

# ESRS (2026)—a deep dive into the revised standards

**In depth**  
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## At a glance

On 3 July 2026, the European Commission (EC) published the delegated act containing the revised European Sustainability Reporting Standards ('ESRS (2026)').

The revised ESRS were issued as an outcome of the EC's February 2025 'Omnibus' package intended to simplify European Union reporting rules related to the European Green Deal. The targeted areas for simplification included reducing the number of mandatory datapoints, clarifying unclear provisions, simplifying the structure and presentation of the standards, and enhancing interoperability.

### Key takeaways:

- ESRS (2026) contains a significant number of revisions, simplifications, and new reliefs compared to the original ESRS issued in July 2023 ('ESRS (2023)').
- ESRS (2026) has a 61% reduction in the number of mandatory datapoints compared to ESRS (2023).
- ESRS (2026) is applicable for financial years beginning on or after 1 January 2027.
- Entities may early apply ESRS (2026) prior to 1 January 2027 by either fully applying ESRS (2026) or by applying ESRS (2023) with a number of new reliefs taken from ESRS (2026).

This publication details the changes in ESRS (2026) when compared to ESRS (2023) expected to have an effect on a large number of entities applying ESRS.

## How has the European Commission revised the ESRS?

The overall objective of the revisions to ESRS is to simplify sustainability reporting consistent with the objective of the 'Omnibus' proposal. In the **explanatory memorandum** accompanying the final delegated act, the EC identified the following major areas of modification in the revised ESRS (2026) compared to the 2023 version of ESRS:

- Shortening and clarifying the text of the standards
- Introducing new additional flexibility mechanisms such as reliefs and phase-ins
- Reducing the number of mandatory datapoints in the standards by 61%
- Enhancing the interoperability of the revised ESRS with international standards and other EU legislation
- Simplifying the materiality assessment

The process to simplify the ESRS went through a number of steps and public consultations. The EC **requested** that EFRAG provide technical advice on the simplification of ESRS. EFRAG delivered its technical advice to the EC in December 2025, following two public comment periods on the draft revised ESRS. EFRAG also drafted a **basis for conclusions** as part of the public comment process, describing the approach EFRAG undertook in developing the standards and the decisions made.

The EC reviewed the technical advice provided by EFRAG and made targeted modifications prior to finalising the delegated act. These modifications include updates to the wording around the materiality assessment, changes that grant more flexibility to entities in relation to GHG emissions reporting, and the introduction of a new relief related to asset management activities.

## What are the significant changes?

This publication summarises key amendments in ESRS (2026) compared with ESRS (2023) as follows:

- Updates to the cross-cutting requirements—ESRS 1 *General requirements* and ESRS 2 *General disclosures*
- Updates to the topical standards
- Changes to the structure of the standards

### Updates to the cross-cutting requirements—ESRS 1 and ESRS 2

Significant changes to the cross-cutting requirements are included in the following areas:

- Fair presentation
- Materiality
- Disaggregation

### Content of final publication of ESRS (2026)

On 3 July 2026, the EC **published the following**:

- Final delegated regulation
- Annex I to the delegated regulation containing the ESRS
- Annex II to the delegated regulation containing acronyms and glossary of terms
- Commission staff working document accompanying the delegated regulation

- Reporting reliefs
- Reporting boundary
- Structure of the sustainability statement
- Anticipated financial effects
- Omission of information
- General disclosure requirements ('GDRs')
- Transitional provisions

Each of these topics is discussed in the following sections.

### **Fair presentation**

ESRS 1 (2026) chapter 2 was renamed to explicitly include the concept of fair presentation, and new paragraphs were added to explain this concept. These changes were made to clarify that ESRS (2026) is a fair presentation framework. The updates incorporating fair presentation are consistent with the concept used in IFRS financial and sustainability reporting.

The amendments clarify that an entity reporting under ESRS (2026) must ensure that its sustainability reporting fairly presents material information about the entity's sustainability-related impacts, risks, and opportunities as a whole. One area that has not changed is the requirement to provide entity-specific disclosures when a material IRO is "not covered, or not covered with sufficient granularity by an ESRS", and ESRS 1 (2026) states that fair presentation requires that the entity discloses entity-specific information when "applying ESRS is not sufficient to enable users to understand the undertaking's material impacts, risks and opportunities and how the undertaking manages them."<sup>1</sup>

The assessment of whether the reporting provides a fair presentation of an entity's material impacts, risks, and opportunities must consider "the overall picture conveyed by the information disclosed across the sustainability statement and not individual disclosures in isolation".<sup>2</sup>

### **Materiality**

Compared with ESRS (2023), ESRS (2026) has additional guidance related to the double materiality assessment (DMA) and has made significant revisions to the guidance related to materiality of information.

#### ***Double materiality assessment***

Although ESRS 1 (2026) includes updated DMA guidance, it retains the concept that the starting point for an entity's sustainability reporting is the identification of impacts, risks, and opportunities (IROs).

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<sup>1</sup> ESRS 1 (2026) paragraphs 11 and 20.

<sup>2</sup> ESRS 1 (2026) AR 6.

### Practical considerations

A number of new provisions were added to ESRS 1 (2026) which are intended to reduce the complexity of the DMA. These new provisions include:

- Stating that an entity is not required to assess every possible IRO across all its operations and value chain to identify topics to be reported
- Allowing an entity to use reasonable and supportable information that is available without undue cost or effort
- Allowing an entity to derive a conclusion about the materiality or non-materiality of an IRO based on an analysis of the entity's strategy, business model, sector and geographies of operation, and features of its value chain, adding an option for an entity to perform its materiality assessment using either a top-down or bottom-up approach
- Allowing an entity to not evaluate every time horizon or each characteristic of severity for each IRO if it determines more investigation is not necessary to reach its materiality conclusion<sup>3</sup>

### Mitigation, remediation, and prevention actions

ESRS 1 (2026):

- Provides guidance on how mitigation, remediation, and prevention actions should be considered when assessing the materiality of actual and potential negative impacts
- Addresses the assessment of materiality in both the current and future reporting periods

This issue is commonly referred to as “gross vs net”.<sup>4</sup>

### Positive impacts

ESRS 1 (2026) provides guidance on what can and cannot be considered a positive impact.<sup>5</sup>

### List of topics

ESRS 1 (2026) Appendix A: *List of topics* provides the list of topics and sub-topics covered by the topical ESRS and may be used as an input to the double materiality assessment. Unlike ESRS 1 (2023) AR 16, the use of this appendix is not required, and the concept of sub-sub-topics has been removed.<sup>6</sup>

In some cases, areas that were identified as a sub-sub-topic in ESRS 1 (2023) AR 16 have been reclassified as a sub-topic in ESRS 1 (2026) Appendix A.

The additional guidance in relation to the DMA is expected to have a significant effect on simplifying the process entities undertake to identify their material impacts, risks, and opportunities.

### Materiality of information

ESRS 1 (2026) paragraphs 23, 29, and 30 require an entity to provide information when it has determined that the information is material to its users.

Information is deemed to be material under ESRS 1 (2026) paragraph 23 when “omitting, misstating or obscuring that information could reasonably be expected to influence” the decisions of users. ESRS 1 (2026) identifies two types of users:

- Primary users of general-purpose financial reports—existing and potential investors, lenders, and other creditors including asset managers, credit institutions, and insurance undertakings

<sup>3</sup> ESRS 1 (2026) paragraphs 27–28 and 32, and AR 15.

<sup>4</sup> ESRS 1 (2026) paragraph 43 and AR 26–AR 28.

<sup>5</sup> ESRS 1 (2026) paragraph 44.

<sup>6</sup> ESRS 1 (2026) Appendix A.



- Other users of general-purpose sustainability statements—business partners, trade unions, social partners, civil society, and non-governmental organisations

This materiality of information filter is applied to all information reported in accordance with ESRS (2026), although ESRS 1 (2026) AR 12 states that the disclosures in revised ESRS 2 are “fundamental in nature and therefore likely to result in material information for all undertakings”.

In contrast, certain disclosures—including those required by ESRS 2—were required by ESRS (2023) irrespective of materiality.

### Disaggregation

ESRS 1 (2026) paragraphs 52 to 55 clarify the general principle that an entity is required to aggregate or disaggregate information to reflect the level at which significant variations in the entity’s material IROs arise, and that the level of aggregation should not obscure material information. In addition, the topical standards addressing pollution, water, and biodiversity and ecosystems specifically emphasise the importance of considering disaggregation by location—for example, by site or assets—consistent with the aggregation and disaggregation principles in ESRS 1 (2026).<sup>7</sup>

ESRS 1 (2026) AR 16 also emphasises that the level of disaggregation at which the materiality assessment occurs—that is, the assessment of an entity’s material IROs—is not necessarily the same level of disaggregation that an entity adopts for reporting purposes.

### Reporting reliefs

ESRS 1 (2026) introduces a number of new reliefs that an entity may use in its sustainability reporting as follows:

| Relief                     | Summary of relief                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Acquisitions and disposals | <ul style="list-style-type: none"> <li>▪ An entity may choose to defer the inclusion of a newly acquired subsidiary or business in its sustainability reporting to the next reporting period.</li> <li>▪ An entity that disposes of a subsidiary or business in the reporting period may choose to “adjust the scope of the materiality assessment and the reporting boundaries” from the beginning of the current reporting period.<sup>8</sup></li> <li>▪ If an entity uses this relief, it is required to use available information to provide disclosures about significant events affecting the relevant subsidiary during the reporting period which has had an effect on the group’s IROs.<sup>9</sup></li> </ul> |
| Value chain information    | When identifying IROs and reporting on metrics related to its value chain, an entity is permitted to use estimates or information collected directly                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |

<sup>7</sup> ESRS 1 (2026) paragraphs 52–55, AR 33, and AR 34; ESRS E2 *Pollution* (2026), paragraph 9; ESRS E3 *Water* (2026), paragraph 8; ESRS E4 *Biodiversity and Ecosystems* (2026), paragraph 8.

<sup>8</sup> ESRS 1 (2026) paragraph 74.

<sup>9</sup> ESRS 1 (2026) paragraph 75.

| Relief                        | Summary of relief                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|-------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                               | from counterparties in its value chain, depending on practicability and the reliability of the related data. <sup>10</sup>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Undue cost or effort          | <p>An entity is required to use reasonable and supportable information available at the reporting date without undue cost or effort in order to:<sup>11</sup></p> <ul style="list-style-type: none"> <li>▪ Identify material IROs</li> <li>▪ Determine the scope of its value chain</li> <li>▪ Determine information to include in its sustainability reporting related to its value chain</li> <li>▪ Prepare information on metrics</li> <li>▪ Report on current and anticipated financial effects</li> </ul> <p>ESRS 1 (2026) paragraphs 94 and 95 provide some factors for an entity to consider when making an assessment about what constitutes reasonable and supportable information and undue cost or effort.</p> |
| Calculation of metrics        | <p>An entity is permitted to omit information relating to specific activities from calculations of metrics if the activity is not a significant driver of the IRO related to the metric, and the omission is not expected to impair the relevance or faithful representation of the reported information.</p> <p>If there is a lack of reliable data obtainable without undue cost or effort, an entity may report only part of the scope of the relevant reporting boundary for a metric and must disclose information about actions taken to increase the coverage and quality of the information.<sup>12</sup></p>                                                                                                     |
| Entities managing investments | <p>If an entity “manages investments subject to a fiduciary duty on behalf of its clients pursuant to a mandate agreed with those clients without retaining risks or rewards of ownership”, then the entity is not expected to either assess IROs associated with those investments for materiality, nor report data about those investments.<sup>13</sup></p>                                                                                                                                                                                                                                                                                                                                                            |

The EC’s explanatory memorandum accompanying the final delegated act states that these new reliefs are intended to “alleviate the burden on undertaking” supporting the overarching burden reduction objective.<sup>14</sup>

### Reporting boundary

ESRS (2026) retains the concept from ESRS (2023) that the reporting entity for the purposes of the sustainability statement is the same as the reporting entity for the related financial

<sup>10</sup> ESRS 1 (2026) paragraph 65.

<sup>11</sup> ESRS 1 (2026) paragraph 93.

<sup>12</sup> ESRS 1 (2026) paragraphs 90–91.

<sup>13</sup> ESRS 1 (2026) AR 17 and AR 37.

<sup>14</sup> European Commission, Commission Delegated Regulation (EU) .../... amending Delegated Regulation (EU) 2023/2772 as regards the simplification of certain sustainability reporting standards, page 2.

statements.<sup>15</sup> ESRS 1 (2026) provides specific guidance that addresses the treatment of the following:

- Non-material subsidiaries—an entity may exclude a non-material subsidiary from its sustainability reporting, unless that subsidiary exposes the group to material impacts<sup>16</sup>
- Leased assets—a lessee reports impacts connected with its use of the leased assets as part of its own operations, whereas a lessor would report impacts associated with the use of the leased asset as part of its downstream value chain. Risks and opportunities connected to the leased asset and impacts associated with the ownership of the asset could accrue to either the lessee or the lessor, depending on the terms of the lease contract.<sup>17</sup>
- Long-term employee benefit funds—IROs arising from assets in an entity's long term employee benefit plan would be reported as part of its upstream value chain<sup>18</sup>
- Joint operations—an entity may omit information from joint operations over which it does not have operational control from the scope of environmental metrics in accordance with ESRS E2, ESRS E3, ESRS E4 and ESRS E5<sup>19</sup>

### **Structure of the sustainability statement**

ESRS 1 (2026) paragraphs 103–111 introduce new options for how an entity may structure its sustainability statement, including permitting the use of:

- An executive summary covering key messages about an entity's material impacts, risks, or opportunities
- A specific appendix for EU Taxonomy-related information
- Appendices for more granular information, tables of contents, additional information, or mapping and cross-reference tables

Consistent with ESRS 1 (2023), ESRS 1 (2026) paragraph 105 requires the entity to structure its sustainability statement using a four-part structure in the following order: general information, environmental information, social information, and governance information. However, ESRS 1 (2026) paragraph 105 allows an entity to present its sustainability information in a different manner, “provided that it presents a reasoned explanation for using an alternative structure”.

### **Anticipated financial effects**

ESRS 2 (2026) retains the requirement from ESRS (2023) to disclose information about the anticipated financial effects of an entity's material sustainability-related risks and opportunities. The specific text of the requirement, however, has been updated to be more interoperable with the IFRS® Sustainability Disclosure Standards.<sup>20</sup>

In addition, several new provisions have been added to ESRS 2 (2026) to facilitate the disclosure of anticipated financial effects:

- An entity is not required to disclose quantitative information about anticipated financial effects if those effects are not separately identifiable, or if the “level of measurement

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<sup>15</sup> ESRS 1 (2026) paragraph 60.

<sup>16</sup> ESRS 1 (2026) paragraph 61.

<sup>17</sup> ESRS 1 (2026) paragraph 71.

<sup>18</sup> ESRS 1 (2026) paragraph 72.

<sup>19</sup> ESRS 1 (2026) paragraph 92.

<sup>20</sup> ESRS 2 (2026) paragraph 27.

uncertainty involved in estimating those effects is so high that the resulting quantitative information would not be useful”.<sup>21</sup>

- An entity is not required to provide quantitative information about anticipated financial effects if the entity does not have the “skills, capabilities or resources” to provide that information.<sup>22</sup>
- An entity is permitted to present quantitative information as single amounts or as ranges.<sup>23</sup>

An entity is also required to use all “reasonable and supportable information available to [the entity] at the reporting date without undue cost or effort” when preparing the disclosures of anticipated financial effects.<sup>24</sup> ESRS 2 (2026) AR 17 reiterates that the provisions related to the omission of information in ESRS 1 (2026) apply to the disclosures of anticipated financial effects.

In addition, the disclosure requirements related to anticipated financial effects have been removed from the topical standards ESRS E2 *Pollution*, ESRS E3 *Water*, ESRS E4 *Biodiversity and Ecosystems*, and ESRS E5 *Resource Use and Circular Economy* as they are expected to be addressed under the provision outlined in ESRS 2 (2026). ESRS E1 (2026) *Climate Change* retains a disclosure requirement related to anticipated financial effects, although the datapoints have been reduced when compared to ESRS E1 (2023). ESRS E1-11 (2026) disclosure of anticipated financial effects still includes datapoints that cover the carrying amount of assets and the amount of net revenue subject to physical and transition climate risk.

### **Omission of information**

ESRS (2026) retains provisions from ESRS (2023) that permit an entity to omit disclosure of information in certain prescribed situations and expands on them in key ways. ESRS 1 (2026) contains four provisions which allow an entity to omit disclosure of otherwise required information. An entity reporting under ESRS (2026) may omit information:<sup>25</sup>

- In exceptional cases, if disclosure of that information would be “seriously prejudicial to the commercial position of the undertaking”
- That relates to “intellectual capital, intellectual property, know-how, technological information, or the results of innovation” if that information qualifies as a trade secret
- That is classified information
- That is otherwise “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”

In all cases, when an entity omits information as a result of applying one of these provisions, the entity must disclose the fact that it has used the exemption and reassess the use of that exemption at each reporting date.

### **General disclosure requirements (GDRs)**

The ‘minimum disclosure requirements’ related to policies, actions, targets, and metrics in ESRS 2 (2023) have been replaced in ESRS 2 (2026) by ‘general disclosure requirements’.

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<sup>21</sup> ESRS 2 (2026) paragraph 28.

<sup>22</sup> ESRS 2 (2026) paragraph 29.

<sup>23</sup> ESRS 2 (2026) paragraph 32.

<sup>24</sup> ESRS 2 (2026) paragraph 30.

<sup>25</sup> ESRS 1 (2026) paragraph 100.

Further, the overall number of datapoints related to policies, actions, targets, and metrics within ESRS 2 and the topical standards has been reduced. ESRS 2 (2026) also clarifies that the disclosure of information on policies, actions, targets, and metrics may be provided at either the level of an individual material IRO, or at higher level (such as groups of IROs or related topics).

If an entity has not adopted policies, actions, or targets for a specific material IRO, an entity would be required to disclose this fact. The topical standards also provide cross-references to the GDRs in ESRS 2 (2026) for policies, actions, and targets. Any remaining incremental topical GDRs on policies, actions, or targets are explicitly stated in the respective topical standards.

### **Transitional provisions**

ESRS 1 (2026) includes transitional provisions which permit entities to phase-in specific datapoints or topical reporting requirements over time. These transition provisions distinguish between two main categories of entities:<sup>26</sup>

- 'Wave one' entities—entities that are required to report on sustainability matters as a result of the Corporate Sustainability Reporting Directive (CSRD) for financial years starting between 1 January 2024 and 31 January 2026
- 'Other' entities—entities that are required to report on sustainability matters as a result of the CSRD for financial years starting on or after 1 January 2027

ESRS (2026) specifies that an entity's classification as a 'wave one' or 'other' entity is not affected by whether a Member State has transposed the CSRD.

For details of the transition provisions included in ESRS (2026), see the appendix to this publication.

### **Updates to the topical standards**

The 10 topical standards have been significantly revised in ESRS (2026).

In addition to the structural changes and updates as a result of the new interaction with ESRS 2 (2026) GDRs, the revisions to the topical standards include clarification of topical requirements, changes in the methodology used to calculate specific datapoints, removal of disaggregation requirements, and removal of entire datapoints. In particular, many datapoints have been removed from the policies, actions, and targets sections of the topical standards. This results in a reduction in number of datapoints in the topical standards.

The following summarises some of the significant changes to specific datapoints in the topical standards.

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<sup>26</sup> ESRS 1 (2026) paragraphs 121–122.

| ESRS (2026)                                                                  | Summary of changes                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| ESRS E1 (2026)<br><i>Climate change</i><br>AR 19 <sup>27</sup>               | <p>ESRS (2023) required entities to report greenhouse gas (GHG) emissions using an organisational boundary that combined the financial control and operational control approaches.</p> <p>ESRS (2026) states that an entity may choose to use either the financial control, operational control, or equity share approach (as defined in the Greenhouse Gas Protocol) when measuring its greenhouse gas emissions. ESRS 1 (2026) also states that an entity should follow the ESRS 1 guidance on the treatment of leases, long-term employee benefit schemes, and joint operations when an entity is determining its reporting boundary for purposes of reporting GHG emissions.</p>                                                                                                                                                                          |
| ESRS E2 (2026)<br><i>Pollution</i><br>paragraph 15 and<br>AR 2 <sup>28</sup> | <p>The references to the European Pollutant Release and Transfer Register (E-PRTR) and the requirement to disclose each pollutant emitted to air, water, and soil listed in the E-PRTR have been removed. To identify the pollutants to be considered for reporting, ESRS E2 (2026) requires an entity to perform a “managerial assessment” considering the entity’s activities and the sectors in which it operates. ESRS E2 (2026) refers to Annex II of Regulation (EU) 2024/1244 (Industrial Emissions Portal Regulation (IEPR)) and pollutants that an entity measures and monitors as valuable inputs into the managerial assessment.</p>                                                                                                                                                                                                               |
| ESRS E2 (2026)<br>paragraph 16 <sup>29</sup>                                 | <p>ESRS E2 (2026) reduces the ESRS E2 (2023) requirements for an entity to disclose the amount of microplastics that it generated or used.</p> <p>Although ESRS E2 (2026) retains a requirement to disclose information about microplastics, it specifies that an entity is required to disclose information about primary microplastics that are manufactured or used in the entity’s products and separately disclose primary microplastics that are directly released into the environment.</p>                                                                                                                                                                                                                                                                                                                                                            |
| ESRS E2 (2026)<br>paragraphs 18–<br>20 <sup>30</sup>                         | <p>Disclosures related to substances of concern (SOC) and substances of very high concern (SVHC) have been updated to require:</p> <ul style="list-style-type: none"> <li>▪ Manufacturers and importers of substances to disclose total weight of SOC and, separately, total weight of SVHC that are procured, manufactured, placed on the market, and directly released into the environment</li> <li>▪ Users of substances to disclose only the total weight of SVHC used in production and delivery of services and total weight of SVHC directly released into the environment</li> <li>▪ Manufacturers, importers, and users of articles that contain SVHC to disclose the names of those SVHC that exist in components or articles that are procured or placed on the market which are present in concentrations above 0.1% weight by weight</li> </ul> |
| ESRS E3 (2026)<br><i>Water</i>                                               | <p>The term ‘marine resources’ and the topics related to marine resources have been removed from ESRS E3. ESRS E5 (2026) now refers to marine resources as a category of resource inflows.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |

<sup>27</sup> ESRS E1 (2023) *Climate Change*, paragraph 50.

<sup>28</sup> ESRS E2 (2023) paragraphs 28(a) and 29.

<sup>29</sup> ESRS E2 (2023) paragraph 28(b).

<sup>30</sup> ESRS E2 (2023) paragraphs 32 and 35.

| ESRS (2026)                                                                        | Summary of changes                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| ESRS E4 (2026)<br><i>Biodiversity and Ecosystems</i><br>paragraph 21 <sup>31</sup> | An entity's requirement to report metrics in accordance with ESRS 2 (2026) GDR-M and those related to material impacts on biodiversity and ecosystems was clarified.                                                                                                                                                                                                                                                                                                                                                                                                                   |
| ESRS E5 (2026)<br><i>Resource use and circular economy</i><br>Annex II             | ESRS E5-4 <i>Resource inflows</i> introduces the term 'key materials', which refers to those materials that are essential to the entity's manufacturing process and delivery of its products and services, and the term 'key products', which refers to products that are central to the entity's value creation or strategic objectives.                                                                                                                                                                                                                                              |
| ESRS S1 (2026)<br><i>Own Workforce</i><br>paragraphs 20(a) and 24(b) <sup>32</sup> | ESRS S1-5 and ESRS S1-7 include an updated threshold for determining if there is 'significant' employment in a country: countries that have 50 or more employees by head count and that are among the countries with the 10 highest number of employees.                                                                                                                                                                                                                                                                                                                               |
| ESRS S1 (2026)<br>AR 20(b) <sup>33</sup>                                           | The hierarchy to determine the adequate wage for non-EU countries was updated as follows: <ul style="list-style-type: none"> <li>Wages established through collective bargaining by legislation that provides a "decent standard of living as confirmed by a calculation in line with the International Labour Organisation (ILO) principles on estimating a living wage as a minimum level (without prejudice to higher standards of adequacy of wage)"</li> <li>Any existing living wage estimates which take into account the ILO principles on estimating a living wage</li> </ul> |
| ESRS S1 (2026)<br>AR 36 and AR 37 <sup>34</sup>                                    | For the disclosure of incidents of discrimination and other human rights incidents, the concept of a 'severe' incident was removed, and it was clarified that only 'substantiated and verified' incidents are required to be reported. The standard provides guidance on when an incident should be considered 'substantiated' or 'verified'.                                                                                                                                                                                                                                          |
| ESRS G1 (2026)<br><i>Business conduct</i>                                          | ESRS G1 was reorganised into clear policies, actions, targets, and metrics sections. Datapoints within these sections have been deleted or combined.                                                                                                                                                                                                                                                                                                                                                                                                                                   |

## Changes to the structure of the standards

One of the major areas of modification in the ESRS (2026) is an overall shortening and clarifying of the text of the standards.

In addition, there are a significant number of changes to the structure of the ESRS (2026) compared to ESRS (2023):

- The mandatory requirements have been moved to the main body of each standard. The voluntary disclosures have been deleted or redrafted as application requirements. Any remaining 'may' disclosures in the standards or application requirements are intended to provide presentation options or allow for flexibility in the standards, but do not represent separate datapoints.

<sup>31</sup> ESRS E4 (2023) paragraphs 33, 36, 38–41.

<sup>32</sup> ESRS S1 (2023) paragraphs 50(a) and 60(b).

<sup>33</sup> ESRS S1 (2023) AR 73(b).

<sup>34</sup> ESRS S1 (2023) AR 106.

- The application requirements (ARs) have been reduced and relocated into the body of each standard and next to the related disclosure requirements (DRs), including a specific link to the relevant ESRS (2026) paragraph(s). The revised ARs intend to provide additional information about how to prepare the disclosures or provide presentation options.
- The topical standards in ESRS (2023) contained incremental disclosure and application requirements related to ESRS 2 GOV-1, GOV-3, IRO-1, SBM-2, and SBM-3. These incremental disclosures created complexity in application of ESRS (2023). These requirements from ESRS (2023) have been relocated from the topical standards to ESRS 2 (2026) or deleted.

Despite these structural changes, the overall architecture of ESRS remains the same—with ESRS (2026) containing 2 cross-cutting standards and 10 topical standards.

## When can entities apply ESRS (2026)?

ESRS (2026) is required to be applied for financial years beginning on or after 1 January 2027.

For financial years beginning between 1 January 2026 and 31 December 2026, an in scope entity is permitted to follow one of three possible approaches for reporting:<sup>35</sup>

- Apply ESRS (2023), as amended by the 'Quick Fix' Delegated Act which extended certain transition provisions in ESRS (2023)<sup>36</sup>
- Apply ESRS (2026)
- Apply ESRS (2023), as amended by the 'Quick Fix' Delegated Act, with the following additional reliefs and options taken from ESRS (2026):
  - Apply a top-down approach for the double materiality assessment<sup>37</sup>
  - Use reasonable and supportable information available without undue cost or effort, and use the limitation on data collection from the value chain, when performing the double materiality assessment<sup>38</sup>
  - Delay recognition of acquisitions until the start of the following year and reflect disposals from the beginning of the year in which they occur<sup>39</sup>
  - Exclude activities from metrics if they are not significant drivers of the material impact, risk, or opportunity the metric purports to represent<sup>40</sup>
  - Report metrics for only an objectively defined part of the entity's value chain<sup>41</sup>
  - Exclude joint operations over which the entity does not have operational control from environmental metrics (except for ESRS E1 metrics)<sup>42</sup>

<sup>35</sup> European Commission, *Commission Delegated Regulation (EU) .../... amending Delegated Regulation (EU) 2023/2772 as regards the simplification of certain sustainability reporting standards*, Article 2, paragraphs 1 and 2.

<sup>36</sup> For more information about the 'Quick Fix' Delegated Act, see *In brief INT2025-16 'Stop the clock' directive and new reliefs for 'wave 1' reporters*.

<sup>37</sup> ESRS 1 (2026) paragraph 27.

<sup>38</sup> ESRS 1 (2026) paragraphs 32-33.

<sup>39</sup> ESRS 1 (2026) paragraphs 74-75.

<sup>40</sup> ESRS 1 (2026) paragraph 90.

<sup>41</sup> ESRS 1 (2026) paragraph 91.

<sup>42</sup> ESRS 1 (2026) paragraph 92.



- Present Taxonomy disclosures in a separate appendix to the sustainability statement<sup>43</sup>
- Include an executive summary in the sustainability statement<sup>44</sup>

Irrespective of the approach followed, an entity must clearly disclose which version of the ESRS it has chosen to apply for financial years beginning between 1 January 2026 and 31 December 2026.

For more information about which entities are subject to reporting under the CSRD, see In brief INT2025-27 **'Omnibus Directive Finalised'**.

## What's next?

The delegated act containing the revised ESRS is subject to a two-month scrutiny period by the European Parliament and the Council of the European Union, which may be extended by a further two months. The delegated act will enter into force when the scrutiny period has passed. No transposition into local Member State law is required.

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<sup>43</sup> ESRS 1 (2026) paragraph 106.

<sup>44</sup> ESRS 1 (2026) paragraph 110.

## Appendix: Transitional provisions in ESRS (2026)

| ESRS disclosure requirements or datapoints                                                                                                            | Transition provision for 'wave one' entities with over €450m net turnover and 1,000 employees                                                                                                                                                                                                    | Transition provision for 'wave one' entities with less than €450m net turnover and 1,000 employees | Transition provision for 'other' entities                       |
|-------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|-----------------------------------------------------------------|
| Information regarding an entity's value chain                                                                                                         | For the first three years of reporting, if an entity cannot obtain all the necessary information regarding its value chain, it shall disclose the efforts made to obtain that information, why the information is not available, and the entity's plans to obtain the information in the future. |                                                                                                    |                                                                 |
| Comparative information                                                                                                                               | May be omitted for the first year of reporting, except for comparative information relating to metrics and amounts that are required by ESRS (2026) which are the same as ESRS (2023)                                                                                                            |                                                                                                    | May be omitted for the first year of reporting                  |
| All disclosure requirements for: <ul style="list-style-type: none"> <li>▪ ESRS E4</li> <li>▪ ESRS S2</li> <li>▪ ESRS S3</li> <li>▪ ESRS S4</li> </ul> | May be omitted for financial years prior to 2027                                                                                                                                                                                                                                                 | Not applicable                                                                                     | May be omitted for the first two financial years of reporting   |
| All disclosure requirements of all topical standards                                                                                                  | Not applicable                                                                                                                                                                                                                                                                                   | May be omitted for financial years prior to 2027                                                   | Not applicable                                                  |
| All information about anticipated financial effects required by ESRS 2 and ESRS E1 (except for ESRS E1 paragraphs 39(a)–(b) and 40(a)–(b))            | May be omitted for financial years prior to 2028                                                                                                                                                                                                                                                 |                                                                                                    | May be omitted for the first two financial years of reporting   |
| Quantitative information about anticipated financial effects required by ESRS 2 and ESRS E1 (except for ESRS E1 paragraphs 39(a)–(b) and 40(a)(b))    | May be omitted for financial years prior to 2030                                                                                                                                                                                                                                                 |                                                                                                    | May be omitted for the first four years of financial reporting  |
| Quantitative information about substances of concern required by ESRS E2-5                                                                            | May be omitted for financial years prior to 2030                                                                                                                                                                                                                                                 |                                                                                                    | May be omitted for the first three financial years of reporting |
| Information about substances of very high concern, if the entity is a user of articles that contain such substances                                   | May be omitted for financial years prior to 2028                                                                                                                                                                                                                                                 |                                                                                                    | May be omitted for the first financial year of reporting        |

| <b>ESRS disclosure requirements or datapoints</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | <b>Transition provision for 'wave one' entities with over €450m net turnover and 1,000 employees</b> | <b>Transition provision for 'wave one' entities with less than €450m net turnover and 1,000 employees</b> | <b>Transition provision for 'other' entities</b>         |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|----------------------------------------------------------|
| <p>Selected disclosures in ESRS S1:</p> <ul style="list-style-type: none"> <li>▪ Characteristics of non-employee workers (S1-6)</li> <li>▪ Collective bargaining and social dialogue for non-EEA countries (S1-7)</li> <li>▪ Social protection (S1-10)</li> <li>▪ Persons with disabilities (S1-11)</li> <li>▪ Training and skills development metrics (S1-12)</li> <li>▪ Health and safety metrics for non-employees (S1-13)</li> <li>▪ Number of cases of work-related ill-health, and number of days lost to work-related ill health and accidents for employees (S1-13)</li> <li>▪ Work-life balance metrics (S1-14)</li> </ul> | May be omitted for financial years prior to 2027                                                     |                                                                                                           | May be omitted for the first financial year of reporting |



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