

European Commission Adopts Revised ESRS and Voluntary VSME Standard

8 October 2026

Introduction

The European Commission (the “Commission”) [adopted](#) in July 2026 the revised version of the European Sustainability Reporting Standards (the “ESRS”), the detailed reporting framework for EU companies in scope of the Corporate Sustainability Reporting Directive (the “CSRD”).¹

The [Commission’s “Quick Fix” Delegated Act](#) last year extended the phase-in relief for certain reporting requirements under ESRS (such as biodiversity and certain workforce-related disclosures) for “first wave” companies in scope.

The revised ESRS are in line with the Commission’s simplification efforts under the Omnibus I package. This Debevoise In Depth is an overview of the key changes to the ESRS and describes how companies can prepare to comply.

Revised ESRS

The Commission adopted two delegated acts. The first replaces the existing ESRS annexes with the revised and simplified ESRS. The revised ESRS follow the key principles of CSRD reporting, so companies must select relevant topics through the lens of “double materiality”, covering the company’s material impacts on people and the environment, and material sustainability-related risks and opportunities for the company. The same set of general and topical environmental, social and governance standards remains, with substantial changes to the language, disclosure requirements and application guidance.

¹ There are separate European Sustainability Reporting Standards for third-country headquartered groups, which fall into scope of CSRD from 2028 under separate thresholds.

The second delegated act establishes a set of sustainability reporting standards for voluntary use by companies not in scope of CSRD. The voluntary standards also act as a “value-chain cap”, containing the limit on information which smaller companies in the value chains of companies in scope of CSRD are required to supply. The voluntary standards comprise a “Basic Module” which contains a limited set of environmental (including energy consumption and Scope 1 and 2 Greenhouse Gas emissions) and social data points and a “Comprehensive Module” with an additional set of environmental and social data points. The Basic Module is directed at “micro-undertakings”², and the Comprehensive Module includes additional information likely to be required by banks, investors and corporate clients, for instance as a means for the reporting company to access sustainable financing. Annex II to the voluntary reporting standards specifies the data points covered by the value-chain cap for companies with 10 employees or less or for companies with more than 10 employees.

Overview of Key Changes from the Original ESRS

Reduction in Data Points

As above, the basic structure of the ESRS, comprising general disclosures and environmental and social topics, has not changed. However, the number of data points within the sections has been reduced, with mandatory data points reduced by more 60% and total data points by more than 70%, although note that many data points have been combined with others rather than removed entirely.

Revisions to Double-Materiality Assessment

To allow companies to perform the double-materiality assessment at reasonable cost, the revised standards endorse a “top-down” approach to the double-materiality assessment under which a company may determine the material topics or sub-topics in the ESRS to report on by reference to its strategy, business model, sectors, geographies and value chain, allowing companies to assess material topics by reference to common topics affecting similar companies in their relevant industries rather than use the “bottom-up” approach of identifying each individual impact, risk and opportunity at the company and linking those to material topics and sub-topics. Most companies will adopt the “top-down” approach but may assess material topics by reference to, for instance, specific sites or operations. When applied to the value chain, the materiality

² Micro-undertakings are enterprises with fewer than 10 employees and an annual turnover (the amount of money taken in a particular period) or balance sheet (a statement of a company’s assets and liabilities) below €2 million.

assessment can be done by reference to, for instance, regional or sector averages, rather than direct input from entities in the value chain.

Under the revised ESRS, companies should not disclose ESRS-prescribed information that is not material, although they may disclose “supplementary information” where that information is clearly identified and does not obscure material disclosures. This discourages “over-reporting” practices. The revised text also gives companies more discretion over the presentation of data in aggregated or disaggregated form, allowing companies to aggregate or disaggregate by, for instance, geography or subsidiary, as they consider best to provide the most relevant information.

Reporting Carve-Outs and Transitional Provisions

The revised ESRS introduce a broader set of reporting reliefs and carve-outs. Companies may omit certain information in defined circumstances, including where disclosure would be seriously prejudicial to their commercial position. Companies can omit trade secrets and classified information, in each case subject to conditions.

The text also clarifies that anticipated financial effects (which are how a company expects its financial position, financial performance and cash flows to change over the short, medium and long term, given its strategy to manage material risks and opportunities) may involve estimates and that updates to those estimates will not necessarily constitute reporting errors.

For financial years beginning between 1 January and 31 December 2026, companies may apply either the original ESRS, taking into account the reliefs under the Quick Fix Delegated Act, or the revised ESRS. If a company decides to apply the original ESRS for that financial year, it may nevertheless apply selected reliefs from the revised standards, including the top-down approach to double materiality.

Asset Managers

The revised ESRS contain important new relief for asset managers and similar financial undertakings. Where an undertaking manages investments subject to a fiduciary duty on behalf of clients without retaining the risks or rewards of ownership, it is not expected to assess the impacts, risks and opportunities related to those investments and provide data on those investments.

To date, where an asset manager in scope of CSRD considered its investments as part of its value chain, it was preparing to report on impacts, risks and opportunities of those investments, depending on factors such as the links between the manager and its investments, in terms of, for instance, the manager’s control or influence over those investments. On the basis of the statement in the revised ESRS, asset managers which

do not hold significant interests in their own funds may treat the environmental and social impacts, risks and opportunities linked to the assets in those funds and other mandates as outside the managers' own operations or value chains for ESRS reporting purposes. This relief does not relieve managers from reporting on their own balance sheet investments and does not appear to provide relief from reporting on climate related data, including emissions, at the portfolio level, which has been to date a significant feature of sustainability reporting for asset managers.

For asset managers in scope of CSRD reporting, there is no change to the requirement for managers to report on Taxonomy information at the investee company level.

Interoperability with ISSB

We have discussed the degree of divergence and equivalence between the ESRS and the International Sustainability Standards Board (the "ISSB") in a separate [In Depth](#). Many worldwide groups will need to produce reports by reference to both sets of standards, and many revisions to ESRS are designed to align the ESRS to ISSB—known as interoperability. Given the importance to the European Union (EU) of the double-materiality principle, the EU did not revise the ESRS to allow companies to produce a report based on financial materiality with an impact materiality add-on—reflecting the EU's view that many matters are material from impact and financial perspectives.

Note that one impact of the simplifications is to make making certain disclosures optional under ESRS which are mandatory under ISSB, such as climate risk assessment scenario analysis, and companies in scope of both regimes should take care to align their reporting in this respect.

Although EFRAG and the IFRS Foundation have published interoperability guidance which confirms a high degree of alignment between the climate-related disclosures in both sets of standards and confirms that the concept of "financial materiality" in the ESRS is aligned with the concept of "materiality" in the ISSB's standards, there are open questions as to whether the EU will treat the ISSB standards as equivalent, in particular arising from the fact that the ESRS include detailed topic-specific standards.

Other Changes

The revised standards also clarify the principle of "fair presentation". This applies to the sustainability statement as a whole rather than to each data point in isolation, and the standards state that applying ESRS, together with the materiality filter and entity-specific disclosures where necessary, results in fair presentation. This provides a defence for companies against disclosing immaterial information just because it appears in an ESRS template.

Other changes include the option to present Taxonomy disclosures in a separate appendix, the introduction of an executive summary, updates to greenhouse gas reporting boundaries, changes to climate transition plan requirements and simplifications for reporting on microplastics, pollutant emissions and substances of very high concern.

There is also an exclusion for certain activities from metric calculations (for topics or subtopics selected as material) if they are not a “significant driver” of impacts, risks or opportunities and an option for a company to disclose data only for a defined part of its own operations or value chain where it can obtain direct or estimated data without undue cost or effort.

What Are the Next Steps, and How Should Companies Prepare?

The revised ESRS will apply from financial years beginning on or after 1 January 2027, with the option for companies to apply them for financial years beginning on or after 1 January 2026. The voluntary standards are now available to for use by companies not subject to CSRD reporting, while the protection to such companies conferred by the value-chain cap applies from financial years beginning on or after 1 January 2027.

First-wave companies currently in scope of CSRD will need to decide whether to report for financial year 2026 (with report due in 2027) under the original ESRS, the revised ESRS or the original ESRS with selected revised-ESRS reliefs.

Companies already in scope should review their double-materiality methodology. Boards, disclosure teams and assurance providers should agree how companies will document the top-down approach, when to conduct a bottom-up review and how the company will distinguish in reports material ESRS information from supplementary information.

Changes to the ESRS will require companies to identify data points that have been removed, made voluntary, phased in or subject to relief and determine whether any omitted information is still needed for other purposes, such as reporting to key stakeholders, such as investors, outside the ESRS. Requests to value-chain partners for information should have regard to the value-chain cap, although value-chain partners can agree to provide information over and above the cap.

* * *

Please do not hesitate to contact us with any questions.



John Young
Counsel, London
+44 20 7786 5459
jyoung@debevoise.com



Alfie Scott
Associate, London
+44 20 7786 5478
awscott@debevoise.com