

OPINION OF THE EUROPEAN SECURITIES AND MARKETS AUTHORITY
of 17 February 2026
on EFRAG's technical advice
on revised European Sustainability Reporting Standards (ESRS)

1 Introduction and legal basis

1. On 16 December 2025, ESMA received a request¹ from the European Commission (Commission) to provide an opinion on EFRAG's technical advice on revised European Sustainability Reporting Standards (ESRS), published on 3 December 2025².
2. This request followed a process beginning on 26 February 2025 when the Commission published its 'Omnibus I' proposal which, among others, suggested changes to the Corporate Sustainability Reporting Directive (CSRD) and announced a revision of ESRS Set 1. In March, this was followed by a request to EFRAG to deliver technical advice on a critical simplification to the current in-force set of ESRS (hereinafter referred to as 'ESRS Set 1'). EFRAG undertook an initial information gathering exercise from April to May 2025 which formed the basis for an exposure draft of the revised ESRS which was issued for public comment for the months of August and September. The consultation responses, alongside feedback from various outreach and field test events, was used to prepare EFRAG's final technical advice.
3. As announced in February 2025³, ESMA is committed to contributing to efficient simplification and burden reduction actions while preserving the main objectives of financial stability, orderly markets and investor protection. ESMA therefore strongly supports the Commission's initiative to revise the ESRS. ESMA's competence to deliver an opinion on the technical advice is based on the fifth subparagraph of Article 49(3b) of the Accounting Directive⁴ as amended by the CSRD⁵. According to this provision, the Commission shall request the opinion of ESMA – as well as those of the EBA and EIOPA – on EFRAG's technical advice,

¹ The request is reproduced in the Annex at the end of this opinion. Although the request is dated 11 December 2025, the consultation period started on 16 December 2025 which is the day of receipt of the request.

² EFRAG's technical advice and accompanying documents are available [on their website](#).

³ <https://www.esma.europa.eu/press-news/esma-news/esma-contributes-simplification-and-burden-reduction>

⁴ Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC, OJ L 182, 29.6.2013, p. 19.

⁵ Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting, OJ L 322, 16.12.2022, p. 15. References to articles of the Accounting Directive in this opinion are to the Accounting Directive as amended by the CSRD.

in particular with regard to its consistency with the Sustainable Finance Disclosure Regulation (SFDR)⁶ and its delegated acts. ESMA – as well as the EBA and EIOPA – shall provide the opinion within two months from receiving the request.

2 ESMA's approach to assessing the technical advice

4. ESMA has assessed EFRAG's technical advice on the draft revised ESRS against the assessment framework developed in connection with ESMA's opinion on ESRS Set 1⁷. The overall objective of ESMA's assessment has been to ensure that the revised ESRS is conducive to investor protection and does not undermine financial stability. This objective reflects ESMA's remit and mission to enhance investor protection and promote stable and orderly financial markets. The objective is operationalised with four criteria which were used to structure ESMA's assessment. For each criterion, multiple sub-criteria and related assessment indicators were considered. The assessment presented in the following sections summarises the key areas that have emerged when considering each of the four criteria, sub-criteria and indicators focusing on areas of major relevance to ESMA's remit.
5. As required by the assessment framework, ESMA looked at *the extent* to which the revised ESRS *are capable of* addressing the elements of the assessment framework and, in doing so, applied the following scale: fully capable, broadly capable, partly capable or not capable. The absence of any issues on the revised ESRS would result in them being considered "*fully capable*" of addressing the assessment criteria. Where issues were identified, "*broadly capable*" or "*partly capable*" would be used depending on the significance of the issues and the extent and urgency of the measures needed to address them. "*Not capable*" would be used if the issues were so pervasive as to require extensive changes to the revised ESRS.
6. ESMA assessed the revised ESRS in their own right, while considering the provisions of ESRS Set 1 as a reference point in selected cases to assess the degree of proportionality achieved and / or to identify possible recommendations to improve the revised standards.
7. As a result of its assessment, ESMA has identified certain issues with the draft revised ESRS which it would be necessary to tackle to make them at least *broadly capable* of meeting the assessment criteria and which ESMA therefore advises the Commission to address. Recommendations to address these issues as well as other key remarks are presented in **bold green text** on the following pages.
8. Finally, in its assessment, ESMA has also considered the draft revised ESRS in the context of the mandatory sustainability reporting regime set out in the Accounting Directive. ESMA has not assessed the suitability of the draft revised ESRS for adoption on a voluntary basis. Nevertheless, ESMA notes that the amendments to the scoping requirements introduced by

⁶ Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector, OJ L 317, 9.12.2019, p. 1.

⁷ See Annex 2 of [ESMA32-334-589](#) - *Opinion of the European Securities and Markets Authority of 26 January 2023 on the technical advice by the European Financial Reporting Advisory Group on European Sustainability Reporting Standards (Set 1)*.

ESMA has assessed the impact that the recently agreed revisions to the CSRD and to the Accounting Directive by the European co-legislators could have to the assessment framework and concluded that these forthcoming changes do not impact the substance of the framework. As soon as the amending Directive reflecting those revisions will be published in the Official Journal of the European Union, ESMA will publish an updated version of the assessment framework to reflect the revised legal references, alongside other minor editorial changes.

the Commission’s “Omnibus I” proposals and recently finalised by co-legislators can be expected to result in a significant population of companies, including large listed issuers, reporting on a voluntary basis using the revised ESRS. Without appropriate safeguards on the use of the revised ESRS in this voluntary reporting context, there may be an increase in the risk of greenwashing. **Therefore, it would be advisable that, in finalising the revised ESRS, the Commission introduces adequate provisions to avoid the selective or partial use of ESRS by voluntary adopters in a way that may mislead investors and other users of the information.**

3 Assessment

9. Notwithstanding the issues which are highlighted in sections 3.a-3.f of this opinion, ESMA welcomes the substantial work which EFRAG has performed to simplify the ESRS within a very short time window. In response to the Commission’s mandate, EFRAG has delivered draft revised ESRS which contain a number of improvements in readability, language and format of the standards as well as in the volume of requirements. Additionally, helpful simplifications have been introduced in several areas, such as the double materiality assessment and the relationship between general and topical requirements on policies, actions and targets.
10. ESMA’s remarks on the draft revised ESRS relate to a limited number of areas in which it considers that the proposed changes lower the standards’ ability to contribute to investor protection and financial stability. The following sections 3.a-3.f present ESMA’s proposed changes to address these important issues.

3.a Permanent reliefs

11. **ESMA’s most substantial concern with the draft revised ESRS relates to the package of permanent reliefs it offers preparers**, as these reliefs cause issues in relation to high quality disclosure of material information (criterion 1), consistent application (criterion 2) and interoperability with the IFRS sustainability standards (criterion 4). To properly assess the permanent reliefs, it is necessary to consider them together with the temporary reliefs – often referred to as ‘phase-ins’ – most of which were made available to Wave 1 companies⁸ by the ‘Quick-Fix’ Delegated Act⁹. For illustrative purposes, the table below summarises the entire package of permanent and temporary reliefs:

	<i>Relief</i>	<i>Status</i>	<i>Reference</i>
#1	<u>Deferral of E4, S2, S3 and S4</u> Wave 1 undertakings may omit reporting under E4, S2, S3 and S4 for financial years 2025 and 2026.	Temporary (‘phase-in’)	ESRS 1, par. 125(a)
#2	<u>Deferral of all info on anticipated financial effects</u>	Temporary (‘phase-in’)	ESRS 1, par. 125(b)

⁸ Wave 1 companies are those undertakings who were required to report under the CSRD for financial years starting on or after 1 January 2024.

⁹ Commission Delegated Regulation (EU) 2025/1416 of 11 July 2025 amending Delegated Regulation (EU) 2023/2772 as regards the postponement of the date of application of the disclosure requirements for certain undertakings, OJ L, 2025/1416, 10.11.2025.

	Relief	Status	Reference
	Wave 1 undertakings may omit all reporting on anticipated financial effects for financial years 2025 and 2026, except under E1, par. 38(a)(b) and 39(a)(b).		
#3	<u>Deferral of quantitative info on anticipated financial effects</u> Once relief #2 expires, Wave 1 undertakings may omit quantitative reporting on anticipated financial effects for financial years 2027, 2028 and 2029, except under E1, par. 38(a)(b) and 39(a)(b).	Temporary ('phase-in')	ESRS 1, par. 125(c)
#4	<u>Deferral of quantitative info on substances of concern</u> Wave 1 undertakings may omit quantitative information on substances of concern under E2-5 for financial years 2025, 2026, 2027, 2028 and 2029.	Temporary ('phase-in')	ESRS 1, par. 125(d)
#5	<u>Deferral of various datapoints on own workforce</u> Wave 1 undertakings may omit reporting under S1-6, S1-7 for non-EEA countries, S1-10, S1-11, S1-12, S1-13 (par. 40(d)(e) and non-employees datapoints) and S1-14 for financial years 2025 and 2026.	Temporary ('phase-in')	ESRS 1, par. 125(e)
#6	<u>Deferred reporting of acquisitions and anticipated reporting of disposals</u> If undertakings acquire (dispose of) a subsidiary or business in the reporting period, they may defer (anticipate) the inclusion (exclusion) of the subsidiary in the materiality assessment and in the sustainability statement to the subsequent (beginning of the) reporting period.	Permanent	ESRS 1, par. 75
#7	<u>Exemption from revising comparatives for new information</u> Undertakings are not required to revise comparative figures for new information received if the revised comparative does not provide useful information	Permanent	ESRS 1, par. AR 38 for par. 85(b)
#8	<u>Exclusion from metrics of activities that are not drivers of impacts, risks and opportunities (IROs)</u> Undertakings may exclude activities from metric calculations if they are not a significant driver of the IROs the metric purports to represent and this will not impair relevance and faithful representation.	Permanent	ESRS 1, par. 91
#9	<u>Partial metrics coverage due to lack of data</u> Undertakings may report metrics that only partially cover the reporting scope if it is not possible to obtain data for the remainder of the reporting scope under the "undue cost or effort" principle. This does not apply to E1-8 metrics (GHG emissions).	Permanent	ESRS 1, par. 92
#10	<u>Exclusion of joint operations from environmental metrics</u> Undertakings may exclude joint operations over which it does not have operational control from the calculation scope of metrics under E2, E3, E4 and E5.	Permanent	ESRS 1, par. 93
#11	<u>Undue cost or effort</u> Undertakings shall use reasonable and supportable information available to them <u>without undue cost or effort</u> when they <i>identify</i> material IROs, <i>determine</i> the scope of their value chain, <i>extend</i> required information to the value chain, <i>prepare</i> information on metrics and <i>report</i> on current and anticipated financial effects.	Permanent	ESRS 1, par. 94
#12	<u>Omission of sensitive information</u> Undertakings are relieved from disclosing information required by an ESRS if applicable Union law and regulations prohibit them from disclosing, or allow them to omit, such disclosure.	Permanent	ESRS 1, par. 101

	<i>Relief</i>	<i>Status</i>	<i>Reference</i>
#13	<u>Omission of quantitative info on current and anticipated financial effects</u> Undertakings need not provide quantitative information about current or anticipated financial effects if the effects are not separately identifiable or if the level of measurement uncertainty renders the resulting information not useful.	Permanent	ESRS 2, par. 28
#14	<u>Omission of quantitative info on anticipated financial effects of material ROs</u> Undertakings need not provide quantitative information about the anticipated financial effects of material risks or opportunities if they do not have the skills, capabilities or resources to do so.	Permanent	ESRS 2, par. 29
#15	<u>Exemption from disclosing absolute GHG emission reduction targets</u> Financial institutions are exempted from disclosing absolute values for their scope 3, category 15 emission intensity targets if they <i>use</i> physical or financial measures as denominators for intensity targets and consistently disclose absolute financed emissions for those targets and <i>provide</i> contextual information for the targets that have been set.	Permanent	ESRS E1, par. AR 13 for par. 23

12. The permanent reliefs introduced by the draft revised ESRS address concerns raised by preparers and issues that occurred in the first year of reporting under ESRS Set 1. They overwhelmingly relate to the reporting of metrics, mostly with general reliefs that apply across all topics, such as the ‘undue cost or effort’ relief (#11 in the table above) but also with some topic-specific reliefs such as the right to exclude joint operations over which the undertaking does not have operational control from environmental metrics (#10) and the right to defer / anticipate reporting on acquisitions / disposals (#6), which creates a new area of misalignment with the IFRS sustainability standards. For completeness, the possibility offered by the draft revised ESRS to rely on estimates over collected data (see par. 42 of this opinion) should also be considered together with the reliefs applicable to metrics. For a number of the reliefs, the draft revised ESRS state that metrics coverage is expected to improve over time and require undertakings to be transparent about their use of the reliefs in order to counterbalance the broad scope / permanence of the reliefs (e.g. relief #8 / draft revised ESRS 1, par. 91 and relief #9 / draft revised ESRS 1, par. 92).
13. ESMA recognises that, on top of outright reductions in datapoints and other alleviations, reliefs – that is, occasional departures from applicable requirements to ensure proportionality – have their place as part of the ongoing simplification and burden reduction exercise.
14. However, **the reliefs should be intended as rather exceptional measures and not undermine the ultimate objective of promoting disclosure of material sustainability information of high quality, nor should they risk encouraging opportunistic behaviour. ESMA is concerned that the reliefs in the draft revised ESRS threaten these goals due to their number, range and permanence.** ESMA also questions what is stated in draft revised ESRS 1, par. AR 6: ‘*Making use of one or more of the [reliefs] is not detrimental to fair presentation provided that the undertaking provides explanations that enable users to understand the consequences on the reported information and the resulting limitations.*’. While targeted reliefs and transitional provisions are generally not incompatible with a fair

presentation framework, a tension may arise if the extent of the reliefs envisaged in the standards is permanent and so pervasive to affect the fundamental qualitative characteristics of the reported information.

15. More in general, ESMA notes that the package of permanent reliefs will require examination by an undertaking's assurance provider. By increasing the level of judgement in the definition of the scope and content of the reporting, these reliefs are likely to require additional processes and documentation by preparers to justify their adoption (criterion 2), thus risking increasing the overall reporting burden. From the supervisory perspective, these time-unlimited reliefs are likely to constitute a recurring area of scrutiny. Due to a lack of clarity in the eligibility conditions for applying some of those reliefs, the supervisory assessment will become more challenging, thus hindering the consistent application of the ESRS across the Union (criterion 2).
16. Below, ESMA presents its recommendations to the Commission with the goal of recalibrating the permanent reliefs, so they better promote disclosure of material sustainability information of high quality and are as such conducive to investor protection and financial stability.

Reliefs related to 'undue cost or effort'

17. **Firstly, ESMA is concerned with the way in which the 'undue cost or effort' concept is used in reliefs #11 and #9 in the above table.**
18. The concept of 'reasonable and supportable information that is available without undue cost or effort' stems directly from the IFRS sustainability standards and introducing this concept in the draft revised ESRS contributes to bringing a level of commonality between the two sets of standards. ESMA supports this new alignment.
19. However, under IFRS S1 the 'undue cost or effort' relief only applies to specific areas whereas it has been extended to *all metrics* in the revised draft ESRS (relief #11 in the above table). This extension compromises interoperability between the draft revised ESRS and the IFRS sustainability standards (criterion 4) as it creates a situation where similar but not identical requirements will lead to different disclosures, depending on the standard applied and on whether the relief has been used or not. The negative impact on interoperability, in ESMA's view, is more significant in this case than when undertakings starting from one set of standards and wishing to comply with the other need to provide additional, well-identified disclosures.
20. Beyond problems with interoperability and even more fundamentally, the extension of the 'undue cost or effort' relief to all metrics disincentivises undertakings from enhancing their data coverage and quality over time, including in relation to their own operations (criterion 1).
21. The draft revised ESRS do address this concern, as they state that '*Reasonable and supportable information that is available to the undertaking without undue cost or effort is subject to reassessment for each reporting period. It reflects the results of the undertaking's past actions to improve data availability or the higher availability of external information. As a result, availability of information is expected to improve over time.*' (ESRS 1, par. 96). This is a positive signal, but ESMA considers that in practice, the permanent nature of this relief

would discourage undertakings from consistently enhancing their data collection. In ESMA's view, the expected improvement in the available information over time should lead to granting a temporary rather than a permanent relief.

22. **Based on these concerns, ESMA recommends making the 'undue cost or effort' relief (#11) temporary for the preparation of metrics (ESRS 1, par. 94(d)).** A time limit acknowledges that collecting the data for an undertaking's sustainability statement may need an adjustment period during which the undertaking is establishing its data infrastructure and related processes and controls. After an initial period of a few years, ESMA considers that undertakings should be expected to have established the necessary means for reporting on metrics on their own operations (for value chain metrics, they are permitted to use estimates, as is further discussed in section 3.b of this opinion). This argument is all the more valid when considering that the scope of reporting undertakings in the revised CSRD is limited to the very large and therefore arguably most resourceful companies with more than 1,000 employees and a turnover above €450m. **To make the system of reliefs as simple as possible, ESMA suggests making this relief applicable until and including financial year 2029** which is the same time limit as for the two temporary reliefs on provisions of quantitative information on anticipated financial effects and substances of concern (#3 and #4 in the table).
23. **ESMA has the same interoperability and quality-of-data concerns on the relief which permits undertakings to report metrics that only partially cover their reporting scope if they cannot obtain data for the remainder of the scope without undue cost or effort (#9). Therefore, ESMA also recommends turning this relief from permanent to temporary with the time limit of financial year 2029.**

Reliefs related to anticipated financial effects

24. Quantitative information on anticipated financial effects has been a central discussion point in EFRAG's preparation of the draft revised ESRS, and EFRAG's Exposure Draft included a question in this regard (question 19, Option 1 vs. Option 2). Following analysis of substantial stakeholder input and several rounds of discussion in the SR TEG and Board, the draft revised ESRS maintain the requirement to provide quantitative information on anticipated financial effects (ESRS 2, par. 27). ESMA notes that par. 3 of Article 29b of the Accounting Directive requires sustainability reporting to specify the forward-looking qualitative and quantitative information to be reported by undertakings. In this respect, information on anticipated financial effects is amongst the most relevant disclosure required by users, and particularly investors have stressed how key this information is for them. Throughout the drafting process, it has been ESMA's position that the ESRS should include requirements on anticipated financial effects while foreseeing the necessary safeguards to ensure that the reported information meets the qualitative characteristics of information and that quantitative information is provided unless a number of conditions are met.
25. **ESMA therefore strongly welcomes EFRAG's final decision to require qualitative as well as quantitative information on anticipated financial effects in the draft revised ESRS.** Removing this disclosure from the draft revised ESRS would have been contrary to the goals of providing information on how undertakings identify, assess and manage mate-

rial IROs and of requiring disclosure on the most relevant qualitative and quantitative forward-looking information (criterion 1). It would also have caused a departure from the goal of interoperability with the IFRS sustainability standards (criterion 4). It is therefore crucial that the draft revised ESRS specify disclosures in this area as they are necessary to preserve the integrity and relevance of the ESRS.

26. Undertakings have highlighted during the ESRS revision process that requirements to disclose information on anticipated financial effects may lead to issues with commercial confidentiality. ESMA understands that these possible issues are addressed by the 'commercial sensitivity safeguards' which are included in Articles 19a(3), fourth subparagraph and 29a(3), fourth subparagraph of the Omnibus amendments to the Accounting Directive.
27. **While welcoming EFRAG's decision to maintain the requirements for qualitative and quantitative information on anticipated financial effects, ESMA notes that the reliefs for the provision of this information should not be further extended in order not to compromise the integrity of this disclosure requirement.**
28. As evidenced in the above table, undertakings can leave out *all information* on anticipated financial effects (except relating to the carrying amounts of assets at material physical and transition risks) until and including financial year 2026 (relief #2) and can then leave out *quantitative information* (except relating to the carrying amounts of assets at material physical and transition risks) until and including financial year 2029 (relief #3). In other words, only as of financial year 2030 sustainability statements published in 2031 are undertakings obliged to provide quantitative information on anticipated financial effects across the ESRS topics. These phase-ins will negatively impact interoperability with IFRS sustainability standards until financial year 2030 (criterion 4) and will mean that, for several years, information of importance to users is not being provided (criterion 1).
29. When this requirement applies, undertakings may still leave out this information if the financial effects are not separately identifiable or not usefully disclosed due to measurement uncertainty (relief #13) or if the undertaking does not have the skills, capabilities or resources to report on them (relief #14), reliefs which have been carried over from IFRS S1. When undertakings make use of these reliefs to omit quantitative information on anticipated financial effects, they shall instead provide qualitative information that is decision useful (draft revised ESRS 2, par. AR 21 for par. 28 and 29). These permanent reliefs can be applied on top of the time limited relief #3 which means that even the quantitative disclosure on material physical and transition risks can be omitted if the undertaking considers that one of the aforementioned conditions applies. In addition, a fifth relief – the one on 'undue cost or effort' (#11) – applies explicitly to information on anticipated financial effects, both quantitative and qualitative, and can also be applied on top of the other four reliefs.
30. ESMA recognises that the preparation of especially quantitative information on anticipated financial effects may pose practical challenges for undertakings, notably related to topics beyond climate change. To afford companies the time they need to set up systems and processes, two temporary reliefs are available which provide a very significant reduction of reporting requirements for a significant time period – which EFRAG extended by three years compared to the Quick-Fix Delegated Act in case of relief #3. **ESMA highlights that it is**

crucial that reliefs #2 and #3 remain temporary so investors will, in due course, be provided with the necessary information on anticipated financial effects and so conceptual alignment with the IFRS sustainability standards is ensured.

31. As for the permanent reliefs, the relief on not separately identifiable effects and uncertainty of measurement (#13) corresponds to IFRS S1, par. 38 and comes with a number of safeguards in draft revised ESRS 2, par. 31 (corresponding to IFRS S1, par. 40). This close alignment enhances interoperability with the IFRS sustainability standards (criterion 4), and the safeguards render it sufficiently robust and ensure that when the relief is used to omit quantitative information on anticipated financial effects, other information is provided to the benefit of investors (criterion 1).
32. **ESMA's concern relates to permanent relief #14 which permits undertakings to omit quantitative information on anticipated financial effects of material ROs if they do not have the skills, capabilities or resources to provide it.** This relief is carried over from IFRS S1, and while the same safeguards apply as to the relief on not separately identifiable effects and uncertainty of measurement, the relief itself (draft revised ESRS 2, par. 29) does not fully mirror the two-step approach in IFRS S1, par. 37 and 39, where companies are first obliged to use an approach commensurate with the skills, capabilities and resources for preparing the disclosures before concluding that they cannot provide them at all. This difference means that the interoperability objective is neither fully nor broadly achieved (criterion 4). More importantly, ESMA observes that the scope of undertakings reporting under the ESRS post-Omnibus will be much narrower than the scope of companies reporting under the IFRS sustainability standards in various jurisdictions – which may even include SMEs. As such, ESMA questions whether it is reasonable to argue that companies with more than 1,000 employees and a turnover above €450m – the very largest and most resourceful companies – may not possess the skills, capabilities or resources to report quantitative information on anticipated financial effects in the long run.
33. On balance, considering both the importance of high-quality disclosure of material information (criterion 1) and interoperability (criterion 4), ESMA considers that this relief is disproportionate, also in light of the already-applicable temporary reliefs and the 'undue cost or effort' relief which are available for reporting on anticipated financial effects. **ESMA therefore recommends adding a financial year 2029 time-limit to the relief on skills, capabilities and resources**, as such aligning it with the time limit already applicable to reliefs #3 and #4 and recommended for reliefs #11 for metrics and #9 (please see above). While turning this relief temporary diverges from the IFRS sustainability standards, ESMA's view is that in practice, a time limitation will not result in reduced interoperability for the very large undertakings in scope of the revised CSRD as the relief is more relevant for the smaller undertakings that will report under the IFRS sustainability standards.

Other reliefs

34. **Allowing undertakings to exclude joint operations over which they do not have operational control from the calculation scope of metrics under E2, E3, E4 and E5 (relief #10) is also a source of significant concern.** If an undertaking is exposed, or gives rise, to material IROs through joint operations over which it has no operational control, the appli-

cation of this relief would result in the sustainability statement not providing material information and as such a fair presentation – and potentially permitting greenwashing (criterion 1). The relief also creates a disconnect compared to the reporting boundary for financial reporting and risks incentivising structuring opportunities (criterion 1). While the relief envisages that the coverage of the reported information will increase over time, this expectation does not constitute a binding obligation, and it will not be possible to enforce this expectation vis-à-vis companies given that the relief is not limited in time. Moreover, the relief will lead to inconsistent application of the ESRS and increase burden on users of the information who will have to deal with undertakings adopting different scopes for their reporting (criteria 1 and 2).

35. In practice, when applying the draft revised ESRS, undertakings will already be able to report on a self-defined scope of IROs determined *without undue cost or effort* (relief #11). Within this scope, undertakings will then report based on the filter of materiality of information. Furthermore, this information will only have to be disclosed once the undertaking has benefitted from the temporary reliefs, enabling it to collect and process the necessary data. ESMA therefore does not consider it is strictly needed to permit the exclusion of joint operations without operational control from environmental metrics, at least on a permanent basis. **ESMA therefore recommends that this relief be made temporary instead of permanent with last application to financial year 2029 like a number of the other reliefs.**
36. Additionally, ESMA is concerned about the relief from revising comparative figures for new information when the revised comparatives do not provide useful information (#7). This relief is not available under the IFRS sustainability standards and therefore runs counter to interoperability (criterion 4). It also seems very broad and as such open to possible over-use by companies, creating a risk for both disclosure of high-quality information (criterion 1) and consistent application of the standards (criterion 2). ESMA understands that this relief was included specifically to address figures which rely on data collected from a company's value chain (financed emissions was the particular use-case), but this is not mentioned either in the relief itself (draft revised ESRS 1, par. AR 38 for par. 85(b)) or in the Basis for Conclusions (par. BC 207). **In ESMA's view, the European Commission should consider how this relief contributes to the overall pool of differences between the ESRS and the IFRS sustainability standards. Should this relief ultimately be retained, ESMA suggests sharpening the wording to limit its application to specific fact-patterns, including the exceptional and targeted conditions for when companies may use non-current data in their estimation methodologies of current figures.**
37. Lastly, ESMA observes that the relief which permits companies to exclude activities from metric calculations if they are not a significant driver of the IROs the metric purports to represent and if exclusion from calculation is not expected to impair relevance and faithful representation (#8) seems to constitute a specification of the principle of materiality of information by using different wording and concepts. Introducing new concepts within a materiality-based regime without adequate definition and guidance is likely to drive inconsistent application of the requirements and it may lead to rather complex technical discussions on the eligibility of such reliefs and their actual usability (criterion 2). This relief is also not available under the IFRS sustainability standards and so does not contribute to interoperability

(criterion 4). ESMA will closely monitor how this is applied in practice and will recommend EFRAG to address it with guidance.

3.b Double materiality assessment and usefulness of information

38. The draft revised ESRS 1 indicates that the double materiality assessment determines the information to be included in the sustainability statements. The principle of ‘materiality of information’ is defined prominently in the draft revised ESRS 1 and clearly focuses on the decision-usefulness of the information for various types of users of the sustainability statement. In line with this principle, when information is deemed not material, even if mandated by an ESRS, such information is not required to be disclosed. It is also clarified that the identification of material impacts, risks or opportunities drives the identification of sustainability topics and sub-topics, as well as entity-specific topics, for which information shall be disclosed. The draft revised ESRS also clarify that internal risk management processes provide valuable input to support the materiality assessment. Furthermore, decision-usefulness is the criterion that shall drive disclosures on impacts, irrespective of how effective applicable legislation is in regulated sectors in mitigating, preventing or remediating these impacts. **ESMA generally supports these clarifications as they help to ensure that sustainability reporting is materiality-focused, limiting the risk that non-material information is provided or that any such information obscures material information.**
39. Par. 3 of the draft revised ESRS 1 sets out an objective for the sustainability statement that is *‘to present fairly all the undertaking’s sustainability-related material impacts, risks and opportunities and how the undertaking manages them’*. Par. 19 to 21 then further specify the notion of ‘fair presentation’ which combines the characteristics of relevance, including materiality as its entity-specific aspect, faithful representation, comparability, verifiability and understandability. By bringing together the different key elements of high-quality reporting (i.e. materiality, the qualitative characteristics of information and the need to incorporate entity-specific disclosures), the notion of fair presentation stresses the relevance of materiality of information as the key driver for sustainability reporting under ESRS.
40. The draft revised ESRS generally adhere to the sustainability matters and reporting areas identified in Articles 19a and 29a of the Accounting Directive. However, ESMA notes that the draft revised ESRS 2 *General disclosures* does not specify information about the expertise and skills on sustainability matters of administrative, management and supervisory bodies of the undertaking in relation to fulfilling their role or the access such bodies have to such expertise and skills. Article 29b of the Accounting Directive requires that the ESRS specify ad-hoc disclosure requirements on those aspects. **ESMA therefore recommends that the revised ESRS specify such requirement (which was already included in ESRS Set 1).**
41. Another aspect that emerges when comparing the relevant requirements in the Accounting Directive with the draft revised ESRS is that Appendix A of the draft revised ESRS 1 listing sustainability topics and sub-topics which could serve as a starting point for the materiality assessment does not mention ‘Marine resources’ as one of the sub-topics. The other draft revised ESRS do not specify information that undertakings are to disclose about marine resources either. Nevertheless, marine resources is one of the environmental factors specifically identified in Article 29b of the Accounting Directive as requiring ad-hoc disclosure

requirements in the ESRS. Only in the draft revised ESRS E3 *Water* and in ESRS E5 *Resource Use and Circular Economy* is it mentioned that ESRS E5 addresses marine resources as part of resource inflows. ‘Marine resources’ is also defined in the glossary. **In light of the applicable requirements in the Accounting Directive and to support the materiality assessment on this factor, ESMA believes that it would be helpful to retain a reference to marine resources in Appendix A of the revised ESRS 1.**

42. As regards value chain, the revised draft ESRS bring estimates on par with direct data for both identification of material IROs and for reporting on those IROs. Whereas ESRS Set 1 limited use of estimates to situations where the undertaking could not collect value chain information after making reasonable effort, the revised draft ESRS 1, par. 66 permits undertakings to use information collected from their value chain counterparties or estimates, depending on practicability and reliability considerations. EFRAG’s Basis for Conclusions, par. 201 states that estimates are sometimes of higher quality than information directly collected from the value chain and that the practicability and reliability considerations which undertakings shall use to determine whether they collect direct data or use estimates may evolve over time. ESMA observes that it was part of the original objective of the CSRD to increasingly use direct data for sustainability reporting. It will be important to monitor the effect of this expanded flexibility on value chain estimates, notably as to whether it lowers the quality of the reporting and how companies’ assessment of practicability and reliability evolves over time.
43. The draft revised ESRS 1 foresees a choice for the undertaking between a ‘top-down’ and a ‘bottom-up’ approach to reach the materiality conclusion. A combination of these approaches is also possible. When a ‘top-down’ approach is adopted by the undertaking (i.e. basing the materiality conclusion directly on an analysis of its strategy and business model and the features of its upstream and downstream value chain), no further analysis is needed. This provision constitutes a practical simplification which may, in most cases, be expected to streamline an otherwise unnecessarily burdensome materiality assessment process. However, ESMA notes that par. 27 of the draft revised ESRS 1 requires that a more detailed assessment of the impacts, risks or opportunities is necessary when the materiality conclusion is ‘not evident’ from the top-down analysis. The notion of what qualifies as ‘not evident’ is unclear and will require application guidance, also through the provision of examples. **ESMA therefore considers that this concept should be complemented by or replaced with a reference to ‘objective uncertainty’ as a parameter to determine whether an undertaking shall go beyond the top-down approach and that adequate guidance should be provided on how this concept should be interpreted in practice.**
44. The draft revised ESRS 1 also defines the concept of impact materiality and financial materiality. These concepts are generally consistently treated within the corpus of the draft revised ESRS, however, we have identified one area of possible concern regarding the notion of financial materiality. Par. 47 of the draft revised ESRS 1 indicates that “*The scope of financial materiality for sustainability reporting is an expansion of the scope of materiality used in the process of determining which information shall be included in the undertaking’s financial statements on the basis of the applicable recognition and measurement rules*”. This notion is partially contradicted in par. 62 of the same Standard when it envisages a *de-facto* exemption from reporting on possible sustainability risks or opportunities stemming from

subsidiaries that are excluded from the scope of a group's consolidated financial statements due to their non-materiality. In ESMA's view, if the notion of financial materiality in the ESRS is an "expansion of the scope" of financial materiality used for the purpose of preparing financial statements, it cannot be excluded *a-priori* that non-material subsidiaries could expose the undertaking to material sustainability risks or opportunities which are not captured by the recognition and measurement rules under the applicable financial accounting requirements. **ESMA therefore recommends that this de-facto exemption is either removed from the final revised ESRS or that it is re-drafted to ensure that any subsidiaries excluded from the consolidated financial statements are kept within the scope of the sustainability statement if the undertaking determines that they give rise to material sustainability-related impacts, risks or opportunities.**

Requirements to report on actions – ESRS 2, GDR-A

45. ESMA has also considered the extent to which the requirements in draft revised ESRS 2 lead to decision-useful information which is one key feature to determine materiality of the disclosures. In this respect, ESMA has identified a significant concern with the application provisions in par. AR 42 of draft revised ESRS 2 which complements the GDR-A requirements. This provision allows undertakings to limit their disclosure of significant financial resources allocated to actions to planned sources of funding and to focus only on "announced" key actions, and ESMA's concern is that this de facto deprives the GDR-A requirements of the most relevant information with regards to financial resources linked to actions. In fact, by applying this provision, an undertaking could limit the disclosure to already announced measures, thus allowing it to conceal actions put in place to address material IROs when not already made public. This provision would also result in disclosing only the *type* of funding used to support the (announced) actions but not the *amount* of resources. ESMA notes that the amended requirements stemming from the Omnibus I revision of the CSRD will protect commercially sensitive information and therefore there is no reason to foresee this additional application requirement. Furthermore, this provision seems to be inconsistent with international requirements in IFRS S1, notably par. 35, requiring disclosures of investment and disposal plans as well as planned resources of funding. **ESMA therefore recommends that par. AR 42 is deleted or fundamentally amended not to conflict with the requirement in par. 46(c) of draft revised ESRS 2, notably foreseeing that, at a minimum, the disclosure of the amount of the significant financial resources should be disclosed.**

3.c Transition plan for climate change mitigation and climate targets

Transition plan for climate change mitigation

46. **ESMA's view is that the draft revised ESRS E1 standard brings clarity to the required disclosures on the undertaking's transition plan for climate change mitigation.** This is achieved through listing the key features that constitute a transition plan for climate change mitigation (draft revised E1, par. 11a and AR 1), as well as stating that the transition plan disclosure should not replicate these key features, if reported elsewhere in the climate change topical section, but rather consolidate them "*into a coherent description that demonstrates that they are strategically aligned to drive business transformation.*" (draft revised ESRS E1, par. AR 2).

47. Besides, par. 12 clarifies that the undertaking should disclose not having in place a transition plan for climate change mitigation if its transition plan does not have all key features listed in par. 11. This provides specific information to the users on the completeness of the undertaking's transition plan.
48. ESMA also welcomes the alignment with the IFRS S2 disclosures (under criterion 4. on interoperability), notably through the requirement to disclose the "*key assumptions*" on which the plan relies (par. 11 c). Together with the disclosure on dependencies, it provides relevant context to the undertaking's transition efforts.
49. ESMA notes that one aspect of the draft revised E1-1 disclosure requirement which could entail divergence in practice relates to the notion of compatibility with limiting global warming to 1.5°C in line with the Paris Agreement and the objectives of the European Climate Law. **ESMA recommends that the Commission provide or reference a definition of compatibility. Clarity should also be brought to how compatibility should be understood when used in relation to the strategy and business model (par. 10 and AR 1) and in relation to the GHG emission reduction targets (par. AR 2a), and on how these two items interact.**
50. In this respect, ESMA notes that par. AR 2a requires "*a statement on whether the targets are science-based and compatible [...]*", which seems to infer that an undertaking with non-compatible targets can disclose its transition plan, while the objective of the Disclosure Requirement (in par. 10) can be read as limiting the disclosures to information enabling an understanding of the undertaking's efforts "*to ensure that its strategy and business model are compatible [...]*".
51. **ESMA recommends further clarifying the ambition characteristics of the transition plans for climate change mitigation to be disclosed under E1-1.** If the intention is to allow the disclosure of transition plans for climate change mitigation with varying levels of ambition, ESMA suggests adjusting the drafting of par. 10. Depending on the definition of compatibility, ESMA notes however that this approach could lead to plans with very low levels of ambition being labelled as transition plans. On the other hand, if the intention is to restrict disclosure to the most ambitious transition plans for climate change mitigation, this would necessitate an adjustment of par. AR 2a. This approach could however lead to reduced transparency and interoperability with IFRS S2.
52. ESMA will also separately encourage EFRAG to publish implementation guidance on the transition plan disclosures, which could address not only the transition plan for climate mitigation but also the biodiversity and ecosystems transition plan (E4-1).

Climate targets

53. ESMA welcomes the inclusion of net-zero targets as part of E1-6 (in addition to keeping a definition of these targets in Annex II to the Draft Revised ESRS). However, ESMA also notes that E1-6 brings flexibility for the conditions to disclose GHG reduction targets, which will lower comparability.

54. Regarding the exemption granted to financial institutions for the disclosure of the absolute values corresponding to their scope 3 intensity targets (par. AR 13 for par. 23 of draft revised ESRS E1), **ESMA suggests clarifying the drafting of the expected disclosures (especially par. AR 13b) regarding the disclosure of the related absolute financed emissions corresponding to the scope of the target), to maximise comparability.**

3.d Relationship with other EU legislation

55. ESMA has assessed how the revision of the ESRS addresses the critical question of consistency with financial markets legislation within its remit, notably the Sustainable Finance Disclosure Regulation (SFDR), the Benchmarks Regulation (BMR)¹⁰ and the Taxonomy Regulation¹¹. **On balance, subject to the specific considerations in the following paragraphs, ESMA considers that, within the limits of the simplification and burden reduction objective, the draft revised ESRS preserve a reasonable level of consistency with the above-mentioned areas of EU legislation.**
56. In general, ESMA notes that the draft revised ESRS preserve most of the ESRS datapoints linked to the currently in-force SFDR and BMR. Deletions or amendments of datapoints have generally been made when the existing ESRS requirements proved to lead to uncertainty in practice or were redundant (for example, requiring disclosure of a calculated amount which was based on information already included in the sustainability statement or in the financial statements). One notable exception from the carefully drafted list of amendments and deletions is the deletion of the indication of an undertaking's exclusion from Paris-aligned Benchmarks. This deletion was made on the grounds that it would be burdensome for preparers to make the assessment which is necessary to disclose any such exclusion. However, ESMA notes that it is unlikely that an external party would be in a better (and less burdensome) position than the reporting undertakings themselves to make such an assessment.
57. ESMA notes that the ongoing review of the SFDR regime and the possible changes to the related delegated legislation, including the Principle Adverse Impacts indicators, will affect the data needs of financial market participants. It is important that any future developments in this area of legislation take into account what datapoints will be available to investors and other users based on the final revision of the ESRS. As such, **ESMA stresses the need to preserve the consistency between the datapoints disclosed by issuers under the ESRS and the data demands on financial market participants based on any future revision of the SFDR.** This consistency implies building, as much as possible, the data demands imposed on investors and other financial market participants on the information available in sustainability statements prepared based on the ESRS. This is important to avoid a 'burden shifting' effect from preparers of the disclosures to the users of the information, and it is a critical aspect to ultimately preserve the competitiveness of EU capital markets.

¹⁰ Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014, OJ L 171, 29.6.2016, p. 1.

¹¹ Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088, OJ L 198, 22.6.2020, p. 13.

58. Finally, with regards to the consistency between the draft revised ESRS and the Taxonomy Regulation, ESMA notes that the revision exercise has removed a number of references to the Taxonomy Regulation (i.e. in ESRS E1 and ESRS E2) which were meant to achieve improved connectivity between the ESRS reporting and the Taxonomy reporting of the same undertaking. ESMA regrets that these connections were removed and it questions the positive impact of such changes on the overall reporting burden. Nevertheless, the draft revised ESRS 1 has retained a reference to the Taxonomy-related disclosures requiring that such disclosures are placed within the sustainability statement, while clarifying that the ESRS principles do not apply to these disclosures.

3.e Digital reporting

59. ESMA views digitisation as key to enable full usability of sustainability reporting. Regarding whether the draft revised ESRS enable effective marking-up in accordance with the European single electronic format (ESEF) Regulation, ESMA notes that the overall structure of set 1 has been preserved, although the granularity has been reduced through the suppression of the most granular level (corresponding to the sub-lists introduced by small roman numbers (i), (ii)...).
60. As a consequence, the conceptual approaches and main aspects implemented for the development of the digital taxonomy for set 1 can be retained for the revised digital taxonomy, which will also reflect the implemented simplifications (e.g. removal of the voluntary datapoints and of the overlaps between ESRS 2 and topical ESRS regarding policies, actions and targets).
61. One question that may arise is whether the independent items which have been grouped in a single paragraph in the revised draft should be identified as separate datapoints. **ESMA considers that when making the decision on whether to keep all items under one datapoint only or split them, attention should be paid to how a split would help users identify and retrieve a particularly useful information, while weighing the additional granularity against the objective of simplification and burden reduction.**
62. Separate datapoints could be needed, for instance, when quantitative information is expected to be disclosed together with narrative information. An example of such situation is par. 11 (a) of the draft revised ESRS E1, which requires disclosure of the key features of the undertaking's transition plan for climate mitigation.

3.f Transversal assessment of interoperability with international standards

63. Interoperability with global standard-setting initiatives for sustainability reporting to the greatest extent possible has been a constant objective framing the development of the ESRS to limit potential inconsistent reporting requirements and fragmentation in securities markets which would have negative consequences for undertakings operating globally as well as for investors.
64. Recital 43 of the CSRD called for the integration in the ESRS of the content of the global baseline standards then in development by the International Sustainability Standards Board

(ISSB), which were subsequently published as IFRS sustainability standards, and for taking into account global existing sustainability standards, including the Global Reporting Initiative (GRI). The explanatory memorandum accompanying the Omnibus proposal included the objective to further enhance the very high degree of interoperability with global sustainability reporting standards achieved by ESRS Set 1 as an objective of the ESRS revision. The ESRS-ISSB Standards Interoperability Guidance¹² published in 2024 identified aligned disclosure requirements, as well as specific aspects to consider and additional requirements for the undertakings to consider when starting from one set of standards to achieve compliance with the other.

65. For the purpose of ESMA's assessment under criterion 4, interoperability is defined as substantial alignment or at least easy reconciliation. This approach acknowledges the fundamental differences between IFRS sustainability standards, GRI and ESRS, such as the materiality lens applied. It also prioritises full alignment over easy reconciliation, where possible, as the most desirable situation to facilitate the reporting of undertakings wishing to comply with multiple sets of standards and is consistent with the EU broader “report-once” principle.

Structure, terminology and general concepts

66. **ESMA notes numerous efforts to maintain or improve interoperability with the IFRS sustainability standards and the GRI standards in the draft revised ESRS.** The structure and architecture of the draft revised ESRS, which have been maintained from Set 1, are substantially aligned or easily reconcilable with the structures and architectures of the IFRS sustainability standards S1 and S2 and of the GRI standards.
67. Regarding general reporting concepts, ESMA notes that the explicit introduction of fair presentation in the draft revised ESRS 1 as an overarching principle for reporting under the ESRS establishes conceptual alignment with the IFRS S1 standard and complements the alignment of the two sets of standards on the qualitative characteristics of information. ESMA observes, however, that the fair presentation principle is not fully aligned with IFRS S1, and that the reference to a “materiality filter” in draft revised ESRS 1, par. 21 as well as the new par. AR 6 for par. 19-20 may result in fair presentation being interpreted as an additional layer of materiality rather than as a qualitative review of the reported information as a whole. On balance, **while the wording could have been more closely aligned with that of IFRS S1, ESMA welcomes the addition of the fair presentation principle to the draft revised ESRS as an important added step towards interoperability.**
68. Furthermore, materiality of information, as defined in the draft revised ESRS 1, par. 23, reflects the information needs of the different sets of users interested in financial and / or impact materiality in a way that substantially aligns with both IFRS and GRI standards and their respective materiality lenses.
69. The draft revised ESRS 1 also caters for broader interoperability (and improved comparability) of the entity-specific disclosures through stressing the role that IFRS industry-based

¹² [ESRS-ISSB Standards Interoperability Guidance](#)

guidance and GRI standards can play as a source for the entity-specific disclosures (par. AR 5 for par. 12). Both topical and sectoral GRI standards are explicitly referenced in the AR as GRI topical standards can also be a valuable source of entity-specific disclosures (e.g. regarding biodiversity - considering the reduced number of metrics included in the draft revised ESRS E4, or just transition metrics, or in addressing topics not covered by the draft revised ESRS, such as tax, which was frequently disclosed as an entity-specific IRO in the first year of ESRS reporting). Moreover, GRI standards are recognised as a possible source of supplementary information (i.e. non-material information included in the sustainability statement) in par. 108 of the draft revised ESRS 1.

70. **ESMA's view is that the terminology and language of the draft revised ESRS are in most instances aligned with the relevant IFRS and GRI sustainability standards, bringing clarity to both undertakings and users.**

Disclosure requirements

71. At disclosure requirement level, ESMA notes that several of the attention points identified in the ESRS-ISSB Standards Interoperability Guidance for undertakings starting with ESRS to comply with IFRS sustainability standards have been removed through complete alignment. This is for example the case for the draft revised ESRS E1-1 disclosure requirement (transition plan for climate mitigation), with an explicit reference to the key assumptions used in developing the transition plan. As noted in par. 51 of this opinion, however, some uncertainty remains on the ambition of the transition plans disclosed under E1-1 as compared to IFRS S2.
72. **ESMA notes that some areas of misalignment remain or are being created between the ESRS and the IFRS sustainability standards on aspects which could have benefited from further alignment.** One of these differences relates to the disclosure requirements on resilience and climate scenario analysis in the draft revised ESRS E1. While they have in general been brought closer to those of IFRS S2, the draft revised ESRS E1 clarifies that climate scenario analysis is not mandatory (e.g. in par. 16 and par. 18 a) while IFRS S2 includes it as a requirement. This point will thus appear in the list of the specific additional requirements for undertakings reporting under ESRS to consider when they wish to also comply with IFRS sustainability standards.
73. In another instance, the draft revised ESRS restrict the disclosures on resilience of the strategy and business model to qualitative information while the IFRS sustainability standards do not specify the type of information expected (par. 33 of ESRS 2).
74. Another difference between the draft revised ESRS and IFRS S2 relates to the organisational boundary for reporting Gross scope 1, 2, 3 GHG emissions. The draft revised E1-8 requires the use of the financial control organisational boundary, with additional disclosure of the scope 1 and 2 GHG emissions based on the operational control boundary if necessary to convey a complete picture. This approach is not fully aligned with the IFRS S2 disclosure requirement, which fully integrates the GHG Protocol optionality so that the undertaking can select which boundary best fits to its facts and circumstances. **However, ESMA views the draft revised ESRS approach as easily reconcilable, as the draft revised ESRS E1 relies on the same technical standard and incorporates both options, thus**

providing clarity on how the fair presentation of the undertaking's emissions can be achieved.

75. **In contrast, ESMA is concerned by some of the reliefs introduced in the draft revised ESRS which, although conceptually aligned with the reliefs of the IFRS sustainability standards, are applied more broadly, as detailed in part 3.a. of this opinion.**
76. As a general and final point, from the perspective of improving the usability of sustainability information for EU and international investors and as a burden reduction measure for internationally active issuers, the ESRS should be easily interoperable with international standards, whenever this is possible without undermining EU policy objectives and while retaining requirements that reflect EU specificities. In this context, ESMA views the ESRS-ISSB Standards Interoperability Guidance as a very useful tool to both preparers and users and encourages its prompt update and simplification to provide clarity on how simultaneous compliance with both frameworks could be achieved in practice.

4 Conclusion

77. ESMA welcomes that the draft revised ESRS delivered by EFRAG contain many substantial improvements from the perspective of simplification and burden reduction.
78. However, based on the assessment of the four criteria set out in ESMA's assessment framework, ESMA finds that the draft revised ESRS are only *partly capable* of meeting the objective of being conducive to investor protection and of not undermining financial stability due to important issues in a limited number of areas. As indicated in **bold green text** throughout the opinion, ESMA has identified certain key remarks and recommendations that it advises the Commission to address to ensure that the revised ESRS are *broadly capable* of meeting the objective of being conducive to investor protection and of not undermining financial stability. ESMA's specific recommendations to address those issues are summarised in the table below:

	<i>Recommendation</i>	<i>Reference</i>
1	Add a time-limit to certain permanent reliefs: a. 'Undue cost or effort' relief for metrics (#11) b. Partial reporting of metrics when full scope of metrics is only available with undue cost or effort (#9) c. Omission of quantitative info on anticipated financial effects when undertaking lacks skills / capabilities / resources (#14) d. Exclusion of joint operations from environmental metrics (#10) The time-limit could usefully be aligned with the deadline for several other transitional provisions; FY2029.	<i>ESRS 1, par. 94(d) / par. 22 of this opinion</i> <i>ESRS 1, par. 92 / par. 23 of this opinion</i> <i>ESRS 2, par. 29 / par. 33 of this opinion</i> <i>ESRS 1, par. 93 / par. 35 of this opinion</i>
2	Clarify the meaning of 'compatibility with limiting global warming to 1.5°C' and address possible consequences on the level of ambition of the transition plans.	<i>E1-1, par. 10, AR 1 and AR 2a / par. 49 and 51 of this opinion</i>
3	Strengthen reporting on significant financial resources allocated to actions.	<i>ESRS 2, par. AR 42 / par. 45 of this opinion</i>
4	Require disclosure of information about administrative, management and supervisory bodies' sustainability expertise and skills.	<i>ESRS 2, GOV-1 / par. 40 of this opinion</i>
5	Remove or re-draft the option to exclude from the scope of the sustainability statement subsidiaries that were excluded from the consolidated financial statements due to their non-materiality.	<i>ESRS 1, par. 62 / par. 44 of this opinion</i>

Done in Paris, 17 February 2026

For the Board of Supervisors
 Verena Ross
 Chair
 [signed]