

Sustainability Reporting Standard-Setter's Update – Cover Note

Objectives of the Discussion

The objective of the IAASB discussion is to receive an update from EFRAG¹ about their activities and developments in the European Union with respect to the ESRS,² and to discuss those matters with the Board.

Background

1. Although ISSA 5000³ is framework neutral, it is appropriate to consider relevant general purpose sustainability reporting frameworks in the development of adoption and implementation (A&I) resources. Significant jurisdictional (e.g., European Union) frameworks for sustainability reporting are being or will likely in future be used by many entities to report on sustainability-related matters and their sustainability performance (including their impacts on the economy, environment and people). In addition, assurance reports are being obtained or required on sustainability information reported under these standards. The IAASB is monitoring the developments in sustainability reporting for key sustainability reporting standard setters, including ISSB and GRI who both presented to the Board in September 2025, and EFRAG, responsible for developing EU standards, being the ESRS.
2. The European Union's (EU) Corporate Sustainability Reporting Directive (CSRD) replaced the Non-Financial Reporting Directive (NFRD), significantly expanding the scope and depth of environmental, social and governance (ESG) disclosures, requiring around 50,000 companies to report on ESG matters using the ESRS. Reporting began for the 2024 financial year for large public-interest entities, with phased implementation for other companies. However, in response to concerns about complexity and administrative burden, the European Commission (EC) introduced the "Simplification Omnibus Package" in early 2025. This proposal reduces the number of companies in scope by about 80%, simplifies due diligence and taxonomy requirements, and seeks to streamline ESRS disclosures by approximately 68%. EFRAG has proposed changes that emphasize fair presentation, remove voluntary disclosures, and improve interoperability with international standards.
3. The revised ESRS are expected to be adopted in 2026 following public consultation⁴ and EU legislative assessment. The European Parliament reached an agreed position, on November 13, for more simplification than proposed in the Omnibus Package, including higher thresholds for reporting that will reduce the companies expected to report by 90% and eliminating the requirement for a transition plan. On November 18, the European Parliament entered negotiations with the Council of the EU based on this position, with the aim of reaching a final agreement by the end of 2025.

¹ European Financial Reporting Advisory Group

² European Sustainability Reporting Standards

³ International Standard on Sustainability Assurance ISSA 5000™ *General Requirements for Sustainability Assurance Engagements*.

⁴ EFRAG published revised and simplified Exposure Drafts of ESRS on July 31, 2025, for a 60-day consultation period. EFRAG's final technical advice to the European Commission is due November 30, 2025.

Presentations

4. [Patrick de Cambourg, Chair of the EFRAG Sustainability Reporting Board](#) has been invited to present to the Board to provide an update on the EFRAG's activities and developments in the European Union with respect to the ESRS.

Discussion

5. Following the presentation, Patrick de Cambourg will be available to have a discussion with the Board.

Agenda Papers

- Agenda Item 7-A – Presentation on EFRAG Update