Grant Thornton

# The Revised ESRS

## Key Changes Reshaping Sustainability Reporting

# Introduction

On 3 July 2026, the European Commission (EC) adopted the finalized version of the revised European Sustainability Reporting Standards (ESRS) as part of the wider Omnibus I simplification package, providing clarity on the new requirements. According to the EC, the revised ESRS reduced mandatory datapoints by more than 60% and total datapoints by more than 70%, while maintaining high-quality sustainability disclosures.

The delegated act revising the ESRS was subsequently transmitted to the European Parliament and the Council of the EU for scrutiny. Following the conclusion of the scrutiny period, with no objections raised by either institution, on 21 September 2026 the delegated act was published in the Official Journal of the European Union as Commission Delegated Regulation (EU) 2026/1563 and will enter into force on 10 November 2026. As an EU Regulation, it is directly applicable in all Member States and does not require transposition into national law.

This article summarizes the key changes of the revised ESRS, effective date for implementation and the transitional provisions for FY2026 that are available for the undertakings falling within the CSRD scope.

# Key Changes at a Glance

## Basis for Preparation, Data Collection and Aggregation

The revised ESRS introduce important clarifications that aim to make **sustainability statements** more **focused, coherent** and **aligned with material information.**

- The revised ESRS apply a ***fair presentation*** principle to the sustainability statement as a whole rather than to individual data points.
- Revised ESRS further clarify the ***reporting boundary*** in case of group reporting and more closely align it with financial reporting, whilst providing the option to exclude subsidiary not consolidated in the financial statements due to its non-materiality from a financial perspective, unless there are specific facts and circumstances that expose the group to impacts arising from the subsidiary in question that meet the group's materiality thresholds.
- Undertakings are required to include only ***material upstream and downstream value chain information;*** where value chain data cannot be collected without undue cost or effort, they are explicitly allowed to use estimates or proxy data provided the basis and limitations are disclosed and estimates are revisited as more reliable data becomes available.
- **Value-chain requests must respect the ≤1,000 employee cap** and the information must be limited to the Voluntary Standard datapoints which are specified in Annex II of Delegated Regulation (EU) 2026/1560. Any additional requests must be clearly identifiable, and the undertaking has a statutory right to decline.

## Practical Implications

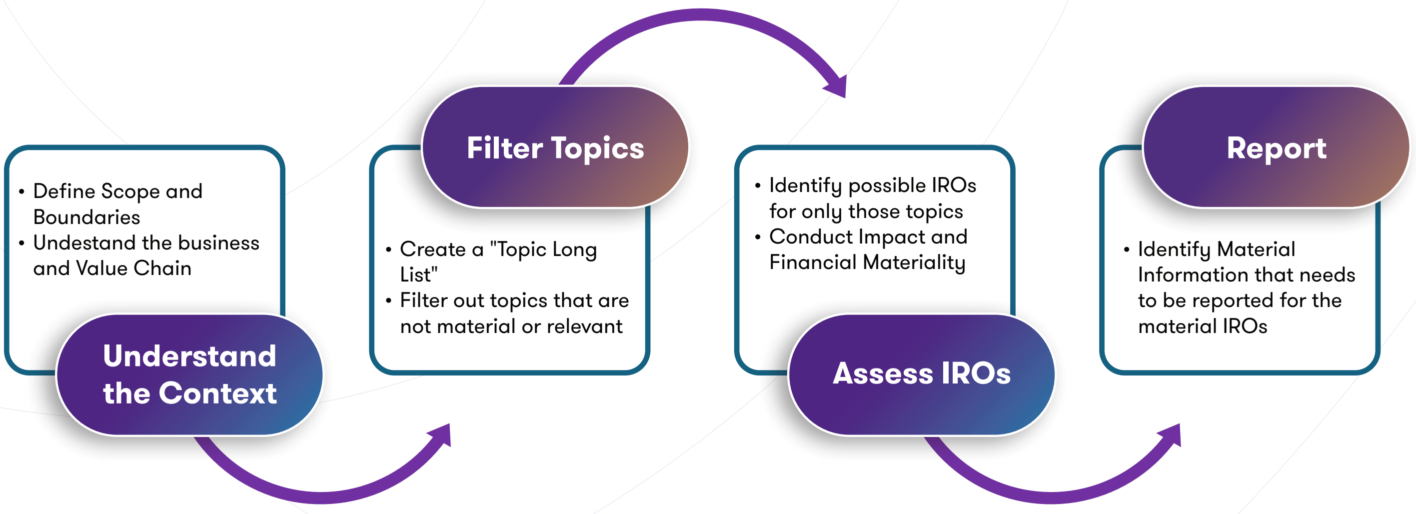
- Undertakings should place greater emphasis on the overall quality, balance and coherence of the sustainability statement, rather than treating fair presentation as a datapoint-by-datapoint exercise. Compliance is now judged on whether the report overall faithfully reflects the undertaking's material impacts, risks and opportunities.
- The sustainability reporting boundary can now be anchored directly in the financial consolidation scope. The option to exclude financially non-material, non-consolidated subsidiaries is a relief, though not an automatic carve-out: financial immateriality does not equal sustainability immateriality.
- Companies can now bridge value chain data gaps with documented estimates (e.g. sector averages, spend-based data); though the relief comes with documentation requirements and an expectation that reliance on proxies decreases as better data becomes available.
- Data collection processes should be re-focused on material value chain information. Standard information requests to value chain undertakings (supplier questionnaires, ESG data platforms, contractual clauses) should be reviewed against the value-chain cap.

# A Top-Down Approach to Double Materiality

Double materiality assessment (DMA) remains the basis of ESRS reporting, however its function and the approach undertakings must use is redefined. More specifically:

- Materiality of information now acts as a general filter that applies to all disclosures and moves away from any implied checklist.
- The revised ESRS allow undertakings to use a more **top-down** approach in the DMA process; starting from their business model and strategy filtering out topics clearly immaterial and then identifying Impacts, Risks, and Opportunities (IROs) for material topics. Any IRO whose materiality remains unclear after this analysis must be assessed individually.
- The revised ESRS have additionally simplified the biodiversity materiality analysis by removing the separate biodiversity specific disclosures.
- Finally, the text clearly states that undertakings "shall not" include information that is not material in its sustainability reporting, except in certain specified circumstances.

## The New DMA Approach at a Glance



### Practical Implications

- The new approach reduces the need to assess every possible impact, risk or opportunity in equal detail, focusing instead on topics that are most material to their business context.
- Greater emphasis should be placed on identifying material topics first, before performing a more detailed assessment of the related impacts, risks and opportunities.
- Biodiversity and its related IROs should be assessed within the general DMA process, rather than through a separate E4-specific disclosure process.
- For undertakings having already conducted a DMA, it may not be necessary to revise their materiality assessments, however they should assess the relevance of their results in light of the new fair representation principle.

## Anticipated Financial Effects

The disclosure requirements relating to current and / or anticipated financial effects have been clarified and given specific reliefs to omit certain quantitative disclosures. Specifically, an undertaking may omit such quantitative disclosures if:

- the effects are not separately identifiable; or
- the measurement uncertainty is too high.

For **anticipated financial effects only,** an additional relief to omit certain quantitative disclosures applies when the undertaking lacks the skills, capabilities or resources to provide the quantitative information.

Additionally, undertakings may update the estimates they use to quantify the financial effects when better information is available without being considered an error.

### Practical Implications

- Undertakings have more flexibility in reporting financial effects, especially where reliable quantification is not possible yet.
- This reduces the risk of disclosing misleading or excessively uncertain figures simply to meet a quantitative requirement.
- Undertakings are still expected to provide useful qualitative information and explain why quantitative information has been omitted.
- The clarification supports a more practical and iterative approach, allowing financial effects estimates to improve over time as methodologies, data quality and internal capabilities mature.

## Environmental Pillar

Changes to environmental disclosures have been made to clarify boundaries and ensure the principle of fair representation.

- Climate resilience disclosures now allow undertakings to use more qualitative information to assess their risks and opportunities along with the resilience of their overall business model.
- Greenhouse Gas (GHG) reporting remains an important area of the revised ESRS, as the mandate for Scope 3 reporting is retained and key consolidation clarifications have been added.
- Undertakings may report company specific pollution disclosures and metrics. Reporting on Substances of Concern, Substances of Very High Concern and microplastics has been aligned with REACH legislation.
- Disclosures on microplastics are limited to primary microplastics that are manufactured or used by the undertaking.
- Water topic now explicitly focuses on water resources, while marine resources now mainly concern Biodiversity and Waste.
- Biodiversity disclosures have been aligned with market practices and further guidance is provided on location disaggregation and definitions regarding sensitive areas.
- Disclosures related to resource inflows are now limited to key materials, with separate specifications on critical and strategic raw materials.
- New definitions are now introduced for durability and repairability.

### Practical Implications

- The changes reduce unnecessary reporting burden by narrowing certain disclosures to company-specific, material and clearly defined information.
- Greater flexibility in climate resilience disclosures allows undertakings to provide more meaningful qualitative explanations where quantitative analysis is not yet mature.
- Undertakings choosing to apply the revised standards from FY2026 should reassess their environmental disclosures to ensure that the information they report is aligned with the revised guidelines and boundaries.

## Social and Governance Pillars

Changes to social related disclosures have been made to relieve data collection efforts and streamline the reporting process.

- Metrics related to employee age distribution, gender breakdowns for training metrics and percentage of employees taking family-related leaves have been deprecated.
- Ill health metrics are now limited to employees only, while fatalities and recordable work-related accidents are still disclosed for the Own Workforce definition.
- There is a revised threshold for disclosing employees by country as well as the percentage of employees covered by collective bargaining agreements by country.
- Metrics related to average time to pay invoices have also been deprecated.

### Practical Implications

- Undertakings will be able to simplify parts of their social and governance reporting processes, particularly where deprecated metrics were previously supported by manual data collection.
- If an undertaking chooses to implement the revised ESRS, it should reassess which disclosures remain applicable, also considering the fair presentation principle.

# Phase-in Provisions

**Revised ESRS also include the following phase-in provisions:**

| Disclosures | Wave One Undertakings[1] | Other Undertakings[3] |
|---|---|---|
| All disclosure requirements under E4 topic, S2-S4 topics and specific disclosures under S1 | Able to omit until FY 2026[2] | E4 and S2–S4 disclosures may be omitted for the first two reporting years, while specified S1 disclosures may be omitted for the first reporting year only. |
| Information on anticipated financial effects | Omit all information related to ESRS 2.27 and parts of E1-11 until FY2027. Only qualitative information should be reported until FY2029.There is currently no relief for disclosures related to the carrying amount of assets at material physical or transitional risk (E1-11 39 a, b and 40 a, b). | Omit all information related to ESRS 2.27 and parts of E1-11 for the first two reporting years. Report only qualitative information for another two years. There is currently no relief for disclosures related to the carrying amount of assets at material physical or transitional risk (E1-11 39 a, b and 40 a, b). |
| Quantitative information on substances of concern | Able to omit until FY2029 | Omit for the first three reporting years |
| Substances of very high concern information, where the undertaking is a user of articles containing substances of very high concern | Able to omit until FY2027 | Omit for the first reporting year |

[1] Wave One Undertakings' are those that are required to report on sustainability for financial years starting between 1 January 2024 and 31 December 2026, irrespective of when the relevant Member State transposes CSRD and its amendments. They are defined in Article 5(2), first subparagraph, point (a), and third subparagraph, point (a), of the CSRD.

[2] Wave One Undertakings that on their balance sheet dates do not exceed either a net turnover of EUR 450 million or an average number of employees of 1,000 may omit all disclosure requirements of the topical ESRS for financial years prior to FY2027. If a topic is material, the undertaking must still provide a brief summary of the topic and the related policies, actions, targets and key metrics.

[3] Other Undertakings' are those that are required to report on sustainability for financial years starting on or after 1 January 2027, irrespective of when the relevant Member State transposes CSRD and its amendments. They are defined in Article 5(2), first subparagraph, point (b), and third subparagraph, point (b), of the CSRD.

# Effective date and application

The revised ESRS are mandatory for financial years beginning on or after 1 January 2027. For the financial years starting between 1 January 2026 and 31 December 2026, undertakings have the following options in preparing their FY2026 Sustainability Statements:

- Apply the prior version of the ESRS ; or
- Apply the Revised ESRS; or
- Apply the prior version of the ESRS1 with the following reliefs specified in the Revised ESRS:

- Undertakings may apply the new top-down approach for the double materiality assessment, including the provisions for the use of estimates and proxy data, e.g. including using average regional or sector data (rather than direct input from value chain counterparties) to assess the materiality of upstream and downstream impacts, risks and opportunities.
- If an undertaking acquires a subsidiary during the reporting period, it may defer the inclusion of that subsidiary in the materiality assessment and sustainability statement until the following reporting period.
- For disposals, undertakings may adjust the scope of the materiality assessment and reporting boundary from the beginning of the current reporting period.
- Undertakings may exclude activities from metric calculations where those activities are not significant drivers of the impacts, risks or opportunities that the metric is intended to represent, and where the exclusion does not impair the relevance and fair presentation of the reported information.
- Undertakings may exclude joint operations over which they do not have operational control from the calculation scope of certain environmental metrics which include pollution, water, biodiversity and circular economy metrics.
- EU Taxonomy disclosures may be presented in a separate appendix within the management report.
- Finally, undertakings may include an executive summary in the sustainability statement covering key messages on material environmental, social and governance impacts, risks and opportunities, or alternatively incorporate an executive summary by reference from elsewhere in the management report.

# Next steps

Undertakings should use the coming months to assess their readiness and assess the practical changes imposed by the revised ESRS. Areas to focus include:

- Deciding which of the three available options it will use in preparing the FY2026 Sustainability Statement.
- Revisiting the double materiality assessment considering the new top-down approach and confirming that conclusions remain robust under the fair presentation principle.
- Data collection and reporting processes, as well as value chain data requests should be reassessed to ensure that their sustainability statements remain both compliant and useful to relevant stakeholders.

# Our approach

We help organizations move from diagnostic to compliant reporting under the revised ESRS; our sustainability experts coordinate directly with your finance, sustainability and procurement teams to ensure a smooth and seamless transition.

### 1. Gap analysis & transition support

- Benchmark your current sustainability statement against the revised standards to flag removed, deprecated or restructured datapoints.
- Benchmark and update the existing sustainability reporting processes with the new requirements and boundaries.
- Recommend the most suitable FY2026 reporting option for your organization.
- Train reporting teams on the new requirements.

### 2. Materiality and value chain reporting

- Support re-assessment of double materiality under the top-down methodology.
- Define a reporting boundary consistent with your financial consolidation scope.
- Build defensible estimation methods for value chain data gaps, with assumptions and limitations documented.
- Review supplier/customer data requests against the new value-chain cap.

### 3. Reporting and assurance

- Prepare the sustainability statement under the revised ESRS.
- Support assurance readiness for reported figures.
- Support the identification, assessment and quantification of current and anticipated financial effects.
- Provide assurance services over the Sustainability Report.

# What defines our unparalleled edge

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## A dynamic team committed to drive you forward

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