

Debrief on SRB Directions

ESRS Simplification – Phase 2

SRB Meeting – Public Session

29 October 2025



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Simplified ESRS

Introduction and status as of 29 October 2025 (1/2)

- **End of public consultation on the EDs:** 29 September 2025
- **Public meetings since 29 September**
 - 29 September (presentation of feedback based on outreach events - interim)
 - 9 October (presentation of feedback based on outreach events - final)
 - 14 October (presentation of feedback based on sample of respondents)
- **Secretariat, SR TEG and SRB activity since 29 September**
 - Defining preliminary directions for re-drafting selected provisions based on feedback
 - Drafting in preparation of a revised draft

Simplified ESRS

Introduction and status as of 29 October 2025 (2/3)

Remaining timeline for completion

- **SRB** drafting sessions: 5, 6, 12 (joint with TEG), 13, 14, 25 November
- **24 November:** SR TEG approval
- **25 November:** SRB approval
- **28 November:** validation by SRB of EFRAG advice
- **End November:** release of the EFRAG advice (revised [draft] ESRS standards)
- **End December:** release of Basis for conclusions and IG 3

Simplified ESRS

Introduction and status as of 29 October 2025 (3/3)

- **Purpose of this public session:**
 - to provide an update on the tentative directions for redrafting of selected content based on the consultation
 - focus on big issues (those that are being discussed by the SRB)
- **Disclaimers:**
 - directions as of today are based on the analysis of a sample of respondents, analysis of the other responses is in progress - if new suggestions are detected they will have to be considered for integration
 - at this stage we only have orientations but not a vote
 - for some issues directions are based on the most supported views while objections by others still persist.

Anticipated Financial Effects

Topic	Key Issues / Challenges	Status	Next Steps / Outcomes
<p>Challenging for preparers to disclose quantitative information due to the lack of a mature methodology and commercially sensitiveness of the information.</p> <p>Relevant issue for interoperability with IFRS S1/S2.</p> <p>No position taken in the ED, but consultation on two options:</p> <ul style="list-style-type: none"> • <u>Option 1</u>: disclose quantitative and qualitative information, but omit quantitative information under certain conditions (inspired by IFRS S1 relief) • <u>Option 2</u>: limits the requirement to qualitative information only, with option to disclose quantitative info. 	<p>From consultation split views between preparers and other stakeholders.</p> <p>Balancing alignment with ISSB reliefs.</p> <p>Education and guidance are needed to support the quantification as a requirement, in particular for topics other than climate.</p>	<p>No firm decision yet, but most supported orientation is to define a transition path to Option 1 (phasing-in).</p> <p>Some noted their objections.</p>	<p>Guidance on how to apply the reliefs is being drafted (from ISSB material primarily), as possible AR or basis for conclusions.</p> <p>Consensus building in progress.</p> <p>Agree on drafting.</p>

Double Materiality Assessment (DMA)

Topic	Key Issues / Challenges	Status	Next Steps / Outcomes
<p>Clarification & simplification of the Double Materiality Assessment (DMA) and materiality of information as the basis for sustainability reporting.</p> <p>Strong support in the consultation. Amendments confirmed in the substance, but significant redrafting needed</p>	<ul style="list-style-type: none"> • Materiality of information (21 (b)), users and their needs – link with fair presentation • How to reconcile the top-down approach and the other practical considerations with the general criteria (severity, etc.) • Structure of Chapter 3 • Cross linkage with the concept of inherent risks created to solve the gross versus net (link to the top-down) • Clarify the scope of use of quantitative thresholds versus qualitative considerations (and interplay with the top-down) • Level of aggregation (local considerations) • Frequency of DMA • Streamlined IRO 1 para. 26 	<p>Overall agreement with the directions of travel.</p>	<p>Agreement on drafting</p>

New provisions in ESRS 1 impact materiality on how to consider remediation/mitigation/prevention) actions in assessing the materiality of negative impacts – previously referred to as Net vs Gross

Topic	Key Issues / Challenges	Status	Next Steps / Outcomes
<p>New provisions in ESRS 1 on how to consider remediation, mitigation and prevention actions in assessing the materiality of negative impacts.</p> <p>Sometimes called "gross vs net" issue.</p> <p>Significant changes needed, based on field test and consultation.</p>	<ul style="list-style-type: none"> • Complexity of current text (in particular para. 35 and Appendix C) which is not clear and difficult to implement in practice • Terminology (gross vs net, potential vs actual, etc.) • Potential additional burden for the interpretation and application of the new requirements (e.g. supportable evidence, significant ongoing actions), especially from the auditing profession • Concerns about "gross" approach to potential impacts 	<p>General support for direction of travel including</p> <ul style="list-style-type: none"> • Clarify key concepts (actual/potential and positive/negative impacts) in the glossary. • Emphasise a principles-based approach to fairly presents both impacts and mitigation actions • Management judgement in determining materiality as part of the overall materiality assessment (DMA), including considering mitigation actions that reduce impacts below materiality thresholds • Further elaborate concept of impacts inherent to a sector or geography as part of the DMA – material irrespective of effectiveness of actions and policies • Remove overly complex Appendix C while keeping any essential elements within the main text. 	<p>Agreement on drafting</p>

Topic	Key Issues / Challenges	Status	Next Steps / Outcomes
<p>Horizontal burden reliefs that were suggested in input gathered from preparers prior to ED.</p> <p>Expected to substantially contribute to the reduction of overall reporting efforts, beyond the datapoint reductions.</p> <p>Split feedback, strong support from preparers, request of guardrails and time limits by others.</p>	<ul style="list-style-type: none"> • Interpretation of “undue cost or effort” requiring additional guidance • Interoperability with IFRS • Conditions, time limits, guardrails and transparency on reliefs used: <ul style="list-style-type: none"> • Relief for metrics (data quality) including own operations • Acquisitions/disposal • No preference for direct data in VC • Joint operations in E metrics 	Discussions ongoing	Once direction is confirmed, agree on drafting

Topic	Key Issues / Challenges	Status	Next Steps / Outcomes
<p>The Amendments clarify that the ESRS is a <i>fair presentation</i> reporting framework.</p> <p>Adopting a fair presentation framework is intended to improve functioning of the materiality filter, reduce the checklist mentality of a compliance approach, and reduce unnecessarily reported information.</p>	<p>Some consider the ESRS was already a fair presentation framework and interpret the CSRD as requiring it.</p> <p>Suggest confirming the direction with an explicit clarification of a fair presentation framework.</p> <p>A minority view holds that the CSRD does not require fair presentation, and that it is <i>not</i> a simplification.</p>	<p>No firm decision yet, but most supported orientation is to confirm the Amendments and enhance the draft for a better alignment with IFRS S1.</p> <p>Some noted their objections.</p>	<p>Consensus building in progress.</p> <p>Agree on drafting.</p>

Topic	Key Issues / Challenges	Status	Outcome/Next steps
Unfair payment practices / late payments to <u>SMEs</u>	Amendments in (draft) ED July 2025 are appreciated but	Ongoing discussion Step 1 : Discussed in SRB workgroup and plenary session Look for an alternative metric. If not possible, SRB initial orientation was to <i>(i) delete the reference to SMEs in para 20 (a) and (ii) instead, specify SME's in ESRS 1 appendix A and para 4 in G1.</i>	Once direction is finalised, update drafting
	- do not decrease burden of data collection - do not meet CSRD objective – protection of SMEs	Step 2 : Discussed in SR TEG <ul style="list-style-type: none"> • Support for retaining a ‘simplified’ metric for SME’s • Add a relief for the first two years • Clarify definitions • Do not add SMEs in Appendix A (contrary to simplification) 	

Business Conduct: Substantiated Incidents

Topic	Key Issues / Challenges	Status	Outcome/Next steps
Number and nature of confirmed incidents of corruption and bribery exceptionally moved from “may” to “shall”	Split views in feedback from public consultation	Discussed in SRB workgroup and plenary session Discussed in SRTEG	<ul style="list-style-type: none">• Retain the metric - reminder relief ESRS 1 prejudicial info• Refine and streamline glossary on ‘incidents’ (in G and S)• Added ARs in ED to allow for contextual information and remediation actions• Drafting in progress

Topic	Key Issues / Challenges	Status	Next Steps / Outcomes
Articulation of how adaptation is to be linked with TP's (architecture alignment ISSB)	Absence of references to adaptation	Agreed, references in E1-1, E1-3 and E1-5, agreed also with ISSB	For comment in V0 Open issue of E1-3 (Resilience)

Environment: Intensity targets FIs

Topic	Key Issues / Challenges	Status	Next Steps / Outcomes
Exemption to FI on translating to absolute values intensity targets	Finding appropriate wording for narrative disclosure on trends to complement exemption	<p>General agreement for a compromise on narrative disclosure including trends, but agreement on drafting not achieved yet.</p> <p>Proposal in drafting, discussed in SRB, SR TEG and subWG – mix views</p> <p>Discussion 1-2-1's</p>	Continue drafting and refining proposal

Environment: Boundary (GHG/other E topics)

Topic	Key Issues / Challenges	Status	Next Steps / Outcomes
Mix feedback on GHG boundary, confirmation of options of first iteration	General agreement to confirm boundary as in the ED. Wording suggestions	New drafting validated in sub working group	Agreement on drafting
Operational boundary in E2-E5	Sufficiency of relief on JOs (+ other reliefs)	Discussed at SRB/SR TEG/Relief group (JO)	Discussion ongoing

Topic	Key Issues / Challenges	Status	Next Steps / Outcomes
Assessing local impacts (DMA) and geographical aggregation/disaggregation when reporting information on (IROs)	Articulating in right place issue of considering local impacts in DMA and aggregation/disaggregation principle of information	Discussed in subWG (Es) and DMA. Overall direction agreed, current work on text.	Agreement on drafting.

Topic	Key Issues / Challenges	Status	Next Steps / Outcomes
<p>Calculation approach to adequate wages outside the European Union (EU):</p> <p>An amended methodology for the calculation of non-EU adequate wages set out in the Application Requirements (ESRS S1 AR 22).</p>	<p>Difference between minimum and adequate wages and ILO living-wage principles as adequacy test.</p> <p>Burden of taking into account ILO wage-setting and living-wage principles. Access to data sets.</p>	<p>General support on strategic direction:</p> <ul style="list-style-type: none"> • Increase transparency on benchmark • Using the term "adequate minimum wage" • Merging AR 22(b)(ii) and (iii) for living wage estimates. • Dialogue with ILO for potential database / dataset. • Flexibility for companies to go straight to living wages when there's a commitment • Ranges for point estimates 	<p>Agreement on drafting</p>

Social: Thresholds Reporting Disaggregated Metrics (S1-5 & S1-7)

Topic	Key Issues / Challenges	Status	Next Steps / Outcomes
Changed threshold for the requirement to disaggregate the metrics for Characteristics of the undertaking's employees, collective bargaining coverage and social dialogue in the European Economic Area	<p>Revised threshold accepted by majority of respondents.</p> <p>Increased transparency in new threshold is appreciated by many stakeholders.</p> <p>Those in disagreement state burden by including new countries</p>	<p>Direction of travel updated by keeping the threshold of the new revised proposal with the 50 employee de minimis. Some may suggest increasing it to 100 employees de minimis.</p>	<p>Tentative proposal: maintain amended text</p>

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