Conducting a Cost and Benefit Analysis (CBA) of ESRS-40a

EFRAG SRB Online Meeting

29 July 2026

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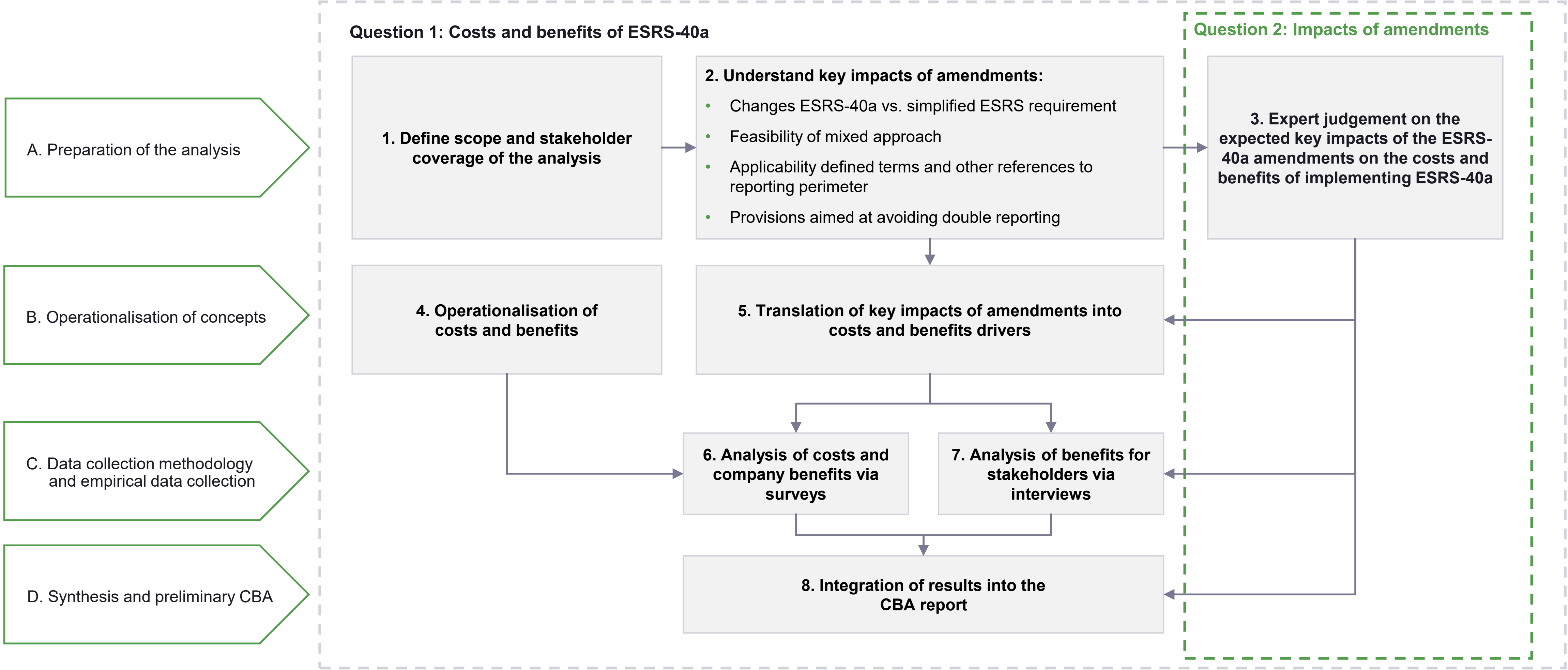
Approach and methodology

Research questions:

1. What are the costs and benefits of ESRS-40a for the preparers and other relevant stakeholders[1]?
2. What are the impacts of the proposed amendments in ESRS-40a compared to the simplified ESRS (as the basis for ESRS-40a) for the preparers and other relevant stakeholders[1]?



[1] Costs, benefits and stakeholders as defined criteria from EFRAG “Call for Tender: Cost-Benefit Analysis of non-EU ESRS (N-ESRS)”, 21 May 2026.

A. Preparation of the analysis

Objective

- Define the scope and stakeholder coverage of the CBA
- Validate key differences between ESRS-40a and simplified ESRS
- Assess expected impacts of proposed amendments between ESRS-40a and simplified ESRS on preparers and stakeholders

Output

- Agreed scope and stakeholder universe
- Overview of the expected key impacts of the ESRS-40a amendments on the costs and benefits of implementing ESRS-40a

Methodology

Define scope and stakeholder coverage

- Conduct a scoping exercise to identify in-scope companies and relevant stakeholder groups
- Reassess the completeness of in-scope companies
- Develop a stakeholder map covering e.g. preparers, investors, lenders, market participants and civil society[2]

Understand the key impacts of ESRS-40a amendments vs. simplified ESRS

- Validate the key impacts of the amendments between ESRS-40a and simplified ESRS in a desk analysis
- Assess impacts of the additional amendments through insights from EFRAG subject matter experts and the EY Global Sustainability Reporting Network:
  - Feasibility of the mixed approach
  - Applicability of EU-specific concepts and references
  - Effectiveness of measures to avoid double reporting

Reasoning

- Given that most non-EU companies have neither applied the simplified ESRS nor started preparing for ESRS-40a, EY's industry and jurisdictional subject matter experts are well positioned to provide robust and practical insights into the expected impacts of the ESRS-40a amendments
- These industry and jurisdictional insights, as applicable, are subsequently used as input to refine the methodology

[2] Summary of stakeholders as defined from EFRAG "Call for Tender: Cost-Benefit Analysis of non-EU ESRS (N-ESRS)", 21 May 2026.

B. Operationalisation of concepts

Objective

- Translate ESRS-40a amendment impacts into clearly defined and traceable cost and benefit drivers
- Operationalise costs and benefits into measurable categories (e.g. administrative vs. broader compliance costs) and analytical dimensions (one-off vs. recurring, incremental)

Output

- Structured set of cost and benefit drivers with clear definitions and link to ESRS-40a requirements
- Consistent framework for assessment of costs and benefits across preparers and EU stakeholders

Methodology

Translation of key impacts of amendments into cost and benefit drivers

- The identified ESRS-40a amendments are translated into expected costs and benefits, creating a transparent and traceable link between the regulatory changes and the CBA results

Operationalise costs[3] (preparers' perspective)

- Develop an approach for quantification of administrative costs using the Standard Cost Model (tariff × time × frequency)
- Identify compliance cost drivers and classify them by type (direct/indirect; one-off/recurring) and by reporting baseline (full vs. incremental costs relative to existing sustainability reporting)
- Apply proxies and Purchasing Power Parity (PPP) adjustments

Operationalise benefits[3] (multi-stakeholder perspective)

- Structure benefits by stakeholder level (company/system) and type (direct/indirect)
- Quantify company-level benefits where their effects can be linked to measurable outcomes based on data collected in surveys
- Assess system-level benefits qualitatively using stakeholder input

Reasoning

- Ensures an accurate and complete depiction of costs and benefits paired with ESRS-40a amendments[4] before survey distribution and execution of interviews
- The Standard Cost Model is used to operationalise administrative costs, as it is a widely recognized EU-model for quantifying them consistently
- Ensure comparability across jurisdictions through PPP adjustments

Overview of cost and benefit categories (*refer to Annex A*):

Costs
Direct
Staff allocation / hiring / training budgets
Establishing policies and procedures*
IT systems
Data collection and management
Reporting and documentation*
Advisory and assurance

Costs

Benefits
For EU stakeholders
Transparency for EU customers
Level playing field for companies operating withing
Transparency on ESG aspects from non-EU entities
Indirect benefits for companies within scope
Fostering significant behavioural changes in manag
Contribute to raising the profile of sustainability in

Benefits

[3] Costs and benefits as defined criteria from EFRAG "Call for Tender: Cost-Benefit Analysis of non-EU ESRS (N-ESRS)", 21 May 2026.

[4] Consideration of latest ESRS-40a amendments where feasible with timeline as defined by EFRAG.

C. Data collection methodology and empirical data collection

Objective

- Design and conduct company surveys and stakeholder interviews to collect quantitative evidence on expected costs and qualitative evidence on expected benefits of ESRS-40a
- Systematically integrate data from field-tests and stakeholder engagement collected by EFRAG into CBA results

Output

- Phase 1 survey dataset, reviewed for completeness and plausibility
- Structured documentation of initial stakeholder and expert interviews
- Consolidated quantitative and qualitative evidence for preliminary CBA

Methodology

Survey-based data collection

- Develop a standardized but also targeted survey covering expected company-level direct and indirect costs, benefits, as well as relevant company characteristics
- Distribute the survey through Qualtrics for approximately 3.5 weeks, approaching target population (approx. 40% in Phase 1) and monitoring responses for completeness and plausibility

Interview-based data collection

- Develop semi-structured interview guides and define selection criteria for stakeholder representatives and experts
- Conduct interviews (approx. 10 of the planned 20 interviews in Phase 1) and identify additional participants through snowball sampling

Triangulation and validation

- Integrate survey and interview findings with evidence provided by EFRAG over the course of the project, including consultation responses, field-test results and workshop outputs to compare evidence across sources

Reasoning

- Different data collection methods to reflect the distinct nature of costs and benefits tied to specific stakeholders
- Preparers' costs and benefits are collected through surveys due to scope size, language barriers and related time constraints
- Semi-structured interviews to assess stakeholder benefits, as these are often indirect, systemic, and driven by behavioural and market effects that are better captured through qualitative, more exploratory methods
- Triangulation is performed to identify inconsistencies, reduce potential bias and strengthen the validity of the findings

D. Synthesis and preparation of CBA

Objective

- Phase 1: Preparation of a preliminary CBA report, presenting the methodology and initial results
- Phase 2: Refinement and validation of the CBA through enhanced data collection and stakeholder feedback, culminating in an evidence-based final CBA report

Output

- Phase 1: Preliminary CBA report for EFRAG review
- Phase 2: Final CBA report, incorporating Phase 2 evidence and documenting methodological changes, assumptions, limitations and evidence-based conclusions

Methodology

Finalisation Phase 1: Synthesis and preliminary CBA

- Analyse survey and interview data and integrate quantitative and qualitative findings into a comprehensive CBA framework, including distributional and trade-off analyses across company types, sectors, sizes, geographies, and stakeholder groups
- Prepare the preliminary CBA report for presentation, including methodology, assumptions, limitations, findings, and alignment with the ESRS-40a policy objectives, and collect feedback from EFRAG

Phase 2: Methodology refinement, data collection and finalisation of the CBA

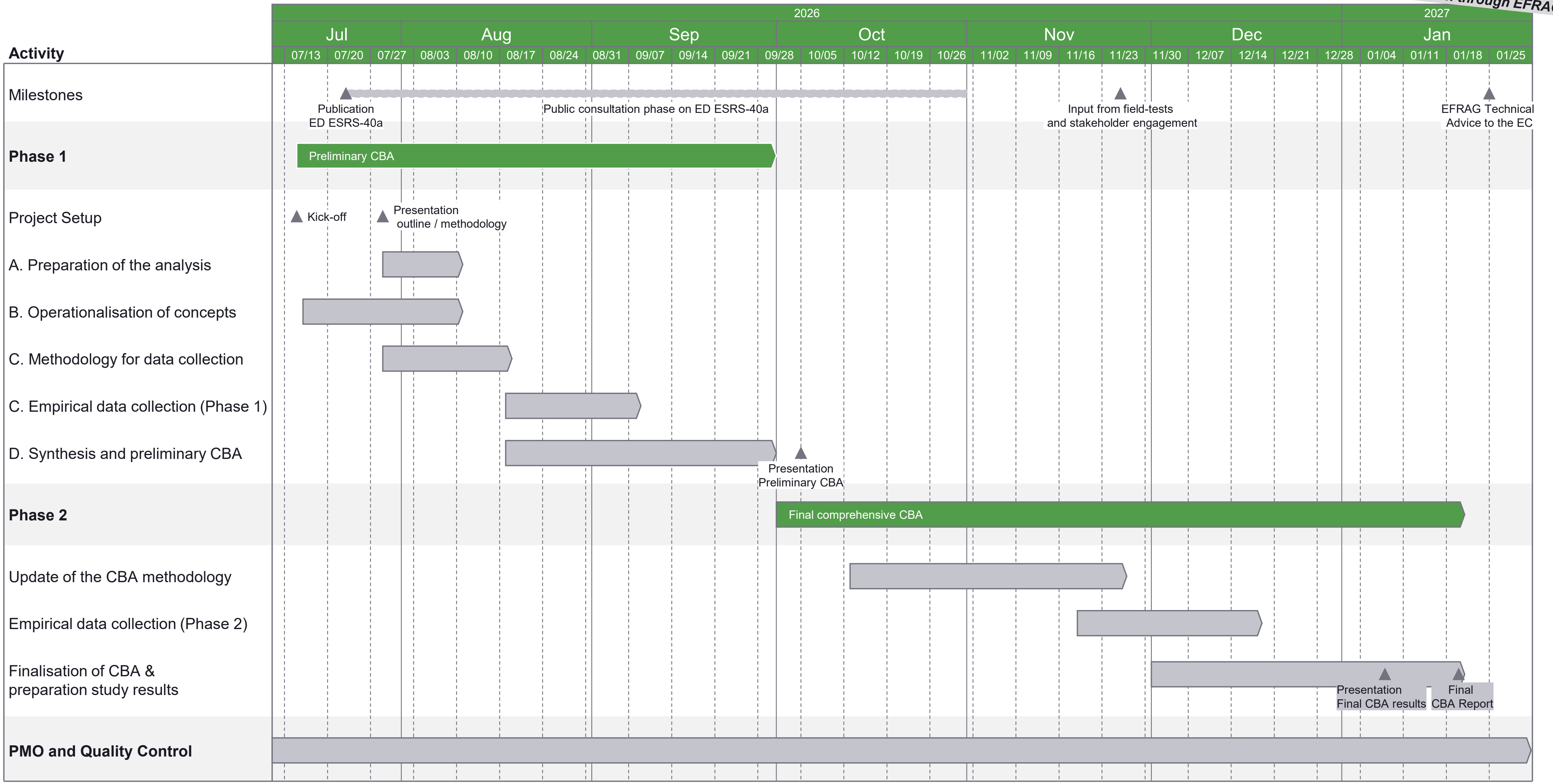
- Refine the CBA methodology based on feedback from EFRAG governance bodies, stakeholder engagement, field testing results, and updates related to the ESRS-40a
- Complete Phase 2 data collection through expanded survey outreach and additional expert and stakeholder interviews to strengthen the evidence base
- Integrate Phase 1 and Phase 2 findings into the final CBA, including a transparent assessment of methodology refinements, key assumptions, limitations, and evidence-based conclusions

Reasoning

- The focus lies on the initial development and testing of the methodology (Phase 1), which subsequently is used to update and refine the CBA assessment methodology (Phase 2) together with other feedback received (e.g. updated ESRS-40a, field tests, etc.)

Key milestones

Subject to validation of proposed CBA-approach through EFRAG



Annex A: Cost and benefits table (1/2)

Return to
B. Operationalisation of concepts

Costs	
Direct costs	**Indirect costs**
Staff allocation / hiring / training budgets	Litigation risks**
Establishing policies and procedures*	Impact on competitiveness**
IT systems	
Data collection and management	
Reporting and documentation*	
External consultants and audit	

*Additional criterion compared to the specifications of the EFRAG tender from 21 May 2026.

**Two additional criterion identified. Due to lack of measurability, we will not include them in the analysis.

Annex A: Cost and benefits table (2/2)

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B. Operationalisation of concepts

Benefits	
Benefits for EU stakeholders	**Direct benefits for companies within scope**
Transparency for EU customers	Licence to access, operate in and continue to operate in the EU market
Level playing field for companies operating within the EU Market	Strengthened corporate reputation and ESG positioning in the market
Transparency on ESG aspects from non-EU entities within scope	Improved data governance, IT systems and reporting capabilities*
Indirect benefits for companies within scope	Increased standardization and comparability of ESG data across entities and jurisdictions*
Fostering significant behavioural changes in management and operational practices*	Integration of sustainability information into business processes*
Contribute to raising the profile of sustainability information*	More targeted capital allocation towards sustainability initiatives*
Improved coordination and information exchange along the value chain*	Cost savings through reduced ad hoc information requests*
Enhanced transparency for business counterparts and impact investors	Cost savings through improved risk management and earlier identification of ESG risks*
Improved access to sustainable finance and potentially more favourable financing conditions	Improved internal controls and governance structures through formalisation of ESG processes*
Increased internal awareness and progressive integration of ESG considerations into strategy and decision-making	Improved cross-functional coordination and governance*
Reduced reporting effort through alignment with existing frameworks (e.g. synergy with IFRS S1 reporting)	Reduction in compliance uncertainty and regulatory risk due to clearer reporting requirements*
Avoidance of the need to prepare a separate report under the Corporate Sustainability Due Diligence Directive	

*Additional criterion compared to the specifications of the EFRAG tender from 21 May 2026.