

# EFRAG Post Technical Advice Update: *Simplification of ESRS*

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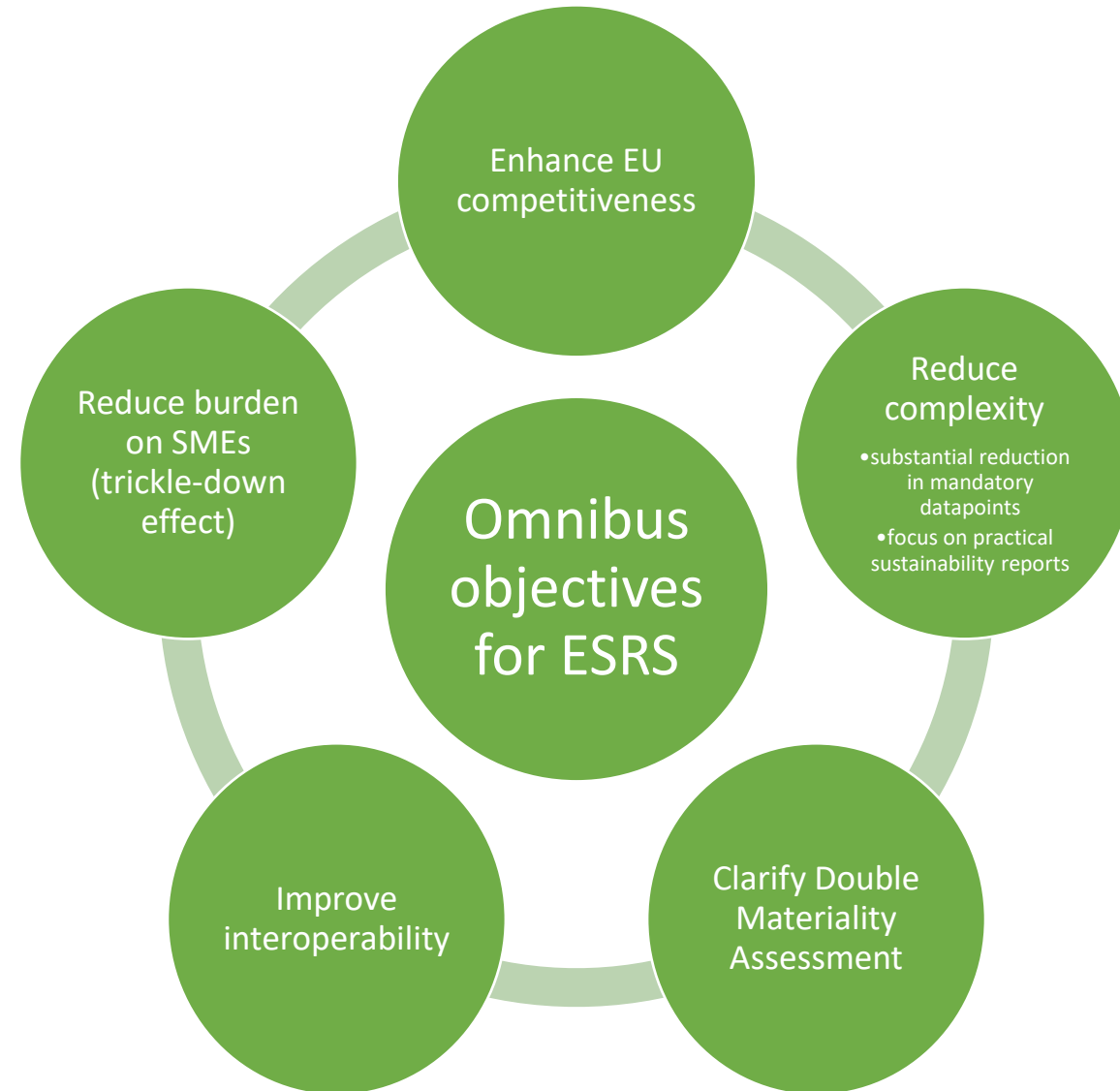


# ESRS Simplification Activity - Overview

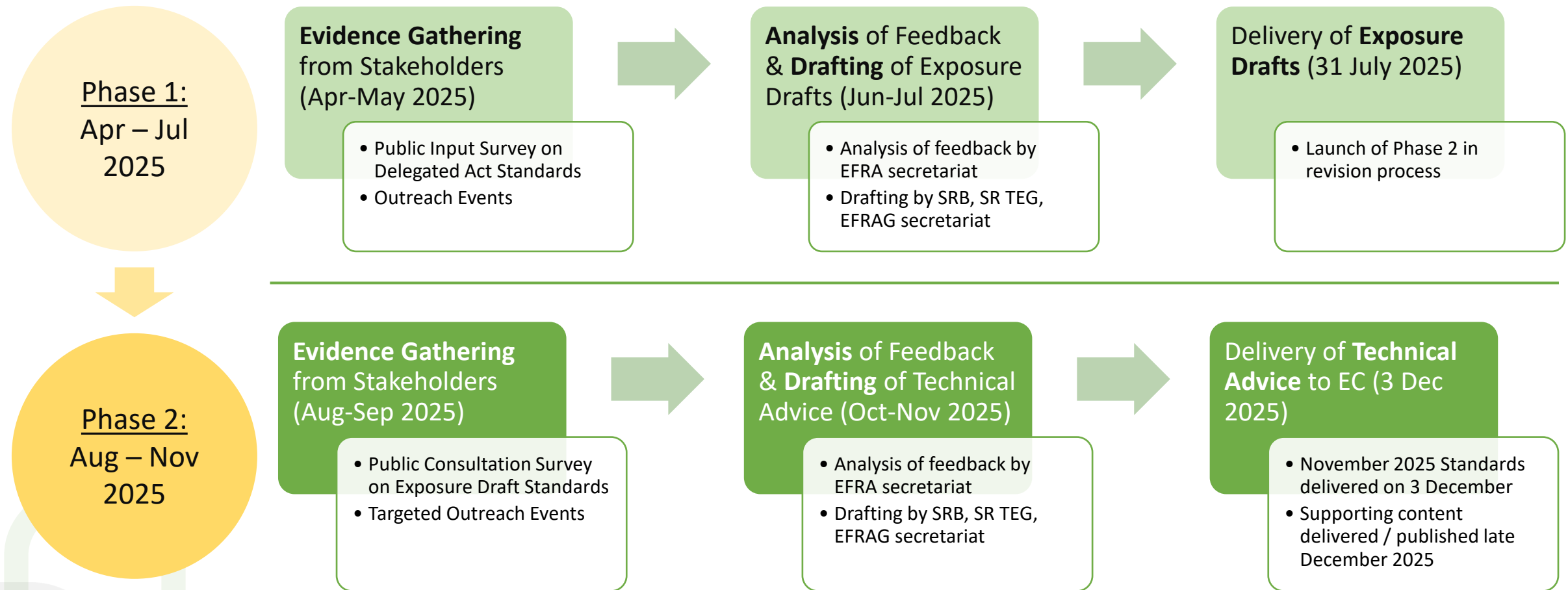
**27 March 2025**



EFRAG receives European Commission mandate to deliver technical advice on **ESRS simplification**



# ESRS simplification – process overview



# ESRS simplification – overarching logic

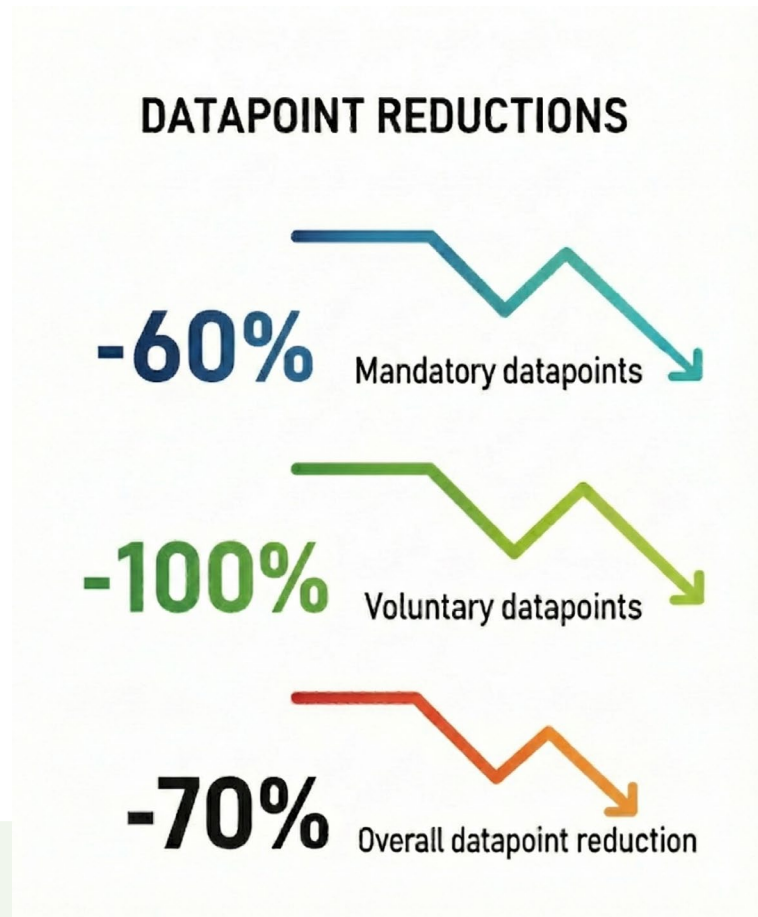
## PRIORITIES

- (1) Reduce administrative burden
- (2) Ensure quality sustainability reporting

## APPROACH

- (1) Gather evidence ahead of the Phase 1 (Exposure Draft) and Phase 2 (Technical Advice to ED)
- (2) Capitalise on a wealth of knowledge and experience

# Resulting datapoint reductions



## METHOD FOR DATAPOINT REDUCTIONS:

- Elimination of least relevant datapoints (i.e., those that were not necessary to meet the disclosure objectives).
- Most deleted datapoints stem from the narrative policies, actions, and targets (PAT) disclosures. A less prescriptive or rules-based and more principles-based approach has been implemented.
- Note: merging two datapoints was *not* counted as a reduction.

# Levers of Simplification

Simplification of Double  
Materiality Assessment (DMA)

Better readability /  
conciseness of sustainability  
statements

Relation of General Disclosure  
Requirements (former MDR)  
to Topical standards

Understandability, clarity and  
accessibility of ESRS Standards

Horizontal burden-reduction  
reliefs

Enhanced interoperability with  
global reporting standards



# Levers of Simplification (1/2)

## Simplification of **Double Materiality Assessment (DMA)**

The amendments simplify the DMA process and documentation for audit purposes.

- More emphasis on fair presentation
- New section on 'Practical considerations'
- Information materiality as a general filter and better connection of this concept with users' needs
- New guidance on gross vs net
- Illustrative nature of former AR 16
- Clarification on IROs vs topics and flexibility on which level to report

## Better **readability / conciseness** of sustainability statements

Improved flexibility on how to organise the information, more emphasis on how the company manages its sustainability issues.

- Executive summary
- Option to use appendices. E.g. details on the calculation of the reported metrics, non-material matters, EU Taxonomy-related information
- Connected information

## Relation of General Disclosure Requirements (former MDR) to Topical standards

Deleting most granular narrative requirements in topical standards.

- MDR renamed GDR and significantly simplified
- No topical specifications on GOV, SBM or IRO and requirements only in ESRS 2
- Significant reduction of PAT in topical: mostly deletion and, for some specifications, moved to NMIG as illustrations
- PAT: only reported "if you have them" and deletion of MAY datapoints (e.g. timeframe)

# Levers of Simplification (2/2)

## Understandability, clarity and accessibility of ESRS Standards

Voluntary disclosures eliminated, clarified language, various concepts are simplified, text is shortened.

- Elimination of voluntary disclosures
- Separation of mandatory and non-mandatory content
- Simplification of language
- Option to present some of the quantitative disclosures as tables or narrative. Tables are no longer mandatory
- Non-mandatory illustrative guidance (NMIG) as a separate document with content explicitly meant to be guidance for reference only.

## Horizontal **burden-reduction** reliefs

New flexibilities and reliefs have been included.

- IFRS reliefs
- Undue cost or effort principle
- Anticipated financial effects
- Relief for metrics due to lack of data quality
- Abandon data hierarchy in value chain
- Exclusion of non-material activities
- Qualitative information only on resilience
- Acquisitions and disposals
- Boundaries (own operations)
- Value chain cap

## Enhanced **interoperability** with global reporting standards

Enhanced interoperability with the ISSB Standards (IFRS S1 & S2)

- Alignment of language between ESRS and IFRS
- Emphasis on fair presentation
- Materiality of information as filter for the reported info
- Reporting boundary GHG emissions
- Reference to IFRS Industry based Guidance is permanent
- Reliefs from IFRS (with exceptions)
- Negatively affecting interoperability: reliefs exceeding IFRS S1 and S2 reliefs
- Work in progress: Option 1 versus option 2 for quantitative financial effects
- Reduction of datapoints results in only -7 aligned datapoints



ESRS Simplifications  
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*Overall & Cross Cutting  
(ESRS 1 & 2)*

# Overall Simplifications

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Greater focus on decision usefulness and materiality as a general filter

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Proportionality mechanisms

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Reliefs

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Phasing-in challenging datapoints

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Principles-based standards for narrative DPs

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Flexibility on how to report aligned with how impacts, risks, and opportunities (IROs) are managed

# ESRS 1 – *General Requirements*: Key Changes (1 of 2)

<p><i>Fair Presentation</i> emphasis</p>	<ul style="list-style-type: none"> <li>• strong link to materiality filter</li> <li>• alignment with IFRS S1</li> </ul>
<p>Materiality Assessment simplified</p>	<ul style="list-style-type: none"> <li>• focus on usefulness of information</li> <li>• dedicated chapter (3) of ESRS 1</li> </ul>
<p>Clearer reporting boundaries</p>	<ul style="list-style-type: none"> <li>• distinction between "own operations" and "value chain"</li> </ul>
<p>Materiality Assessment and Geographic Guidance simplification</p>	<ul style="list-style-type: none"> <li>• definition of materiality assessment level, including geography</li> <li>• guides aggregation vs. disaggregation for reporting</li> <li>• covers environmental and social topics</li> </ul>

# ESRS 1 – *General Requirements: Key Changes (2 of 2)*

## Reliefs with Transparency and Improvement Expectation

- no time limits, but transparency required
- relief applies to metrics, acquisitions, joint operations without control, non-material activities

## Flexible Disclosure Approach

- option to use internal references
- add non-material information
- add appendices and executive summaries to increase readability and satisfy data demand

## Other Simplifications

- only datapoints within material scope required
- voluntary disclosures deleted, standards' language simplified
- guidance on prevention, mitigation and remediation actions in materiality of an impact assessment
- flexible granularity of reporting
- use of “undue cost or effort” principle beyond IFRS scope of application
- systematic preference for direct data in value chain metrics *removed*
- added phase-ins for wave one undertakings

## ESRS 2 – General Disclosures: Key Changes

### Disclosure Requirements BP

- BP-1 simplified with direct reference to ESRS 1 via “*comply or explain*” principle
- BP-2 updated considering the new phase-in provisions

### Disclosure Requirements GOV

- less granularity in narrative requirements and consolidation of GOV-1 and GOV-2

### Disclosure Requirements SBM

- SBM-1 – reduced detail on business model & value chain; and simplified disclosure on sector information
- SBM-2 – stakeholder-engagement-simplified with a focus on key stakeholders
- SBM-3 – anticipated financial effect provisions maintained including quantitative information
- SBM-3 – information on IROs in this DR is limited to the interactions with strategy and business model
- SBM-3 – resilience analysis limited to qualitative information on the risks covered in this DR

## ESRS 2 – *General Disclosures*: Key Changes

### Disclosure Requirements IRO

- IRO-1 – simplified but core of DMA process description maintained
- IRO-2 – information about IROs as outcome of the DMA moved to SBM 3

### General Disclosure Requirements on Policies, Actions, Metrics and Targets

- simplified by deleting unnecessary overlap with topical standards and renamed GDRs from Minimum Disclosure Requirement.
- new AR supporting cohesiveness and conciseness.





# Double Materiality Assessment & Fair Presentation

# Simplification of the Double Materiality Assessment (DMA)

## Double Materiality

- Materiality central to ESRS
- More flexible approach with top-down focus
- Improved flow & clarity
- Key concepts reinforced

## Reporting of Actions

- Based on users' needs
- Distinguishes actual vs potential impacts



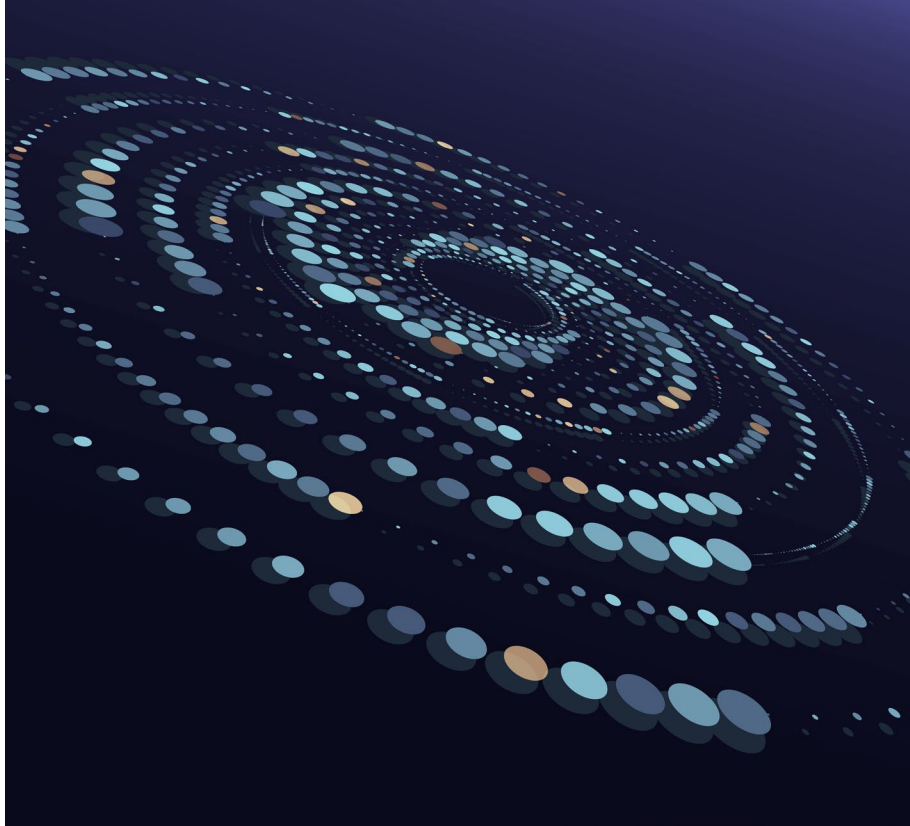
Relevant and faithful presentation of sustainability information.



Role of *fair presentation* emphasised in the Technical Advice.



## ESRS Simplification: *Topical Standards*



## Overview of Topical Changes

- Restructure of topical standard architecture
- Principles in focus
- No new concepts



## Next Steps

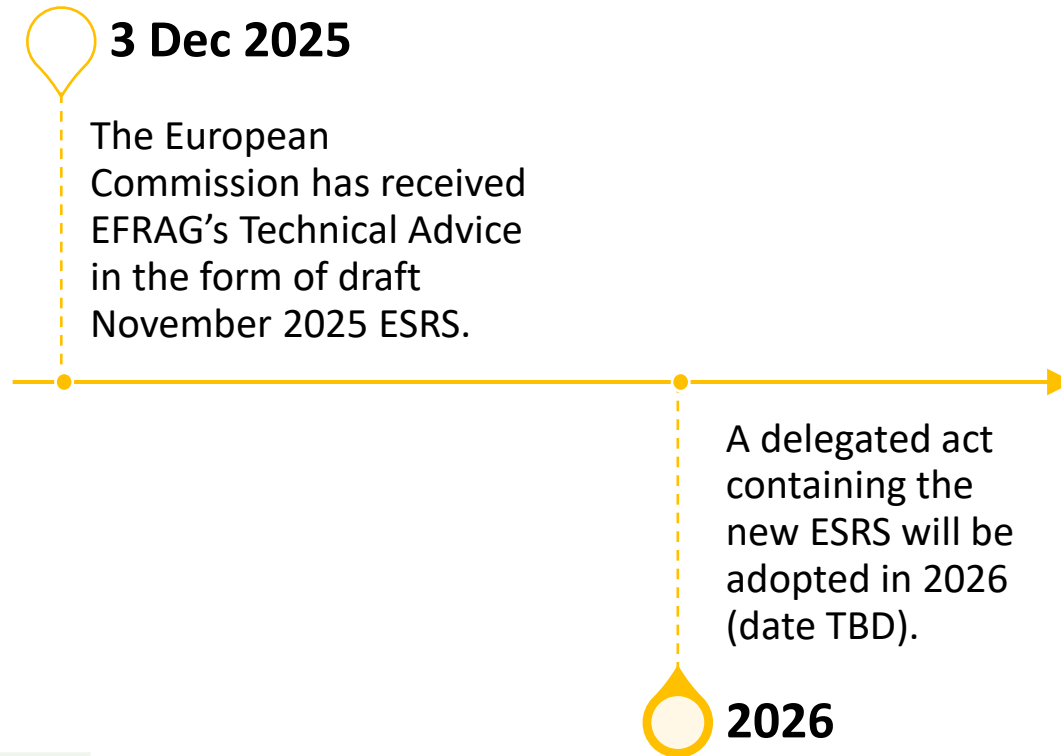
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## Supporting Documents & Delegated Act

- Additional documentation to be delivered in December 2025:
  - Basis for Conclusions
  - Log of Amendments: explanation of changes from the Set 1 Delegated Act (2023) to Technical Advice
  - Comparison of 3 texts: Set 1 / Exposure Drafts / Technical Advice
  - Cost Benefit Analysis
  - Public Consultation Report (summary of feedback received)
  - FAQ on the ESRS Simplification



# Critical Next Steps: Delegated Act & beyond



After the 2026 Delegated Act is adopted:

EFRAG intends to compile **additional supporting documents** as well as incorporate the simplified ESRS in the **EFRAG Knowledge Hub\***.

\*<https://knowledgehub.efrag.org>



# Questions & Comments





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