European Sustainability Reporting Standards

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EU adopts simplified European Sustainability Reporting Standards (ESRS)

Commission Delegated Regulation (EU) 2026/1563 of 3 July 2026 amending Delegated Regulation (EU) 2023/2772 as regards the simplification of certain sustainability reporting standards

Update

The Corporate Sustainability Reporting Directive 2022/2464 (CSRD) requires the largest companies operating in the European Union (EU) – including some non-EU companies – to publish reports on the sustainability of their businesses. This information is intended to help investors, civil society organisations, consumers, and other stakeholders evaluate the sustainability performance of companies and their impacts on people and the environment.

Companies required to report must present this information in line with European Sustainability Reporting Standards (ESRS) (Regulation 2023/2772). The ESRS cover environmental, social, and governance issues, including climate change, biodiversity, and human rights.

In September 2026, the European Commission published revised ESRS to simplify and streamline sustainability reporting.

What is changing?

Large companies operating within the EU – including non-EU companies – must publish reports on the impacts and risks of their activities for the environment and human rights (see Corporate Sustainability Reporting Directive (CSRD)). This information must be based on the ESRS which were initially set in Regulation 2023/2772 and have now been amended by Regulation 2026/1563.

The changes to the ESRS aim to:

- provide clarification
- simplify the structure and presentation of the standards
- address the potential difficulties that reporting companies might face when collecting information from their value chain, especially from companies that are not subject to the sustainability reporting obligations.

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These changes are expected to reduce the volume of sustainability information that companies concerned must report, including quantitative, qualitative, and contextual information. This information is shared using data points – individual items that provide distinctive and specific information. The revised ESRS intend to reduce mandatory reporting points by over 60%, the total number of data points by over 70%, and company reporting costs by more than 30%.

The revised standards are largely based on stakeholders' inputs collected in 2025 by the European Financial Reporting Advisory Group and a series of technical reports for a "draft simplified ESRS" (EFRAG 2025).

Why?

The European Commission aims to reduce the administrative burden and potential negative economic impacts of the CSRD for companies, while ensuring sustainability reporting can be easily compared across the EU, and increasing transparency regarding companies' sustainability impacts and risks. This revision is part of a series of proposed simplifications of existing EU rules that are considered to limit EU growth and competitiveness.

Timeline

The revised ESRS enter into force on **10 November 2026**.

They will apply to EU reporting companies for the 2027 financial year, and to non-EU companies for the 2028 financial year. For the 2026 financial year, companies can use the revised ESRS voluntarily.

What are the major implications for exporting countries?

Most operators in low- and middle-income countries are not required to issue sustainability reports on their activities because they will not meet the threshold of a turnover exceeding €450 million, or €200 million within the EU.

However, companies in the agri-food chain that are large enough to report on sustainability will need information from suppliers to fulfil these obligations. This means that suppliers in non-EU countries may be requested to provide information relating to the environmental and social impacts of their food production and processing.

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Recommended Actions

The EU's Have your say consultation on this proposal closed on 3 June 2026.

Background

Directive 2013/34/EU (the "Accounting Directive") sets the EU reporting obligations for large companies. It initially required only financial reporting, but the CSRD has now added non-financial reporting requirements on sustainability to this Directive (Arts. 19a and 29a).

The following types of large companies operating in the EU must publish reports on the sustainability impacts of their businesses (Directive 2013/34/EU):

- EU companies with a net turnover of €450 million and an average number of 1,000 employees during the ongoing fiscal year (Art. 29a)
- non-EU companies with a net turnover in the EU of more than €450 million in each of the last two consecutive financial years (Art. 40a)
- non-EU companies that have a branch or subsidiary in the EU with a net turnover of more than €200 million in the preceding financial year (Art. 40a).

The companies concerned must report on their impacts on people and the environment (external), and on how these impacts create financial risks and opportunities for the company (internal). This is known as "double materiality" reporting. Reporting must be based on the ESRS (Regulation 2023/2772 amended by Regulation 2026/1563), which ensure that companies provide reliable and consistent data that allows stakeholders to compare their sustainability performance.

In 2025, certain reporting requirements were delayed (Directive 2025/794). In 2026, the EU made significant changes to the CSRD, reducing the number of companies that must report, and limiting the information that large companies may request from smaller companies (Directive 2026/470; see Corporate Sustainability Reporting Directive). These changes aimed to reduce the administrative burden and potential negative economic impacts of the CSRD for companies. This is one of a series of changes (Simplification Omnibus Packages) aimed at stimulating EU growth and competitiveness while reducing administrative burdens.

Resources

EFRAG (2025) Draft Simplified ESRS.

European Commission (2026a) Corporate sustainability reporting.

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European Commission (2026b) Commission seeks feedback on revised sustainability reporting standards. News Article, 6 May.

European Commission (2026c) Implementing and delegated acts - CSRD.

Directive (EU) 2026/470 as regards certain corporate sustainability reporting requirements and certain corporate sustainability due diligence requirements.

Directive (EU) 2022/2464 as regards corporate sustainability reporting [version as amended by Directive 2026/470].

Directive 2013/34/EU on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings [version as amended by Directive 2026/470] ("Accounting Directive").

Sources

Commission Delegated Regulation (EU) 2026/1563 amending Delegated Regulation (EU) 2023/2772 as regards the simplification of certain sustainability reporting standards

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