Simplifying the European Sustainability Reporting Standards (ESRS)

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The European Round Table for Industry (ERT) is deeply convinced of the value of disclosing information on sustainability performance to support investors and customers' access to comparable and decision-useful data. We believe that such transparency can truly support the delivery of the ambitions of the European Green Deal.

However, the current European Sustainability Reporting Standards (ESRS) focus too heavily on compliance and formalities instead of highlighting the most decision-useful information needed for companies to improve sustainability performance and outcomes over time and contribute to the European Green Deal. While sustainability reporting serves a broad range of stakeholders, many of the data points required are not relevant for managing or steering the company, making them of limited value to users. Additionally, the standards contain overly complex and vague definitions and terms, as well as several unclear disclosure requirements. These ambiguities have led to diverging interpretations of the legal requirements, ultimately reducing the usability and comparability of the disclosed information.

ERT therefore strongly supports the overall process to revise ESRS Set 1 to overcome these constraints and to significantly reduce the reporting burden on European companies. The revised and simplified Exposure Drafts published by EFRAG on July 31st, 2025, represent only the first step towards reaching the EU's simplification objectives.

ERT generally welcomes the proposed structural improvements, such as the inclusion of an executive summary and the clarified interaction between ESRS 2 and the topical standards. However, we believe that the proposed amendments to the substance of the disclosure requirements are insufficient to significantly reduce the reporting burden for companies in line with the promises of the Commission's simplification agenda.

Many proposed changes are cosmetic and do not affect the substance of the respective disclosure requirements. While the number of datapoints has decreased, the underlying substance of the disclosure requirements in many cases remains intact. Merging data points or making linguistic changes do not effectively reduce the reporting burden. The Exposure Drafts might formally reduce the number of datapoints by more than 50%, but this will not translate into a proportional reduction in the substantive reporting scope or effort. We currently expect only a minor reduction of the reporting volume and effort – far below the objective of 25%.

Against this background, the revision of the ESRS must follow some key principles to achieve the Commission's set objective of considerably reducing the reporting burden by at least 25%. These principles are in line with the guidelines provided to EFRAG by the European Commission to guide the development of the Exposure Drafts:

1. The **ESRS revision should not include any new mandatory disclosure requirements or datapoints**. Similarly, no datapoints that are currently voluntary should be made mandatory. Adding datapoints of which the usefulness remains untested (e.g. E2-4 on secondary microplastics or E5-17d on the rate of recycled material used in key products) undermines the goal of simplification. Moreover, the revision of the standards should not add granularity nor further details - the objective is to reduce the reporting burden, not add to it.

2. **Completely delete the mandatory disclosure requirements on current and anticipated financial effects** due to a lack of mature and established methodologies to assess them. Management reports generally cover information on key financial risks. Additional disclosures on "anticipated financial effects of risks" in the absence of common methodologies aligned with financial reporting requirements lead to inconsistent disclosures resulting from varying assumptions and presentation. Significant legal risk would be introduced by including forward-looking information in the financial statement that is neither part of the financial statement nor linked to the financial disclosure. The reporting requirement may also involve the disclosure of commercially sensitive information.

3. **Remove all datapoints on sub-topics that are not sufficiently mature** to be included in the current ESRS Set 1 (e.g. disclosure on secondary microplastics) and further simplify other burdensome disclosures (e.g. the concept of "near" for sites in biodiversity sensitive areas).

4. The **ESRS should not mandate any specific behavioural requirements**. They should only focus on disclosure and transparency requirements. For instance, ESRS 1, Paragraph 84c mandates adjusting the base year of a target following a major acquisition or disposal. This introduces a behavioural requirement, which appears to contradict Paragraph 5, which clearly states that "the ESRS do not mandate behaviour but set disclosure requirements...".

5. **Changing terms and underlying concepts should lead to a significant simplification and clarification of the ESRS**, **and not the opposite.** For example, the removal of "severe" from the disclosure requirements for human rights incidents across all social standards significantly increases the scope of incidents to be reported. This broad scope dilutes the materiality of disclosures and contradicts the goal of simplification.

6. The **materiality assessment** should be **further simplified, more principles-based and less prescriptive,** providing more flexibility to preparers. Appendix C is overly complex and should be removed.

Based on the Exposure Drafts from EFRAG, European preparers (especially wave 1 undertakings) expect **an increase of the reporting effort for preparing disclosures in FY 2026 and potentially FY 2027, before any potential reduction through the ESRS revision might materialise**. Any change to the disclosure requirements and underlying concepts will cause adaptations of internal data collection processes, adjustments of IT systems, additional documentation requirements and coordination with auditors. A further and more significant reduction of datapoints is therefore necessary to reach the objective of reducing the reporting burden by at least 25%.

ERT would like to underline that the ESRS should be robust, principles-based, clear and consistent standards developed with high standards of due process. When preparers request clarification and guidance, we believe the priority should be to improve clarity within the standards themselves (through future revisions of the ESRS) instead of issuing guidance, FAQs and other non-binding documents.

We invite EFRAG and the European Commission to ensure that the guidelines above are considered in view of modifying the Exposure Drafts.