

EC Draft Revised ESRS vs EFRAG Draft Simplified ESRS

Scope and basis of comparison

This document compares the European Commission (EC) consultation draft of the revised simplified European Sustainability Reporting Standards (“ESRS”) dated 6 May 2026 with the European Financial Reporting and Advisory Group (EFRAG) draft amended ESRS published and provided to the EC on 3 December 2025. The resulting matrix format below focuses on the most important changes and further nuances that affect application, reporting burden, judgement, timing, scope, boundaries, reliefs, or other considerations. Less important changes (as per the authors), renumbering, layout changes, drafting clean-up and cross-references that only change mechanically, are not listed as separate changes in this document (of which the intent is to provide a high level appreciation). Paragraph references in the second column are those as per the EC 6 May 2026 draft, unless explicitly stated otherwise. Any EFRAG paragraph references are included where relevant. Because the EC document is still a consultation draft, paragraph numbers and wording may still change before adoption.

Executive summary

- The EC indicates in an accompanying message that the draft largely builds on EFRAG’s simplification work, which is an indication of the high quality of the work performed by EFRAG, and introduces further targeted adjustments to facilitate reporting burden and provide more explicit alignment, where needed, with the Omnibus I simplification proposals:
- The most important changes and nuance are relating to the two cross-cutting standards, being ESRS 1 and ESRS 2. These were in the areas of helping to avoid the risk of overreporting, further emphasizing the importance of the top-down materiality approach, broader reliefs, finetuning of the value-chain cap notion, expanded omission provisions, and a more complete description (per category of company) of the phase-in regime;
- The most important topical changes and nuances to highlight are identified are in ESRS E1 (relating to transition plans, GHG boundary options, anticipated financial effects, ...), and to a lesser extent in ESRS E2 (microplastics and SoC/SVHC phase-ins), and the other standards ESRS S1/S2/S3/S4 (substantiated incident threshold);
- A separate expectation-setting nuance is that the EC draft should not be read as creating direct International Sustainability Standards Board (ISSB)/IFRS S1 and S2 alignment or an automatic ISSB compliance route. The objective remains improved interoperability with global sustainability reporting standards, meaning that companies with ISSB-driven reporting expectations likely will still need a dedicated interoperability or gap analysis;
- The EC states that it anticipates less reporting burden and more readable reports. On the other hands, constituents could be of the view that the revised standards could still result in potentially delayed and less comparable information, including the need for further guidance, in areas that possess the characteristic of high-value information, such as anticipated financial effects, hazardous substances, value-chain social topics, and GHG boundaries.

Control Matrix

No.	Standard / paragraph(s)	Important change	EFRAG Dec. 2025 position	EC 6 May 2026 draft change	Assessment of practical significance
1	ESRS 1, paras. 23-24	Further elaboration on Immaterial ESRS information: from optional non-disclosure to prohibition	EFRAG para. 24 stated that the undertaking "is not required to disclose information prescribed by an ESRS DR if that information is not material".	The EC para. 24 further elaborates that, except for clearly identified supplementary information, the undertaking "shall not disclose" information prescribed by an ESRS DR or datapoint if that information is not material. It also states that the undertaking shall not disclose immaterial entity-specific information.	This further emphasises the tone from relief to obligation and encourages shorter, less checklist-driven reporting. It also increases the importance of documenting materiality judgements where non-disclosure of otherwise prescribed information is material to the reporting approach.
2	ESRS 1, paras. 27-28 and AR 9-10	The top-down materiality assessment further strengthened	EFRAG already encourages a top-down approach and stated that a materiality conclusion can be reached at topic level for combined impacts, risks, and opportunities (IROs).	The EC draft makes the top-down approach even more operational. AR 9 states that a top-down approach enables the undertaking to avoid unnecessary work and generally does not require the materiality assessment at the level of every individual impact, risk, or opportunity, unless a more granular assessment could reasonably be expected to lead to a different conclusion.	Important as granular IRO registers can be rationalized by reporting entities. The key control point becomes the quality of the top-down rationale and whether non-evident topics were subjected to a more specific assessment and documentation.

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3	ESRS 1, para. 21 and AR 6 for paras. 19-20	Specific more firm wording on fair presentation to be assessed at sustainability-statement level	EFRAG para. 21 said that applying ESRS, including the materiality filter and entity-specific disclosures where necessary, is "presumed" to result in fair presentation. EFRAG AR 6 already referred to the overall picture of reported information.	The EC draft replaces the presumption wording with a clearer statement that applying ESRS results in fair presentation. AR 6 clarifies that the assessment concerns the sustainability statement taken as a whole, not individual disclosures in isolation. It also states that using reliefs in Chapters 5.4, 7.3, 7.4 or 7.7 is not detrimental to fair presentation if adequate explanations are given.	Important as an interpretative clarification. It further reduces the risk that preparation or assurance becomes a datapoint-by-datapoint checklist exercise, while preserving the need for a fair overall picture.
4	ESRS 1, para. 66	The value-chain cap notion is operationalized through the voluntary standard	No equivalent detailed paragraph was identified in the EFRAG December 2025 ESRS 1 text.	The EC draft now specifically states that the upper limit of sustainability information that may be required from protected value-chain undertakings comprises the necessary disclosures from both the Basic Module and the Comprehensive Module of the voluntary standard. It distinguishes undertakings with more than 10 employees from undertakings with 10 employees or fewer and extends the limitation to non-EU undertakings in the value chain.	This constitutes the confirmation of an important change for supplier/customer questionnaires. Reporting undertakings will need to align value-chain data requests with the cap; protected undertakings should challenge requests or assumptions that exceed the cap without a clear legal basis.
5	ESRS 1, AR 17 for para. 37 and AR 37 for paras. 62-63	Specific asset management / fiduciary investment carve-out	No equivalent explicit carve-out was identified in EFRAG ESRS 1.	Where an undertaking manages investments under a fiduciary duty for their clients without retaining the risks or rewards of ownership, it is not expected to assess impacts, risks and opportunities related to those investments and is not expected to provide data on those investments.	This is of particular importance for asset managers and some financial institutions. The carve-out avoids reporting information about client assets where the undertaking does not bear ownership risks or rewards. The scope of the carve-out will need careful documentation.
6	ESRS 1, paras. 100-101	Description of the omission of commercially sensitive and protected information expanded	EFRAG had a narrow chapter 7.7, mainly covering information protected under applicable Union law or regulations and a commercial-position exemption linked to Member State transposition choices.	The EC draft provides a broader and more explicit list: seriously prejudicial commercial information, trade secrets, classified information, and other information protected by Union or national law or needed to safeguard privacy/security. For each omitted datapoint, the undertaking discloses that the exemption was used and reassesses at each reporting date.	For reporting entities, this will create a broader and more robust safety check for sensitive disclosures, including those relating to anticipated financial effects. It also creates the need for a clear audit trail, as the basis for omission, affected datapoints and annual reassessment should be evidenced.
7	ESRS 1, paras. 123-127; ESRS 2 BP-2 paras. 8-10	Transitional provisions expanded to distinguish better the different categories of undertakings, including value-chain and Substance of very high concerns (SVHC) article-user reliefs	EFRAG ESRS 1 mainly addressed phase-ins for wave-one undertakings and explicitly left the treatment of other undertakings, including future new reporters, to the Commission. EFRAG did not include the same differentiated phase-in structure for wave-one undertakings above and below the EUR 450m / 1,000 employee thresholds, the same first-three-year value-chain transitional provision, or the separate SVHC article-user phase-in.	The EC draft adds a first-three-year transitional provision where not all necessary value-chain information is available, requiring explanation of efforts, reasons, and future plans. It also creates a more complete phase-in regime: wave-one undertakings above € 450 million turnover and 1,000 employees, wave-one undertakings below those thresholds, and undertakings required to report from 2027. It includes phase-ins for E4/S2/S3/S4, anticipated financial effects, quantitative Substance of Concern (SoC) information, one-year SVHC information for users of articles containing SVHC, and selected S1 disclosures. ESRS 2 BP-2 is updated accordingly.	More practical information depending on which category of entity and the availability of value-chain information. The SVHC phase-in is particularly relevant for article users and manufacturers with complex product chains. BP-2 still prevents a complete information gap where omitted standards cover material topics.

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8	ESRS 2 SBM-3 paras. 27-31 and AR 17; ESRS 1 AR 46 and Chapter 7.7	Anticipated financial effects: highlighting estimate revisions and omission rules	EFRAG already included the anticipated-financial-effects disclosure and specific reliefs from quantitative information. Where quantitative information is not provided, the undertaking is still required to explain why and provide decision-useful qualitative information about the financial effects, including the affected or likely affected financial-statement line items, totals and subtotals.	The EC draft adds to AR 17 that anticipated financial effects are likely to involve estimates. If prior estimates later prove inaccurate as additional information becomes known, the undertaking revises them in the next appropriate sustainability statement and this does not necessarily imply a reporting error. It also states that ESRS 1 Chapter 7.7 omission provisions, including seriously prejudicial commercial information, apply to anticipated financial effects.	The additions by the EC do not refer to the general measurement-uncertainty point, which was already in the EFRAG technical advice. The change is rather the explicit protection around later estimate revisions (and that this should not be default treated as errors) and the omission of sensitive anticipated financial effects.
9	Cross-cutting: ESRS 1, ESRS 2 and ESRS E1; EFRAG Explanatory Note Article 29b(5)	No direct ISSB/IFRS S1 and S2 compliance route; interoperability remains the objective	EFRAG treated enhanced interoperability with ISSB/IFRS S1 and S2 as an important simplification and alignment objective. It indicated that ESRS 1, ESRS 2 and ESRS E1 had been built to integrate the content of IFRS S1 and IFRS S2 to the maximum extent possible, but this was framed as interoperability rather than as a direct ISSB compliance mechanism.	The EC draft also does not introduce a direct ISSB/IFRS S1 and S2 alignment or compliance statement. Its targeted changes support interoperability with IFRS S1 and IFRS S2, but ESRS remains a distinct EU double-materiality reporting framework. The EC draft should therefore not be read as meaning that an ESRS sustainability statement automatically satisfies IFRS S1 and IFRS S2.	This nuance remains an important aspect in relation to expectation management. Companies with group, investor or market expectations around ISSB reporting should not assume that ESRS-only reporting equals IFRS S1/S2 compliance. A targeted interoperability or gap analysis remains necessary. For auditors, it can affect scoping discussions, terminology and methodology.
10	ESRS E1, E1-8 para. 30(c) and AR 19 for para. 30	GHG reporting boundary: alternative GHG Protocol approaches allowed	EFRAG AR 19 used financial control under the GHG Protocol as the starting point. If this did not adequately portray emissions from operated assets outside the reporting boundary, the undertaking had to report scope 1 and 2 emissions calculated using an operational-control boundary.	The EC draft keeps financial control (as per the GHG Protocol Corporate Accounting and Reporting Standard (2004) as the starting point (consistent with the EFRAG December advice) but expressly allows the undertaking alternatively to use the equity-share approach or operational-control approach under the GHG Protocol. It also requires disaggregation of scope 1 and 2 emissions between the consolidated accounting group and other emissions.	This likely increases flexibility and may better align with existing GHG inventories of the reporting undertakings. On the other hand, comparability may be impacted, so the selected boundary, rationale and consequences should be clear in the methodology disclosures.
11	ESRS E1, E1-1 para. 12(a); ESRS E1 AR 2 for para. 12(a); ESRS E1 AR 17 for para. 24(c)	Climate transition plan: specific transparency where targets are not 1.5C-compatible	EFRAG required a statement on whether GHG emission reduction targets are science-based and compatible with limiting global warming to 1.5C, with reference to E1-6 and related ARs.	The EC draft adds that if the undertaking discloses a transition plan referring to GHG emission reduction targets that are not compatible with limiting warming to 1.5C, it must explain this in the statement, in particular how target values compare with reference values and how future developments were considered.	A company may still report a transition plan with targets that are not 1.5C-compatible, but it must be transparent about the gap rather than implying Paris alignment.
12	ESRS E2, E2-4 paras. 15-16 and AR 1-2	Pollutants and microplastics: primary microplastics only; managerial assessment of pollutant materiality	EFRAG ESRS E2-4 required information on primary microplastics and secondary microplastics. EFRAG AR 2 treated pollutant lists and thresholds as valuable inputs for assessing material pollutant emissions.	The EC draft limits the disclosure to primary microplastics manufactured or used in products and those directly released into the environment. It also states that material emissions of pollutants are identified through a managerial assessment that considers the undertaking's activity and sector of operation, with E-PRTR/IEPR pollutant lists and thresholds as inputs.	The microplastics change (limiting information to primary microplastics) is a further burden reduction. The pollutant change clarifies that materiality is not a mechanical list exercise but a managerial assessment based on the undertaking's activity and sector.

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13	ESRS S1, S1-16 para. 43 and AR 36-37	Human rights and discrimination incidents: substantiation of the threshold clarified	EFRAG already referred to "substantiated instances" of judicial and non-judicial proceedings initiated and/or incidents registered by the undertaking.	The EC draft elaborates the description to substantiated instances registered by the undertaking of ongoing judicial/non-judicial proceedings and other incidents. It adds that an instance is substantiated when evidenced by objective, factual and verifiable information, and that not all proceedings or registered instances are necessarily substantiated.	It helps companies in deciding that they should not report every allegation as an incident, but that they need a documented and consistent method for deciding when an instance is substantiated.

Source basis

- Draft Revised European Sustainability Reporting Standards: [European Commission, Draft delegated regulation and Annexes 1 to 2](#), Ref. Ares(2026)4623964, 6 May 2026.
- European Commission explanatory memorandum: principal targeted modifications to EFRAG technical advice (included in the Draft delegated regulation).
- [EFRAG, Draft Simplified ESRS](#), November 2025 / published 3 December 2025, including ESRS 1, ESRS 2 and topical standards.
- [EFRAG and IFRS Foundation, ESRS-ISSB Standards Interoperability Guidance](#), May 2024; EFRAG Explanatory Note to Article 29b(5), December 2025.