Cooley

European Commission Adopts Revised EU CSRD Reporting Standards

July 21, 2026

On 3 July 2026, the European Commission adopted a delegated act setting out revised European Sustainability Reporting Standards (ESRS) and a delegated act setting out voluntary reporting standards for smaller companies. The revised ESRS will replace the previous version of the ESRS (Previous ESRS).

The ESRS are the mandatory reporting standards for European Union (EU) companies subject to the EU Corporate Sustainability Reporting Directive (CSRD). These updates will affect many US companies that fall within the CSRD's scope through their EU subsidiaries and are required to file CSRD reports starting from fiscal year 2027. The standards are now effectively final – they still require formal adoption by the EU but they can no longer be amended. We anticipate formal adoption to happen in the coming months.

The overarching goal of the revision was to simplify and streamline the Previous ESRS, complementing the changes to the scope of the CSRD introduced by the Omnibus I package (read our alert here). The European Commission states that the mandatory data points have been reduced by over 60%, and as a result, estimates reporting costs will decrease by approximately 30% per company.

Our key takeaways

1. Topics have not changed

The revised ESRS continue to cover the same topics as the Previous ESRS: ESRS 1 and 2 (general requirements and 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. Mandatory data points reduced by 60%, but a new 'fair presentation' requirement is introduced

According to the European Commission, mandatory data points have been reduced by over 60% and total data points by over 70% compared to the Previous ESRS. However, a new 'fair presentation' requirement introduced in ESRS 1 requires that the information disclosed is comparable, verifiable and understandable. It also requires the disclosure of entity-specific information where the topical disclosures do not cover them in sufficient granularity to allow users to understand the material impacts, risks and opportunities. In practice, this gives companies more flexibility but also places a heavier burden on them to justify their conclusions, including to their CSRD assurance provider.

3. Prohibition on reporting nonmaterial information

The revised ESRS generally prohibit reporting disclosure requirements, data points and entity-specific information where they are not material. Nonmaterial information may still be included in the CSRD report where it:

- Must be disclosed under other legislation.
- Stems from generally accepted reporting standards or frameworks, including nonmandatory or sector-specific guidance

published by other standard-setting bodies (such as the Global Reporting Initiative).
- Is needed to meet the data demands of a specific user.

Any nonmaterial information must be clearly identified as such, comply with the faithful representation principle, and not obscure material information. Companies that have been using CSRD reporting for broader sustainability disclosures should take particular note of this restriction, which will limit the amount of additional 'marketing-speak' that can be included in a CSRD report.

4. Double materiality perspective 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. Financial materiality continues to require consideration of material risks and opportunities attributable to business relationships across the upstream and downstream value chain, unchanged from the Previous ESRS.

5. 'Top-down' approach permitted for the double materiality assessment

Revised ESRS 1 introduces the option to use a 'top-down' approach. According to the top-down approach, the double materiality assessment (DMA) begins with an analysis of the business model, including sectors, geographies, and the features of the upstream and downstream value chain to identify the most evident material topics. However, companies can continue using the 'bottom-up' approach or even combine a 'top-down' approach for some topics and a 'bottom-up' analysis for others. This provision will apply from FY 2026.

As for refreshing the DMA, revised ESRS 1 requires companies to consider annually whether significant changes – such as changes to activities, structure, business relationships, understanding of impacts, risks or opportunities, assessment methodologies, or the external environment – would affect their materiality assessment conclusions. If so, the DMA must be reviewed and updated. Companies should be aware that any decision not to refresh the DMA is likely to be questioned by their assurance provider.

6. Taking account of mitigating measures in the double materiality assessment

A significant area of uncertainty under the Previous ESRS was to what extent mitigating measures can be taken into account when defining material topics for CSRD reporting. The revised ESRS 1 take the following approach to considering mitigating measures:

- For the severity of **actual** negative impacts, the assessment must not consider remediation activities to address impacts if those activities were undertaken during the reporting period.
- For the severity and likelihood of **potential** negative impacts, the assessment should take into account implemented prevention and mitigation policies and actions only if those policies and actions can reasonably be assumed to effectively reduce the severity or likelihood. Actions or policies that have not yet been implemented must not be considered.
- The materiality assessment needs to consider information on policies and actions used to manage negative impacts if they are **decision-useful to users**, irrespective of how effectively the company manages the impacts or of how effectively the corresponding topics are regulated.
- Companies must assess positive impacts "without netting against negative impacts". Actions to prevent, mitigate, end, minimise or remediate negative impacts or mere compliance with legal requirements do not qualify as positive impacts. Companies should therefore ensure they do not conflate positive impacts with mitigation or prevention measures.

7. Reduced scope for reporting on opportunities

Under the Previous ESRS, it was left open to companies to report on sustainability-related opportunities, including at the sector level. Revised ESRS 1 now prohibits reporting on general sector-level opportunities. Companies must limit their disclosures to opportunities that are currently being pursued or incorporated into their strategy.

8. Greater flexibility to rely on proxies and estimates in value chain reporting

Revised ESRS 1 gives companies greater flexibility to rely on proxies and estimates for value chain information, and removes the previous obligation to “make reasonable efforts” to obtain information from value chain partners. This is a significant practical relief, particularly for companies with complex or fragmented supply chains.

However, important limitations remain:

- Data and assumptions used in sustainability reporting must, to the extent possible, be consistent with those used to prepare the financial statements, and any differences must be explained.
- For the first three financial years (FY) of CSRD reporting, where not all necessary value chain information is available, the company must explain the efforts made to obtain the information, why it was not available and its plans to obtain it in the future.

9. New ‘undue cost or effort’ relief

Under the revised ESRS, when carrying out the materiality assessment and preparing the CSRD report, the company must “use all reasonable and supportable information that is available to the undertaking at the reporting date without undue cost or effort”. This proportionality mechanism, inspired by the International Sustainability Standards Board’s S1 and S2 standards, means companies need not gather information for materiality assessments or metrics disclosures if doing so would entail an undue cost or effort. “Undue cost or effort” is not directly defined and will depend on a company’s specific circumstances, requiring a balanced assessment of the costs and efforts involved against the benefits of the resulting information for users. What is reasonable and supportable information that is available to the undertaking without undue cost or effort must be reassessed for each reporting period.

10. Disclosures on anticipated financial effects

Disclosure of qualitative and quantitative information on anticipated financial effects remains mandatory for material risks and opportunities. However, this is subject to exceptions and phase-in periods, e.g., allowing companies starting to report from FY 2027 to omit information on anticipated financial effects for the first two reporting years, and to omit quantitative information about anticipated financial effects for their first four reporting years. Qualitative and quantitative information about current financial effects for which there is a significant risk of a material adjustment within the next annual reporting period to the carrying amounts of assets and liabilities reported in the related financial statements is also mandatory.

In addition, under ESRS 2, companies are also required to disclose the amounts of significant financial resources allocated to key actions taken to manage material impacts, risks and opportunities and achieve the objectives or related policies in the reporting period (if any) and provide an indicative range of significant future financial resources expected to be allocated. Anticipated financial effects from material climate-related physical and transition risks and opportunities must also be disclosed under ESRS E1. However, some of this information on transition risks and opportunities is subject to a two-year grace period (four years for certain quantitative information) for companies starting to report from FY 2027.

11. Changes to environmental and social standards

A number of changes have been made to the environmental and social disclosure standards. For example, if a company does not have a transition plan for climate change mitigation that includes certain key features such as greenhouse gas (GHG) emission reduction targets, key actions, and compatibility with the 1.5°C target, it must disclose this fact and indicate whether and, if so, when it expects to adopt one. For S1-16 (Incidents of discrimination and other human rights incidents), only substantiated and verified instances of human rights incidents need to be reported. This is narrower than under the Previous ESRS, which required reporting of mere complaints.

12. Value chain cap and other reliefs

The revised ESRS reflect the Omnibus I amendments, which introduced a value chain cap to CSRD: companies subject to the CSRD cannot require companies in their value chain that have 1,000 employees or fewer to provide more sustainability information than is required by the voluntary reporting standard adopted alongside the revised ESRS. However, this exemption does not cover ESRS E1-8 metrics (gross Scope 1, 2 and 3 GHG emissions). The exemption will apply from FY 2026.

Additional specific reliefs include the option to exclude activities from metric calculations if they are not a significant driver of the relevant impacts, risks, or opportunities and their exclusion is not expected to impair the relevance and faithful representation of the reported information. If this relief is relied on, that fact should be disclosed in the CSRD report. Another new relief provides that companies which acquire a subsidiary during the reporting period may defer its inclusion in the materiality assessment and sustainability statement to the following reporting period. Conversely, if a subsidiary leaves the group during the reporting period, the company may adjust the scope of its materiality assessment and reporting boundary from the beginning of the current reporting period.

13. Presentation and structuring for machine readability

Companies should also consider how their sustainability statements will be reviewed in practice. Benchmarking bodies, proxy advisors and institutional investors are increasingly using large language models and automated text-analysis tools to review and compare sustainability reports at scale. Clear structure, consistent headings, well-defined key terms and a logical information architecture will play an increasingly important part in determining how a company’s disclosures are interpreted and ranked.

The revised ESRS introduce an optional executive summary and the ability to present EU Taxonomy disclosures in a separate appendix, which may improve accessibility and navigability.

Next steps

The revised ESRS and the voluntary reporting standards have been presented to the Council and the European Parliament, which have two months to scrutinise the texts. They cannot propose amendments. They may only reject the delegated act in full, which is widely considered unlikely. Upon publication in the Official Journal of the EU, the revised ESRS will enter into force on 20 November 2026 and apply to financial years beginning on or after 1 January 2027. We recommend that in-scope companies begin assessing the impact of these changes on their reporting processes and materiality assessments now.

Please reach out to any member of the Cooley ESG team if you have any questions.

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