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# Drafts of New EU CSRD Reporting Standards Published, Open for Consultation

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On July 31, 2025, the long-awaited drafts of the updated European Sustainability Reporting Standards (ESRS) were published and are now open for public consultation. The ESRS are the mandatory reporting standards for European Union (EU) companies subject to the EU Corporate Sustainability Reporting Directive (CSRD). These updates will impact many US companies if they are in scope of the CSRD via their EU subsidiaries.

The overall objective of changing the ESRS was to simplify and streamline the requirements as well as to provide clarity and legal certainty based on the learning from the first wave of CSRD reports. This project was coordinated by the European Financial Reporting Advisory Group (EFRAG), acting for the European Commission.

The drafts contain many amendments to the current version of the ESRS.

## Our key takeaways

**1. The topics have not changed.**

The ESRS are still structured in the same way, with ESRS 1 and 2 covering general disclosures, five environmental standards (climate change, pollution, water, biodiversity and ecosystems, and resource use and circular economy), four social standards (own workforce, workers in the value chain, affected communities, and consumers and end users) and one governance standard (business conduct).

**2. The structure of the ESRS has changed, with non-mandatory content moved to a separate document.**

The idea behind this move is to cut down on the confusion that was created by mixing mandatory and non-mandatory requirements within the same standard. In this updated draft, topical standards now only contain **mandatory** disclosure requirements and application requirements (which is guidance on each mandatory disclosure requirement). Non-mandatory content has been moved to the Non-Mandatory Illustrative Guidance (NMIG).

**3. Data points have been reduced by 68% compared to the previous version of the ESRS, according to EFRAG.**

**Most of the voluntary ("may") data points have been deleted**, with the possibility to maintain only a few of them for certain disclosures on an exceptional basis. Around one-third of the voluntary data points have been moved to the NMIG.

**The mandatory data points that EFRAG considered to be the least relevant have been deleted.** The mandatory data points are those that are required to be reported if they are material. According to EFRAG, these have been reduced by **57%**. Most of the deletions are concentrated in the topical reporting standards, and while the deletions reduce the level of detail required, in many instances the information will still need to be reported under ESRS 2 (now referred to as general disclosure requirements) if the topic is considered material.

By way of example, the following **mandatory data points have been deleted:**

- In ESRS 1, the requirement to provide detailed reasons if a company concludes that climate change is not material and therefore omits all E1 disclosures (sometimes referred to as "comply or explain"). (However, while a detailed explanation of the conclusions of the materiality assessment on climate change is no longer required under ESRS 2, companies are still required to disclose the basis for the conclusion that climate change is not material.)

- In ESRS E1 on climate change:
  - A description of policies adopted to manage material impacts, risks and opportunities related to climate change mitigation and adaptation. (This is a good example of a data point that has been deleted from a topical standard (here, climate change) but will still need to be disclosed under ESRS 2, which requires disclosure on policies related to material topics.)
  - If the company has set greenhouse gas (GHG) emission reduction targets, the current base year and baseline value are no longer specified (under the current ESRS E1, target values for 2030 and, if available, for 2050 have to be disclosed and updated every five years after 2030), which leaves companies more flexibility in terms of setting the base year.
  - Information on the energy intensity (total energy consumption per net revenue) associated with activities in high climate impact sectors.
  - Total GHG emissions, although Scopes 1-3 GHG emissions are still required to be reported.
- In ESRS S1 on own workforce:
  - The total number of employees who have left the undertaking during the reporting period.

Some of the mandatory data points were not deleted completely but converted to voluntary data points and moved to the NMIG – for example, in S1:

- The distribution of employees by age group.
- Whether the company has specific policies aimed at the elimination of discrimination, including harassment, promoting equal opportunities, and other ways to advance diversity, equity and inclusion (DEI). (Note however, that if DEI is material, relevant policies, actions and targets (if any) must still be disclosed under ESRS 2, though this is slightly less prescriptive on the level of detail required.)

**4. Many data points have been retained but often reorganized to reduce duplications.**

Most of the minimum disclosure requirements (MDR) in ESRS 2 have been retained and renamed as general disclosure requirements (GDR). For example, the disclosures on material impacts, risks and opportunities, and "interaction of material impacts and opportunities with strategy and business model, and financial effects" (SBM-3) have been removed from the topical standards but retained in ESRS 2. The net effect of this is that reporters will still need to disclose their material impacts, risks and opportunities, and financial effects under ESRS 2.

**5. There is a slightly less granular approach to narrative disclosures on policies, actions and targets.**

However, much of the meat of the disclosure requirement has been retained. For example, the following disclosures are now required in relation to any time-bound targets that a company has adopted on material sustainability topics: (1) the defined target value (or level when qualitative) to be achieved, (2) the scope of the target, in terms of the undertaking's activities within own operations and/or upstream and/or downstream value chain, (3) geographical boundaries, where applicable, (4) the baseline value, (5) any milestones or interim targets set, and (6) the methodologies, significant assumptions used to define targets, and whether the targets are based on conclusive scientific evidence.

Clarification has been provided that policies, actions and targets only need to be reported if a company has them, meaning there is no obligation to adopt targets on material sustainability topics. This was always the case but has now been clarified.

**6. The double (financial and impact) materiality perspective has been retained.**

Companies will still need to consider both financial and impact materiality and when working out what is material, it is still necessary to consider both financial users of the report and nonfinancial users of the report.

The double materiality assessment (DMA) process has been slightly clarified through amendments to ESRS 1, emphasizing that the ESRS is a "fair presentation framework" based on relevance and faithful representation. EFRAG has included these statements to reduce the risk of overburdening reporting associated with a compliance exercise – previously one of the big criticisms of the DMA process.

The draft standards now clarify that the DMA should start with an analysis of the business model to identify the most obvious material topics (top-down model), and the level of evidence to support the conclusions should be

reasonable and proportionate (see the new exemptions below). New sections are introduced to clarify the concept of materiality of information and “practical considerations” in determining material impacts, risks and opportunities.

In addition, **a big question for many companies is whether they should consider impacts on a gross basis** (i.e., before mitigation/remediation measures) **or a net basis** (i.e., taking account of mitigations/remediation measures). EFRAG is still consulting on this, but the drafts note that when assessing the materiality of actual negative impacts, the severity of the impact shall include any mitigation or prevention measures implemented before the impact occurred (the “net impact”). When the impact is material based on this assessment, it will be necessary to disclose the remediation actions taken and expected or actual outcomes.

The draft standards are silent on whether this means a refresh of DMAs already done in line with the previous standards is required.

**7. New relief has been provided for “undue cost or effort.”**

The materiality assessment and preparation of information on metrics data points must be “based on reasonable and supportable information that is available without undue cost or effort.” This relief is a proportionality mechanism inspired by the reliefs in the International Sustainability Standards Board’s S1 and S2 International Financial Reporting Standards. It means that companies will not have to gather information for the purposes of the materiality assessment or the metrics disclosures if it would entail an undue cost or effort to collect. What is considered “undue cost or effort” is not directly defined and will depend on the company’s specific circumstances and requires a balanced consideration of the costs and efforts for the company and the benefits of the resulting information for users.

**8. Consultation on anticipated financial effects disclosures is ongoing.**

This position is not yet settled, and EFRAG is consulting on two options: either (1) allowing reporting of qualitative information only where the level of estimation uncertainty is so high that the resulting information would not be useful or (2) requiring qualitative disclosure and leaving it up to the company to disclose quantitative information.

The drafts **do not cover** some of the key issues currently under discussion in the context of the amendments to the CSRD proposed as part of the Omnibus I package, which is still being negotiated. Those issues include relief for the omission of confidential/sensitive information, the phase-in provisions, and the extent of the obligation to have transition plans compatible with the 1.5-degree target in place and implement them.

# What’s next?

The drafts are not yet the final text of the ESRS, and the new ESRS do not apply yet. They are currently open to a 60-day public consultation, after which EFRAG says it will take into account the feedback received. The deadline to submit feedback for stakeholders is September 29. EFRAG is then due to deliver its final work product to the European Commission (EC) by November 30, 2025.

The EC will need to consider whether to make any further amendments to the ESRS, taking account of the impact of the omnibus negotiations on the text of the CSRD. It will then adopt the amended ESRS by way of delegated regulation. The EC has committed to adopting the revised delegated act as soon as possible and, at the latest, **six months after the entry into force of the revised version of the CSRD**. The EC’s aim is for companies to be able to apply the revised ESRS for **reporting covering financial year 2027 onward**, potentially with the option of already applying the revised ESRS for reporting covering financial year 2026.

If you have any questions or would like any support with submitting feedback on the drafts, please contact a member of Cooley’s international ESG and sustainability advisory team.

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