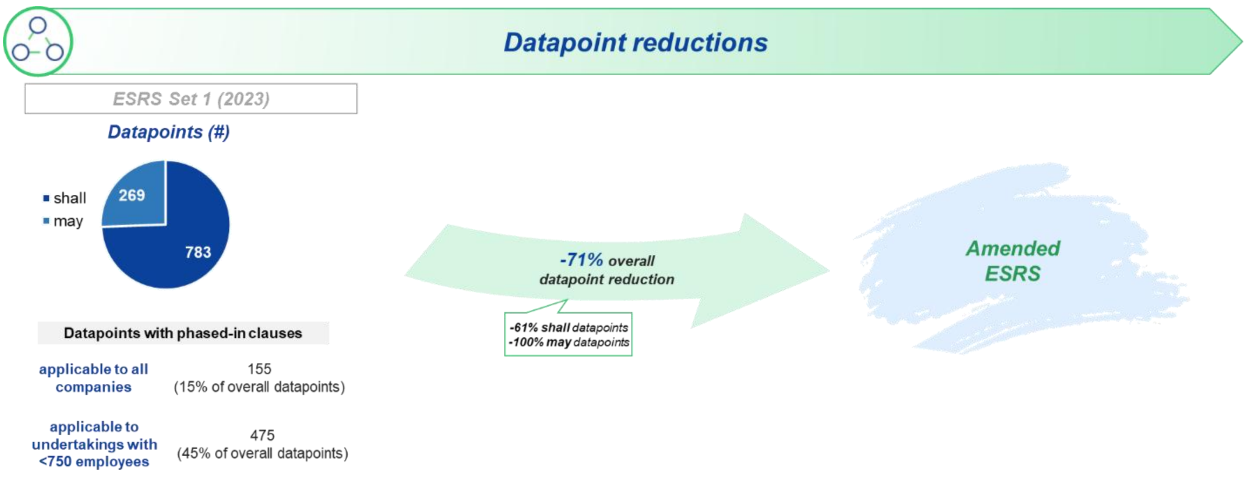
- **LEVER 1: The simplification of the Double Materiality Assessment (DMA) and the emphasis on fair presentation.** A clearer and more proportionate approach to the Double Materiality Assessment (DMA) is introduced, balancing simplification with robustness. The role of materiality as the primary filter is reinforced, and the relationship between impacts, risks and opportunities (IROs) and reportable topics is clarified. More flexible, principle-based criteria are provided, including the option to include non-material information without obscuring material disclosures. A full DMA is not required annually unless significant changes occur, and the fair presentation principle is emphasized to focus on what truly matters and reduce unnecessary detail.
- **LEVER 2: The emphasis on better readability/conciseness of the sustainability statements and better inclusion in corporate reporting as a whole.** Greater flexibility is introduced for presenting ESG information, particularly in ESRS 1 and 2, to ensure clarity and coherence within the management report. Companies may include an executive summary, use appendices for detailed or EU Taxonomy-related information, and follow clearer guidance on supplementary disclosures. The rules on incorporation by reference and connected information are clarified to avoid fragmentation and duplication. The amendments aim to enable companies to communicate in a balanced and consistent manner while providing access to detailed data without compromising the readability of the main report.
- **LEVER 3: Critical modification of the relationship between Minimum Disclosure Requirements (MDR) and topical specifications.** The Minimum Disclosure Requirements (MDRs) for policies, actions, and targets (PATs) have been streamlined and renamed General Disclosure Requirements (GDRs) to address issues in the original ESRS architecture and overlaps with topical standards. Specifications in the topical standards have been drastically reduced as they were overly detailed and minimally informative. Justifications for not having PATs in place and timetables for future adoption are no longer required. The amendments aim to enable more concise, less duplicative, and effective reporting, with greater focus on how the companies actively manages its sustainability issues.
- **LEVER 4: The focus on improved understandability, clarity and accessibility of the Amended Standards.** The Amended ESRS address confusion caused by the mix of

mandatory and non-mandatory Application Requirements (ARs) by fully separating binding provisions from guidance, eliminating the "voluntary disclosure" category, and placing all mandatory ARs under their corresponding disclosure requirements. Non-mandatory content has been removed and will be considered in future non-mandatory guidance. Terminology and structure have been streamlined to enhance clarity and ease of use. A comprehensive editorial review has removed ambiguity, ensured consistency, aligned drafting with EU guidelines, and confirmed that objectives accurately reflect their related requirements. The purpose is to make the standards shorter, more readable, and easier to understand.

- **LEVER 5: The introduction of burden relief reductions.** The Amended ESRS introduce multiple reliefs to reduce the reporting burden for companies. Key measures include: (a) a proportionality mechanism based on reasonable and supportable information available without undue cost or effort; (b) deferral by one year for including acquisitions and the option to anticipate exclusion for disposals; (c) partial reporting when data are lacking, with transparency on actions to increase coverage; (d) exclusion of activities that are not significant drivers of material impacts, risks, and opportunities (IROs); (e) removal of the preference for direct data over estimates in value chain reporting; (f) exclusion of joint operations without operational control from environmental metrics; (g) relief for confidential or commercially sensitive information when allowed or required by law; (h) transitional phase-in provisions for Wave 1company until 2026 and for certain quantitative data until 2029; and (i) reliefs on Anticipated Financial Effects, allowing omission of quantifications where necessary, enhancing flexibility, interoperability with ISSB standards, and data quality management. **LEVER 6: The constant effort to enhance interoperability.** The Amended ESRS strengthen alignment with global standards such as ISSB and, where compatible with the CSRD, GRI Standards. Emphasis on fair presentation enhances conceptual consistency between ESRS and ISSB, while the restructuring of the standards highlights the connection between entity-specific information and fair presentation. Reliefs, particularly those based on the "undue cost or effort" principle and those related to Anticipated Financial Effects, further support practical alignment between the frameworks. Several datapoints and the language used in topical standards have been revised to improve compatibility, without compromising substantial interoperability. The overall objective remains to contribute to the global development of sustainability reporting while maintaining ongoing dialogue with international initiatives.

The Amended ESRS reduce the "shall" datapoints by 61% as compared to the initial ESRS (71% including the voluntary datapoints).

Figure 1. ESRS as enacted in 2023 (Set 1) vs Amended ESRS: datapoint reductions

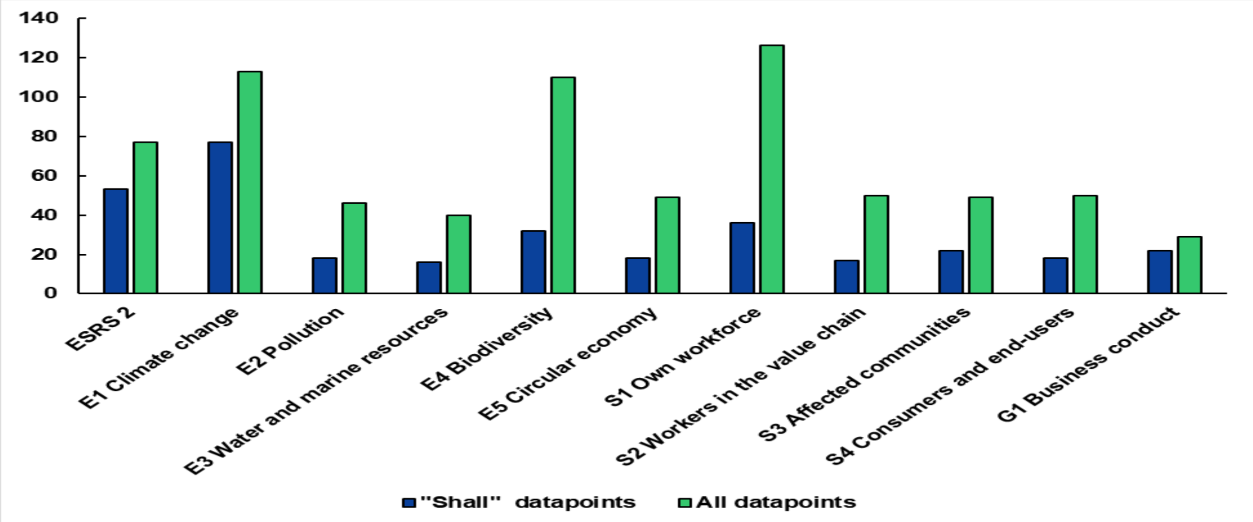


Source: *EFRAG IG3 List of ESRS datapoints (Appendix B: Statistics on the number of datapoints, May 2024).*
Note: *In the Exposure Draft ESRS (July 2025) datapoints were reduced by 68% compared to ESRS Set 1 (of which -57% of mandatory datapoints and -100% of voluntary datapoints).*

Box 1. ESRS datapoints reduction

The extent of datapoints reductions varies substantially across topics. As displayed in Figure 2, the largest decreases, in both total and mandatory datapoints, are observed in ESRS 2, E1, E4, and S1. Among these, it is noteworthy that, unlike the others, the reduction in E4 and S1 stems primarily from voluntary rather than mandatory datapoints.

Figure 2. Datapoints reductions by topic "shall" vs. all datapoints



Source: Authors' elaborations on Hamburger et al.[6] ("shall" datapoints) and Kålås[7] (all datapoints)

Another source of variation lies in the reduction of qualitative versus quantitative datapoints. Hamburger et al.[5] find that most of the reduction in mandatory datapoints affects qualitative datapoints, while quantitative ones decrease by only 30%.

Not every ESRS datapoints is equally material for all company. At the same time, users of sustainability reports—such as investors and NGOs—may find certain datapoints more useful than others, depending on the nature of their activities. Hamburger and et al.[5] find that the average company reports on about 600 material datapoints. Similarly, a report by EFRAG[8] highlights that, on average, 6 out of 10 topical standards are deemed material. Regional differences also emerge, with Southern European countries reporting more topics as material than Nordic ones (e.g., Italy 7 and Spain 7 vs. Denmark 6 and Sweden 6).

By combining the information from the EFRAG[7] report with that from Hamburger et al.[5], we can examine how the reduction of datapoints relates to their actual usage. As shown in Figure 3, there appears to be a correlation between the topics companies declare as material and the extent of data point reductions per topic. In fact, E1 and S1—considered material by 98% and 99% of companies respectively—are also the topics that experienced the largest reductions in datapoints. The third topic most frequently considered material, G1, shows a smaller absolute reduction (22

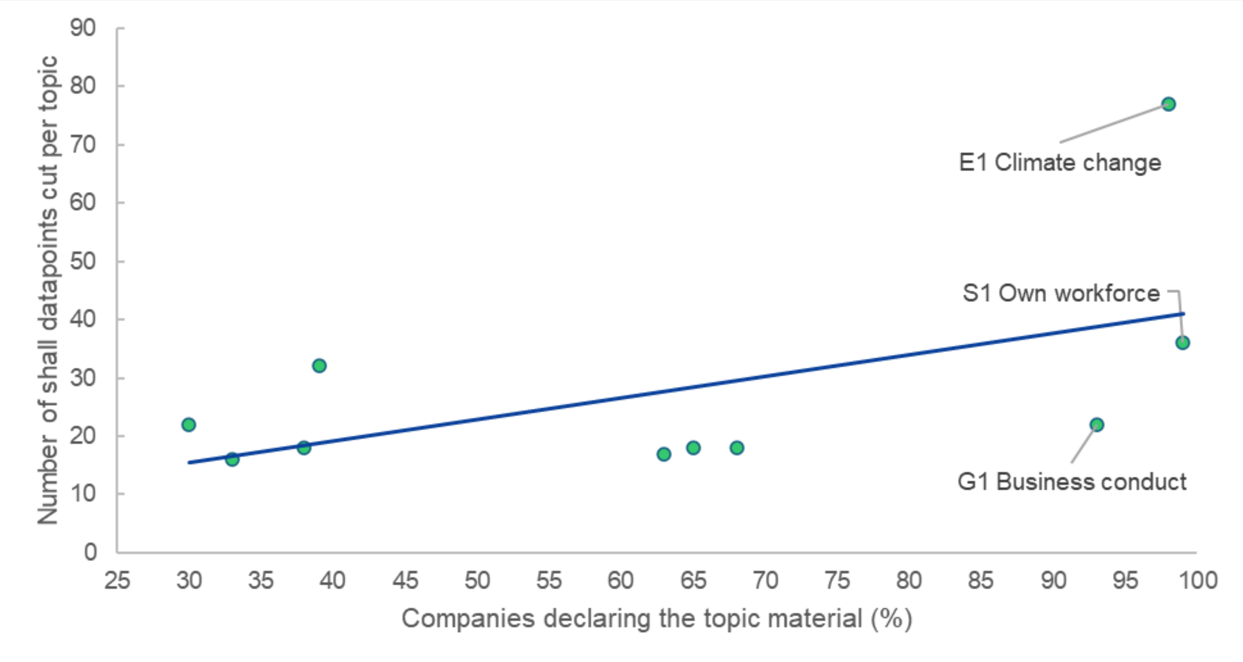
[6] *Hamburger, D., Hombach, K., Meringdal, I. E., Müller, M. A., & Wagner, V. (2025). Which datapoints are cut in the ESRS revision? – New SRN ESRS revised granular datapoint list available! Sustainability Reporting Navigator. https://www.srnav.com/insights/which-datapoints-are-cut-in-the-esrs-revision-new-srn-esrs-revised-granular-datapoint-list srnav.com.*

[7] Kålås, R. (2025). *How much burden has been reduced in #ESRS Exposure Drafts?* [Status update]. LinkedIn. https://www.linkedin.com/feed/update/urn:li:activity:7364215729811767296/.

[8] EFRAG. (2025). *State of Play 2025: Implementation of the European Sustainability Reporting Standards (ESRS) – Observed practices based on statements issued as of 20 April 2025*. https://www.efrag.org/sites/default/files/media/document/2025-07/EFRAG_State%20of%20Play%202025%20Report%20final.pdf

datapoints). However, when viewed in relative terms—i.e., as a percentage of the ESRS Set 1 datapoints within that topic—the reduction is still substantial, at around 52%.

Figure 3. Topic materiality vs. number of mandatory datapoints cut per topic



Source: Authors' elaboration based on EFRAG[5] and Hamburger et al.[6]

For what it concerns users of ESG data, Sellhorn[9] shows that the three most frequently searched topics are Climate Change (E1), Own Workforce (S1), and Biodiversity (E4). Notably, two of these—E1 and S1—are also among the topics considered most material by companies and, at the same time, the ones that experienced the largest cuts in datapoints.

Fair presentation. The principle of "fair presentation" has been reinforced in the Amended ESRS 1 (§19-21), aiming to ensure that sustainability information is presented in a complete, neutral and accurate manner, faithfully reflecting the company's material impacts, risks and opportunities (IROs). This principle requires the application of the qualitative characteristics of information defined in Appendix B of Amended ESRS 1. Moreover, when the application of ESRS requirements is not sufficient to enable users to understand the company's material IROs and how they are managed, the company shall also disclose entity-specific information.

Undue cost and effort. The "undue cost and effort" principle – introduced in the General Requirements of ESRS 1 – serves as a relief mechanism to facilitate the implementation of the standards. The company shall use reasonable and supportable information available at the reporting date without undue cost or effort to: a) identify material impacts, risks or opportunities; b) determine the scope of its upstream and downstream value chain, including its breadth and composition, in relation to material impacts, risks or opportunities; c) extend information to include upstream and downstream value chain information; d) prepare information on metrics; e) report on current and anticipated financial effects The assessment of what constitutes undue cost or effort depends on the company's specific circumstances and requires a balanced consideration of the costs for the company and the benefits of the resulting information for users. Reasonable and supportable

[9] *Sellhorn, T. (2025). Cost-Benefit Analysis: ESRS Revision [Presentation]. EFRAG Academic Panel Meeting on ESRS Revision.*

information that is available to the company without undue cost or effort is subject to reassessment for each reporting period.

Anticipated financial effects (AFE). Anticipated Financial Effects represent the expected impacts that material sustainability-related risks and opportunities may have on an company's financial position, financial performance, and cash flows over different time horizons (short, medium, and long term). They reflect how such risks and opportunities are integrated into the company's strategic and financial planning and indicate the potential direction and magnitude of their influence on key financial metrics. The disclosure of AFE enables users of financial statements to understand how sustainability factors may affect future financial outcomes and the carrying amounts of assets and liabilities reported in the financial statements. Under the Amended ESRS 2 (§28-33), several relief mechanisms have been introduced to provide flexibility in AFE disclosure. Companies may omit quantitative disclosures on AFE if the effects are not identifiable, highly uncertain, or if the company lacks the necessary skills, capacity, or resources. In such cases, disclosures must rely on reasonable and supportable information available without undue cost or effort, and the company must provide qualitative explanations, including likely affected financial statement items. Quantitative information, when provided, may be reported as single amounts or ranges. Additionally, a qualitative analysis of the resilience of the business model and strategy, including methodology and time horizons, must always be included.

3. PREVIOUS STUDIES ON ESRS IMPACT ASSESSMENT

The Cost-Benefit Analysis on the revision of the ESRS is in line with a long-standing practice in policy development, which recognises evidence-based assessment as an essential element in designing effective reforms. In 2020 the European Commission conducted an impact assessment of the Corporate Sustainability Reporting Directive (CSRD)[10], focusing on the additional costs for companies, which relied on the Global Reporting Initiative (GRI) standards as a baseline. The assessment provided a breakdown of estimated burden into three categories: One-off costs, recurring costs and assurance costs. One-off costs, referring to non-recurring expenses for the establishment of reporting systems, data collection procedures, and governance structures, were estimated at a total of EUR 1,134 million, of which EUR 673 million represent incremental costs. Recurring costs, meaning ongoing expenses for the annual preparation and disclosure of sustainability reports, amounted to EUR 3,135 million, including EUR 2,095 million in incremental costs. Finally, the cost of limited assurance over sustainability information was estimated at EUR 1,927 million. These estimates refer to the population of 48,080 non-SME companies believed to fall within the CSRD scope at that time.

In 2022, CEPS and Milieu produced a cost–benefit analysis of the first set of draft ESRS for the European Commission[11]. The report assesses the economic and operational impact of the European Sustainability Reporting Standards (ESRS) as mandated by the CSRD under the first set of draft ESRS. On the cost side, the study distinguishes between indirect and direct costs, the latter includes new administrative (one-off and recurring) and assurance burdens for 47 676 companies in scope. Overall, the estimates of one-off costs amounted to approximately EUR 2.1 billion, of which EUR 1.7 billion are incremental; recurring costs were projected at EUR 2.4 billion (EUR 1.7 billion incremental), and limited assurance costs were expected to range between EUR 2.7 and EUR 4.0 billion.

The comparison between the two studies reveals a distinct pattern across cost categories. One-off costs were projected to be substantially higher under the first set of draft ESRS compared with the

[10] *European Commission (2021) Staff working document, Impact assessment accompanying Proposal for a Directive of the European Parliament and of the Council, amending Directive 2013/34/EU, Directive 2004/109/EC, Directive 2006/43/EC and Regulation (EU) No 537/2014, as regards corporate sustainability reporting.*

[11] *CEPS and Milieu (2022), Cost-benefit analysis of the First Set of draft ESRS, EFRAG.*

earlier assessment, whereas recurring costs were estimated to be lower. Part of the difference can be attributed to the fact that the CSRD Impact Assessment's cost estimates are based on the GRI (Global Reporting Initiative), a different reporting standard from the ESRS. Additionally, a substantial portion of costs for companies stems from labor, whose cost rose by about 8% between 2018 and 2021, the respective reference years for the two analyses. The increase in one-off estimates is accompanied by a larger share of incremental costs: from 60% of total one-off costs in the CSRD Impact Assessment to 81% under the draft ESRS. For recurring costs, the ratio rises from 67% to 81%. This reflects the fact that ESRS include more demanding requirements than those assumed in 2020, with significant upfront investments in reporting capacity that naturally fall into the category of one-off costs. As regards assurance, the divergence is equally marked. Furthermore, the CSRD Impact Assessment had estimated lower limited assurance costs than the ESRS Cost-Benefit Analysis. The difference is consistent with the methodological scope: while the 2020 analysis considered non-financial statements that were often only partially assured, the ESRS estimates assume that the entire sustainability statement is subject to assurance.

At the company level, the presented estimates translate into an annual cost per company ranging from EUR 151,000 to EUR 179,000 according to the 2022 ESRS cost-benefit analysis, compared to EUR 129,000 in the 2020 CSRD Impact Assessment, as better detailed in Table 2 below.

Table 2. Comparison of estimated administrative and assurance costs per company (EUR/Year)

Costs	CSRD Impact assessment 2020	Cost-Benefit Analysis CEPS 2022
Reporting one-off costs	23,586	44,844
Reporting recurring costs (excluding assurance)	65,204	49,962
Assurance	40,058	56,255 - 84,382
Total	**128,848**	**151,061 - 179,189**

Source: European Commission (2020), CEPS (2022).

Regarding benefits, the CBA prepared by CEPS and Milieu consider them in a largely qualitative way and likely to materialize in the medium-long term. Anticipated effects include greater comparability and reliability of sustainability disclosures, a reduction in ad hoc requests to preparers from investors and other stakeholders, cost savings for data providers and rating agencies, and improved capacity of investors to integrate ESG-related risks and opportunities into capital allocation. Other indirect benefits are represented by enhanced accountability towards civil society, a potential reallocation of capital towards more sustainable firms, and a synergic contribution to the achievement of the objectives of the European Green Deal.

4. FINDINGS FROM THE SURVEY AND INTERVIEWS

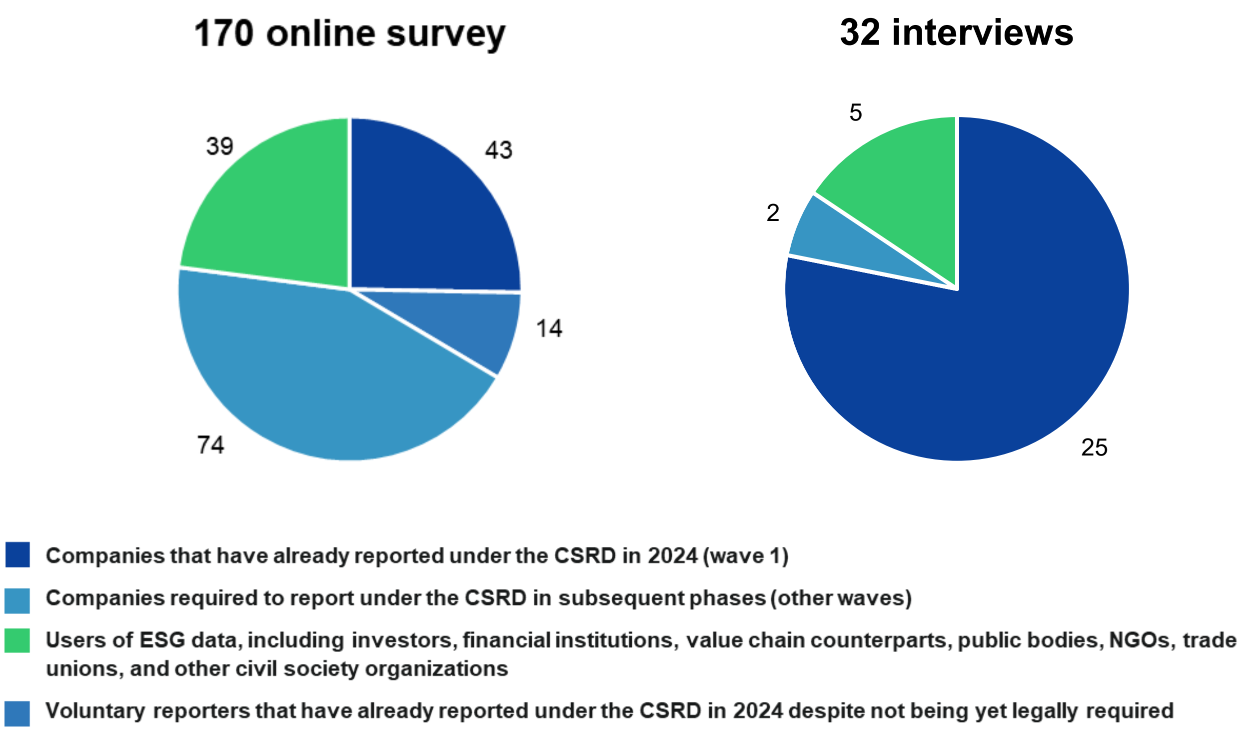
As part of the Cost-Benefit Analysis, primary evidence was collected through two main data collection methods: an online survey and a series of targeted interviews with companies and users of ESG data. This chapter presents and discusses the main results emerging from the online survey and the interviews conducted. Both activities took place between mid-August and the end of September 2025, in parallel to EFRAGs public consultation on the Exposure Draft ESRS.

The online survey was open to respondents belonging to one of the following categories:

- **Wave 1 preparers:** Companies that have already reported under the CSRD in 2024.
- **Voluntary reporters:** Companies that have reported under the CSRD in 2024 despite not being legally required to do so.
- **Other waves:** Companies that are required to report under the CSRD in subsequent implementation phases, also defined as Wave 2.
- **Users of ESG data:** This category includes financial institutions, NGOs, consultancies, data and ESG services providers, industry associations, civil society organizations, and research institutions.

As shown in Figure 4, the online survey received a total of 170 responses. Of these, 43 responses came from Wave 1 preparers, 14 from voluntary reporters, 74 from other waves preparers, and 39 from users of ESG data. The targeted interviews involved 25 Wave 1, 2 Other waves companies and 5 users of ESG data. It is important to note, however, that 8 of the 25 Wave 1 companies interviewed are banks or insurance companies, and therefore also users of CSRD reports.

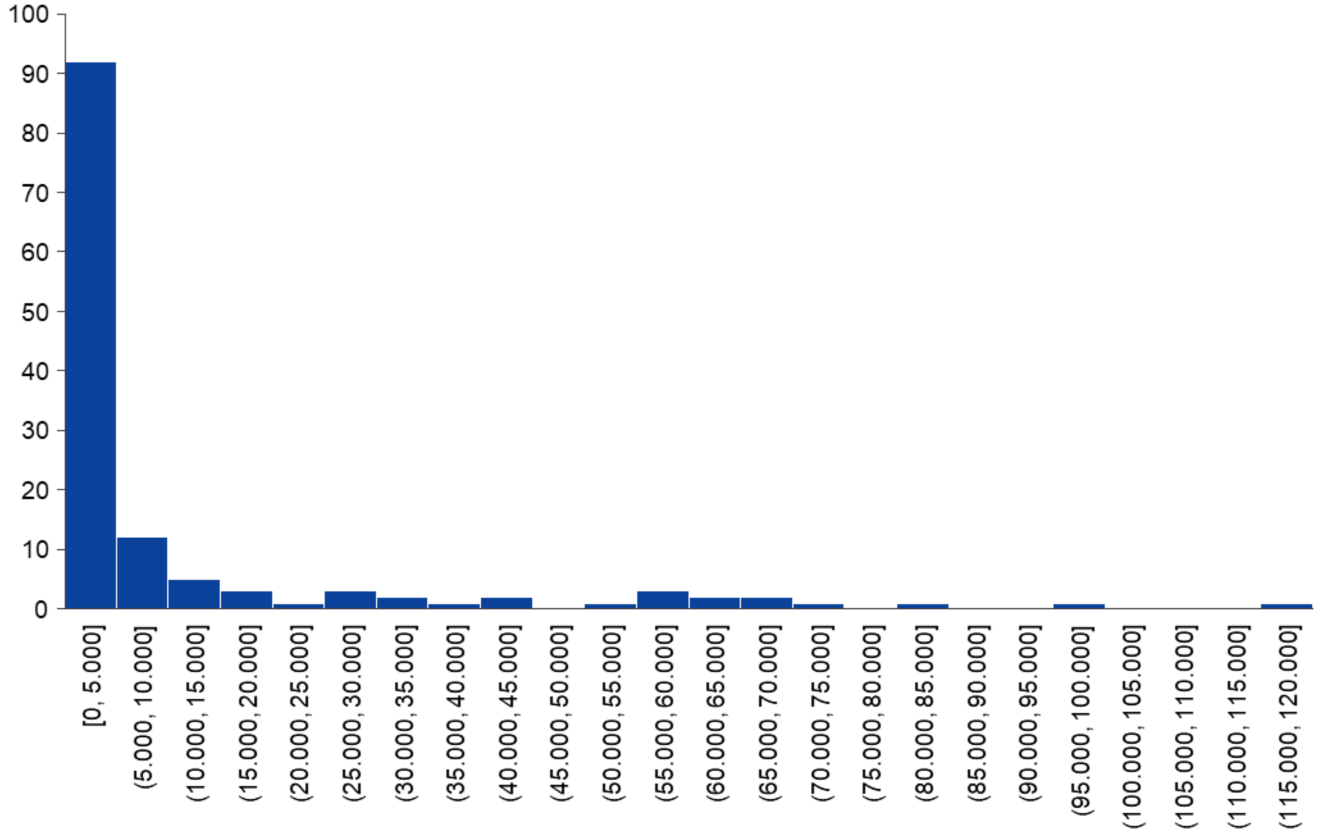
Figure 4. Distribution of respondents in the online survey and interviews



Source: Authors' own elaboration on targeted consultation

Figure 5 presents the revenue distribution of survey respondents. The vast majority of companies providing revenues information (92 out of 133) reported revenues of less than EUR 5 billion.

Figure 5. Revenue distribution of respondents (EUR millions)



Source: Authors' own elaboration on targeted consultation

Overall, there is a widespread sentiment among Wave 1 preparers that the amendment of the ESRS will lead to reduced reporting costs. Nearly 90% of companies expect a reduction in recurring internal costs, while almost 75% anticipate a reduction in recurring external costs. For both internal and external recurring costs, the median expected reduction is 20%. A similar overall expected reduction is also observed for Other Waves preparers. This figure, however, as will be shown in Chapter 5, hides a certain degree of heterogeneity between larger and smaller companies.

One of the main factors driving the expected cost reductions is the reduction in mandatory data points. The vast majority of surveyed and interviewed companies reported that this reduction in data points is a highly significant driver in lowering reporting costs.

In addition to the reduction in data points, companies expressed strong appreciation for the greater clarity introduced by the Amended ESRS. Understanding and interpreting the standards, in fact, was widely regarded as one of the most demanding aspects of implementing the ESRS as enacted in 2023. Difficulties in interpretation could create friction during implementation between internal staff and auditors, leading to increased costs. Therefore, it is not surprising that all amendments aimed at rationalizing the standards and improving their clarity are highly welcomed by companies.

Another important cost-reducing factor that emerged from the stakeholder consultations is the amendment introducing reliefs related to anticipated financial effects. Wave 1 preparers are particularly positive for this amendment, considering it to be the one with the greatest potential for reducing reporting costs. This finding aligns with the fact that phase-ins related to anticipated financial effects were the most frequently used by Wave 1 preparers, with 80% reporting that they had applied them.

The amendment of the ESRS, however, can generate benefits beyond the reduction of reporting costs. Sustainability reporting is a critical factor influencing a company's access to financing, particularly in relation to green and sustainable finance. One potential risk is that the simplification of the ESRS could come at the expense of information quality, thereby affecting how companies are assessed by users of ESG data. As will be shown in the remainder of this section, this does not appear to be the case. In fact, the vast majority of Wave 1 preparers do not foresee any negative impact of the streamlining on their access to or cost of credit and various forms of green financing.

Users of ESG information, by contrast, are less optimistic about the ability of the Amended ESRS to preserve the quality of information – a sentiment which appears to be more widespread among investors and financial institutions. Nonetheless, the large majority share the same view as Wave 1 preparers - that the Amended ESRS will not negatively affect their assessment of companies across a wide range of financing-related dimensions.

Box 2. CSRD Scope and response distribution

The group of companies required to report on sustainability in the EU has changed over the years due to updates in the regulatory framework.

- Under the Non-Financial Reporting Directive (NFRD)—Directive 2014/95/EU—approximately 11,600 large public-interest companies were required to disclose non-financial information. Around 2,000 of these companies fell directly within the Directive's scope, while the remaining companies were included as a result of stricter national transpositions of the Directive into Member States' legislation.
- With the adoption of the Corporate Sustainability Reporting Directive (CSRD)—Directive (EU) 2022/2464—the scope was set to expand dramatically to around 49,000 companies, as the CSRD extended the obligation to all large companies (meeting two of three thresholds: 250 employees, EUR 40 million in turnover, or EUR 20 million in total assets) and to all listed SMEs (excluding micro-enterprises).
- The Omnibus Proposal presented by the European Commission on 26 February 2025 (COM(2025) 67 final) introduces significant simplification measures, including a narrowing of the scope. Under the new thresholds - applying only to companies with more than 1,000 employees and either EUR 50 million in net turnover or EUR 25 million in total assets - the number of companies subject to mandatory ESRS reporting fall to approximately 10,000, based on the Commission's own estimates. As noted in the proposal, the number of companies subject to sustainability reporting requirements would be reduced by about 80%.

The CSRD scope has been assessed also based on the Simplification Omnibus of 26 February 2025, as well as on the methodology and data source (Orbis) described in the Commission Staff Working Document accompanying the legislative package. As highlighted in that document, it must be stressed that the legal definition of the CSRD cannot be perfectly mapped to the data available in Orbis. Figures presented in this box are then subject to certain assumptions.

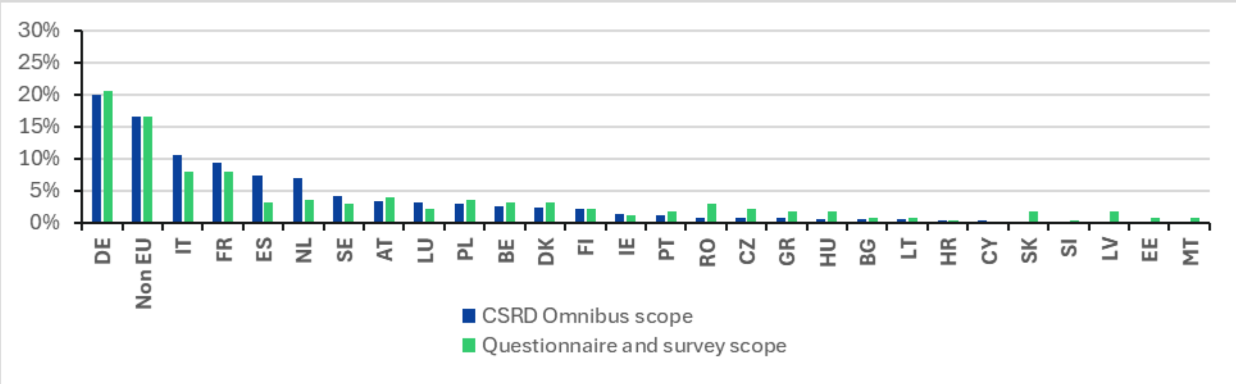
The results obtained are broadly consistent with those described in the Commission Staff Working Document. Under the CSRD, a company that is a subsidiary of another company may, with certain exceptions, be exempted from reporting if its parent company prepares a consolidated sustainability report covering the entire group. Accordingly, two sets of estimates have been produced. The lower-bound estimates assume that all eligible subsidiaries make use of this exemption, while the upper-bound estimates represent the total number of companies legally within scope, without accounting for the subsidiary exemption. Based on this approach - as summarised in Table 3 - the CSRD reporting population is estimated to range between approximately 7,000 companies (lower bound) and 13,000 companies (upper bound).

Table 3. Estimated number of preparers under CSRD scope as proposed in the Omnibus

	Lower bound	Upper bound
Wave 1	~1,500	~2,000
Other waves	~5,500	~11,000
Total	~7,000	~13,000

For the purposes of this report, it is assumed that all subsidiaries eligible for the exemption make use of it, and therefore only parent companies are required to report (lower bound scenario). These data have been used to verify whether the country distribution of the companies directly involved in the interviews and survey aligns with the distribution of companies within the CSRD scope as defined in the Omnibus proposal (Figure 6).

Figure 6. Country distribution of preparers collected data and comparison with CSRD scope as proposed in the Omnibus

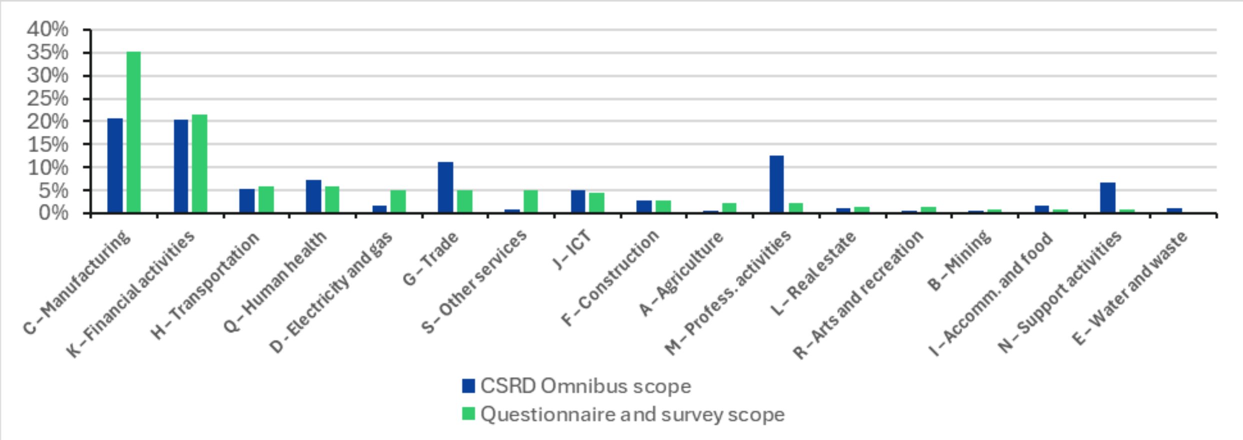


Source: Authors' own elaboration on targeted consultation and Orbis database

The results indicate a broadly similar distribution between the two datasets, lending credibility to the analysis in terms of country representation. Given that the lower-bound scenario has been adopted, the scope includes a significant share of non-EU companies. In this context, "non-EU" companies are companies operating in the EU whose global ultimate owner is based outside the EU. The Global Ultimate Owner is the top controlling entity in a company's ownership chain.

A similar comparison was performed for sectoral distribution (Figure 7), assessing whether the companies participating in the CBA reflect the sectoral composition of the CSRD scope. Here again, the results show a high degree of alignment, ensuring robust representation across economic sectors.

Figure 7. Sectoral distribution of preparers collected data and comparison with CSRD scope as proposed in the Omnibus



Source: Authors' own elaboration on targeted consultation and Orbis database

4.1. Wave 1 preparers

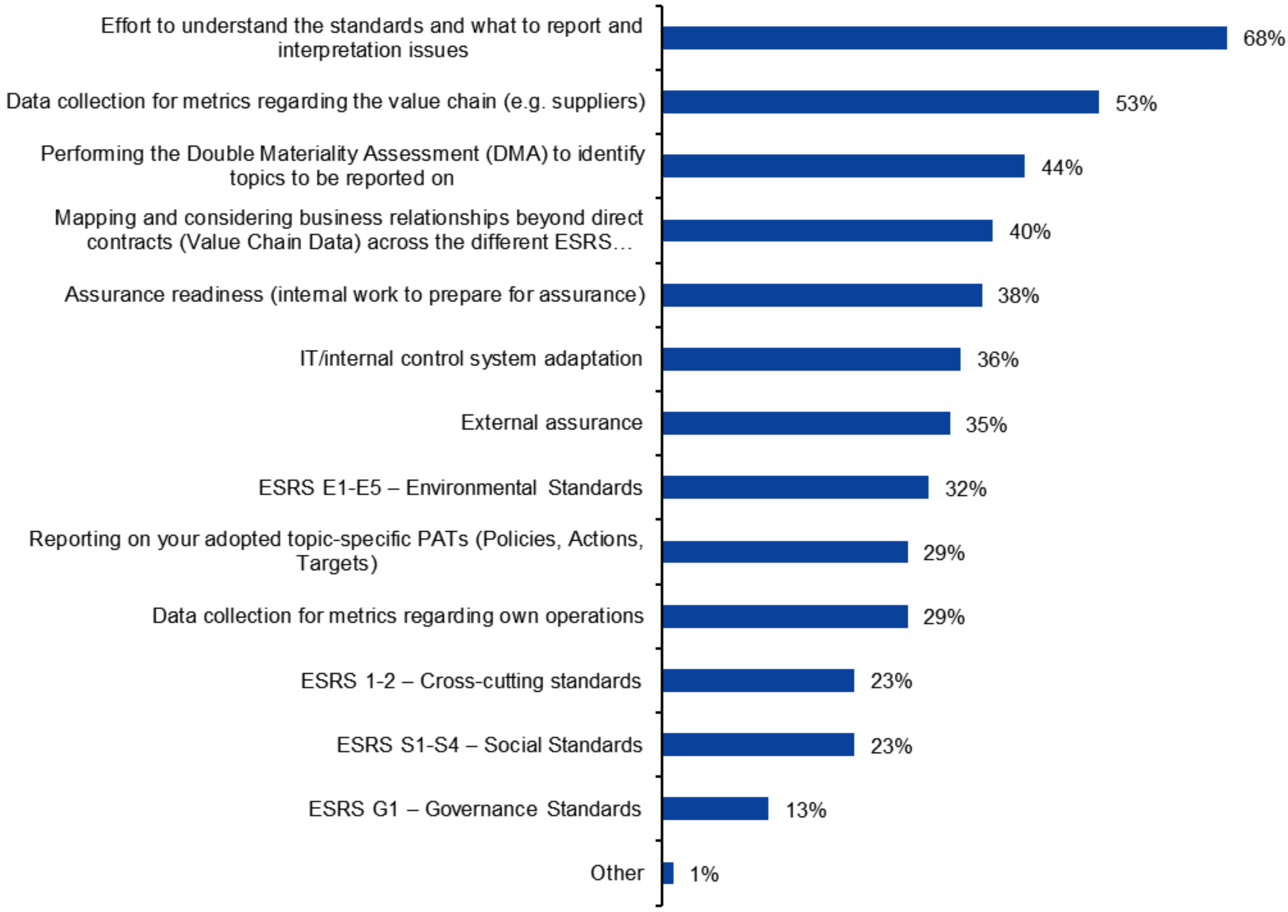
In this section, we present the main results for Wave 1 preparers. In this category we include all companies that have already reported under ESRS Set 1, including voluntary reporters. The findings stem from the consultation phase and reflect preparers' experience with sustainability reporting, as well as their expectations based on the Exposure Draft ESRS (July 2025).

4.1.1. Challenges and phase-ins

Nearly 89% of the surveyed companies indicated that the overall level of effort required to implement the ESRS as enacted in 2023 was high or very high. The remaining 11% reported a moderate level of effort, while no company indicated a low or very low effort level.

Figure 8 provides further insight by highlighting the specific areas where companies face the greatest implementation challenges. The first challenge primarily relates to difficulties in interpreting the standards, while the second concerns data collection across the value chain. In the third place is the application of the double materiality assessment and resulting identification of topics, which—as also emerged from the interviews—is considered a particularly demanding aspect of the implementation process.

Figure 8. Areas of greatest effort in implementing ESRS Set 1



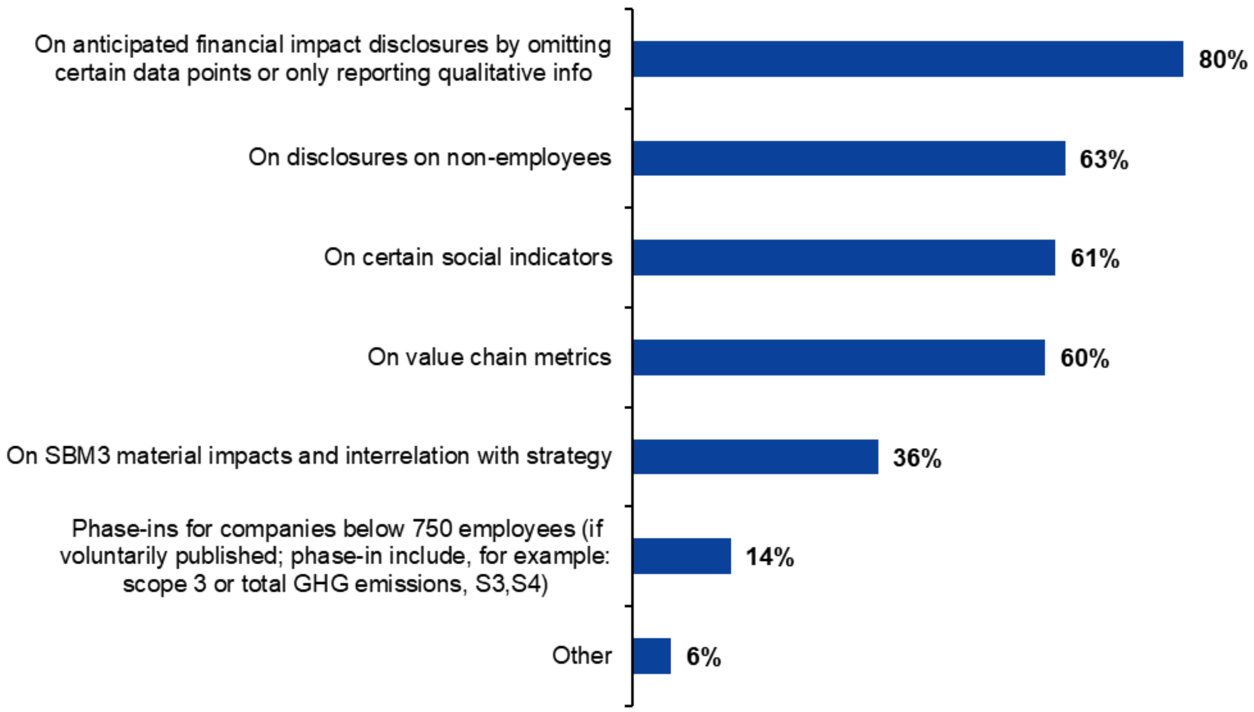
Note: Since multiple responses are allowed percentages do not add up to 100%.

Source: Authors' own elaboration on targeted consultation

Wave 1 companies could rely on phase-ins to mitigate the initial burden of ESRS implementation. These were widely adopted: nearly 89% of Wave 1 companies reported having used at least one phase-in.

As shown in Figure 9, the most frequently applied phase-ins concerned anticipated financial effects. From the one-to-one interviews, in fact, it emerged that collecting data points in this area was considered highly challenging. Other frequently used phase-ins, applied by nearly 60% of the companies, related to disclosures on non-employees, social indicators, and the collection of metrics across the value chain.

Figure 9. Phase-ins usage by companies



Note: Since multiple responses are allowed percentages do not add up to 100%.

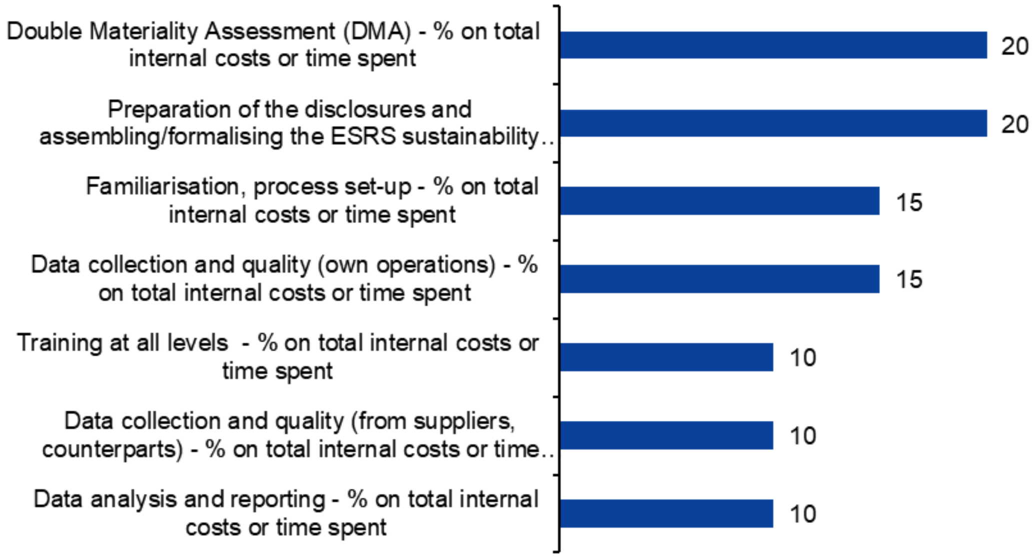
Source: Authors' own elaboration on targeted consultation

4.1.2. Incurred cost structure

This section focuses on the costs, both internal and external, incurred by Wave 1 preparers in implementing ESRS Set 1, and provides a breakdown of these costs by activity. Internal costs refer to the monetary value of employees' time dedicated to ESRS-related activities, calculated on the basis of the organisation's labour costs. External costs, by contrast, include expenditures on external IT and digital infrastructure, consultancy or other third-party services, and assurance activities.

With regard to the internal costs incurred for the implementation of ESRS Set 1, respondent companies reported a median level of approximately EUR 500,000. On average, nearly 53% of these internal costs were reported to be recurring in nature. Figure 10 breaks down internal costs by activity. The double materiality assessment (DMA) and the preparation of disclosures account for the largest shares of total internal costs, at 20% each. A considerable share of costs, about 15%, is dedicated to understanding the standards. This result is consistent with what is shown Figure 8 which highlights interpretability issues as one of the areas requiring the greatest effort.

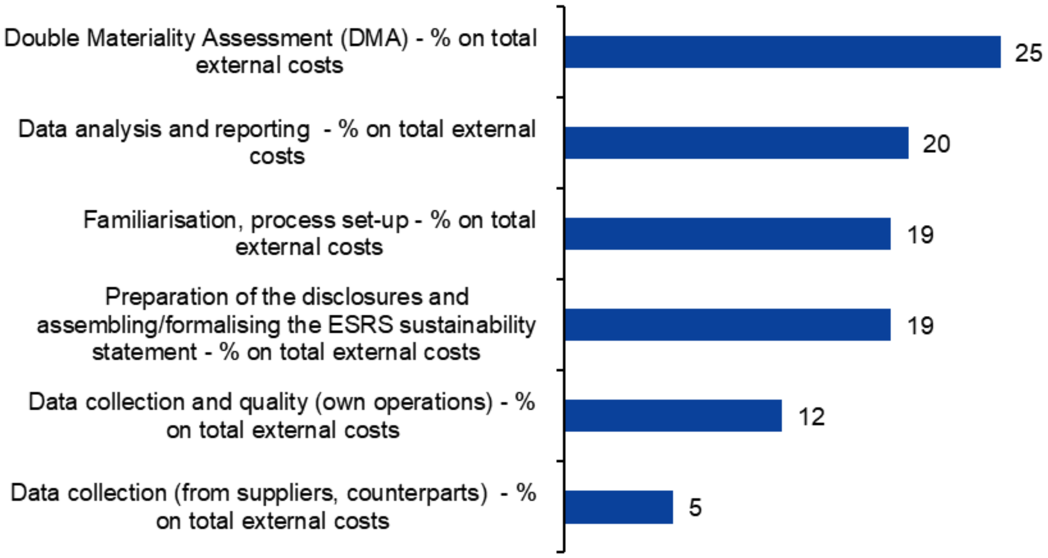
Figure 10. Distribution of internal costs by activity



Source: Authors' own elaboration on targeted consultation

With respect to external costs, companies reported a median value of approximately EUR 300,000, with about half of these costs considered to be recurring. Similar to internal expenditures, Figure 11 shows that the largest share of external costs is associated with the double materiality assessment. At the same time, a considerable share of these costs, as for internal costs, relates to familiarisation and process set-up.

Figure 11. Distribution of external costs by activity



Source: Authors' own elaboration on targeted consultation

From the analysis so far, it has emerged that one of the main areas of effort—and a key driver of costs—concerns the interpretation and understanding of the standards. Ambiguities in the ESRS Set 1 framework not only require significant internal effort but can also create friction between auditors and company staff. This dynamic is reflected in the ratio of internal to external assurance costs, which stands at approximately 25%. If we restrict the analysis on the interviews, however, it emerges an even larger figure with some companies declaring a 1:1 ratio. Companies, therefore, dedicate a substantial share of their own resources to supporting the assurance process, in addition to the fees paid to external providers.

4.1.3. ESRS Revisions: expected cost reductions and main drivers of impact

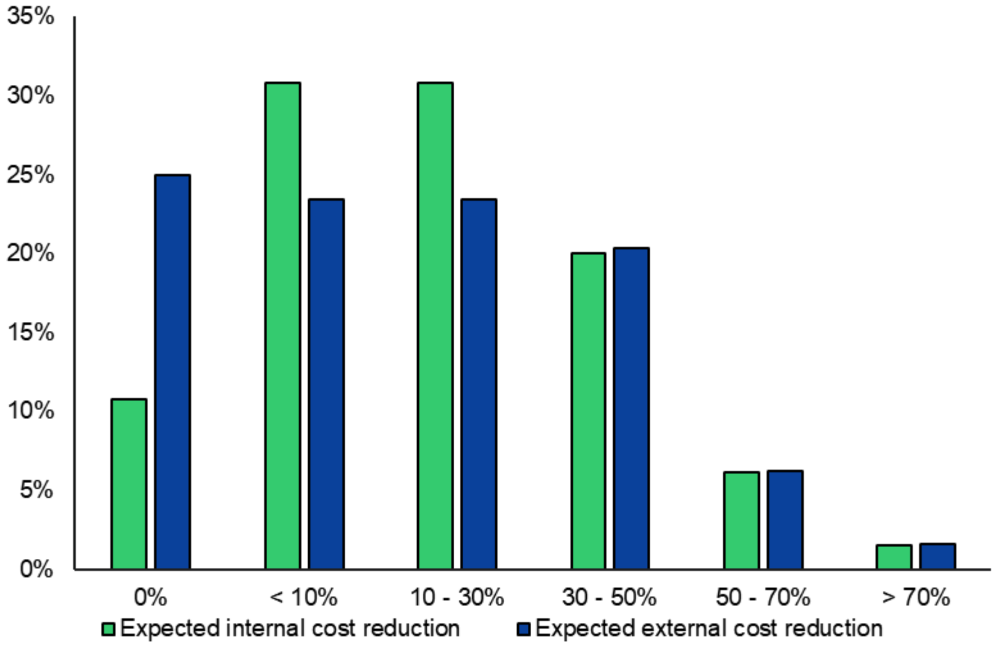
To assess the expected impact of the ESRS amendments on companies, respondents were asked to estimate the anticipated effects—both costs and savings—arising from the introduction of the Amended ESRS, for both internal and external costs.

Regarding internal costs, Figure 12 shows that 59% of the sample expect a reduction in the range of 10–30% or higher, while 31% anticipate a reduction of less than 10%, and 10% expect no change at all. When it comes to external costs, Wave 1 preparers tend to be more cautious. In this case, 52% of respondents expect a reduction of 10–30% or more, while 23% anticipate a decrease of less than 10%, and nearly 25% foresee no change at all.

From the interviews, the reasons behind the more pessimistic responses—namely from those who foresee no change at all—appear to stem from company-specific negative experiences with the standards. Several respondents referred to prolonged exchanges marked by misunderstanding with their auditing teams. These experiences seem to have significantly influenced their perceptions, as evidenced in their overall assessment of the standards.

These differences, nonetheless, disappear when considering the median of the expected cost reductions. In fact, when using the midpoints of the ranges shown in Figure 12, the median reduction is about 20% in both cases, with smaller preparers having a more positive view of the expected savings. Furthermore, it is important to emphasize that, for both internal and external costs, nearly 20–25% of the companies consulted expect a quite significant reduction in the range of 30–50%.

Figure 12. Expected reductions in internal and external costs due to Amended ESRS



Source: Authors' own elaboration on targeted consultation

After having assessed the expected level of cost reductions, the analysis focuses on identifying the main drivers behind companies' responses. To this end, companies were asked to indicate which of the 22 proposed amendments they considered most important in reducing reporting costs, using a scale ranging from "not at all" (no impact) to "very significant impact."

Figure 13 shows the reported impact of the 22 amendments on cost reduction, ordered by the combined share of companies indicating a very significant or significant effect. Notably, while the reduction in the number of data points is important, it ranks only fourth among the main drivers of cost savings.

The leading factor is the relief on financial effects. This finding confirms the earlier results on the use of phase-ins by Wave 1 companies, which identified anticipated financial effects as one of the most challenging areas. This is followed by the reduction of unnecessary reporting requirements and the rationalization of the standards—both underscoring the importance of greater clarity and streamlining deriving from the amendment of the ESRS.

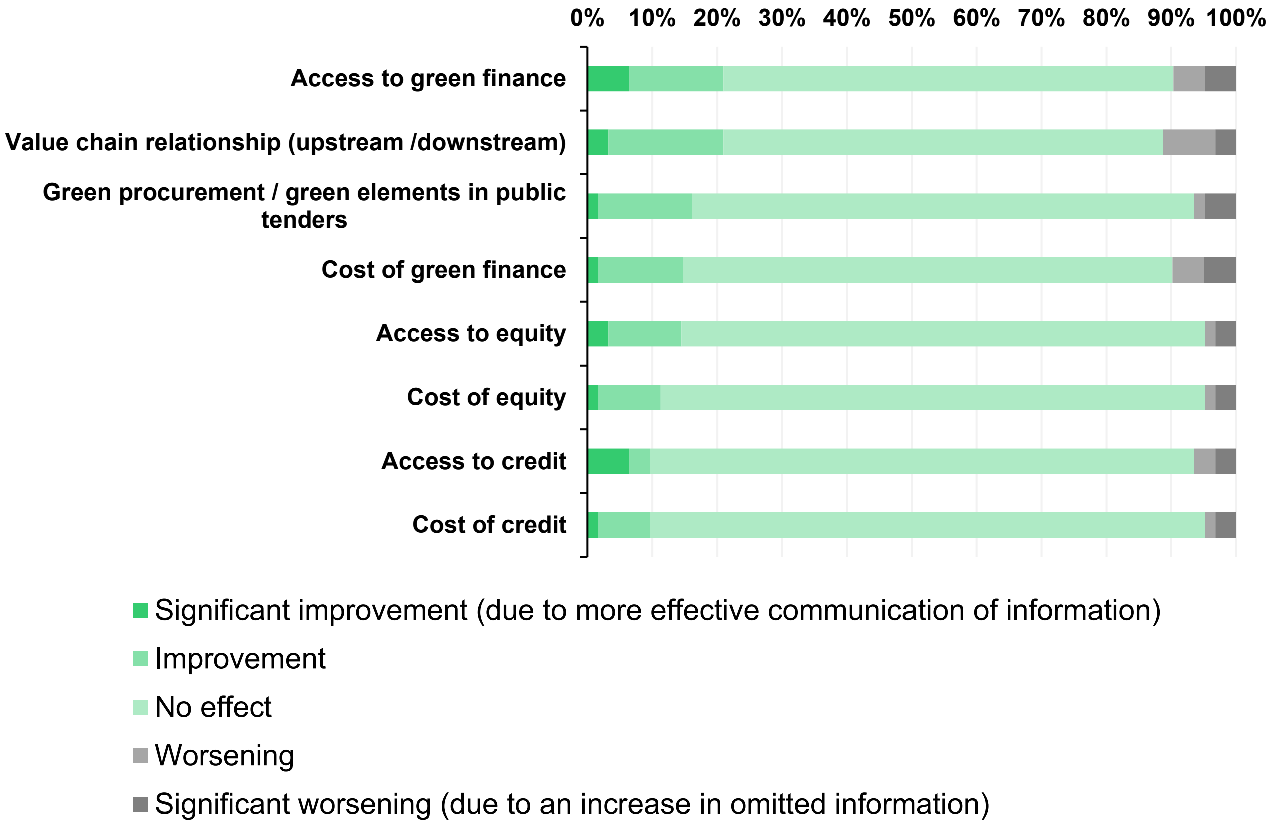
Figure 13. Importance of the amendments in reducing reporting costs

Source: Authors' own elaboration on targeted consultation

While reporting cost reductions are undoubtedly one of the main dimensions for evaluating the revision of the ESRS, the amendments may also generate broader benefits that are not directly captured through cost savings. These benefits may relate to how companies are assessed in terms of their ESG performance by external stakeholders, potentially influencing their access to credit and eligibility for green finance.

A potential risk is that simplification may reduce the quality of disclosed information and, in turn, affect stakeholder assessments. However, as shown by Figure 14, this does not appear to be the case. Most companies believe that the ESRS revisions will not negatively affect the way they are evaluated. It is important to note that a neutral effect is a positive result, as it indicates that the quality of information has been preserved.

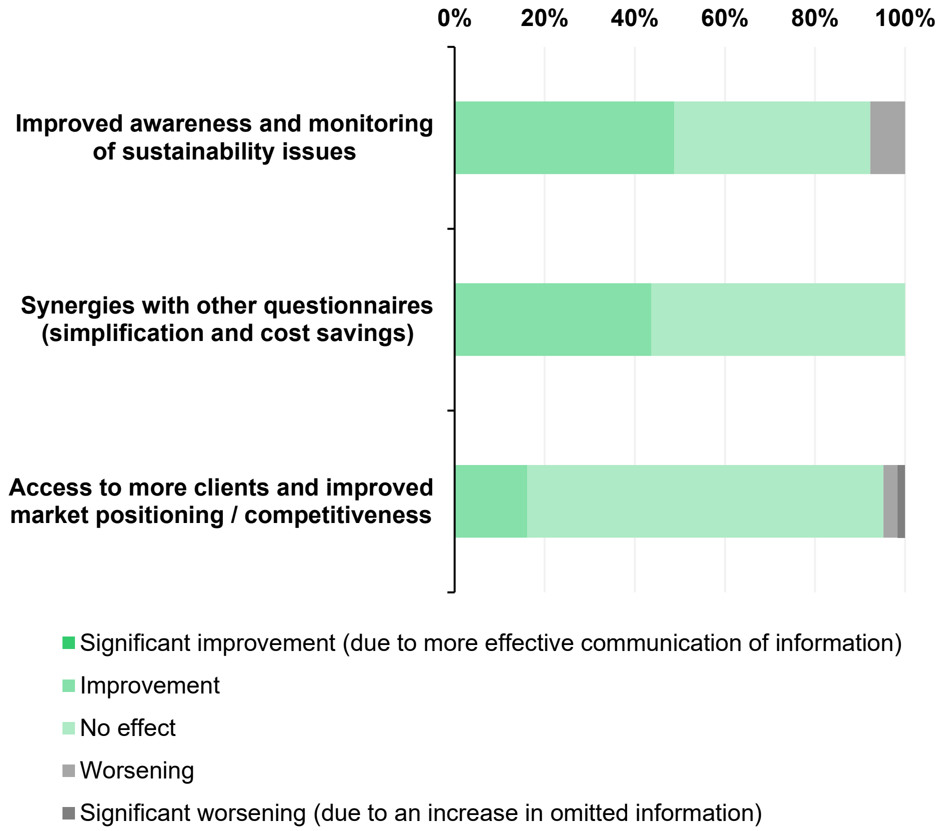
Figure 14. Effects of using the Amended ESRS on how a company is evaluated



Source: Authors' own elaboration on targeted consultation

The ESRS simplification has not impaired the quality of sustainability reporting, even when evaluated across other benefit dimensions. In fact, as shown, in Figure 15, at least 90% of companies believe that the streamlining of the ESRS will not worsen the awareness of sustainability issues, the synergies with other questionnaires, or their market positioning.

Figure 15. Benefits that the application of the Amended ESRS would bring on specific factors

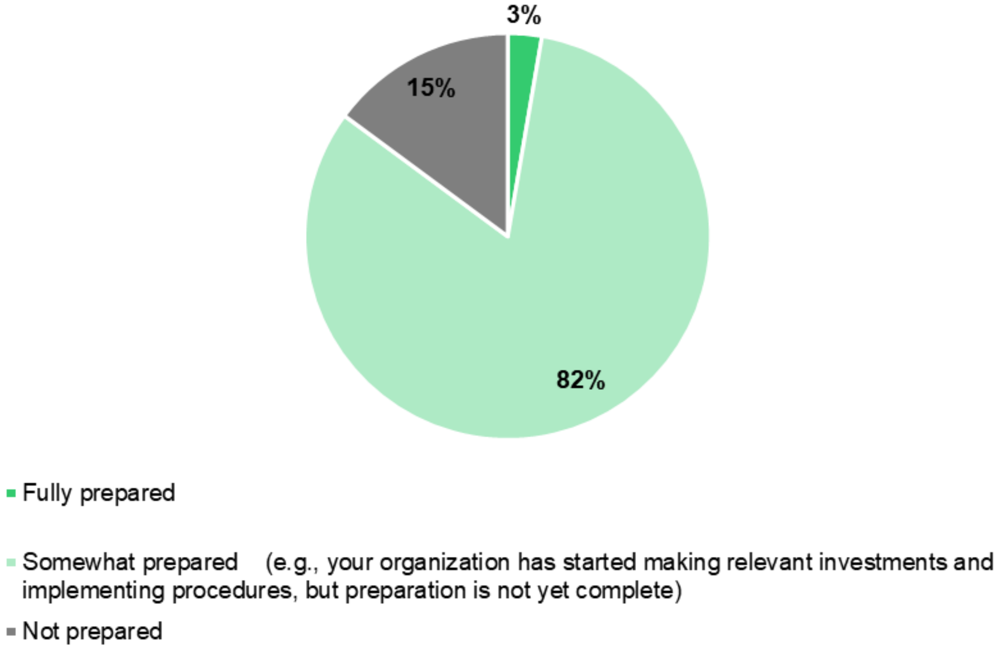


Source: Authors' own elaboration on targeted consultation

4.2. Other Waves preparers

Concerning other waves preparers, as shown in Figure 16, the vast majority of respondents (85%) reported being fully or somewhat prepared, meaning that they have begun making the necessary investments and establishing internal procedures to implement the ESRS, although they are not yet fully ready. Meanwhile, 15% of the companies declared that they are not prepared.

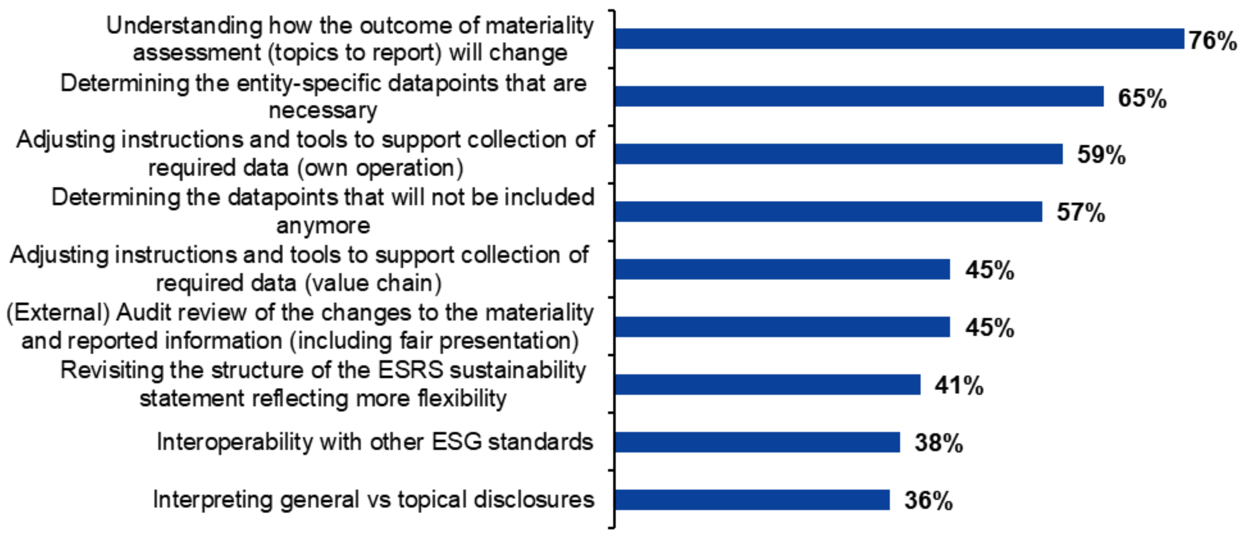
Figure 16. Preparedness of other waves companies in the application of the Amended ESRS



Source: Authors' own elaboration on targeted consultation

In Figure 17, the analysis delves into the aspects of adaptation within current reporting processes (ESRS as enacted in 2023) that preparers expect to require particular effort. At the top of the list there is how the identification of the topics to be reported will be impacted by the revisions. This is followed by the determination of entity-specific data points and the adjustment of internal operational systems to ensure they are suited to the collection of the required data.

Figure 17. Aspects of the adaptation of reporting to the Amended ESRS that other waves preparers anticipate as requiring significant effort



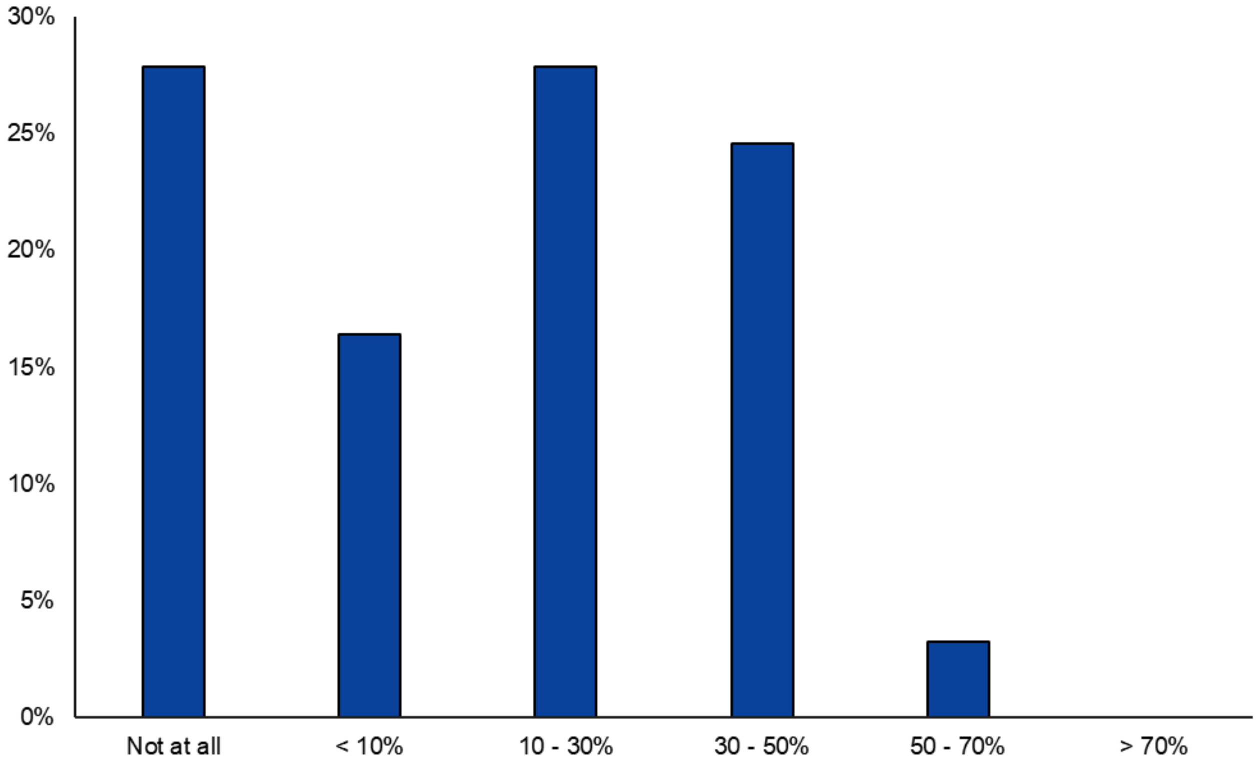
Note: Since multiple responses are allowed percentages do not add up to 100%.

Source: Authors' own elaboration on targeted consultation

Figure 18 presents the expectations regarding the cost reductions that preparers from other waves expect from the Amended ESRS. It is important to clarify that, since these companies have not yet implemented the first set of ESRS, these expectations should be interpreted relative to what they had planned to spend if no amendments to the ESRS had been introduced.[12]

As illustrated by Figure 18 the distribution of expectations regarding cost reductions align with those of Wave 1 preparers. Nearly 56% of the sample expect a reduction in the range of 10–30% or higher, while the remaining companies anticipate a decrease of less than 10%. Considering the median of respondents, expectations are largely in line with Wave 1 preparers (i.e., 20%).

Figure 18. Expected total cost reductions for other wave preparers



Source: Authors' own elaboration on targeted consultation

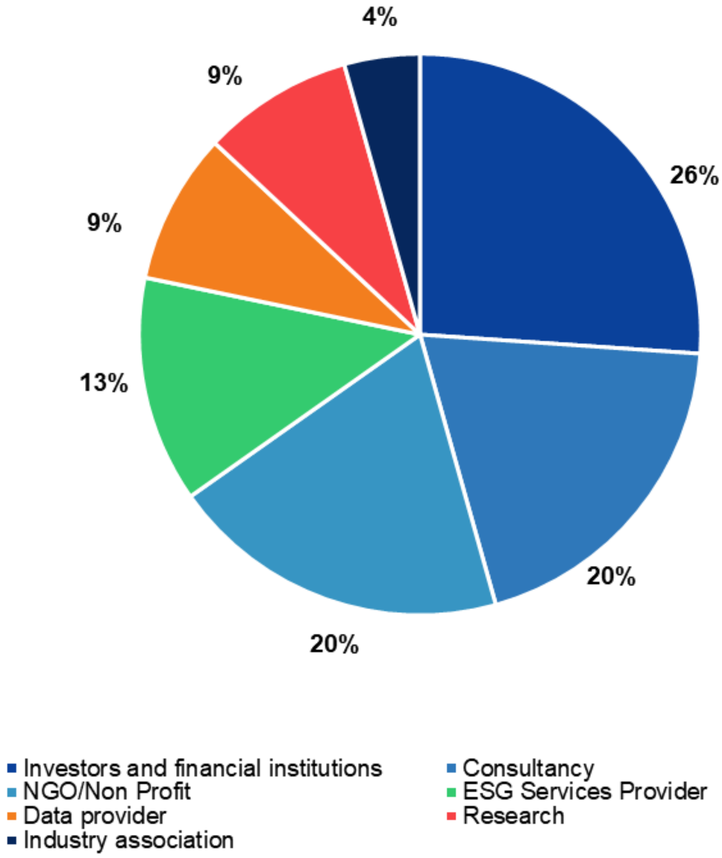
Regarding the budget that these companies plan to allocate for the implementation of the Amended ESRS, the median value for internal costs is approximately EUR 250,000, with around 50% of these costs being recurring. The median budget for external costs is EUR 125,000—nearly half of the internal budget—with 50% representing recurring expenses. Of these external costs, about 30% are dedicated to assurance activities.

4.3. Users

The analysis also assessed the impact of ESRS amendments on the users of ESG data. As Figure 19 shows, the sample of ESG users is predominantly composed of investors, which represent the largest share—reflecting the central importance of ESG data for investment decisions. NGOs and non-profit organizations follow, underscoring the relevance of ESG information for advocacy and policy engagement. Consultancies also account for a significant portion of the sample.

[12] Since these companies have not yet reported under the ESRS, we asked only about the total expected cost reduction, rather than distinguishing between internal and external costs as was done for Wave 1 preparers.

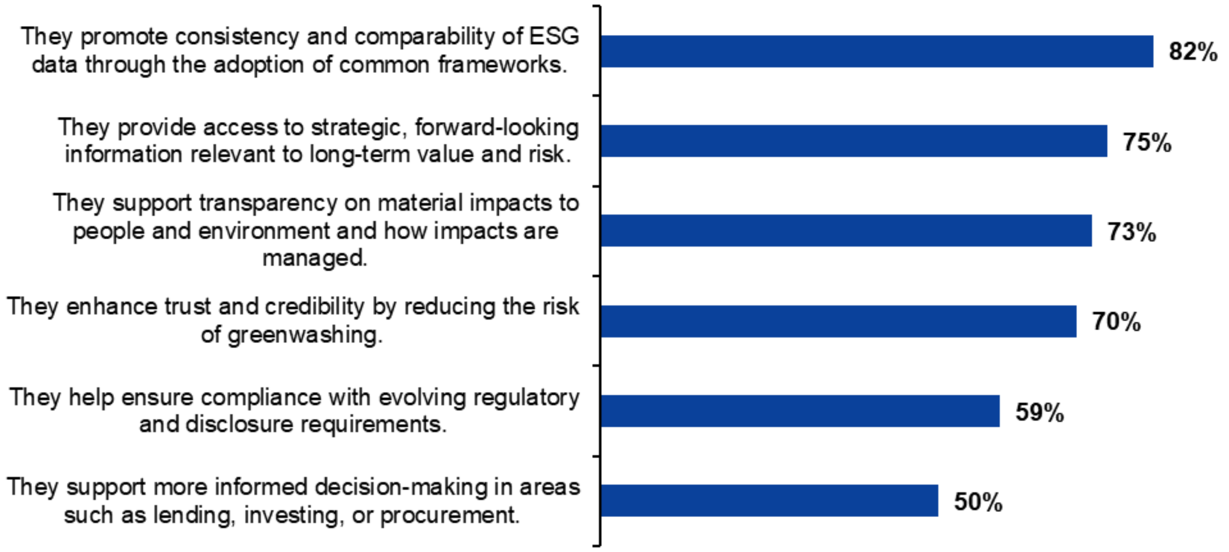
Figure 19. Distribution of users of ESG information



Source: Authors' own elaboration on targeted consultation

Figure 20 reports the main reasons why users consider ESG information important. The most frequently cited reason is that ESG standards ensure the comparability of data through the adoption of a common framework. This is followed by their role in providing a strategic assessment of long-term value and risk, as well as enhancing transparency. When focusing on investors and financial institutions, the most important reason why ESRS are important relates to making more informed decisions regarding lending, investing, and procurement.

Figure 20. Reasons why sustainability reporting standards are important to users of ESG information



Note: Since multiple responses are allowed percentages do not add up to 100%.

Source: Authors' own elaboration on targeted consultation

Figure 21, instead, shows the main ways in which users make use of the ESRS. The most frequently cited purpose is research and advocacy, followed by ESG ratings and scorings, and the selection of business partners. However, it is important to note that the heterogeneity in the use of the ESRS reflects the diverse composition of the sample, which includes a mix of NGOs, financial institutions, consultancies, data and ESG services providers, industry associations, and research institutions which are guided by different objectives. In fact, investment and credit risk assessment which ranks fourth out of five options is the main reason for using ESRS for investors and financial institutions.

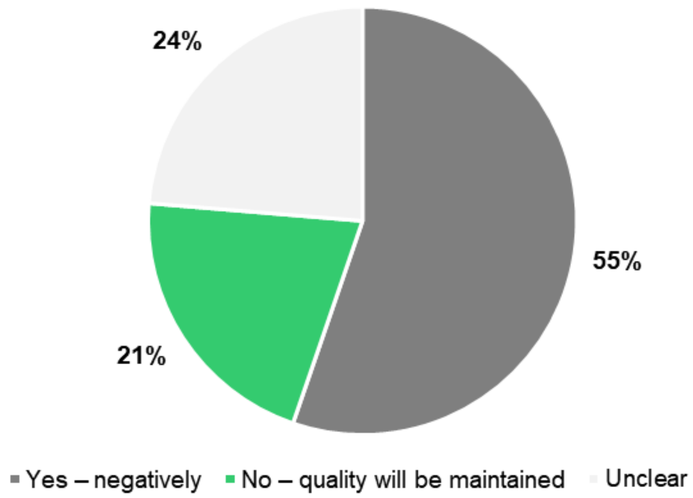
Figure 21. Users leverage ESRS-related disclosures

Note: Since multiple responses are allowed percentages do not add up to 100%.

Source: Authors' own elaboration on targeted consultation

As highlighted in the previous section on Wave 1 preparers, the surveyed and interviewed companies generally agree that the streamlining introduced by the Amended ESRS does not come at the expense of data quality. Users, however, appear less optimistic about whether the simplification of the ESRS will preserve the quality of information. In fact, Figure 22 shows that 55% of users believe that the ESRS amendments will negatively affect information quality (67% when considering investors and financial institutions only), 24% consider the impact to be unclear, and only 21% believe that the quality will be maintained.

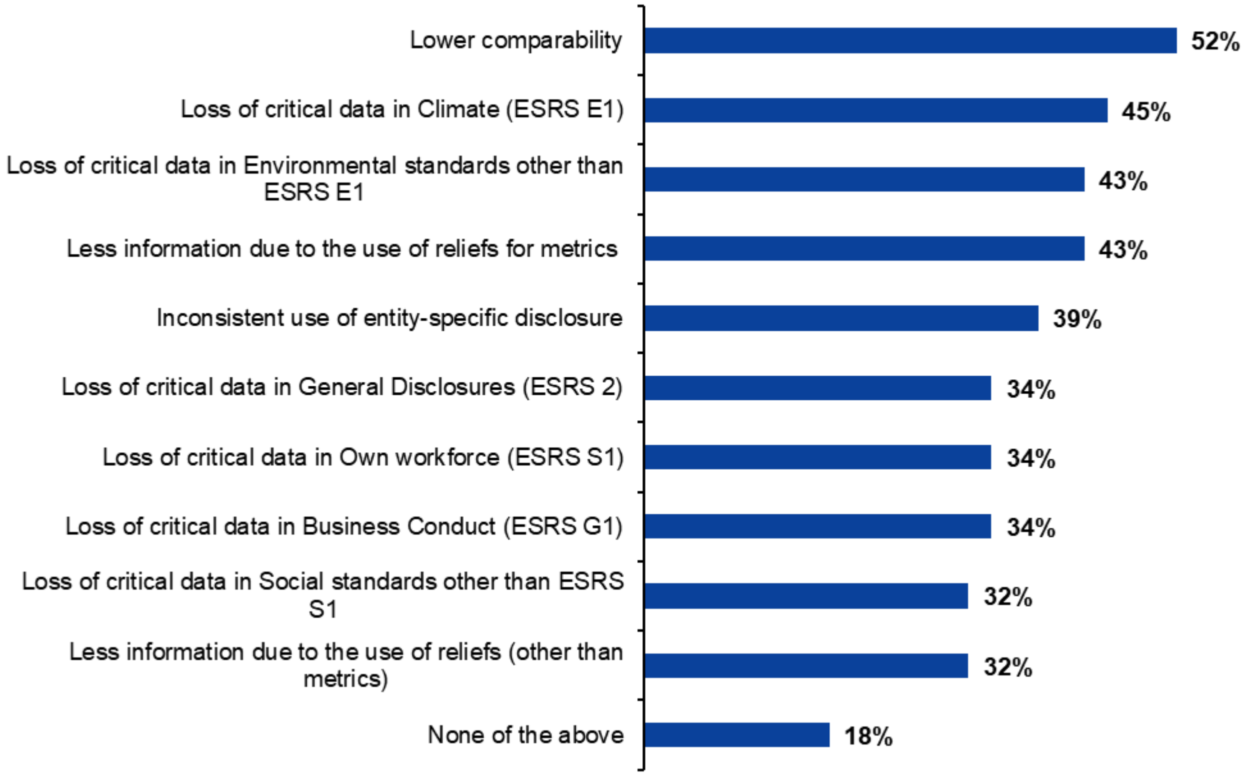
Figure 22. Users beliefs on whether the Amended ESRS will impact the quality of information



Source: Authors' own elaboration on targeted consultation

In Figure 23, we explore users' concerns about the potential reduction in information quality resulting from the ESRS amendments by breaking down the underlying reasons. The main concern identified is the loss of comparability, followed by the perceived loss of critical climate and environmental related data, and more general worries about the reduced number of metrics.

Figure 23. Users concerns on the effects of the reduction in datapoints

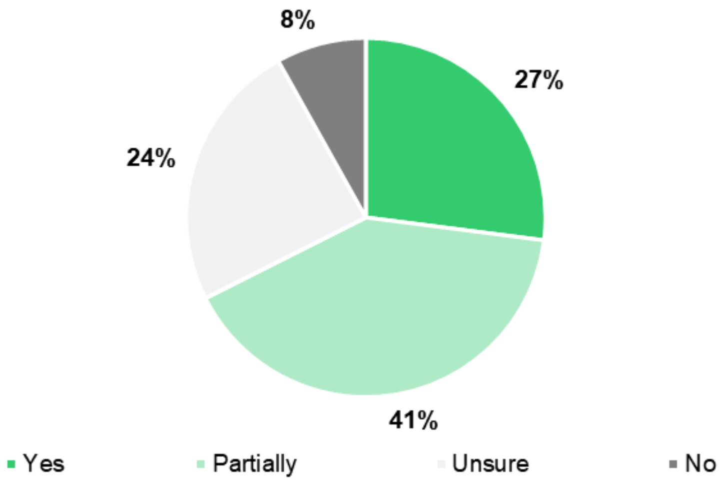


Note: Since multiple responses are allowed percentages do not add up to 100%.

Source: Authors' own elaboration on targeted consultation

Users of ESG data, however, also see benefits from the ESRS amendments. As shown in Figure 24, about 68% believe that the streamlining of the ESRS will improve, at least partially, the relevance and usability of sustainability information. However, it is worth noting that none of the financial institutions or investors surveyed or interviewed provided a definitive "yes."

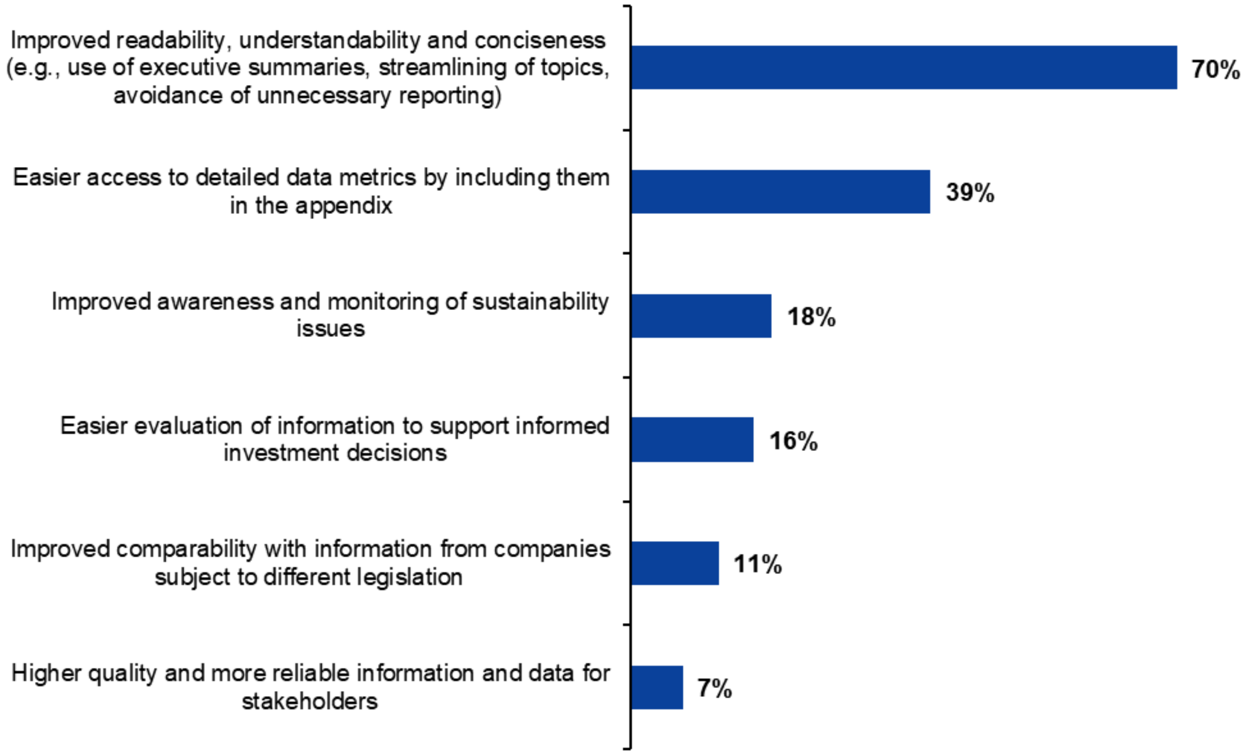
Figure 24. Users beliefs on the effects of the Amended ESRS in improving the relevance and usability of sustainability information



Source: Authors' own elaboration on targeted consultation

The reasons behind this positive expected effect on relevance and usability are detailed in Figure 25. Improved readability stands out as one of the main benefits users attribute to the Amended ESRS, explaining their more positive views on the usability of the information. Consistent with this finding, more than one-third of users also believe that the option to use appendices for more detailed and EU Taxonomy-related information is an important factor in enhancing the readability of the ESRS.

Figure 25. Main benefits for users of the Amended ESRS compared to ESRS as enacted in 2023

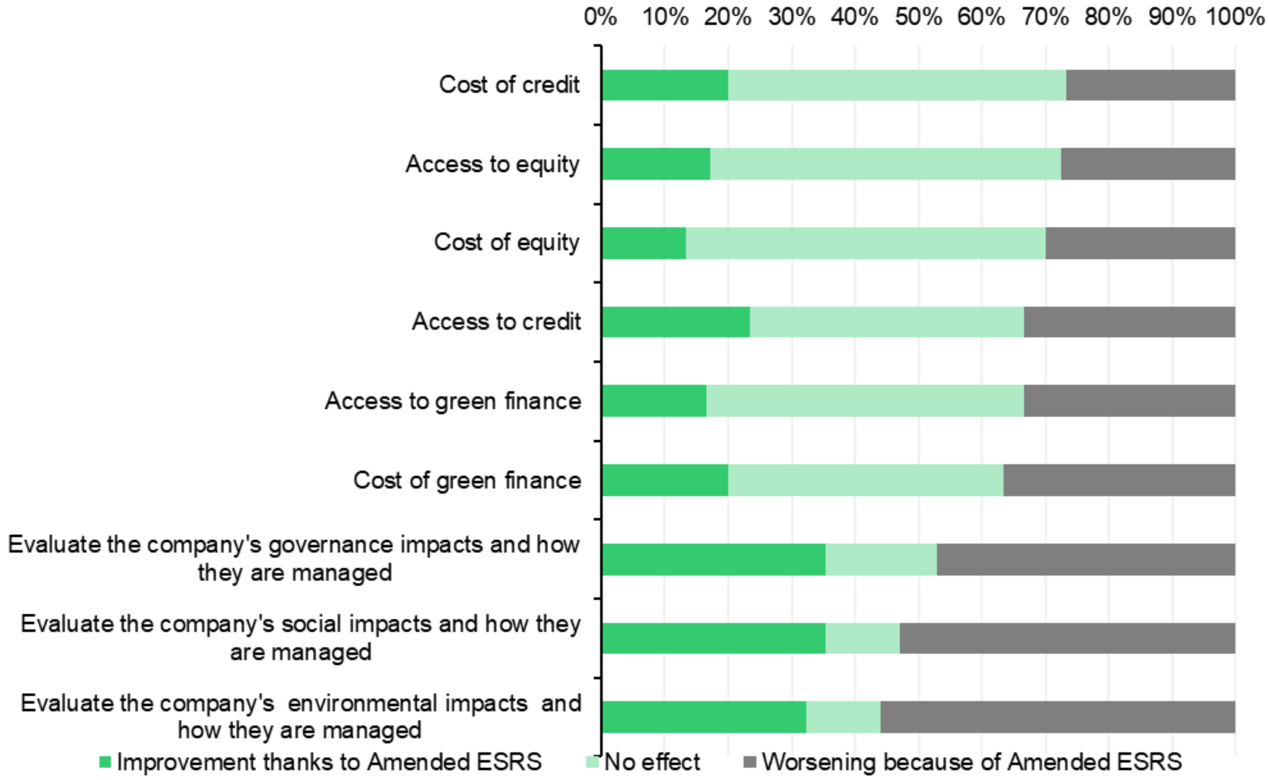


Note: Since multiple responses are allowed percentages do not add up to 100%.

Source: Authors' own elaboration on targeted consultation

In the section dedicated to Wave 1 preparers, we examined how companies believe the streamlining of the ESRS would affect the way they are assessed by users of ESG data. We now explore the same aspect from the users' perspective. As shown in Figure 26, with regard to financially related dimensions—ranging from the cost of credit to the cost of green finance—the results are largely consistent with those observed for Wave 1, as users do not foresee any significant worsening in these areas. On the other hand, users appear more concerned about their ability to evaluate companies' ESG performance in terms of governance, social, and environmental impacts, as well as how these impacts are managed.

Figure 26. Users beliefs on the effect of the Amended ESRS on companies' evaluation



Source: Authors' own elaboration on targeted consultation

5. COST-BENEFIT ANALYSIS

5.1. Introduction

The Cost-Benefit Analysis (CBA) of the Amended ESRS is structured to provide a comprehensive assessment of the effects of the simplification measures. The analysis considers both negative and positive impacts arising from the Amended ESRS, distinguishing between direct and indirect impacts, and employs a combination of quantitative and qualitative methods, depending on the nature of the effect and the availability of evidence. The CBA of the amended ESRS is presented in Section 5.2, supported by a sensitivity analysis.

The measurement of the costs and benefits relies on a sequential methodology, that required assessing the preparers' reporting costs and cost savings of the various versions of ESRS:

- The **ESRS as enacted in 2023** served as the baseline to assess the impacts of the revision. Hence, the analysis first identifies the costs in which preparers incurred (or would have incurred in case of Wave 2 preparers), under the initial application of the standards; these impacts are assessed through a combination of quantitative (Standard Cost Model – SCM) and qualitative methods, based on the data reported during the targeted consultation.
- Then, the costs and cost savings generated by the **Exposure Draft (ED) ESRS** were considered. Here, the analysis identifies what changes were proposed compared to the ESRS 2023 and how these translated into changes in costs and cost savings. Indirect benefits for suppliers within the value chain, in the form of fewer, shorter or more standardised requests for information, are also examined. The cost savings are quantified through the SCM, based on the data retrieved during the targeted consultation.
- Finally, the preparers' cost and costs savings of the **Amended ESRS** are estimated identifying changes between the ED and the Amended ESRS and then assessing how these impact the costs and benefits for preparers and users.

5.1.1. Target groups and impacts considered

The CBA focuses on two target groups, and namely.

- **Preparers.** These are the companies expected to remain in scope of the CSRD following the Omnibus proposal[13] and therefore required to apply the Amended ESRS. Preparers are further segmented in:
  - **Wave 1 preparers,** i.e. those companies that have already produced sustainability statements under the original ESRS framework. This includes both so-called Wave 1 preparers, as well as voluntary preparers.
  - **Wave 2 preparers**¸ which have not yet produced sustainability statements according to the ESRS but will have to do so from FY 2027 onwards (publication in 2028).

  The CBA also accounts for certain impacts on the preparers' value chain (trickle down indirect costs due to the preparers' information requests).
- **Users.** These include companies that will use the information provided in ESRS statements, such as:
  - **Financial institutions** that provide credit, equity or related services to ESRS companies, including banks, insurance companies, investors and rating agencies.
  - **Civil society,** such as NGOs and trade unions.

The CBA focuses on several relevant impacts arising from the Amended ESRS, distinguishing between negative (costs) and positive (benefits). Those are listed in Table 4 below, together with information on their type, affected group, and methodology used.

[13] *Cf. note 5 above.*

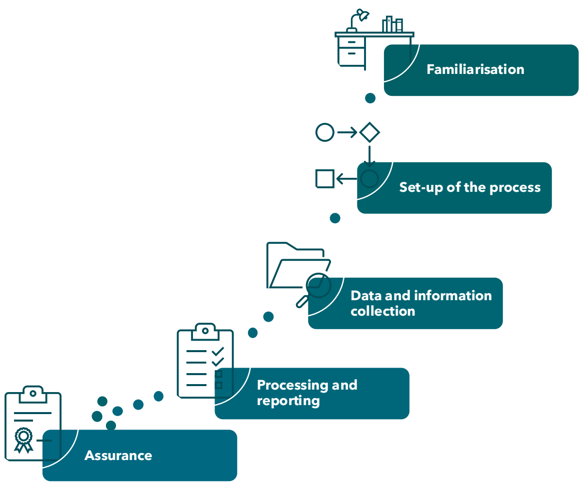
Table 4. List of costs and benefits

Benefit	Type	Affected stakeholder	Methodology
Reporting cost savings	Direct	Preparers	Quantitative
Assurance cost savings	Direct	Preparers	Quantitative
Trickle down cost savings	Indirect	Preparers' value chain	Quantitative
Administrative cost savings from simplified ESRS	Direct	Users	Qualitative
Improvement of competitiveness, access to finance	Direct	Preparers	Qualitative
Cost	**Type**	**Affected stakeholder**	**Methodology**
Adjustment costs	Direct	Wave 1 Preparers	Quantitative
Administrative costs: from loss of information	Direct	Users	Qualitative
Worsening of competitiveness, access to finance	Direct	Preparers	Qualitative

5.1.2. Administrative activities for ESRS reporting

The administrative activities required to comply with this Information Obligation (IO) are represented in Figure 27.

Figure 27. Administrative activities for ESRS Reporting



Source: Authors' own elaboration

- **Familiarisation.** The preparer needs to familiarise with the obligations included in the applicable legal framework, that is the CSRD, as well as the ESRS.
- **Set-up of the process.** The requirements of the ESRS must be matched with the needs and activities of the preparers. The applicable requirements must be identified following a double materiality assessment. The company needs to decide whether and to what extent to carry out the activity internally, hire an external consultant or purchase an IT solution. In-house activities

need to be allocated to the various personnel and functions. Internal sources of data should be mapped and gaps identified.
- **Data and information collection.** Preparers have to prepare the data and information requested to issue the statements, in the format and based on the metrics required. The data and the information that are not already available in the required format will have to be collected or processed from existing sources.
- **Processing and reporting.** Once all the necessary data and information are made available, these need to be processed and analysed to produce the ESRS sustainability statements.
- **Assurance.** ESRS reports are subject to limited assurance, which needs to be provided by an independent auditor. The assurance process requires monitoring both the reporting process and its outcomes, including the materiality assessment, and often requires support by internal personnel, in the forms of clarifications and revisions.

5.1.3. Methodology

ESRS reporting costs, including assurance and trickle-down costs, **and cost savings are measured via the SCM,** as recommended under the European Commission's Better Regulation framework[14].

The quantification of cost savings requires defining the proper **baseline**, which allows to compare the projected costs under the Exposure Draft ESRS with the baseline established by the ESRS as enacted in 2023:

- For Wave 2 **preparers**, the standard is used: **the reporting costs of the Amended ESRS, including one-off and recurring, are compared with the reporting costs that would have been borne under the ESRS as enacted in 2023.** The information on potential and perspective costs is retrieved from Wave 2 preparers which have already started the reporting process. Information from Wave 1 preparers is used to fill data gaps.
- The baseline is more complex with respect to **Wave 1 preparers:**
  - One-off implementation costs (e.g. for familiarisation, training, IT costs) and have become 'sunk'. Even though the Amended ESRS have eliminated the need for some of those implementation activities, the Amended ESRS cannot reduce costs which have already been borne.
  - Hence, **the proper comparison needs to compare the recurring costs that Wave 1 preparers would have incurred in the years following that of the first implementation of the ESRS, with the recurring costs of the Amended ESRS.**
  - ESRS recurring costs for FY 2024 are not representative of the full costs of the ESRS, due to the **phase-ins**. Hence, to calculate the savings, the recurring costs once phase-ins cannot be used anymore should be considered as the appropriate baseline.[15]
  - In addition, the one-off costs for adapting to the new standard (e.g. additional familiarisation, training, adjustment to data collection and IT systems) need to be accounted for.

The SCM calculates administrative costs using the formula **Reporting costs = P × Q**[16]**.**

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[14] European Commission. (2021, November). Better regulation guidelines (SWD (2021) 305 final). Commission Staff Working Document. https://commission.europa.eu/law/law-making-process/better-regulation/better-regulation-guidelines-and-toolbox_en.

European Commission. (2023, July). Better Regulation Toolbox. https://commission.europa.eu/law/law-making-process/better-regulation/better-regulation-guidelines-and-toolbox_en.

[15] For more details, see Box 4 below.

[16] Administrative costs are calculated without differentiating between administrative costs and administrative burdens. This choice is justified by the nature of the intervention under examination, which concerns simplification measures rather than the introduction of new reporting obligations. The distinction between "business-as-usual" activities and costs arising solely from legal requirements is most relevant when assessing the incremental effect of additional obligations. In the present case, the counterfactual consists of the original ESRS framework, which has already been implemented by preparers. The relevant impact of the simplification therefore lies in

In this formula, P (Price) represents the annual cost per company for ESRS reporting. For this CBA, the costs include:

- **Internal costs**, which is the time spent by the preparers' personnel. It is measured in person/days, which are then converted into monetary value by using the standard daily salary, including overheads.[17]
- **External costs,** that are the fees spent for the following activities: (i) consultants' support (e.g. for training, familiarisation, set-up of the data collection process, DMA); (ii) fees paid to auditors; and (iii) IT costs. Those costs are collected and measured directly in monetary terms; when they concern one-off activities, they are annualised by considering the appropriate depreciation period (e.g. 5 years for IT equipment and legal familiarisation activities).

Data to estimate costs were primarily obtained from the interviews and the survey. Respondents included 158 preparers, of which 82 Wave 1 and voluntary preparers, and 76 Wave 2 preparers; 106 respondents (51 and 55 respectively per each group) could provide quantitative estimate on reporting costs and costs savings, well beyond the minimum number of data points recommended for SCM exercises. Secondary sources, like the documents cited in Chapter 4, have been used to assess the validity of estimates. To identify the standard cost for a normally efficient firm, the median value for the various population segments has been used, unless differently indicated.

The population (Q) refers to the enterprises anticipated to fall within the scope of the CSRD, according to the Omnibus proposal. Therefore, <u>this CBA does not estimate the cost savings associated with the reduction in the scope of the CSRD</u>, but only how reporting costs vary for the companies in scope because of the ESRS revision. The number of preparers is estimated in 6,753. Cost data shows that there are significant differences among preparers, depending on their size. In particular, very large and complex multinationals face much higher costs than the 'standard' CSRD companies. Hence, to increase the accuracy of the analysis, preparers are split into two segments: above and below 10,000 employees[18]. The latter includes 5,926 preparers (88% of the total), while 827 preparers have more than 10,000 employees. Population statistics are shown below.

Table 5. Number of Preparers

	Below 10,000 employees	Above 10,000 employees	Total
Wave 1 Preparers	1,062	473	1,535
Wave 2 Preparers	4,864	354	5,218
Total	5,926	827	6,753

Source: NFRD, Omnibus Proposal, Orbis database

Finally, effects on competitiveness, access to credit and impacts on users are assessed qualitatively. This is done in two steps. First, by verifying whether the Amended ESRS is likely to affect such dimensions compared to the baseline, i.e. the ESRS as enacted in 2023. Second, by identifying the direction and magnitude of the change, based on inputs from the interviews and the survey.

the reduction of the overall administrative effort required, regardless of its classification into baseline or burden components. By treating administrative costs in aggregate, the analysis ensures consistency with the focus on cost savings and avoids introducing unnecessary complexity into the quantification exercise.

[17] The salary is calculated based on Eurostat's data series ' Mean annual earnings by sex, age and occupation - NACE Rev. 2, B-S excluding O (2022)'. The following professional figures are considered for ESRS reporting: (i) managers; (ii) professionals; and (iii) clerks. Their contribution to ESRS reporting is as follows: 10% of time spent concerns manager, 40% professionals, and 50% clerks. National salaries are weighted by the company population (number of preparers established in each Member State). This results in an EU average daily salary of EUR 294/day, including 25% overheads.

[18] The threshold has been determined by considering the variance of cost estimates within each segment. The variance of cost estimates within each group is minimised for a threshold of 10,000 and 40,000 employees. The former is chosen to ensure a proper representation of both segments among respondents. Due to data availability, further segmentation cannot be provided.

Data are summarised into a soft, or partial, CBA, in which the analysis of net benefits, as resulting from the algebraic sum of additional costs and cost savings is complemented by a quali-quantitative assessment of the other impacts. The time span for the analysis is over 5 years, from 2027 to 2031.

Finally, the CBA is supported by a sensitivity analysis of the key parameters, to test whether results are robust to changes to the assumptions.

5.2. Cost-Benefit Analysis of the Amended ESRS

The Amended ESRS deliver significant positive benefits for preparers. Overall, the cost savings amount to EUR 476 million in 2027, EUR 900 million in 2028, and EUR 747-805 million annually in 2029–2031; **total savings over the period amount to EUR 3.7 billion.** In percentage terms, over the five-year period, savings correspond to **34% of the baseline costs** (namely, 28% in 2027, 38% in 2028, and 33-36% from 2029 onwards). Results, in total and separately for Wave 1 and Wave 2 preparers, are shown respectively in Table 6, Table 7 and Table 8 below.

Accounting for value chain savings, these would add each year, EUR 97 million of savings from the value chains of Wave 1 preparers, and EUR 146 million for those of Wave 2 preparers. The savings would hence increase by about EUR 1.1 billion over the period. **Total savings would hence increase from EUR 3.7 billion to EUR 4.7 billion that is, in percentage terms, from 34% to 44%.**

Table 6. Total reporting costs and costs savings (EUR millions) – Amended ESRS

Year	2027	2028	2029	2030	2031
Baseline – ESRS 2023	1,705	2,370	2,237	2,237	2,237
Amended ESRS	1,229	1,471	1,433	1,491	1,491
Reporting costs	1,068	1,467	1,429	1,487	1,487
Adjustment costs	161	3	3	3	3
Net savings	476	900	805	747	747
	28%	38%	36%	33%	33%

Source: Authors' own elaboration on targeted consultation

Table 7. Total reporting costs and cost savings (EUR millions) – Wave 1 Preparers – Amended ESRS

Year	2027	2028	2029	2030	2031
Baseline – ESRS 2023	1,041	1,041	1,041	1,041	1,041
Amended ESRS	830	672	672	702	702
Reporting costs	669	669	669	699	699
Adjustment costs	161	3	3	3	3
Net savings	211	368	368	338	338
	20%	35%	35%	32%	32%

Source: Authors' own elaboration on targeted consultation

Table 8. Total reporting costs and cost savings (EUR millions) – Wave 2 preparers – Amended ESRS

Year	2027	2028	2029	2030	2031
Baseline – ESRS 2023	665	1,330	1,197	1,197	1,197
Amended ESRS	399	799	761	788	788
Reporting costs	399	799	761	788	788
Net savings	266	531	436	409	409
	40%	40%	36%	34%	34%

5.2.1. Sensitivity analysis

This section presents a sensitivity analysis of two key parameters used for the CBA. These are chosen based on their importance and influence to determine the overall CBA results; and the degree of uncertainty associated with their estimation (due to limited, prospective, or uncertain evidence).

The parameters tested are:

- **Impacts of phase-in**. This parameter is crucial to determine the 'true' baseline costs, and hence the savings associated with the Amended ESRS. Its effects are uncertain because they refer to hypothetical future scenarios[19] and also because respondents could not provide detailed quantitative information on the specific savings associated with the various phase-in clauses. To assess this uncertainty, the CBA results are tested under three scenarios derived from the econometric analysis: optimistic (without phase-in, reporting costs would increase by 32%); intermediate (21%) and optimistic (13%).
- **Cost reduction factor of the amended ESRS**. Information from both the survey and the interviews suggests that the simplification of the ESRS is expected to moderately reduce costs. However, the exact magnitude of this reduction is uncertain for two main reasons: first, because quali-quantitative feedback had to be translated into quantitative parameters, and second because respondents may not yet fully perceive the potential cost reductions. Uncertainty is deemed particularly higher for Wave 2 preparers, who have not yet completed a full reporting cycle. To test the robustness factors, three scenarios are built as follows:
  - (i) low-cost reduction: Wave 1 preparers' estimates of savings are decreased by 8 pp; Wave 2 preparers' estimates by 12 pp.;
  - (ii) central reduction: based on the estimates collected from the targeted consultation;
  - (iii) high-cost reduction: Wave 1 preparers' estimates of savings are increased by 8 pp.; Wave 2 preparers' estimates by 12 pp.[20]

Results of the sensitivity analysis are shown in the Table below. Considering the base scenario and the sensitivity scenarios described above, cost savings from the Amended ESRS can be estimated at 24-47% of the current costs, corresponding to EUR 2.6 to 5.0 billion over the five-year period in scope of the analysis. Once indirect benefits for the value chain are considered, the savings increase to 34-57% of the current costs, corresponding to EUR 3.7 to 6.1 billion.

Results are also tested under the most extreme combined scenario, i.e. the one where both the impact of phase-ins and the reduction factor are the lowest. Savings would be reduced by about half compared to the base scenario and would be estimated at about EUR 1.9 billion (18% of current costs), and EUR 3.0 billion (28% of current costs) once the impacts on the value chain are included. However, the CBA continues to be robust, showing a significant and positive impact in terms of cost savings also in this most pessimistic scenario.

[19] I.e., how much would reporting costs have been were the phase-ins not used / how much would reporting costs be when the phase-ins expired?

[20] As explained above, there is considerable uncertainty also on the value chain indirect benefits. However, the impact of this uncertainty on the CBA is limited, considering that they are not accounted in the baseline scenario and only conservatively estimated in the CBA.

Table 9. Sensitivity analysis – CBA of the Amended ESRS

Scenarios	Savings 2027-2032		Including value chain	
	EUR millions	%	EUR millions	%
Base scenario	3,674	34%	4,745	44%
Phase-in (Optimistic)	4,655	43%	5,727	53%
Phase- in (Pessimistic)	2,961	27%	4,033	37%
Low-cost reduction	2,580	24%	3,652	34%
High-cost reduction	5,037	47%	6,108	57%
Phase-in pessimistic, low-cost reduction	1,917	18%	2,988	28%

Source: Authors' own elaboration

5.3. Reporting costs of ESRS as enacted in 2023

5.3.1. Wave 1 preparers

Table 10 estimates **first-year ESRS implementation costs under ESRS Set 1** for Wave 1 preparers, distinguishing between companies with **fewer than 10,000 employees** and those with **more than 10,000 employees**.

- **Internal costs** (excluding support to assurance) are estimated at **EUR 130,000** for smaller preparers and **EUR 540,000** for larger ones. These correspond to an estimated **2.0 Full-Time Equivalents (FTEs)** and **8.3 FTEs** of staff effort respectively.[21]
- **External consultancy costs** amount to **EUR 40,000** for smaller companies and rise to **EUR 390,000** for larger companies. External consultants can be involved in a wide range of activities with very different costs, among the most frequently cited one can find familiarisation and training, DMA preparation, assistance with report drafting, and emission calculations. Larger companies are more likely to use external consultants, and, when they do, they typically involve them for larger projects.
- **External IT costs** are estimated at **EUR 10,000** and **EUR 210,000** respectively.
- **Assurance costs** are substantial, reaching **EUR 115,000** for smaller companies and **EUR 1 million** for larger ones. Out of total assurance, costs, the **assurance fees** charged by external providers represent **EUR 100,000** and **EUR 800,000**, while **internal assistance** amounts to **EUR 15,000** (0.2 FTEs) and **EUR 200,000** (3.1 FTEs).

Overall, the **total ESRS implementation costs in the first year** are estimated at **EUR 287,000** for preparers below 10,000 employees and **EUR 1.97 million** for those above 10,000 employees (for an explanation of how the 10,000 employees threshold was selected see box 2 below). For larger preparers, the largest cost element is given by assurance costs, which absorb more than 50% of the resources; the figure is slightly lower for smaller preparers (about 40% of total costs).

[21] *In the context of this CBA, full-time equivalent (FTE) is used as a standardised measure of the internal human resources that companies allocate to sustainability reporting activities. An FTE corresponds to the workload of one full-time employee over one year It is calculated by converting the total number of hours worked by all staff involved in reporting-related tasks into the equivalent number of full-time staff positions, considering standard employment values (8 hours per day, 220 working days per year).*

Table 10. ESRS (2023) implementation costs, first year – Wave 1 preparers (EUR/year)

Wave 1 Preparers	Below 10,000	Above 10,000
Internal costs	130,000	540,000
Person days equivalent	2.0	8.3
External costs (consultants)	40,000	390,000
External costs (IT)	10,000	210,000
Annualised	*2,000*	*42,000*
Assurance costs	115,000	1,000,000
of which: Fees	*100,000*	*800,000*
of which: Internal assistance	*15,000*	*200,000*
ESRS (2023) implementation costs, first year	287,000	1,972,000

Source: Authors' own elaboration on targeted consultation

The above estimates, based on real costs borne by companies rather than ex ante forecasts, are higher than those produced at previous stages of the policy process of CSRD and ESRS preparation. The CSRD Impact Assessment[22] estimated total reporting costs of about EUR 130,000, while the CBA of the ESRS[23] conducted by CEPS and Milieu in 2023 estimated costs in the range of EUR 150-180,000[24]. Those costs are not very far from the estimates for smaller preparers, albeit assurance costs were underestimated (EUR 40,000 and EUR 55-85,000 respectively). However, they failed to capture the significantly higher costs that the larger preparers have incurred.[25] By considering two population segments based on firm's size, the current analysis accounts for the complexity of ESRS for very large multinationals.[26]

[22] *European Commission. (2021, April 21). Commission staff working document: Impact assessment: Accompanying the document proposal for a directive of the European Parliament and of the Council amending Directive 2013/34/EU, Directive 2004/109/EC, Directive 2006/43/EC and Regulation (EU) No 537/2014, as regards corporate sustainability reporting (SWD(2021) 150 final). https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52021SC0150.*

[23] *Cf. note 24 below*

[24] *Milieu Law & Policy Consulting, & Centre for European Policy Studies. (2022, November). Cost-benefit analysis of the first set of draft European sustainability reporting standards: Final report. EFRAG. https://www.ceps.eu/ceps-publications/cost-benefit-analysis-of-the-first-set-of-draft-european-sustainability-reporting-standards/.*

[25] *Also, because they often operate in countries outside the EU regulatory environment where data and information are to be retrieved from scratch.*

[26] *From the targeted consultation, it emerges that even higher costs, up to EUR 15,000,000 can be incurred by the largest companies with several subsidiaries outside the EU. However, these are not deemed representative of the standard firm, as required by the SCM methodology.*

Box 3. Segmentation of the population by company size and variation of reporting costs across Member States

Following feedback from the EFRAG SRB and SR TEG, the Study Team conducted additional analyses on specific sub-segments of the population of Wave 1 preparers to identify whether further cost-related insights could be identified.

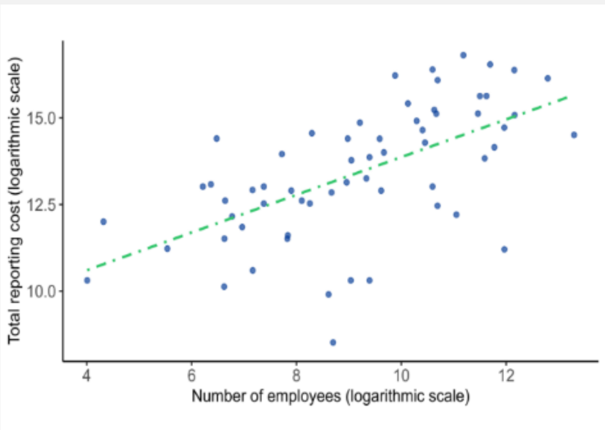
As illustrated in the left-hand graph (Figure 28) below, there is a direct correlation between firm size and reporting costs. The correlation is logarithmic, and it shows that whenever firm size doubles, reporting costs increase by approximately 46%.

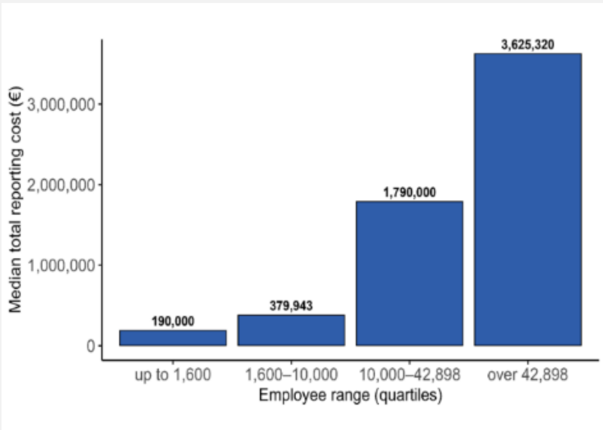
Further segmentations in terms of number of employees were analysed, splitting preparers into two different sub-groups. First, as discussed with the EFRAG SRB and TEG, small preparers were split into those with 5,000 employees or less, and those with between 5,000 and 10,000 employees. No significant differences in reporting costs emerged between the two groups. In particular, for each cost category considered (internal costs, external costs, assurance costs), the difference between the two groups was less than 10% of the average costs. Considering the number of data points available, this difference is deemed not significant, and further confirms that the 10,000 threshold is appropriate in dividing the population between smaller and larger preparers.

Other thresholds were tested, and they indeed confirm the positive correlation between company size and reporting costs. The right-hand graph shows the median reporting costs given the four quartiles of the company size distribution. In other words, it uses three thresholds: 1,600 employees, 10,000 employees and about 43,000 employees, which split the company population in four groups of equal size. Similar to the segmentation used in this study, there appear significant differences among the segments, but with the greatest difference below and above 10,000 employees.

For analytical robustness, a two-segment approach was adopted (below and above 10,000 employees), ensuring that each segment contained a sufficient number of data points. This reflects the trade-off between segmentation granularity and statistical reliability across cost categories.

Figure 28. Reporting costs and firms' size





Source: Authors' own elaboration on targeted consultation

Company size accounts for most of the variation in reporting costs. This makes it difficult to explore cross-country variation, because the average reporting cost in country A vs. country B will be, first and foremost, influenced by the size of the respondents in each country. In other words, if respondents from country A are, on average, larger than those from country B, the analysis will spuriously attribute higher costs to country A, rather than to the company's size. A joint analysis controlling simultaneously for both country and company size was not feasible due to the limited number of respondents available per country and segment.

Nevertheless, using the information from the targeted consultation, reporting costs have been computed as a share of revenues across several countries. While this is only an imperfect proxy, since revenues vary substantially across industries (e.g., manufacturing versus financial services), it provides a useful indicative overview. In this respect, the analysis shows that German companies in the sample are those that face the largest reporting costs on average. This result does not come as a surprise as it aligns with qualitative evidence from interviews, which suggest that reporting processes in Germany are perceived as more complex – particularly regarding assurance activities.

Differences in assurance costs across Member States appear to mirror long-standing patterns in financial audit costs: interviews highlight that countries where financial auditing is traditionally less expensive tend to show relatively higher ESG assurance costs (as a share of financial audit costs), and vice versa. While the overall magnitude of variation remains smaller in ESG reporting, the underlying country-level cost structures are broadly consistent with those observed in financial auditing. So, we could find interviewees in large multinationals active in high-income countries where financial audit costs are considered comparatively high reporting that ESG auditing costs accounted for less than 4% of financial auditing ones, while others in smaller companies in Eastern Europe where financial audits are less expensive reporting a figure closer to 40%.

During the survey and the interviews preparers were also asked to estimate the share of recurring costs or activities over their first year of effort. On average, larger preparers estimate that one-off costs are higher, and thus recurring costs represent a smaller share of their prospective ESRS costs. Table 11 reports **recurring ESRS reporting costs** for Wave 1 preparers. Percentages shown in brackets indicate the **share of recurring costs relative to total first-year implementation costs**.

- **Recurring internal costs** amount to **EUR 73,000** (56% of first year costs)[27] for smaller preparers and **EUR 270,000** for larger preparers (50%).
- **Recurring external consultancy costs** are **EUR 21,000** (53%) for smaller preparers and **EUR 195,000** (50%) for larger preparers.
- **Assurance costs** include both fees and internal assistance costs. Fees are a recurring cost (they must be paid each year). Internal assistance costs are estimated to be higher in the first year of implementation, mostly because of the legal uncertainty in the interpretation of the standards and because of the expected assurance guidance. Recurring assurance costs are thus estimated at **EUR 108,000** (93%) for smaller preparers and **EUR 900,000** (90%) for larger preparers.[28]

In total, **recurring ESRS costs** are estimated at **EUR 202,000** (70% of first year implementation costs) for smaller preparers and **EUR 1.37 million** (69% of first year implementation costs) for larger preparers.

[27] *Share of recurring costs over total costs is estimated based on the median of respondents to the survey and the interview.*

[28] *IT costs are considered later, when discussing adjustment costs*

Table 11. ESRS (2023) Recurring costs, first year – Wave 1 Preparers

	Below 10,000		Above 10,000	
	Share of recurring costs	*EUR/Year*	*Share of recurring costs*	*EUR/Year*
Recurring internal costs	56%	73,000	50%	270,000
Recurring external costs (consultants)	53%	21,000	50%	195,000
Assurance costs	93%	108,000	90%	900,000
of which: Fees	100%	100,000	100%	800,000
of which: Internal assistance	50%	8,000	50%	100,000
ESRS (2023) recurring costs	**70%**	**202,000**	**69%**	**1,365,000**

Source: Authors' own elaboration on targeted consultation

Finally, as mentioned before, to calculate the baseline costs, **the impact of phase-in must be considered**. This is done by looking at cost differentials between companies that have opted in for some or all available phase-in and those which have not. The differential is estimated in a range of 13-32% of additional costs compared to the implementation without phase-in, with a central scenario of 21%. **Baseline recurring costs without the effect of the phase-ins amount to EUR 244,000 for smaller preparers and EUR 1,652,000 for larger ones.**

More details on the quantification of the impact of phase-in and additional qualitative evidence is discussed more in-depth in box 3 below.

Box 3. Qualitative Evidence on the Impact of Phase is and related econometric analysis

In the current version of the ESRS, a considerable number of disclosure requirements—especially within the social standards (such as adequate wages, social protection, unadjusted pay gaps, and value-chain worker information) and in certain environmental topics (including Scope 3 emissions and biodiversity)—were subject **to phase-in provisions**. These provisions enabled Wave 1 preparers to postpone reporting certain datapoints, effectively distributing associated implementation costs over a longer period. For example, a company could delay reporting on the pay gap between male and female employees or defer disclosures about carbon emissions from its value chain, thereby smoothing out the investment in compliance systems. The Amended ESRS **have fundamentally altered this approach**. Some of the datapoints previously subject to phase-in are no longer mandatory, as they have been moved to the non-mandatory illustrative guidance, while others have been narrowed in scope. Where disclosure remains compulsory, preparers typically benefit from additional reliefs, such as the "undue cost and effort" exemption, and the ability to provide qualitative (rather than quantitative) information.

Consequently, only a limited fractions of the costs that companies avoided in 2024–2025 by utilising phase-in provisions is likely to occur in the future. In practical terms, many of these disclosures will not be required at all—either because they have been removed or downgraded—or will be subject to relief clauses. This means that the previous expectation that phased-in datapoints would simply create deferred compliance costs no longer applies. Rather, the revision has flattened the compliance cost curve: **companies will not experience a sudden increase in reporting costs when phase-ins expire**, as the most resource-intensive requirements have been permanently simplified or eliminated

An econometric model was used to estimate the impact of phase-in, i.e. to answer the following question: "Had the company not undertaken the phase-in, what would its costs have been?" This question addresses causal inference problem, where the treatment group consists of firms adopting the phase-ins and the control group is made of firms that do not. The data sample used to estimate the cost consists of Wave 1 preparers and volunteers from the survey and the interview programme. The overall dataset, prior to any data cleaning, includes 78 companies: 57 from the survey and 22 from the interviews. To remove outliers, the sample was restricted by excluding firms whose total costs (internal + external) fell outside the range of minimum and maximum total costs observed among firms that did not adopt phase-ins. After this cleaning step, and after removing firms with missing data on total costs related to ESRS Set 1 or on employees, our estimation sample consists of 50 companies, 7 of which reported no phase-ins.

The econometric model estimated the relation between whether a company used phase-ins, the number of phase-ins used and its total ESRS implementation costs, controlling for the size (proxied by the number of employees). Several specifications were tested in different scenarios

To account for uncertainty and limitations in the number of available data points, the analysis was carried out over three scenarios:

1) Optimistic scenario. Nearly all phase-in requirements will not be reported by preparers under the Amended ESRS. This approach is likely over-optimistic, since some requirements currently covered by the phase-ins will have to be reported, albeit sometimes in a different (e.g. qualitative) form, but provides a maximum potential effect. In this scenario, ESRS reporting costs would have increased by 32% (median value of the distribution).
2) Conservative scenario. Most of phase-in requirements will be reported by preparers under the Amended ESRS, either because they partly remain in the standard (albeit in a qualitative form or as part of the non-mandatory guidance), or because companies will continue to report what has been reported in the first year. This scenario is likely overly pessimistic and overestimate regulatory costs from voluntary disclosure, but provides a minimum potential effect of phase-ins. In this scenario, ESRS reporting costs would have increased by 13% (median value of the distribution).
3) Intermediate approach. A share of phase-in requirements, corresponding to nearly 64%, (nine phase-ins out of fourteen) will not be reported by preparers under the Amended ESRS. We, therefore, consider only 64% of the value obtained in the optimistic scenario. In this scenario, ESRS reporting costs would have increased by 21%.

5.3.2. Wave 2 preparers

Table 12 reports estimated **first-year ESRS implementation costs** for Wave 2 preparers, again distinguishing between companies with **fewer than 10,000 employees** and those with **more than 10,000 employees**.

- **Internal costs** (excluding support to assurance) are estimated at **EUR 135,000** for smaller preparers and **EUR 624,000** for larger ones. These correspond to approximately **2.1 FTEs** and **9.6 FTEs** of staff effort respectively.
- **External consultancy costs** amount to **EUR 23,000** for smaller companies and **EUR 95,000** for larger companies.
- **External IT costs** are estimated at **EUR 11,000** and **EUR 150,000** respectively.
- **Assurance costs**[29] reach **EUR 83,000** for smaller companies and **EUR 559,000** for larger ones. Within these totals, assurance fees charged by external providers represent **EUR 78,000** and **EUR 500,000**, while **internal assistance** amounts to **EUR 5,000** (0.1 FTEs) and **EUR 59,000** (0.9 FTEs).

Overall, the **total ESRS implementation costs in the first year** are estimated at **EUR 244,000** for preparers below 10,000 employees and **EUR 1,308,000** for those above 10,000 employees. For larger

[29] *Data reported on external costs (assurance costs, IT costs and external consultants' fees) by Wave 2 preparers were less granular compared to Wave 1. Also, prospective assurance costs seemed underestimated, especially for the largest preparers. For this reason, the analysis has been integrated based on Wave 1 data, taking into account that Wave 2 preparers typically face lower costs. When data were missing and uncertain, the following parameters were used: for smaller Wave 2 preparers, 80% of the corresponding Wave 1 costs; for larger Wave 2 preparers, 50% of the corresponding Wave 1 costs.*

preparers, assurance costs represent less than 43**% of the total**, while for smaller preparers they account for around **34%**.

Compared to Wave 1 preparers, total costs are limitedly lower (-15%) for smaller Wave 2 preparers, and significantly so for larger ones (-36%). This can be explained by the more limited size complexity of firms under Wave 2. For larger preparers, the average number of employees among Wave 1 respondents is about 75,000 employees, while it is about 45,000 among Wave 2 preparers.

Table 12. ESRS (2023) Implementation costs, first year – Wave 2 preparers (EUR/Year)

	Below 10,000	Above 10,000
Internal costs	135,000	624,000
Person days equivalent	*2.1*	*9.6*
External costs (consultants)	23,000	95,000
External costs (IT)	11,000	150,000
Annualised	*2,000*	*30,000*
Assurance costs	83,000	559,000
of which: Fees	*78,000*	*500,000*
of which: Internal assistance	*5,000*	*59,000*
ESRS 2023 implementation costs, first year	**244,000**	**1,308,000**

Source: Authors' own elaboration on targeted consultation

Table 13 provides estimates of **recurring ESRS reporting costs** for Wave 2 preparers. The percentages in brackets show the share of recurring expenses compared to total first-year implementation costs.

- **Internal recurring costs** are projected at **EUR 51,000 (40%)** for companies with fewer than 10,000 employees and **EUR 203,000 (35%)** for those above this threshold.
- **External consultancy costs** are estimated at **EUR 11,000 (50%)** for smaller preparers and **EUR 45,000 (50%)** for larger ones.
- **Assurance costs** remain a fixed element of yearly expenditures, at **EUR 83,000** for smaller companies and **EUR 559,000** for larger ones.

Taken together, **recurring ESRS costs** are estimated at **EUR 145,000 (59% of first year costs)** for smaller preparers and **EUR 807,000 (62% of first year costs)** for larger ones, showing that even after the initial implementation year, a sizeable portion of the reporting effort translates into ongoing obligation.

Table 13. ESRS (2023) Recurring costs, first year – Wave 2 preparers

	Below 10,000		Above 10,000	
	Share of recurring costs	*EUR/Year*	*Share of recurring costs*	*EUR/Year*
Recurring internal costs	40%	51,000	35%	203,000
Recurring external costs (consultants)	50%	11,000	50%	45,000
Assurance costs	100%	83,000	100%	559,000
of which: Fees	*100%*	*78,000*	*100%*	*500,000*
of which: Internal assistance	*100%*	*5,000*	*100%*	*59,000*
ESRS 2023 recurring costs	**59%**	**145,000**	**62%**	**807,000**

Source: Authors' own elaboration on targeted consultation

As for Wave 1 preparers, cost estimates are revised to account for the effect of the phase-in (13-32% of estimated costs, central scenario of 21%). Finally, to calculate the baseline costs, **the impact of phase-in must be considered**. This is done by looking at cost differentials between companies that have opted in for some or all available phase-in and those which have not. The differential is estimated in a range of 13-32% of additional costs compared to the implementation without phase-in, with a central scenario of 21%. **Baseline recurring costs without the effect of the phase-ins amount to EUR 295,000 for smaller preparers and EUR 1,582,000 for larger ones.** Within these totals, recurring components account **for EUR 175,000 and EUR 976,000 respectively.**

5.4. Reporting costs and cost savings of the Exposure Draft ESRS

5.4.1. Wave 1 preparers

Under the ED of the Amended ESRS, **recurring costs for Wave 1 preparers were estimated by respondents to decrease across all main categories** (table below):[30]

- Recurring internal costs fall to EUR 55,000 (24% reduction) for smaller preparers and to EUR 230,000 (15% reduction) for larger ones.
- External consultancy costs are reduced to EUR 16,000 (23% reduction) for smaller preparers and to EUR 161,000 (17% reduction) for larger ones.
- Assurance costs are estimated at EUR 86,000 (20% reduction) for smaller preparers and EUR 725,000 (19% reduction) for larger ones. Within this, assurance fees amount to EUR 80,000 for smaller preparers and EUR 640,000 for larger ones (20% reduction). Internal assistance for assurance amounts to EUR 6,000 (24% reduction) for smaller companies and EUR 85,000 (15% reduction) for larger ones.

As a result, **total recurring costs for Wave 1 preparers under the ED of the Amended ESRS** were estimated at EUR 158,000 for smaller preparers and EUR 1.12 million for larger preparers. **The cost savings were thus estimated at EUR 86,000 (35%) for smaller preparers and EUR 535,000 (32%) for larger ones, compared to the baseline** (i.e. the recurring costs of the ESRS as enacted in 2023 + phase-in).

[30] *Cost reduction linked to the ED are estimated based on the median of respondents to the survey and the interview.*

Table 14. Reporting cost savings from the ED ESRS – Wave 1 preparers

	Below 10,000		Above 10,000	
ESRS 2023 Recurring cost without phase-ins	244,000		1,652,000	
Cost of Exposure Draft ESRS				
	Below 10,000		**Above 10,000**	
	Cost reduction	*EUR/Year*	*Cost reduction*	*EUR/Year*
Recurring internal costs	24%	55,000	15%	230,000
Recurring external costs (consultants)	23%	16,000	17%	161,000
Assurance costs	20%	86,000	19%	725,000
Of which: Fees	20%	80,000	20%	640,000
Of which: Internal assistance	24%	6,000	15%	85,000
Exposure Draft ESRS recurring costs	158,000		1,116,000	
Cost savings (EUR)	86,000		535,000	
Cost savings (%)	**35%**		**32%**	

Source: Authors' own elaboration on targeted consultation

Wave 1 preparers will also incur in **adjustment costs** because of the need to issue sustainability statements according to the Amended ESRS. These mostly consist in familiarisation and training, additional IT investment, adjustments to the data collection systems. Those costs were estimated at EUR 55,000 for smaller preparers and EUR 230,000 for larger preparers. Since these costs concern one-off investment in software and internal knowledge, those have been depreciated over a five-year period.

Finally, **indirect reporting savings concerning data requests to suppliers** also need to be considered. Data on those aspects are more uncertain for a number of reason: (i) the ESRS as enacted in 2023 indicate that data collection is the preferred method; when this is not the case, proxies and sectoral estimates can be used; (ii) under the ED of the Amended ESRS, both direct data collection and the use of proxies and sectoral estimates are considered appropriate methods, and direct collection is subject to the undue effort principle; (ii) most of respondents have either used the phase-in for value chain metrics in their first year, or, in any case, limited data collection from suppliers, mostly for scope 3 emissions data.

Nevertheless, it is reasonable to expect that the reduction in data points introduced by the ED and the equivalence of data collection and other means will lead to a reduction in data requests along the value chain. This could mean that fewer suppliers are requested data (e.g., only the main suppliers, with proxies used for the rest of the value chain), or that suppliers will be required to provide fewer data. The quantification of this effect adopts a conservative approach, which is as follows:

- Only main suppliers are considered, since, as emerging from interviews, further tiers or suppliers of minor importance have not been requested data in the first year of implementation. The number of main suppliers is estimated in 500 for smaller preparers and 2,500 for large preparers. In several cases, companies supply more than one ESRS preparers; the associate costs are not double counted.[31]
- The cost per request is calculated assuming that data are collected based on an automated platform. The associated efforts are as follows: EUR 100 per supplier for the subscription to the platform[32] and 18 hours of personnel's time for data collection and provision, corresponding to EUR 452.[33] Cost per each supplier are thus estimated at EUR 552.

[31] *Considering business relations in the value chain, the standard supplier is estimated to provide data to 3.5 customers.*

[32] *Often paid by the customer.*

[33] *Considering the standard EU salary for a clerk. Based on estimates developed for the CBA of the LSME. Syntesia, & Prometeia (November 2024). Cost-Benefit Analysis of the LSME Listed SMEs [Unpublished manuscript, on file with the authors].*

- The cost reduction factor, either because fewer suppliers are contacted or because fewer data are requested, is conservatively estimated at 25%.

Based on those parameters, indirect savings for suppliers are estimated at EUR 33,000 for the value chain of smaller preparers, and EUR 132,000 for the value chain of a larger preparers.

Reporting cost and cost savings for Wave 1 preparers are summarised in Table 15 detailing reporting cost savings, assurance cost savings, adjustment costs related to the transition to the ED of the Amended ESRS, and indirect savings for the value chain.

Table 15. Reporting costs and cost savings from the ED ESRS –Wave 1 Preparers (EUR/Year)

	Below 10,000	Above 10,000
Exposure Draft ESRS cost savings	86,000	535,000
of which: assurance cost savings	*22,000*	*175,000*
Adjustment costs (annualised)	11,000	50,000
Indirect savings for the value chain	33,000	132,000
Net savings	**108,000**	**617,000**

Source: Authors' own elaboration on targeted consultation

5.4.2. Wave 2 preparers

The reduction cost factor for the recurring costs of Wave 2 preparers was also retrieved from the targeted consultation and found to be at 22% for internal and external costs, and at 20% for assurance fees). As for one-off costs, a larger reduction factor is applied (30%) because of the overall streamlining of the ESRS standard.

With the ED of the Amended ESRS, recurring costs are reduced across all categories:

- **Internal costs** decrease to **EUR 98,000** for smaller companies and **EUR 453,000** (a total 27% reduction) for larger ones. Within this, the recurring portion amounts to **EUR 39,000** and **EUR 159,000** respectively.
- **External consultancy costs** fall to **EUR 17,000** for smaller preparers and **EUR 70,000** (26 reduction) for larger ones. The recurring share is respectively **EUR 8,000** and **EUR 35,000**.
- **Assurance costs** are expected at **EUR 67,000** for smaller companies and **EUR 447,000** (20% reduction) for larger ones. Of these, **fees** represent **EUR 63,000** and **EUR 400,000**.
- **IT costs** amount to **EUR 8,000** for smaller preparers and **EUR 105,000** for larger ones, **corresponding to annualised costs of EUR 2,000 and EUR 21,000;** both categories show a 20% reduction.

As a result, the costs of the ED of Amended ESRS were estimated at EUR 184,000 for smaller preparers and EUR 991,000 for larger ones. This implies overall savings of EUR 111,000 (38%) and EUR 591,000 (37%) compared to the baseline. Looking specifically at recurring costs, the ED of the Amended ESRS lowers costs to EUR 114,000 for smaller preparers and EUR 641,000 for larger ones. The associated recurring savings amount to EUR 61,000 (35%) and EUR 336,000 (34%) respectively.

Table 16. Reporting cost savings from the ED ESRS – Wave 2 preparers (EUR/Year)

	Below 10,000		Above 10,000	
ESRS 2023 Reporting cost without phase-ins	295,000		1,582,000	
Of which: Recurring	175,000		976,000	
Cost of the Exposure Draft ESRS				
	Below 10,000		**Above 10,000**	
	Cost reduction	*EUR/Year*	*Cost reduction*	*EUR/Year*
Internal costs	27%	98,000	27%	453,000
Of which: Recurring	22%	39,000	22%	159,000
External costs (consultants)	26%	17,000	26%	70,000
of which: Recurring	22%	8,000	22%	35,000
Assurance costs	20%	67,000	20%	447,000
Of which: Fees	20%	63,000	20%	400,000
Of which: Internal assistance	22%	4,000	22%	47,000
External costs (IT)	20%	8,000	20%	105,000
Annualised	20%	2,000	20%	21,000
Exposure Draft ESRS costs	184,000		991,000	
Cost savings (EUR)	111,000		591,000	
Cost savings (%)	**38%**		**37%**	
Exposure Draft ESRS recurring costs	**114,000**		**641,000**	
Recurring cost savings (EUR)	**61,000**		**336,000**	
Recurring cost savings (%)	**35%**		**34%**	

Source: Authors' own elaboration on targeted consultation

While adjustment costs for Wave 2 preparers are not relevant, **indirect reporting savings concerning data requests to suppliers** should be considered. The same methodology described for Wave 1 preparers is applied, except for a small number of suppliers (500 for smaller preparers and 2,500 for larger preparers), to account for the lower complexity of these organisations. Based on these parameters, indirect savings for suppliers are estimated at EUR 22,000 for the value chain of smaller preparer, and EUR 110,000 for the value chain of a larger preparer.

Reporting cost and cost savings for Wave 2 preparers are summarised in Table 17, detailing reporting cost savings, assurance cost savings, and indirect savings for the value chain.

Table 17. Reporting cost savings from the ED ESRS - Wave 2 preparers (EUR/Year)

	Below 10,000	Above 10,000
Exposure Draft ESRS cost savings	111,000	991,000
of which: Recurring cost savings	61,000	336,000
of which: Assurance cost savings	16,000	112,000
Indirect savings for the value chain	22,000	110,000
Net savings	**133,000**	**1,101,000**

Source: Authors' own elaboration on targeted consultation

5.5. Final reporting costs and cost savings under the Amended ESRS

This section analyses the **costs for preparers of the Amended ESRS**. It starts from the analysis of the costs and benefits of the ED and considers the effects of changes between the ED and the final Amended ESRS, assessing how these changes impact reporting costs and cost savings. The assessment relies on information extrapolated from the targeted consultation and the Study Team's expert judgment; due to the time schedule of the project and the need to maintain confidentiality of the proposed amendments, no additional stakeholder data collection could be carried out.

The list below covers the changes introduced in the Amended ESRS draft compared to the ED, which are expected to significantly affect reporting costs or generate further savings.

Anticipated financial effects (AFE). Under the ED, anticipated financial effects were reported under two modalities ('options'): quantitatively and qualitatively. Amended ESRS of the Amended ESRS and the subsequent discussion resulted in adoption, from 2030, the "Option 1" approach by retaining quantitative AFE as the default expectation, but with additional reliefs and fallback mechanisms.

Specifically, companies are not required to provide quantitative AFEs if the effects are not separately identifiable, or if the measurement uncertainty is so high that the numbers would not be useful to take decisions (also appliable if no methodology exists for certain effects). Also, to carry out a meaningful quantitative analysis, the company must have underlying plans and action strategies to address risks or opportunities; if no plan is in place, quantitative analysis of AFEs would be hardly ever feasible. Furthermore, both single-value or range-based quantitative disclosures are acceptable. Additionally, the Amended ESRS introduces proportionality safeguards: AFE must be prepared using reasonable information available at the reporting date "without undue cost or effort" and aligned with the entity's capabilities and resource. This means that if a company already measures certain AFEs (e.g. in their business plans, impairment tests or other corporate documents), these should be provided in the ESRS report; if not, it depends on the feasibility of the additional efforts and on the reasonableness and usefulness of the quantitative analysis. When the quantification is not provided, companies should explain the reasoning.

The switch from two options to a quantitative approach, albeit mitigated by reliefs, is expected to lead to an increase in costs for preparers since AFEs had been consistently identified as the most valuable phase-in relief, together with value chain data collection exemptions. One interviewee commented that including quantitative AFEs in the ESRS would have significantly increased the complexity of the reporting, also in terms of additional datapoints required.

In any case the reliefs introduced by the Amended ESRS are expected to reduce the cost of the quantitative disclosures in two ways:

- **Reducing the number of preparers required to quantify AFEs.** Given the reliefs, a number of companies could report AFEs in qualitative terms. The share of companies eventually applying quantitative AFE cannot be precisely estimated and requires scenario assumptions. It will likely be higher among larger groups and sectors already accustomed to modelling climate-related financial impacts (e.g. utilities, oil and gas, infrastructure operators). It is also likely that the share of preparers will increase with time, following the evolution of available methodologies for quantification, market practices and the reporting behaviours of competitors.

- **Reducing the effort of quantification.** Reliefs allow for proportional disclosures, the use of non-monetary quantitative indicators, reliance on internal estimates and the omission of certain pieces of quantitative information.

Considering that value chain and AFE requirements are worth most of the phase-in simplification, it can be estimated that AFEs are worth between 35 and 50% of the phase-in effects (which amount, overall, to 21% of estimated costs). Having to do a quantitative analysis of AFEs would thus generate an increase in costs of about 7-10%. However, as the quantitative option has been matched with several reliefs, only a fraction of preparers will incur in those costs. Conservatively assuming a share of about 25% of smaller preparers and 50% of larger preparers making the quantitative analysis, AFEs would increase total reporting costs by 2.1 – 2.9%. Importantly, the impact would be marginal for preparers which would eventually use qualitative AFEs, but more significant for those using a quantitative analysis. Those costs would occur only from 2030 onwards, when the new requirements would come into force.

The estimates of the additional costs are subject to a considerable degree of uncertainty, that in turn depends on the limited maturity of the tools used to make these estimates. During the interviews, preparers reported several challenges, such as limited availability of robust modelling frameworks, difficulties in linking ESG drivers to financial metrics, and insufficient internal historical data to support forward-looking assumptions. While the Amended ESRS offers reliefs when the quantification is not feasible, it does not explicitly solve this underlying methodological uncertainty.

Link between fair presentation and assurance. Stakeholder expressed concerns that a stronger emphasis on *fair presentation* could widen the assurance perimeter (e.g., open-ended subjective judgments on the sustainability statement). The Amended ESRS text acknowledges these concerns, noting the potential for additional audit work and the need for guidance to prevent unintended cost increases. To address this risk, the standard requires preparers to document how fair representation is achieved in a proportionate manner and establishes minimum criteria for determining fair representation. By tying fair-presentation judgments to proportionality and allowing non-exhaustive procedures, the standard tries to limit the extent to which assurers can challenge fairness beyond the inclusion of entity-specific disclosures. Overall, this clarification is expected to have a positive impact on assurance costs, which are conservatively estimated 2 pp. lower than the costs estimated for the ED ESRS.

Value chain. The Amended ESRS confirms the streamlining of value-chain disclosures by clarifying that companies are not required to obtain direct data from suppliers or customers when this would entail disproportionate efforts. Instead, companies may rely on sector averages, regional datasets, publicly available studies, and recognised benchmarks to assess impacts, risks and opportunities. The new text also emphasises that materiality assessments should focus only on areas where impacts are likely to arise, avoiding exhaustive mapping of the entire chain. Different from AFEs, no additional costs are thus expected from these areas, since the mandatory value chain requirements which were previously postponed under the phase-ins will not come into force.

Net vs. gross. The Amended ESRS clarifies the treatment of gross versus net figures, particularly for impacts and value chain information. The ED allows for net reporting in cases of mitigation or offsetting and gross reporting for actual impacts and remediation actions. In the Amended ESRS, this requirement is maintained and further clarified (for instance, actual impacts should be reported gross, while net may be appropriate for potential impacts). The clarification is not considered to reduce reporting costs, as compared to what was already envisaged in the ED.

Simplification of certain data requirements. The revision led to clarify and simplify some data requirements which were perceived unclear, too burdensome, or for which it was difficult to design a proper methodology. In particular, the Amended ESRS intervened on adequate wages, payment practices and data on corruption, introducing simpler and more limited disclosures, while maintaining reference to ILO benchmarks for large multinational groups. The targeted consultation confirmed that these data requirements were indeed costly to implement (e.g. the need to consider all payments to calculate payments in delays, the problem in defining what is an adequate salary in all countries). It is therefore expected that these simplifications will only marginally reduce reporting costs as compared to the ED version (0.5-1.5% of current estimates).

Reporting company and operational boundary. The targeted consultation highlighted how the different scope between ESRS and financial reporting was a source of costs and complexity for preparers. In the Amended ESRS, the use of the financial reporting consolidation perimeter is permitted until 2030, providing a limited cost reliefs (0-1% of current costs) as compared to what envisaged in the ED, until 2030.

DMA. Several clarifications to the DMA have been considered for the Amended ESRS, and namely:

- The Amended ESRS distinguishes between provisions related to the *preparation* of DMA information and those concerning the *consolidated reporting* of impacts, risks, and opportunities (IROs), while consolidating all DMA and aggregation principles within ESRS 1.
- The Amended ESRS clarifies how IRO aggregation levels and geographical aggregation interact with the chosen DMA approach.
- The Amended ESRS emphasises that DMA does not need to be repeated annually in the absence of material changes.

These clarifications primarily aim to streamline the text and reaffirm the simplified DMA structure already introduced in the ED and are likely to result in a reduction of first year costs for Wave 2 preparers (0-1% of reporting costs). No impact is expected for Wave 1 preparers, which have already done their DMA under the original ESRS.

The main changes from the Exposure Draft ESRS and the impacts on reporting costs and cost savings are summarised in Table 18.

Table 18. Main changes introduced in the Amended ESRS and impacts on reporting costs from the ED ESRS

Change in the Amended ESRS	Summary of Revision	Estimated Costs	Estimated Cost savings
Anticipated Financial Effects (AFE)	Mandatory quantitative estimates, with reliefs when data or models not available, or undue costs and efforts required *Estimates considering that most of smaller preparers and a large share of large preparers can continue using qualitative AFEs. Cost impacts are larger for preparers which must use quantitative AFEs*	+2.1 – 2.9% only from 2030[34]	-
Fair Presentation & Assurance	Stronger fair presentation principle; proportionality and minimum criteria to limit audit scope.	-	-2% of assurance costs
Net vs. Gross Reporting	Clarifies distinction between gross and net impact disclosures.	-	-
Value chain	Simplifications confirmed, phase-ins will not come into force.	-	-
Data Requirements Simplification	Simpler disclosures for adequate wages, payment practices, microplastics, corruption accidents.	-	-0.5-1.5%
Reporting Boundary	Allows use of financial consolidation perimeter until 2030.	-	-0-1% until 2030
Double Materiality Assessment (DMA)	Clarifies structure and reduces duplication; no repetition if unchanged.	-	-0-1% of first year costs for Wave 2 preparers
Total cost impacts compared to the ED		+2.1 – 2.9% from 2030	~ 2.5-3.5%

Considering the above changes and their impact, under the Amended ESRS, recurring costs for Wave 1 smaller preparers would amount to about EUR 155,000 per year, with a saving of 35-38% compared to the ESRS 2023; for larger preparers, they would amount to EUR 1.1 million per year, with a saving of 32-35%. For Wave 2 smaller preparers, first year costs are estimated at EUR 177,000 (-40% compared to the ESRS 2023) and recurring costs at EUR 111,000 – 115,000 (-34-37%); for larger preparers, first year and recurring costs would amount to EUR 950,000 and about EUR 620,000 – 645,000 respectively (-40% and -34%-36% compared to the baseline). The estimates of reporting costs and cost savings for preparers under the Amended ESRS are shown in the tables below.

[34] The cost estimated for the Exposure Draft assumed Option 2 for Anticipated Financial Effects.

Table 19. Reporting cost savings from the Amended ESRS – Wave 1 preparers (EUR/Year)

	Below 10,000	Above 10,000
ESRS 2023 Recurring cost without phase-in	244,000	1,652,000
Cost of Amended ESRS		
	Below 10,000	**Above 10,000**
Amended ESRS recurring costs	152,000 - 159,000	1,071,000 – 1,118,000
Cost savings (EUR)	85,000 - 92,000	534,000 – 581,000
Cost savings (%)	38% (up to 2030) 35% (from 2030)	35% (up to 2030) 32% (from 2030)

Source: Authors' own elaboration on targeted consultation

Table 20. Reporting cost savings from the Amended ESRS – Wave 2 preparers (EUR/Year)

	Below 10,000	Above 10,000
ESRS 2023 Reporting cost without phase-in	295,000	1,582,000
Of which: Recurring	175,000	976,000
Cost of Amended ESRS		
	Below 10,000	**Above 10,000**
Amended ESRS costs (first-year)	177,000	950,000
Cost savings (EUR)	118,000	632,000
Cost savings (%)	40%	40%
Amended ESRS recurring costs	111,000 – 115,000	621,000 – 645,000
Recurring cost savings (EUR)	60,000 – 64,000	331,000 – 355,000
Recurring cost savings (%)	37% (up to 2030) 34% (from 2030)	36% (up to 2030) 34% (from 2030)

Source: Authors' own elaboration on targeted consultation

5.6. Other impacts

5.6.1. Competitiveness and access to finance

The analysis assesses whether the Amended ESRS could affect preparers' competitiveness – in particular, their position in the value chain, access to public procurement, and access to and cost of finance. The effect may be either positive or negative. On one hand, by reducing the amount and granularity of information available to financial institutions and customers, the Amended ESRS could limit the visibility of preparers and potentially hinder their competitiveness and/or access to finance. On the other hand, by making reports more focused, readable, and targeted, the Amended ESRS could enhance the relevance and usability of sustainability information, thereby improving how – and how much - financial institutions and customers access and engage with this information. The analysis is conducted by drawing from the feedback provided by preparers (past and prospective) during the targeted consultation.

The Amended ESRS will have no or only limited effects on these dimensions. As already shown in figure 14 of chapter 4, more than three quarters of respondents in each chase expect no effect from the revision. This includes, first and foremost, cost and access to credit, as well as access to public procurement[35].

A more positive view is expressed with respect to access to green finance. In this case, about 20% of respondents consider that the Amended ESRS will either reduce costs or improve access to this form of financing. Preparers expressed similar expectations regarding value chain relationships, noting that the Amended ESRS is likely to provide a more effective framework for communicating ESG information. Importantly, across all dimensions, only a very small share of respondents (around 10% or less in each case) expect that the Amended ESRS could have a negative impact on preparers' competitiveness and access to finance.

Feedback from the interviews confirms that preparers generally do not expect major changes in their competitive positioning or financing conditions as a result of the Amended ESRS. However, several nuances emerged:

- **Value chain positioning.** Some stakeholders, in particular large preparers, highlighted that the simplifications may lead to fewer data requests being passed down to smaller suppliers, thus reducing frictions in value chain relationships. This is seen as potentially positive, since less duplication and more standardised requests should facilitate smoother exchanges with customers and business partners.
- **Access to finance.** Rating agencies and data providers acknowledged that more concise and better structured sustainability statements would improve usability, especially for less technical users. By reducing repetition, the Amended ESRS may improve the clarity of corporate reporting and help retail investors and smaller lenders interpret sustainability information. However, some interviewees cautioned that the reduced level of granularity may limit the depth of analysis possible for certain users.
- **Green public procurement.** Some preparers underlined that simplified reports may be easier to use in public procurement settings, given the improved readability and the clearer articulation of key information. However, civil society stakeholders (e.g. NGOs) warned that the loss of detailed disclosures might reduce the ability of contracting authorities to differentiate between companies, potentially weakening the link between sustainability performance and procurement outcomes.

5.6.2. Impacts on users

The perceptions of users of sustainability information – such as financial institutions, NGOs and consumer organisations – reflect **a balance between recognising the simplifications introduced in the Amended ESRS and expressing concerns about the potential loss of relevant information.** Their views suggest that the effects of the revision are heterogeneous, depending on the type of user and the intended use of the information.

A first group of stakeholders considers that the Amended ESRS achieve a more effective balance between completeness and usability. They note that the original standards contained an excessive number of datapoints, with significant overlaps and redundancies, which made sustainability statements lengthy and difficult to navigate. The new version, by reducing the overall volume of disclosures and consolidating overlapping requirements, is expected to lead to shorter, clearer and more focused reports. In their view, this is likely to improve the accessibility of sustainability information for a broader audience, including retail investors, smaller financial institutions, and civil society representatives with limited analytical capacity. The clearer organisation of the standards, the elimination of redundancies, and the introduction of closed or binary disclosure formats are regarded as positive developments that will enhance the understandability and usability of sustainability statements.

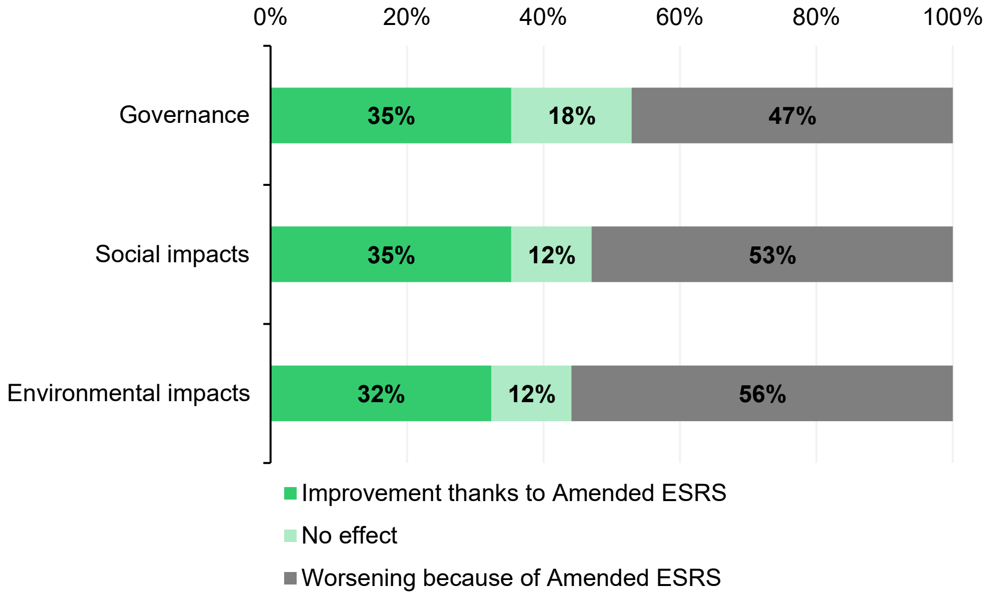
These stakeholders therefore see the Amended ESRS as a "balanced" framework: while the overall volume of information is reduced, the remaining disclosures are considered more targeted and more relevant. For them, the simplification enhances comparability across preparers and lowers the barrier for effective use of sustainability information. From this perspective, the revisions could improve the capacity

[35] The survey was carried out based on the text of the ED. The draft Amended ESRS is considered not to have altered the effects on competitiveness and access to finance, and hence the analysis remains valid.

of users to monitor corporate performance and to integrate environmental, social and governance aspects into their decisions.

By contrast, **other stakeholders express more critical views. They are concerned that the removal or downgrading of several disclosure requirements could reduce access to information they consider essential for monitoring corporate sustainability impacts.** Particular emphasis is placed on disclosures related to supply chains, biodiversity, and detailed social indicators, which are seen as crucial for evaluating risks and impacts beyond the reporting entity itself. This concern is reflected in the results from the survey: about half of respondents expect that the Amended ESRS will reduce their capacity to evaluate a company's social, environmental or governance impacts, compared with about one third of respondents who stress the improvement (cf. Figure 29 below).

Figure 29. Stakeholders' view on whether the Amended ESRS will improve or worsen the capacity to evaluate a company



Source: Targeted consultation

Similarly, financial institutions note that, although reports may become clearer, certain datapoints removed or simplified under the Amended ESRS remain necessary to comply with other regulatory frameworks, such as the Sustainable Finance Disclosure Regulation (SFDR) or the Pillar III requirements for banks. They caution that any missing information may need to be obtained through additional requests to companies, which could offset the intended cost savings for preparers. This, in turn, might increase information asymmetry between larger financial institutions – able to obtain data bilaterally - and smaller investors or civil society organisations, who rely solely on published reports. In this respect, the re-introduction of quantitative AFEs respond to requests from financial institutions and regulatory agencies, alleviating their concerns in terms of loss of information.

Overall, **stakeholder feedback reveals a dual perception.** Some users acknowledge the benefits of simplification and improved readability, viewing the Amended ESRS as a proportionate standard that enhances usability without compromising overall relevance. Others, however, stress the potential drawbacks, warning that reduced disclosure requirements may entail for transparency, comparability, and accountability. **The Amended ESRS are therefore viewed as a compromise solution, albeit with potential downsides:** clearer and more focused for many users yet potentially limiting the breadth of information available for more advanced or specialised analyses.

6. EMERGING CONSIDERATIONS

This chapter summarises the main lessons drawn from the targeted consultation and stakeholder outreach in relation to the Amended ESRS. It identifies additional implementation challenges that may affect reporting costs in the future application cycles and lie outside the strict scope of the ESRS as such. They are presented here as emerged from interviews with preparers. Given the qualitative nature of the analysis, these findings should be considered **illustrative of key recurring themes rather than exhaustive**. The focus is placed on the aspects **most frequently highlighted** by respondents.

The discussion is structured around **two core dimensions**. Section 6.2 deals with **reporting form and accessibility** issues. This section examines how improved drafting, structure, and terminology have increased usability of the Amended ESRS, while also highlighting translation risks and digital tagging costs, and the perceived need to balance them against the value from its long-term potential role in enabling ESAP (the European Single Access Point, namely the European Commission's centralised platform for sustainability disclosures) and AI-driven data use.

Section 6.3 focuses on **assurance and auditability**. It comments on how the absence of harmonised assurance guidelines has fostered uncertainty, conservative auditing practices, and cost escalation, and highlights areas where this is considered as potentially contentious in the future.

6.1. Reporting Form and Accessibility

Enhanced Clarity and Streamlined Structure. The feedback from preparers clearly indicates that the revised drafting conventions and simplified structure of the Amended ESRS represent a **significant improvement**. As also survey results show, the rationalisation of the content of the Amended ESRS and the elimination of duplications is considered one of the most significant drivers of cost savings by 61% of respondents. Interviewees commented that the new version is markedly easier to use and understand, helping to dispel concerns about the previous standards being overly complex and difficult to navigate. The improved organisation of requirements allows companies to readily identify which obligations are mandatory, reducing the likelihood of unnecessary or generic disclosures. This transition towards brevity, logical sequencing, better readability and consistent terminology is also acknowledged.

Preparers also frequently highlight that the language of the Amended ESRS is **more precise and legally coherent**, which is a key step forward in simplification (actually deemed a more significant cost saving driver per se than the simplification of DMA by survey respondents). The more direct and less ambiguous style is reported to enable sustainability, finance, and legal teams to quickly grasp what is required, reducing the need for extensive interpretation or external consultation. The consolidation of terminology—**replacing multiple overlapping terms with one clear expression**—is often cited as a tangible example of improved clarity minimising uncertainty. This accessible language is valued not only because it saves time and lowers costs, but also because it facilitates clearer internal discussions with auditors.

Despite the notable progress in enhancing clarity and structure, several stakeholders have expressed concerns that these gains may be **undermined by translation challenges**. Multiple interviews highlighted that inconsistent interpretations have arisen between national language versions and the English ESRS text. These inconsistencies were also reflected in discussions among assurance teams within the same organisation operating across different jurisdictions. Importantly, EFRAG does not currently produce official translations of the ESRS. Instead, the ESRS are adopted as a Delegated Act of the European Commission under the CSRD, meaning that only the versions published in the *Official Journal of the EU* in all official EU languages are legally binding. In certain cases, national standard setting bodies have made their own translation and shared the feedback on potential mistakes with EFRAG and the Commission, to inform subsequent revisions. However, this typically occurs only after the official text is released. To address these issues, it is advisable to formalise and coordinate this translation process **more systematically**, in close cooperation among EFRAG, the

Commission and national standard setting bodies. This would ensure that preparers, auditors, and stakeholders across all Member States have access to fully accurate and reliable texts already at the point of legal adoption in the Official Journal.

Digital Tagging. The ESRS as enacted in 2023 requires that every datapoint within the sustainability statement—including quantitative figures, narrative disclosures, and tables—is digitally "tagged" using an XBLR taxonomy, harmonised with the ESEF framework applied in financial reporting. The purpose of tagging is to facilitate digital accessibility and enhance comparability of sustainability information[36].

The Amended ESRS introduces a variety of targeted measures designed to simplify the tagging process and ease the compliance burden on companies. In particular, it restricts digital tagging to the mandatory datapoints (as listed in a Datapoint Catalogue), rather than encompassing all narrative content. Companies are instructed to apply "block tagging" for overarching textual sections (such as policies, actions, and targets) and "detail tagging" for specific quantitative metrics. Despite this structured methodology, companies that have participated in pilot testing remain **doubtful about the value of digital tagging, sometimes considered an outdated technology, and expressed concerns on its costs**, often requiring external suppliers. This scepticism is partly due to uncertainty regarding its benefits. As it underpins the future ESAP, the tangible benefits of tagging are expected to become apparent only once ESAP becomes operational.

To further increase the practical benefits of digital tagging and its perceived value for companies, a pragmatic and value-driven approach could be adopted. Specifically, the European Commission might consider establishing **a "core datapoint tagging set"** with a concise selection of the most critical and high-value indicators. Under this model, companies would initially focus their tagging efforts exclusively on these priority datapoints at least in the early years of implementation, allowing more comprehensive tagging requirements to be phased in gradually as reporting processes progress. On the other hand, some stakeholders advocate a more **radical rethink of the entire digital tagging initiative**. These commentators argue that current efforts may be misdirected and suggest that standard setters and preparers should instead focus on making their sustainability statements more compatible with artificial intelligence tools. They raise the provocative question of whether future sustainability reports should continue to be primarily designed for human readers, or whether, conversely, they should be structured from the outset to serve the needs of automated data extraction and analysis by machines.

6.2. Assurance and Auditability

Absence of Auditing Guidelines. Overall, **the assurance process has been perceived as utterly complex and extending well beyond the requirements for "limited assurance"**[37]. One of the most frequent concerns regarding the implementation costs of ESRS relates to **indirect assurance costs**, that is the costs of supporting and clarifying issues with auditors. These are increasing the cost of assurance by 15-25% on top of the auditors' fees, and, for larger preparers, represent more than 10% of total costs. Several factors contribute to this situation, including the evolving nature of the ESRS framework and the frequent need for clarifications, often delivered through Q&A updates.

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[36] *The Omnibus proposal intends to postpone the compulsory implementation of digital tagging until the relevant implementing act is formally adopted*

[37] *In the context of financial reporting, "limited assurance" engagements involve auditors expressing moderate confidence in the financial statements, primarily through analytical procedures and management inquiries rather than comprehensive audit testing. Conclusions are generally negative in form (e.g., "nothing has come to our attention…"), and the scope is limited to analytical reviews, management discussions, and selective sample checks. There is minimal direct verification or third-party confirmation, and no exhaustive internal control evaluation. These practices are established in professional standards (ISA, ISQC, and national regulations) and are internationally recognised.*

The **absence of a European reference framework for sustainability assurance** exacerbates these challenges. Some countries[38] have published their own standards, and others have provided non-binding technical guidance or codes of conduct[39] However, these national efforts, though acknowledged as helpful in fostering a degree of internal harmonisation, did not effectively solve the problem. Even companies operating in countries with such national guidelines frequently report frustrations and uncertainties stemming from the lack of clear, consistent European-level guidance. Also, in many instances, these materials are often accessible only to auditors rather than preparers; importantly, in most jurisdictions, no official or informal guidance has been released at all[40]. The lack of detailed guidance leaves auditors and preparers alike uncertain about what constitutes “limited assurance”, as well as about the appropriate levels of testing, documentation, and corroboration required. Consequently, auditors often adopt **highly conservative approaches**, such as expanding evidence requests, which in turn drives up costs.

This lack of clarity regarding acceptable evidence for ESRS assurance has prompted companies to **overengineer the assurance process**: implementing extensive internal controls, collecting large volumes of data, and seeking multiple external validations to pre-emptively address potential audit requirements. In few cases, a different audit firm has even been engaged as external consultants to provide guidance on how to relate to and interact with the official ESRS auditors. Such measures have significantly increased internal compliance costs.

Interviewees highlighted that reducing those unnecessary costs requires the **adoption of pan-European assurance guidelines**, to be adopted before the Amended ESRS comes into force. An EU guidance would also solve the challenges for multinational organisations, facing assurance teams in different jurisdictions and with different practices.

Furthermore, to address the assurance fatigue and persistent uncertainty highlighted in the implementation of the ESRS, EFRAG might consider **publishing a consolidated annual Q&A release,** timed to coincide with the commencement of the assurance cycle, rather than providing answers on a continuous basis. This would provide preparers and auditors with a consistent, up-to-date reference point at the outset of each reporting period, thereby reducing the need for repeated clarifications. Such an approach would not only streamline assurance processes by clarifying evolving requirements but also foster greater confidence among assurance teams, ultimately reducing unnecessary costs and improving efficiency throughout the reporting ecosystem.

Anticipated financial effects. In the Amended ESRS, the treatment of anticipated financial effects has been streamlined with a relief — quantitative disclosures may be omitted if reliable, supportable inputs are not available (mirroring ISSB’s reliefs). Additional reliefs now include permission to report ranges instead of point estimates, and reliance on “undue cost and effort” to justify partial omission. The obligation to reconcile the disclosures with line items in financial statements was deleted.

Under Option 1, even with the relief, auditors or investors might still expect at least some numbers. Many stakeholders highlighted that there is not a sufficiently developed methodology for quantifying

[38] France has issued H3C/H2A Guidelines on certification/limited assurance for sustainability reporting (templates, procedures) and Italy made available SSAE Italia – attestazione limitata for sustainability reporting (interim national principle published on MEF site) Portugal released CMVM orientations/clarifications on CSRD implementation and assurance expectations as regulatory communications) also Sweden published SIA/Revisorsinspektionen: CEAOB guideline repost + approval process for sustainability assurance (transitional provisions

[39] Spain released CNMV & ICAC statement on sustainability reports in the interim before full CSRD transposition as a form of procedural orientation, Belgium has IBR-IRE materials outlining limited assurance requirements & expectations as a professional body guidance/briefings. In Germany IDW/WPK issued technical notes & commentary on CSRD assurance (no binding national ESRS standard yet, but simply active guidance) and in the Netherlands NBA created CSRD information hub for auditors (orientation rather than a dedicated national ESRS assurance standard.

[40] We could not retrieve any such document for Austria, Denmark, Finland, Ireland, Luxembourg, Greece, Cyprus, Malta, Latvia, Lithuania, Estonia, Poland, Czechia, Slovakia, Slovenia, Croatia, Hungary, Romania, Bulgaria.

anticipated financial effects; this poses significant challenges from an assurance standpoint. Besides, several interviewees noted that assessing climate-related risks and their expected financial impacts demands substantial implementation efforts, often involving the estimation of hundreds of additional data points. Accordingly, these stakeholders –called for **robust, and possibly sector-specific methodological guidance** on the topic. Some representatives from the financial sector also requested that clearer guidance are needed to consider such disclosures robust.

7. CONCLUSIONS

The revision of the ESRS represents a major step in the evolution of the European framework for sustainability disclosure. The evidence collected through the CBA, stakeholder engagement, and complementary qualitative assessments indicates that the Amended ESRS generate tangible efficiency gains for preparers, while broadly maintaining the quality and comparability of sustainability information. The simplifications introduced have improved the readability and usability of sustainability statements, even though a number of users expressed concerns that the reduction in data points and level of detail could, in some cases, affect the depth of analysis and the completeness of the information available. Overall, the analysis suggests that the simplification, guided by proportionality and interoperability, should generate significant economic benefits without compromising the fundamental objectives of the CSRD.

7.1. Stakeholder perspectives

The stakeholder engagement involved 170 online survey responses and 32 interviews with companies and users of ESG information. Respondents were classified into four groups: Wave 1 preparers (already reporting under ESRS), voluntary reporters, Wave 2 preparers (those due to report from 2027), and users of ESG data (including financial institutions, investors, NGOs, and rating agencies).

Wave 1 companies reported that the Amended ESRS are expected to reduce both internal and external reporting costs - by a median of around 20% - mainly due to greater clarity and rationalization of requirements. Nearly 90% of companies foresee lower internal efforts, and about 75% expect reduced external costs, without perceiving a deterioration in access to credit or sustainable finance. The simplification is therefore seen as improving usability and interpretability while maintaining overall information quality. Wave 2 preparers, who have not yet reported, anticipate comparable savings relative to what would have occurred under the original standards. Their main challenges concern topic identification, internal data systems, and the integration of ESRS processes into existing reporting frameworks.

While many users of ESG data acknowledge improvements in readability, consistency, and relevance, a significant share - especially financial institutions - remain concerned that the reduction in data points may limit the depth and comparability of disclosures, particularly for climate and social indicators. Roughly 55% of users fear some decline in information quality, though most agree that the Amended ESRS will enhance accessibility and usability for non-specialist audiences.

Overall, the stakeholder consultation highlights a positive reception among preparers, who appreciate the simplification and proportionality introduced, and a more cautious stance among users, who emphasize the need to preserve analytical robustness and completeness in sustainability reporting.

The remaining challenges not strictly covered in the ESRS revision that do represent major cost concerns for preparers lie in:

- ensuring consistent interpretation across Member States through effective translation management and guidance;
- operationalizing EU-level assurance standards to contain costs and enhance audit consistency; and
- providing methodological guidance in areas where this is deemed necessary as the estimate of anticipated financial effects

7.2. Key findings of the CBA

Table 21 below presents the conclusion of the analysis, summarizing the results of the CBA and the evidence from the qualitative analysis. This is done by means of a soft (or partial) CBA, where numerical estimates of the reporting cost savings are assessed together with other non-quantified impact categories.

The Amended ESRS will save about EUR 4.7 billion in reporting costs over the period of the analysis (2027-2031); this corresponds to 44% of the costs that would have incurred under the ESRS as enacted in 2023. Cost savings result from reduced reporting costs (only recurring costs for Wave 1 preparers, implementation costs as well as for other waves); lower assurance costs, lower indirect costs for value chain data requests, and additional transition costs for Wave 1 preparers. Overall, reporting savings are significant and represent by far the largest expected impact from the Amended ESRS.

The revision is not expected to have significant effects on the competitiveness of preparers, e.g. in terms of access to green markets, green public procurement, value chains. Similarly, the reduction in data points will not result in different conditions for access to and the cost of credit, equity and green finance. If any effect can be expected for preparers, with respect to access to green finance, they are likely to be limited, but positive. The only partially negative impact concerns the availability of information for users, given the reduced amount of data points and granularity; however, this is compensated by the improved usability and conciseness of the sustainability statements. Hence, also in this respect, potential downsides are expected to be none or limited.

Table 21. Soft CBA of the Amended ESRS

	Reporting cost savings 2027-2031	Competitiveness & Access to Finance	Impact on users
Amended ESRS	• +4.7 EUR bn • 44% of baseline costs	0/+	0/-

Note. Qualitative impacts are estimated over the following scale: ++ Very positive; + Positive; 0 Neutral; - Negative; -- Very negative. Source: Authors' own elaboration.

In conclusion, the quantitative evidence gathered through this study substantiates the effectiveness of simplification measures in achieving tangible cost reductions, thereby supporting the broader EU strategy for sustainable growth and regulatory efficiency. By embedding clarity, proportionality, and interoperability at its core, the framework strengthens the transparency and accountability of European companies, facilitates informed capital allocation, and contributes to the EU's overarching environmental and social objectives. At the same time, continuous alignment with emerging international standards, the establishment of EU-wide assurance guidance, and the consolidation of digital disclosure infrastructure will be decisive in sustaining the quality and usefulness of sustainability reporting.

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ABBREVIATIONS AND ACRONYMS

AC	Administrative Costs
BAU	Business As Usual
CSRD	Corporate Sustainability Reporting Directive
CSDDD	Corporate Sustainability Due Diligence Directive
EBA	European Banking Authority
ECB	European Central Bank
ESG	Environmental, Social, and Governance
ESMA	European Securities and Markets Authority
ESRS	European Sustainability Reporting Standards
GHG	Greenhouse Gas
GRI	Global Reporting Initiative
ISMS	Information Security Management System
ISSB	International Sustainability Standards Board
IO	Information Obligation
MCA	Multi-criteria Analysis
NFRD	Non-Financial Reporting Directive
PRI	Principles for Responsible Investment
SCM	Standard Cost Model
SDGs	Sustainable Development Goals

Prometeia SpA
Piazza Trento e Trieste, 40137 Bologna, Italy
info@prometeia.com

Syntesia Srl
Piazza Duomo 30, 38122 Trento, Italy
syntesia@syntesia.eu

EFRAG is co-funded by the European Union through the Single Market Programme in which the EEA-EFTA countries (Norway, Iceland and Liechtenstein), as well as Kosovo participate. This document does not necessarily reflect the views of the European Union, the European Commission or of countries that participate in the Single Market Programme. Neither the European Union, the European Commission nor countries participating in the Single Market Programme can be held responsible for them.