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EFRAG Releases Draft Simplified European Sustainability Reporting Standards (ESRS)

New simplified ESRS introduce reductions in data requirements, streamlined materiality assessments, and enhanced alignment with global sustainability standards.

On December 3, 2025, the European Financial Reporting Advisory Group (EFRAG) has released its **draft simplified European Sustainability Reporting Standards (ESRS)**[1] together with its final technical advice[2] to the European Commission, building on its Exposure Draft[3] published on July 31, 2025. This development marks an important step in the European Commission's **2025 Sustainability Omnibus initiative**, which aims to streamline regulatory obligations and reduce compliance burdens without compromising the fundamental objective of the Green Deal to advance sustainability in the European Union.[4]

The Commission indicated that it intends to review the draft and prepare its Delegated Act revising the original ESRS in the first half of 2026, with the applicability date of the new ESRS to be confirmed in the delegated act. The introductory wording in Delegated Regulation (EU) 2025/1416 seems to suggest that the revised standards will only start to apply for the reporting period of financial year 2027.

Key Simplifications and Reforms

EFRAG's draft simplified ESRS introduce a series of structural and substantive changes intended to make sustainability reporting more proportionate and practical as well as increasing interoperability with other reporting standards such as ISSB:

1. Stronger Emphasis on Usefulness of Information

A new overarching principle allows companies to filter disclosures through a "usefulness and fair presentation" lens (similar to requirements in the IFRS and ISSB standards), reducing compliance-driven reporting and emphasizing information that is genuinely relevant to investors and other users.

2. Simplified Materiality Assessment

The materiality process – cited as one of the most complex elements of the first-year reporting cycle – has been streamlined with:

- Clearer guidance, more flexibility and more practical instructions,
- Reduced documentation requirements, and
- Better alignment with auditor expectations.

These changes aim to limit administrative burden while preserving robust decision-making and a "balanced consideration of the costs".

3. Reduced Value Chain Burden

The prior preference for direct data collection from value chain partners has been deleted. Companies may now rely more broadly on estimates and indirect sources, alleviating pressure to obtain granular upstream and downstream data.

4. Substantial Reliefs and Phasing-In Measures

Similarly to the extension of phase-ins for so-called wave 1 companies (i.e. companies being required to report already starting with financial year 2024) under the European Commission's "quick fix" Delegated Regulation (EU) 2025/1416, the simplified standards incorporate a wider array of phase-ins and "undue cost"-exemptions for disclosures that have proven operationally challenging, such as ESRS S2 or S3.

5. More Principles-Based Narrative Reporting

Policies, actions, and targets may now be described in a more flexible, narrative manner, with companies free to determine how best to structure these disclosures.

6. Fewer and Clearer Requirements

According to EFRAG, mandatory datapoints have been reduced in the simplified ESRS by 61 %, and all voluntary datapoints have been removed, making the standards shorter, more accessible, and more coherent.

7. Improved Interoperability With ISSB Standards

EFRAG has preserved common disclosure elements where possible and further aligned ESRS with ISSB Standards (including adjustments for GHG boundaries and anticipated financial effects). However, some ESRS reliefs go beyond what ISSB permits; companies intending to assert both ESRS and ISSB compliance should evaluate the implications carefully.

Next Steps and Applicability Considerations

The European Commission will now prepare its Delegated Act incorporating EFRAG's technical advice. The European Commission can do so unilaterally, with the delegated act being subject to a two months' scrutiny period by the European Parliament and Council of the EU after publication. The introductory wording in the European Commission's "quick fix" Delegated Regulation (EU) 2025/1416 seems to suggest that the revised standards will only start to apply for the reporting period of financial year 2027.

What This Means for Companies

Companies already subject to CSRD, *i.e.* so-called wave 1 companies, should carefully monitor the publication of the European Commission's Delegated Act in the upcoming months, in particular with regard to its application date.

Large EU subsidiaries of U.S. and other non-EU companies, so-called wave 2 companies, generally due to report in 2028 for financial year 2027, should begin to assess how the simplified ESRS may affect their reporting strategy and internal processes. Although the simplifications reduce the reporting obligations, companies will still need to maintain robust materiality assessments, governance structures, and data systems to ensure reliable, audit-ready sustainability disclosures.

Companies aligning with both ESRS and ISSB frameworks should pay particular attention to areas where reliefs under the simplified ESRS may create divergence.

[1] *See* https://www.efrag.org/en/draft-simplified-esrs (last accessed on December 4, 2025).

[2] *See* here (last accessed on December 4, 2025).

[3] *See* https://www.efrag.org/en/projects/esrs-simplification (last accessed on December 4, 2025).

[4] We regularly report on the latest Omnibus Simplification developments in our monthly ESG: Risk, Litigation, and Reporting Update.

The following Gibson Dunn lawyers prepared this update: Ferdinand Fromholzer, Carla Baum, Johannes Reul, Babette Milz, and Vanessa Ludwig

Gibson Dunn lawyers are available to assist in addressing any questions you may have about these issues. Please contact the Gibson Dunn lawyer with whom you usually work, any leader or member of the firm's ESG: Risk, Litigation, and Reporting practice group, or the authors: :

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