



ESRS revision and new voluntary standard

Draft final versions for Have-Your-Say consultation

European Commission, DG FISMA

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ESRS: key modifications compared to EFRAG advice

1. Materiality and materiality assessment
2. Fair presentation
3. Aggregation and disaggregation
4. Omission of information
5. Anticipated financial effects
6. GHG emissions
7. Climate transition plans
8. Microplastics
9. Emission of pollutants
10. Substances of very high concern
11. Coherence with CSDDD
12. Human rights incidents and incidents of discrimination
13. Asset management activities
14. Phase-in regime

ESRS: key modifications compared to EFRAG advice

Materiality and materiality assessment

- ESRS 1, AR 1: (1) clarify that aim is not to meet all the specific information needs of each individual user; and (2) clarify that this refers to “decision-useful” information.
- ESRS 1, new AR 8: definition of “informed assessments”, including reference to “reasonable evaluations” that are “for the sole purpose of informing decisions”.
- ESRS 1, para 24: undertaking “shall not” report non-material information (except for supplementary information specifically allowed in section 8.2), rather than “is not required to”.
- ESRS 1, AR 9: strengthen provision on top-down approach, emphasising that the aim is to enable companies to avoid unnecessary work.

See also: aggregation and disaggregation

ESRS: key modifications compared to EFRAG advice

Fair presentation

- ESRS 1, AR 6: clarification that the fair presentation principle is to be applied at the level of the sustainability statement as a whole and not to individual disclosures or datapoints.
- ESRS 1, para 21: states more clearly that application of ESRS “results in” fair presentation, rather than “is presumed to result” in fair presentation.

ESRS: key modifications compared to EFRAG advice

Aggregation and disaggregation

ESRS 1, AR 16: company “may need to consider” specific context for certain geographies, rather than “shall consider”.

ESRS 1, AR 16: clarification that the level of aggregation/disaggregation for materiality assessment and for reporting purposes are determined separately.

ESRS: key modifications compared to EFRAG advice

Omission of information

ESRS 1, para 100: Inclusion of new provisions from Omnibus I Directive for:

- Information the disclosure of which would be seriously prejudicial to the commercial position of the company;
- information corresponding to intellectual capital, intellectual property, know-how, technological information, or the results of innovation, that qualifies as a trade secret;
- classified information;
- other information that is to be protected from unauthorised access or disclosure because of obligations laid down in other Union legal acts or national law, or in order to safeguard the privacy or security of a natural person or the security of a legal person.

ESRS: key modifications compared to EFRAG advice

Anticipated financial effects

ESRS 2, AR 17:

Acknowledgement that reporting anticipated financial effects is likely to involve estimates and that these can be updated in the future in light of new information without this constituting a reporting “error”.

Emphasis that provision on omission of commercially sensitive information also applies here.

ESRS: key modifications compared to EFRAG advice

GHG emissions

ESRS E1, para 30 and AR 19: the proposed text aligns more closely with global sustainability reporting standards by giving undertakings the flexibility to use either the financial control approach or the operational control approach when defining the reporting boundary to be applied.

ESRS: key modifications compared to EFRAG advice

Climate transition plans

ESRS E1, AR 2: specification that if company discloses a transition plan that refers to GHG emission reduction targets that are not compatible with limiting global warming to 1.5°C, then this must be explained.

ESRS: key modifications compared to EFRAG advice

Microplastics

Disclosure requirement limited to primary microplastics only.

ESRS: key modifications compared to EFRAG advice

Emission of pollutants

ESRS 2, AR 2

Specification that material emissions of pollutants “shall be identified through a managerial assessment that considers the undertaking’s activities and sector of operation”.

ESRS: key modifications compared to EFRAG advice

Substances of very high concern

ESRS 1, para 125, 126 and 127: one-year phase-in for companies that are users of articles that contain substances of very high concern.

ESRS: key modifications compared to EFRAG advice

Coherence with CSDDD

ESRS 1, para 56 and other places: specify that due diligence includes “bringing to end” and “minimising” negative impacts, as well as identifying, preventing, mitigating and remediating.

Glossary: definition of remedy aligned with CSDDD definition.

ESRS: key modifications compared to EFRAG advice

Human rights incidents and incidents of discrimination

ESRS S1, AR 36 and 37 (and equivalent in other social standards): emphasis that only substantiated instances are to be reported.

Substantiated instances are those that are “evidenced by objective, factual and verifiable information”. Explicit acknowledgment that not all instances are substantiated. Reference to “ongoing” judicial and non-judicial proceedings, instead of “initiated”.

ESRS: key modifications compared to EFRAG advice

Asset management activities

ESRS 1, AR 16 and 36

“Where the undertaking manages investments subject to a fiduciary duty on behalf of its clients without retaining risks or rewards of ownership”, not expected to assess IROs or report information on those investments.

ESRS: key modifications compared to EFRAG advice

Phase-in regime

ESRS 1, chapter 10

- Comparative information: wave one not required to report comparatives for metrics that change from existing ESRS to revised ESRS.
- Extensive “phase-in” regime for wave one companies that will fall out of scope.
- Phase-in regime for wave 2 is essentially the same as that given to wave one (covers same disclosures for the same number of reporting cycles).

Voluntary standard: alignment with revised ESRS

Basic module:

- GHG intensity: deleted.
- Area of sites in or near biodiversity sensitive areas: deleted.
- Land-use metrics (voluntary datapoint): deleted.
- *Water withdrawn* at sites located in areas of high water-stress: replaced by *water consumed* at such sites.
- Gender pay gap: disclose (only) if required to do so by law.
- Training hours per employee: gender breakdown deleted.

Comprehensive module:

- Exclusion from Paris-aligned benchmarks: deleted

Voluntary standard and value chain cap

- All disclosures in the VS are labelled with one of 4 categories: “necessary”; “necessary if applicable”; “voluntary”; and “consideration when reporting sector information”.
- For companies with 10 employees or less, the list of “necessary” disclosures is shorter. This mainly concerns environmental disclosures in the basic module.
- Only disclosures marked “necessary” are under the value chain cap.
- The value chain cap is therefore lower for companies with 10 employees or less than for other companies. See annex II of the Voluntary Standard Delegated Act.

Thank you



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