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THE NEW DIRECTION OF ESRS:

SIMPLIFICATION, CLARITY AND RELEVANCE

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Prepared by Forética's
Sustainability Business Intelligence Unit

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1. THE NEW ESRS AT A GLANCE



2026: the transition year. 2027: the new standard

The revised ESRS may be used voluntarily for reporting on the 2026 financial year. They will become mandatory for companies within scope from the 2027 financial year onwards.

Double materiality takes a leap forward: from exhaustive coverage to a sharper focus

Both dimensions—impact and financial materiality—remain in place, with the identification of material impacts, risks and opportunities at the heart of the assessment.

The new top-down approach allows organisations to start with what truly matters to them, rather than mechanically reviewing every possible topic.

Greater flexibility, stronger connections: how sustainability reporting is changing

The revision retains the overall structure while allowing greater freedom in how information is presented.

It aims to improve clarity, accessibility and connectivity, including connections with the financial statements.

A new approach to the value chain: from collecting data to managing information

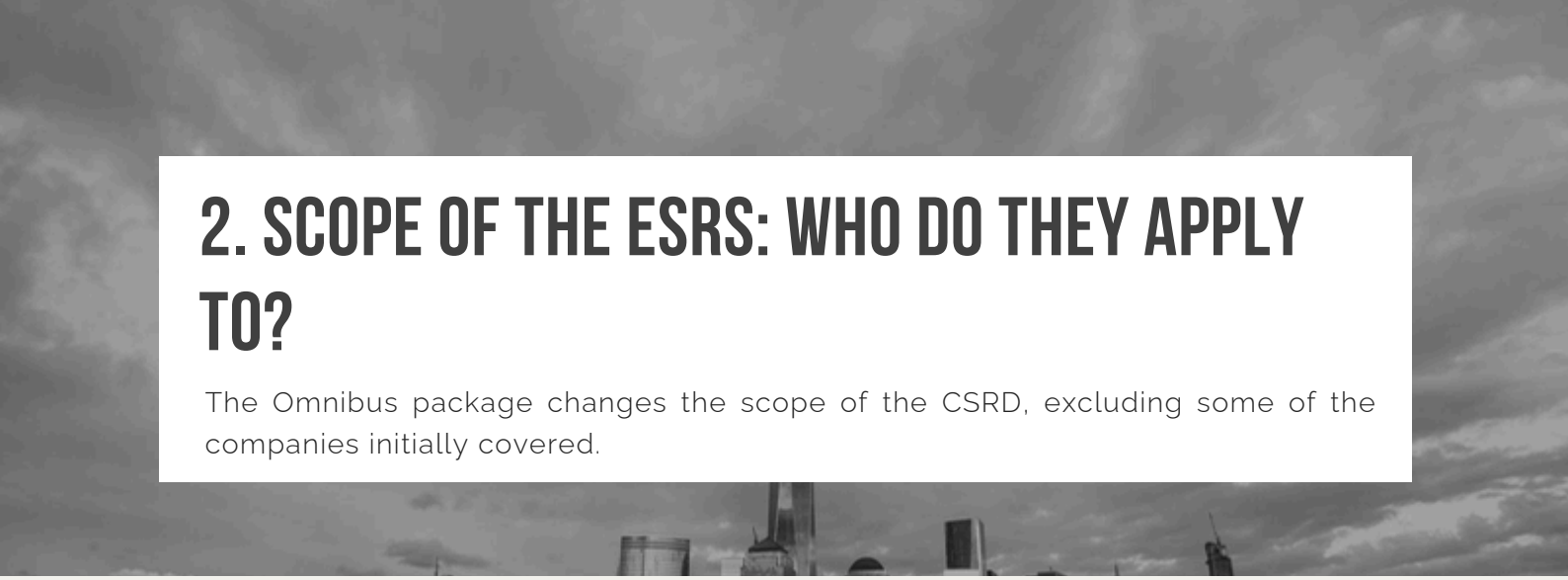
Value chain reporting remains a requirement, but becomes more flexible. Companies are not expected to obtain primary data from every supplier and may use estimates where appropriate.

A gradual shift at different speeds: reshaping the reporting landscape

Three reporting frameworks will coexist during the transition: the 2023 ESRS, the revised 2026 ESRS and the voluntary VSME standard for companies outside the mandatory scope.

In Spain, until the new provisions have been fully transposed into national law, companies subject to Law 11/2018 must continue to comply with the national legislation in force and publish an annual non-financial information statement (EINF).

NOTE: The revised ESRS, adopted by the European Commission on 3 July 2026, have completed the European Parliament and Council scrutiny period without objection. The text is therefore considered final and applicable from 1 January 2027 (for reports published in 2028). The delegated act will enter into force upon publication in the Official Journal of the European Union, expected around 10 November 2026, as indicated in the document itself.



2. SCOPE OF THE ESRS: WHO DO THEY APPLY TO?

The Omnibus package changes the scope of the CSRD, excluding some of the companies initially covered.

The obligation to report sustainability information depends on each company's size, location and structure. The table below summarises which companies in each category are required to report, the applicable standard and the reporting boundary.

Category	Criteria	Reporting obligation	Standard
Large EU company	More than 1,000 employees on average and net turnover exceeding €450 million.	More than 1,000 employees on average and net turnover exceeding €450 million.2028: publish a sustainability report covering the 2027 financial year.	ESRS
Financial holding company that is the parent of a large group	A company whose sole purpose is to acquire holdings in other companies as financial investments, without becoming directly or indirectly involved in their management.	Exempt at consolidated level; subsidiaries may still be required to report if they individually meet the thresholds.	ESRS for investee companies/subsidiaries subject to reporting requirements
Large non-EU company	Two cumulative requirements: An ultimate parent company in a third country generating turnover exceeding €450 million in the EU in each of the last two consecutive financial years. An EU subsidiary or branch with net turnover exceeding €200 million.	2029: the EU subsidiary or branch publishes a group-level report covering 2028. *Exemption: this report is not required if the parent company voluntarily reports under the full ESRS.	ESRS-40a. The text is not yet final. A draft has been published, with a public consultation open until 31 October 2026.
Listed SME	Outside the mandatory scope following Omnibus.	Voluntary reporting.	VSME

Key point: The ESRS apply directly: they have been adopted through a delegated act and do not require transposition into national law. However, the scope and timetable of reporting obligations for Spanish companies depend on the national transposition of the CSRD, which is currently underway. This transposition may broaden the scope or bring deadlines forward, but cannot lower EU requirements.

3. DOUBLE MATERIALITY: A MORE FLEXIBLE AND STRATEGIC APPROACH

The assessment helps guide strategy by prioritising and organising the most relevant sustainability matters, supporting decision-making and determining the information to be included in sustainability reporting.

The essence of double materiality remains unchanged following the revision. Both impact and financial materiality are retained, as is the requirement to identify material impacts, risks and opportunities (IROs). **A matter is material if it meets the criteria for impact materiality, financial materiality, or both.**

Area of change	ESRS 2023	ESRS 2026
Identification of IROs (top-down and bottom-up approaches)	The identification and assessment of impacts, risks and opportunities (IROs) is primarily based on a bottom-up approach, starting with the identification and assessment of individual IROs, which are then aggregated by sustainability matter.	Top-down and bottom-up approaches may be combined. There is no need to exhaustively identify and assess every individual IRO where materiality can be determined at topic or subtopic level. A detailed assessment is only necessary where it could change the
Impact materiality	An actual negative impact is assessed based on its severity; a potential negative impact is assessed based on its severity and likelihood. Severity depends on scale, scope and irremediable character. Positive impacts are assessed based on scale and scope; for potential	The essential elements of impact materiality are retained, but their application is simplified and clarified. Companies may exercise reasonable judgement and consider the factors together where appropriate, avoiding artificially precise calculations or unnecessarily complex
Financial materiality	A risk or opportunity is material if it could have material financial effects on the company's development, financial position, financial performance, cash flows, access to finance or cost of capital over the short, medium or long term. The assessment considers the likelihood and potential magnitude of the financial effects.	The approach based on the magnitude and likelihood of financial effects is retained. The assessment is more clearly aligned with overall risk and opportunity management processes and may draw on qualitative information where reasonable quantification is not possible.
Materiality thresholds and quantitative data	Identifying material matters requires assessment criteria and thresholds, supported by qualitative and/or quantitative information. Although no specific methodology is prescribed, scoring scales and thresholds are commonly used to assess impacts and financial effects.	The criteria for determining materiality become more flexible, allowing qualitative information, quantitative information or both, depending on the context. Quantification is no longer mandatory for all IROs and is only used where it adds value and suitable data is available.

Area of change	ESRS 2023	ESRS 2026
Information gathering	Companies must obtain the information needed to identify and assess IROs, including information on activities, business relationships and the value chain. Where direct information is unavailable, reasonable estimates may be used.	The principle of reasonable and proportionate effort is reinforced. Companies do not need to conduct an exhaustive search for information where a conclusion can be reached using reasonably available and substantiated information.
Stakeholder engagement	Engagement with affected stakeholders is an important source of insight into impacts. The due diligence process, including stakeholder engagement, informs the materiality assessment, although the two processes are distinct.	Engagement remains relevant, but companies do not need to consult every stakeholder group or conduct a consultation for every matter or each update. They may draw on existing dialogue mechanisms, internal or expert knowledge, and other reasonable evidence.
Material information to be disclosed	Once a matter has been identified as material, companies assess the information to be disclosed under the corresponding disclosure requirements and datapoints, also applying information materiality.	A material topic does not automatically require disclosure of all its datapoints. Companies must include information that is material and useful for understanding their material IROs.
Aggregation and disaggregation	The level of disaggregation of disclosed information must align with the level used in the materiality assessment. If materiality was assessed at a particular level—for example, by subsidiary or business unit—the information should, in principle, be presented at that same level of disaggregation.	The two concepts are decoupled. The materiality assessment may use the level of detail needed to identify IROs appropriately, but reported information does not have to be presented at the same level of disaggregation.

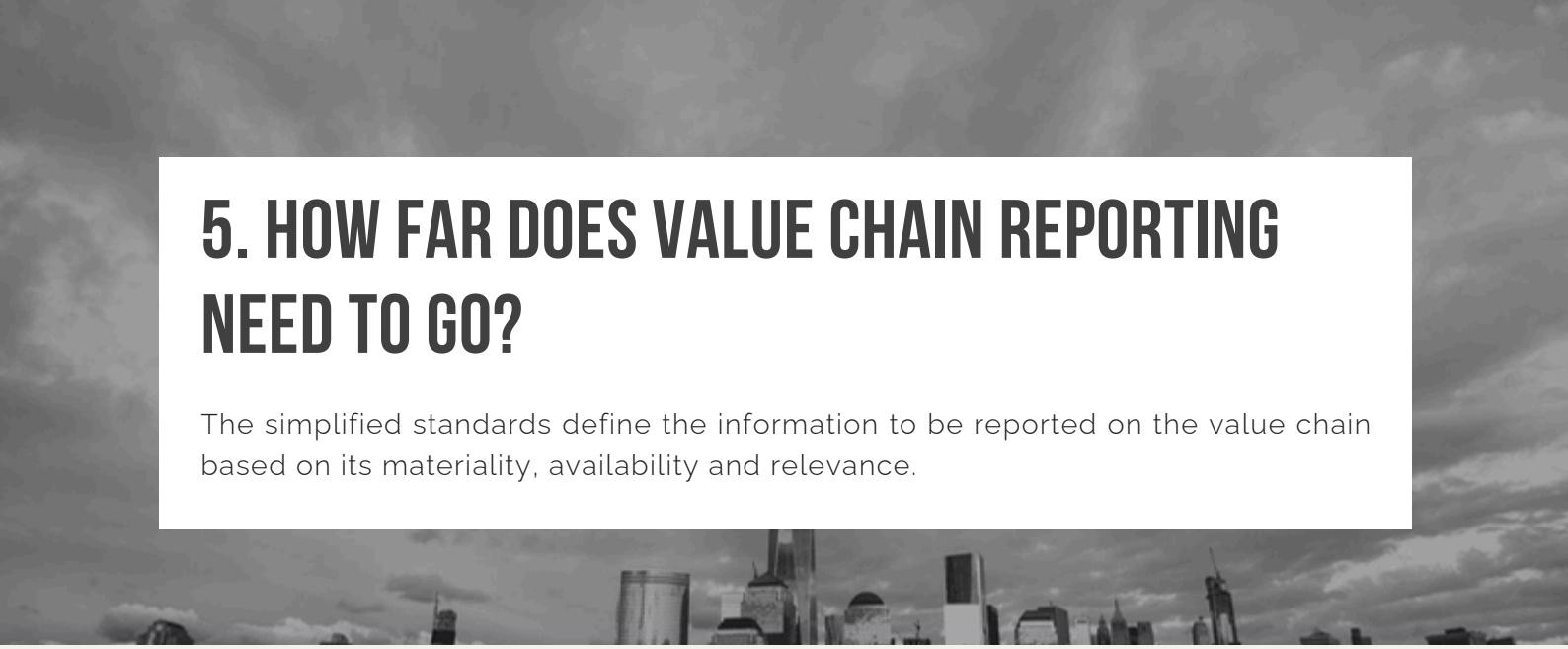
Key point: Compared with the more exhaustive approach of 2023, the 2026 revision makes the double materiality assessment more flexible and simpler. It introduces a top-down approach that starts with the organisation's strategy, business model and knowledge to focus on the most relevant topics from the outset. This avoids mechanically assessing every possible impact, risk and opportunity, while preserving the rigour and essence of double materiality.

4. A NEW STRUCTURE FOR THE SIMPLIFIED ESRS

The overall structure of the ESRS remains unchanged, but their internal structure is simplified: ESRS 1 brings together the rules on materiality, preparation and presentation of information; ESRS 2 sets out general disclosures; and the topical standards complement this foundation with specific requirements organised under a common structure.

Area	ESRS 2023	ESRS 2026
Comparative information	Sets out requirements for comparative information, estimates, the structure of the sustainability statement and connections with other corporate information.	Introduces (i) greater flexibility in preparing and structuring the sustainability statement; (ii) more circumstances permitting justified omissions; and (iii) a reorganisation of the rules on connectivity with financial statements and incorporation by reference.
MDR/GDR (minimum and general disclosure requirements)	Minimum disclosure requirements for policies, actions, metrics and targets.	General rather than minimum disclosure requirements, as there are no voluntary datapoints. These provide a common foundation, complemented by the topical standards.
Joint operations without operational control	No specific general relief is provided in this chapter.	Companies may exclude joint operations over which they have no operational control when calculating certain environmental metrics under E2, E3, E4 and E5. They must disclose their use of this exemption, its limitations and the actions taken to improve coverage.
Application requirements	Often grouped in separate appendices.	Presented in tables alongside the paragraphs they expand on, retaining their mandatory nature and the same authoritative status.
Non-material information for specific users	This option is not explicitly provided for.	Supplementary non-material information may be included to meet a specific user's data needs, provided it is identified as such and does not obscure material information.
Connectivity with financial information	Rules on connected information and links to financial statements were already in place.	These rules are strengthened and brought together in a dedicated chapter covering connectivity, references and the consistency of assumptions with those used in the financial statements.
Basis for preparation	Rules on estimates, comparative information, errors, uncertainties and subsequent events are spread across the standards.	These rules are brought together in a separate preparation chapter, with specific sections on comparative information, uncertainty, temporary exemptions, undue cost or effort, subsequent events, errors and omissions.

Key point: The overall structure of the sustainability statement remains unchanged, but more flexible presentation options are introduced to improve clarity, connectivity, accessibility of information and connections with the financial statements.



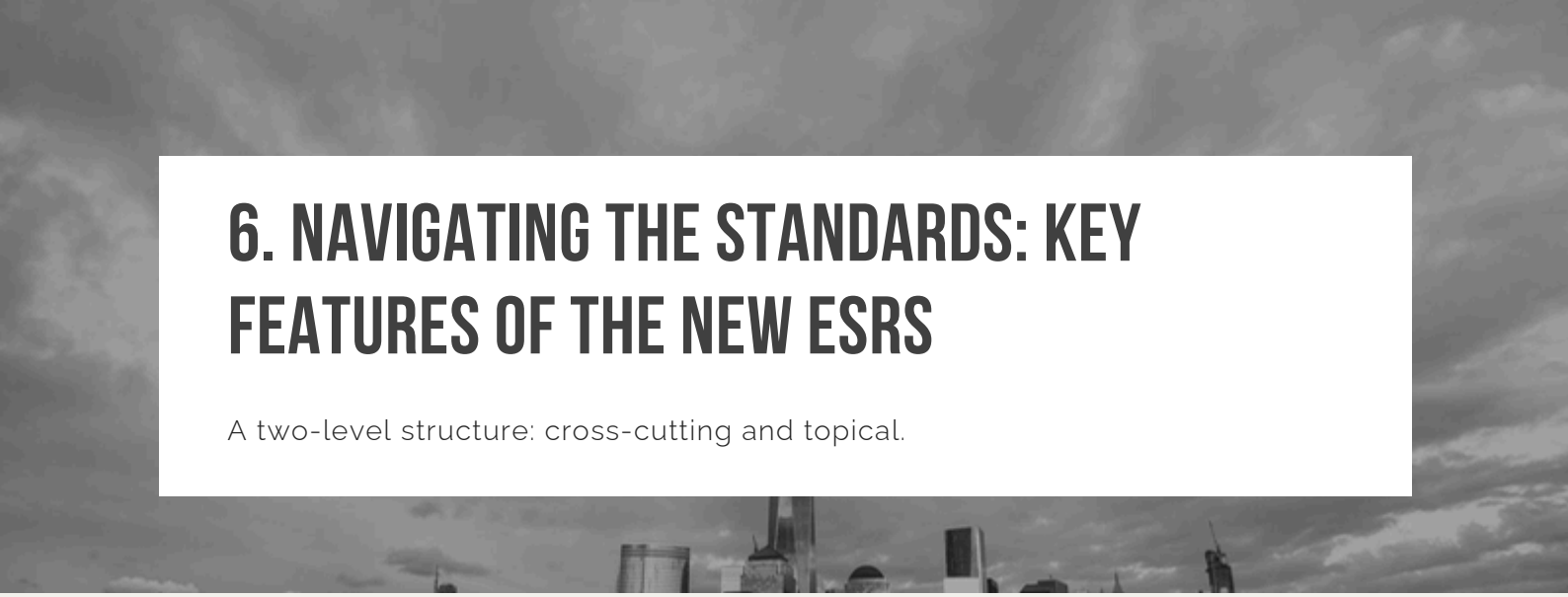
5. HOW FAR DOES VALUE CHAIN REPORTING NEED TO GO?

The simplified standards define the information to be reported on the value chain based on its materiality, availability and relevance.

Reported information must cover not only own operations, but also material impacts, risks and opportunities arising throughout the value chain, wherever this information is necessary to understand the company's actual exposure to sustainability matters.

Materiality	Information is not required on every individual actor in the value chain; only material information must be included. The double materiality assessment determines which value chain information needs to be reported.
Use of estimates	Companies may use information obtained directly from their value chain or rely on estimates based on internal and external information, including publicly available information, sector or regional averages, sample analysis, market or peer company analysis, or other reasonable proxies.
Value chain cap	Omnibus strengthens protection for certain companies in the value chain by introducing the value chain cap. This means that, for CSRD compliance purposes, companies subject to the directive may not request sustainability information from entities with fewer than 1,000 employees beyond the information covered by the voluntary reporting standard (VSME). (Source)
Topical metrics	The new AR 38 clarifies that, as a general rule, metrics defined in the topical standards are limited to own operations, except for GHG emissions under ESRS E1-8. However, where a matter relating to a material value chain IRO is not covered by the standards, or is not covered in sufficient detail, companies must include the entity-specific metrics needed to adequately explain that material matter.

Key point: The simplified ESRS do not eliminate value chain reporting, but reduce the expectation that companies obtain primary data from their entire supplier base. Companies must report the necessary material information, explain how it was obtained and be transparent about their estimates and limitations.



6. NAVIGATING THE STANDARDS: KEY FEATURES OF THE NEW ESRS

A two-level structure: cross-cutting and topical.

CROSS-CUTTING APPROACH

ESRS 1 sets out the general principles and requirements for preparing sustainability information. ESRS 2 requires cross-cutting disclosures from all companies covered by the CSRD. Two key areas of focus in this second standard are corporate governance and strategy, with the aim of explaining how sustainability is integrated into both.

Who provides oversight?

On governance, companies must explain who oversees material IROs and how these matters are brought to decision-making bodies. The key question is not simply whether formal responsibility has been assigned, but whether sustainability matters actually reach the bodies responsible for making decisions and overseeing relevant objectives and operations.
Where variable remuneration is linked to sustainability targets, this connection must also be explained, demonstrating how stated priorities translate into management incentives.

How does sustainability influence strategy?

On strategy, the focus is on the relationship between sustainability and the business model. Companies must explain how their main sustainability matters relate to their business. This involves identifying which activities, products, markets or parts of the value chain generate material impacts or expose the company to risks and opportunities, and explaining how these factors influence its strategy and decisions.

How do stakeholders influence decisions?

ESRS 2 also emphasises stakeholder engagement. The focus is on explaining how stakeholders' interests and views reach governing bodies and whether they have influenced—or may influence—the strategy, business model or responses adopted, rather than simply listing channels for dialogue.

Key point: For further details on the topical standards, their disclosure requirements and the main changes, please consult the accompanying annex document: ANNEXES — ESRS TOPICAL STANDARDS.
Link to the final ESRS text | Link to the draft ESRS Datapoints in Excel

7. IMPLEMENTATION TIMELINE

The new reporting obligations are phased in. The timeline below shows, year by year, who reports, which financial year is covered and which standard applies.

2026

Preparation

Regulatory milestones

3 July: the Commission adopts the revised ESRS and the voluntary standard (VSME) as delegated acts.

23 July: EFRAG publishes the draft ESRS-40a for non-EU groups (public consultation open until 31 October).

Around 10 November: the ESRS 2026 Regulation enters into force. It applies directly and does not require national transposition.

2027

Transition

Regulatory milestones

19 March: deadline for national transposition of the Omnibus Directive.

Companies already reporting under the CSRD may choose how to report:

Reporting

Option A: the existing ESRS 2023.

Option B: the full ESRS 2026.

Option C: ESRS 2023 with the eight exemptions under ESRS 2026.*

2028

Consolidation

Reporting

First reports from all EU companies within the scope of the CSRD following Omnibus, using ESRS 2026 and covering the 2027 financial year.

2029

Expansion

Reporting

First reports from non-EU groups under ESRS-40a (draft published; delegated act pending, expected in 2027).

Key point: Three reporting regimes coexist during the transition: companies already reporting under ESRS 2023, those applying the revised ESRS 2026, and those outside the mandatory scope that may use the voluntary VSME standard. The reference year determines which regime applies to each company. In Spain, until transposition is complete and the new national provisions enter into force, companies subject to Law 11/2018 must continue to meet the non-financial reporting obligations established by the Spanish legislation in force.

The eight exemptions under Option C:

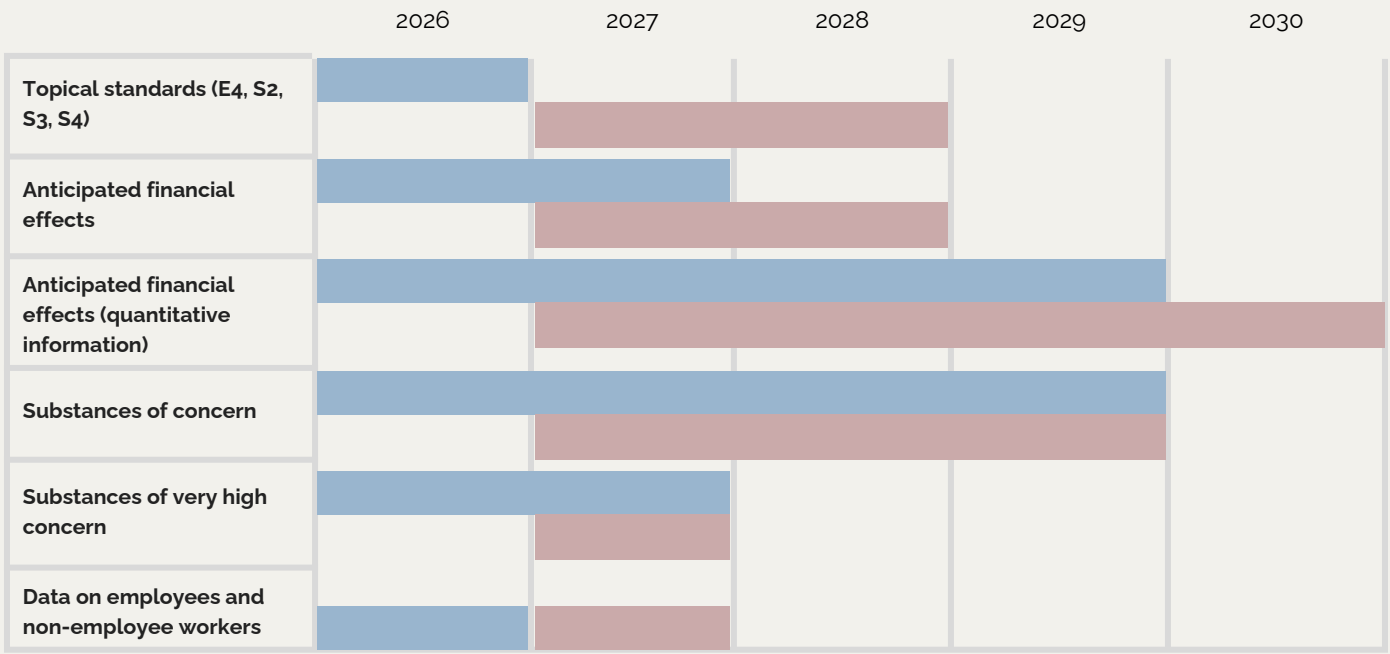
1. A simplified double materiality assessment, starting from the strategy and business model (top-down).
2. Use of reasonably available information, without disproportionate cost or effort.
3. Inclusion of newly acquired subsidiaries from the following year and exclusion of subsidiaries sold from the beginning of the year.
4. Exclusion of non-significant activities from metrics.
5. Reporting metrics for only a defined part of the value chain.
6. Exclusion of joint operations without operational control from environmental metrics, except those relating to climate.
7. Presentation of Taxonomy disclosures in a separate annex.
8. Inclusion of an executive summary.

8. PHASED-IN REQUIREMENTS

The transitional provisions in ESRS 1 (section 10.3) phase in certain obligations, allowing some information to be omitted during the initial years and requiring it later.

The application of temporary exemptions depends on the company's position relative to the new CSRD thresholds: €450 million in turnover and 1,000 employees. Three categories emerge: (i) companies required to report in 2024, 2025 and 2026 that continue to exceed the new thresholds; (ii) companies previously within the scope of the CSRD that no longer meet one of the new criteria; and (iii) companies reporting for the first time in 2027.

How long each type of information may be omitted from reporting



Companies already reporting in 2024, 2025 and 2026 that exceed the new CSRD thresholds (€450 million in turnover and 1,000 employees). Example: a listed retail group with 8,000 employees and €3 billion in turnover.

Companies whose reporting obligation begins in 2027 and that exceed the new CSRD thresholds (€450 million in turnover and 1,000 employees). Example: an unlisted industrial company with 1,500 employees and €600 million in turnover.

Key point: Under the July 2026 version of the delegated regulation, a company already required to report in 2024, 2025 and 2026 that fell below the new thresholds (€450 million in turnover and 1,000 employees) following Omnibus could use the exemption in paragraph 10.3 of ESRS 1 to omit all information required by the topical standards from its 2026 report, in addition to the other exemptions shown in the table. Following the correction to the regulation introduced by a corrigendum on 26 August 2026, falling below just one of the two criteria—turnover or employee numbers—is sufficient. These companies may therefore limit their sustainability statement to the cross-cutting standards for the 2026 financial year.



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