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Need to know

European Commission publishes delegated act on simplified ESRSs

September 2026

Overview

This *Need to know* sets out the revised European Sustainability Reporting Standards (ESRSs) that have been published by the European Commission (EC) as an annex to *Commission Delegated Regulation (EU) 2026/1463 of 3 July 2026 amending Delegated Regulation (EU) 2023/2772 as regards the simplification of certain sustainability reporting standards* (a 'delegated act').

- The EC has published a delegated act that sets out revised ESRSs. The EC has based the revised ESRSs on the advice submitted by EFRAG. While the fundamental architecture of the ESRSs has been retained, the standards have been simplified.
- The delegated act was published in the Official Journal of the European Union. It enters into force on 10 November 2026.
- The delegated act, and the ESRSs contained in its annex, apply for financial years beginning on or after 1 January 2027. Early adoption for the financial year 2026 will be permitted as soon as the delegated act has entered into force.
- Once entered into force, the delegated act will be binding in its entirety and directly applicable in all Member States. Mandatory application by entities will be required to the extent the Corporate Sustainability Reporting Directive (CSRD) is transposed in the Member States where they fall in scope.

Background

In February 2025, the EC committed to revise the ESRSs that were issued through a delegated act published in the EU Official Journal in December 2023 ('ESRS Set 1'). The EC asked EFRAG to provide technical advice on the revision of the ESRSs. In December 2025, EFRAG submitted its technical advice to the EC.

In May 2026, the EC published a draft delegated act with proposed revisions to the ESRSs. The comment period on the draft delegated act ended on 3 June 2026.

The EC has now finalised the delegated act that sets out the revised ESRSs.

Observation

The revised ESRSs do not include guidance on which entities are required to report under ESRSs and from which reporting period. These matters and other considerations, such as due diligence requirements and disclosures emanating from other EU legislation, are part of the Omnibus Content Directive (Directive (EU) 2026/470) that has been published in the Official Journal of the EU in February 2026 and entered into force in March 2026. Member States are required to transpose the amendments resulting from the Omnibus Content Directive into their national laws by 19 March 2027.

Entities that are in 'wave one' (i.e. required to report under the CSRD from periods commencing 1 January 2024) are still required to apply ESRS Set 1 as adopted by the EC in 2023, until the revised ESRSs are available for use.[1]

To provide relief to these entities, the EC adopted a delegated act in July 2025 ('Quick Fix' delegated act) that maintains, and in some cases, extends transitional reliefs available in 2024 to 2025 and 2026. The revised ESRS 1 sets out phasing-in provisions for 'wave one' entities (please see below under **ESRS 1—Disclosure requirements that are phased in**).

[1] The delegated act states that the revised ESRSs will enter into force on the date of adoption plus 4 months plus 1 week.

Implications for UK companies

UK companies within the scope of the CSRD (or EU subsidiaries of UK companies within the scope of the CSRD) are required to prepare their sustainability statement in accordance with ESRSs.

As explained in our *Need to know*: Omnibus package on certain corporate sustainability reporting and due diligence requirements finalised, the revised text of the CSRD was published in the Official Journal of the European Union on 26 February 2026. The changes to the CSRD must be transposed into national law by EU Member States before they become effective.

The revised text simplifies the scope of entities required to apply the CSRD and reduces the number of companies in its scope. This may affect the group reporting strategy of UK groups that were previously planning to report voluntarily under full ESRSs to exempt their EU subsidiaries, if fewer EU subsidiaries are now within scope of the CSRD. The revised scope of the CSRD also determines which entities will be required to publish EU Taxonomy information in future.

The UK government has published the final UK Sustainability Reporting Standards (UK SRS) which are now available for voluntary use. The final versions of UK SRS 1 and UK SRS 2 are based on the International Sustainability Reporting Board (ISSB) Standards, IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures* (see *Need to know*: UK government publishes UK Sustainability Reporting Standards).

As explained in our *Need to know*: FCA consults on mandatory reporting in line with UK Sustainability Reporting Standards, the Financial Conduct Authority (FCA) has proposed a new Listing Rule requiring certain listed companies to report under UK SRS. The proposed Listing Rule would come into effect for accounting periods beginning on or after 1 January 2027. This would be effective at the same time as the postponed CSRD reporting for 'wave two' entities under the new CSRD scoping requirements.

Architecture of the ESRSs

The revised ESRSs continue to use two categories of standards that are intended to complement and interact with each other:

- cross-cutting standards, which cover the provisions applying to:
  - general requirements that entities should comply with when preparing and presenting sustainability-related information under the EU Accounting Directive as amended by the CSRD (ESRS 1)
  - general disclosures that apply to all entities regardless of their sector of activity (i.e. sector agnostic) and apply across sustainability topics (ESRS 2)
- topical standards, which cover a specific sustainability topic from a sector-agnostic perspective.

Sector-specific standards are not included in the architecture, following the EC stating in the omnibus proposals that it would no longer plan to adopt them.

The full set of ESRSs is structured as follows:

Cross-cutting	**ESRS 1** General Requirements	**ESRS 2** General Disclosures			
Environment	**ESRS E1** Climate Change	**ESRS E2** Pollution	**ESRS E3** Water	**ESRS E4** Biodiversity and Ecosystems	**ESRS E5** Resource Use and Circular Economy
Social	**ESRS S1** Own Workforce	**ESRS S2** Workers in the Value Chain	**ESRS S3** Affected Communities	**ESRS S4** Consumers and End-users	
Governance	**ESRS G1** Business Conduct				

An overview of acronyms and a glossary of terms have been published alongside the revised ESRSs.

Architecture of the ESRSs

Key changes since ESRS Set 1

The following are key differences between ESRS Set 1 that are currently applied by 'wave one' entities and the revised ESRSs:

- simplification of the mandatory ("shall") disclosure requirements
- reduction and simplification of application requirements, now presented as boxed content alongside the related section or disclosure requirement
- elimination of optional ("may") disclosures
- inclusion of the fair presentation principle in the objective of ESRSs
- increased emphasis on materiality of information as an overarching principle and simplification of the double materiality assessment requirements, now clearly permitting entities to adopt a 'top down' approach
- repositioning of the minimum disclosure requirements (MDR) on policies, actions and targets as general disclosure requirements (GDR) with the intent to support the focus on materiality of information
- introduction of more flexibility on how the information can be presented, including the option for an executive summary
- streamlining of the topical standards
- clarified guidance on anticipated financial effects, greenhouse gas (GHG) emissions, microplastics, pollutants (including substances of very high concern), and human rights incidents and incidents of discrimination
- introduction of new provisions derived from the Omnibus Content Directive that allow entities to omit certain information in certain circumstances
- introduction of additional reliefs (see box below **ESRS 1—Preparation and presentation of sustainability information**)
- enhancement of the interoperability with the ISSB standards by adding references to the ISSB standards (including the SASB standards) and the Global Reporting Initiative (GRI) standards as sources of guidance for identifying entity-specific information).

ESRS 1 *General Requirements*

Objective

The ESRSs specify the sustainability information that entities are required to disclose in accordance with the EU Accounting Directive, as amended by the CSRD and the omnibus package. The ESRSs require the entity to disclose information about its material impacts on people and the environment and about its material sustainability-related risks and opportunities. Reporting under these two perspectives constitutes the double materiality principle.

The objective of a sustainability statement prepared in accordance with ESRSs is to present fairly all the entity's material sustainability-related impacts, risks and opportunities and how the entity manages them. An ESRS sustainability statement covers governance; strategy (including financial effects); management of impacts, risks and opportunities including related policies and actions; and metrics and targets.

The ESRSs require an entity to disclose information that is useful to the users of general-purpose sustainability statements, who are:

- primary users of general-purpose financial reports such as existing and potential investors, lenders and other creditors, including asset managers, credit institutions and insurance entities
- other users of general-purpose sustainability statements such as the entity's business partners, social partners (trade unions and employer organisations), civil society and non-governmental organisations.

ESRS 1 explains drafting conventions and sets out general requirements for identifying the entity's material impacts, risks and opportunities, and for preparing and presenting information to be reported. It also sets out general requirements for the basis of preparation of the sustainability statement.

Impacts, risks and opportunities

In the ESRSs, 'impacts' refers to actual and potential, positive and negative impacts on people and the environment. 'Risks' and 'opportunities' refer to the entity's sustainability-related risks and opportunities that affect (or could reasonably be expected to affect) the entity's financial performance, financial position, cash flows, access to finance or cost of capital over the short, medium or long term. Collectively, these are referred to as 'impacts, risks and opportunities'.

Stakeholders

Stakeholders are defined as those who can affect or can be affected by an entity. There are two main groups of stakeholders:

- affected stakeholders: individuals or groups whose interests are affected or could be affected by the entity's activities and its direct and indirect business relationships in its upstream and downstream value chain (civil society, non-governmental organisations and trade unions as users can be proxies for affected stakeholders)
- users of the sustainability statements: primary users of general-purpose financial reports, such as existing and potential investors, lenders and other creditors, including asset managers, credit institutions and insurance entities, and other users of the sustainability statements, including the entity's business partners, trade unions and social partners, civil society and non-governmental organisations.

ESRS 1 *General Requirements*

Structure of disclosure requirements

ESRS 1 sets out the overall structure of the ESRSs.

ESRS 2 sets out disclosure requirements on the information that an entity is required to report at a general level across all topics to which its material impacts, risks and opportunities relate.

The topical standards address topics and sub-topics complementing the requirements in ESRS 2 and reflect the same reporting areas as ESRS 2.

In addition, an entity is required to provide entity-specific disclosures (taking into account the fair presentation provisions, see below) if it concludes that a topic associated with one or more material impacts, risks or opportunities is not covered or not covered with sufficient granularity, by an ESRS. The IFRS Foundation's industry-based content and the GRI standards are referenced as non-mandatory sources of guidance in developing entity-specific disclosures.

Fair presentation and qualitative characteristics of information

As set out in ESRS 1, fair presentation requires disclosure of relevant information about an entity's material impacts, risks and opportunities, and their faithful representation in accordance with the requirements set out in ESRS 1 (relevance and faithful representation is set out in Appendix B of ESRS 1). To achieve faithful presentation, an entity is required to provide a complete, neutral and accurate depiction of its material impacts, risks and opportunities.

Fair presentation also requires that the entity discloses:

- information that is comparable, verifiable and understandable (see Appendix B of ESRS 1)
- entity-specific information when applying ESRSs is not sufficient to enable users to understand the entity's material impacts, risks and opportunities and how the entity manages them.

Applying the ESRSs, including the materiality filter as set out in ESRS 1, and with entity-specific disclosures, when necessary, results in a sustainability statement that achieves a fair presentation.

The entity is required to consider whether the sustainability statement, taken as a whole, provides a fair presentation of its material impacts, risks and opportunities. This assessment considers the overall picture conveyed by the information disclosed across the sustainability statement and not individual disclosures in isolation.

Observation

The fair presentation framework is a concept which is also included in the IFRS Accounting Standards and IFRS Sustainability Disclosure Standards. Revised ESRS 1 now includes a requirement for entities to consider whether the sustainability statement, as a whole, provides fair presentation.

More information on the implications of a fair presentation framework is included in a Deloitte *Need to know*.

ESRS 1 *General Requirements*

Materiality

Materiality of information

The sustainability statement includes material information. Information is material when omitting, misstating or obscuring that information could reasonably be expected to influence:

- decisions that primary users of general-purpose financial reports make based on those reports, including financial statements and the sustainability statement, relating to providing resources to the entity; or
- decisions that other users of general-purpose sustainability statements make based on the sustainability statement regarding the entity's material impacts, risks and opportunities and how the entity manages them.

With some exceptions, the entity is not permitted to disclose information prescribed by an ESRS requirement if the resulting information is not material. The same applies to the disclosure of entity-specific information.

Observation

The description of financial materiality in the revised ESRSs is consistent with IFRS S1, which states that "[i]n the context of sustainability-related financial disclosures, information is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that primary users of general purpose financial reports make on the basis of those reports, which include financial statements and sustainability-related financial disclosures and which provide information about a specific reporting entity." In particular, the EC has clarified that decision-usefulness for primary users relates to providing resources to an entity.

Decision usefulness is also now emphasised for impact materiality.

Double materiality assessment

Performing a materiality assessment is necessary for an entity to identify the material impacts, risks and opportunities and the related topics to be reported. The entity determines the material information to be disclosed based on its double materiality assessment.

Double materiality has two dimensions: impact materiality and financial materiality, and the entity is required to consider how they interact. An impact can be financially material from the start or become financially material if it is reasonably expected to affect the entity's financial performance, financial position, cash flows, its access to finance or the cost of capital over the short, medium or long term. Impacts can be material exclusively from an impact perspective irrespective of whether they are financially material.

Impact materiality assessment and financial materiality assessment

The **impact materiality assessment** corresponds to the identification of the entity's material impacts. An entity is required to report information about a given topic from an impact perspective if that topic relates to an entity's material actual or potential, positive or negative impacts on people or the environment over the short, medium or long term. Impacts include those connected with the entity's own operations, and its upstream and downstream value chain, including through its products and services, as well as through its business relationships in its upstream and downstream value chain. Business relationships are not limited to direct contractual relationships.

The **financial materiality assessment** corresponds to the identification of information that is considered material for primary users of general-purpose financial reports in making decisions relating to providing resources to the entity. The entity is required to report information about a given topic from a financial materiality perspective, if that topic triggers, or could reasonably be expected to trigger, material financial effects on the entity. This is the case when the risks or opportunities related to a topic have, or could reasonably be expected to have, a material influence on the entity's development, financial position, financial performance, cash flows, access to finance or cost of capital over the short, medium or long term. Risks and opportunities may arise from past or future events.

ESRS 1 *General Requirements*

Steps in determining the information to be reported
In conducting its double materiality assessment, an entity uses reasonable and supportable evidence that is available at the reporting date without undue cost or effort.

The entity may derive a conclusion, without further assessment, on the materiality or non-materiality of its impacts, risks or opportunities for a topic or sub-topic, on the basis of an analysis of its strategy and business model, including its sector(s) of operations, its geographies, and the features of its upstream and downstream value chain ('top-down' approach to materiality assessment). In this approach, if the materiality or non-materiality of one or more impacts, risks or opportunities is not evident on the basis of the above analysis, the entity is required to perform a specific assessment of the impacts, risks or opportunities in question.

The entity may also use a materiality assessment conducted only at the level of impacts, risks and opportunities ('bottom-up' approach to materiality assessment).

With respect to the information to be reported, the entity is required to:

- apply ESRS 2
- apply the following approach for a topic or sub-topic related to its material impacts, risks and opportunities:
  - apply the general disclosure requirements in ESRS 2 for policies, actions, metrics and targets
  - disclose information for the disclosure requirements relevant to the specific topic or sub-topic in the topical standards
  - add entity-specific information where necessary.

Due diligence
Due diligence is the process by which an entity identifies, prevents, mitigates, brings to an end, minimises and remediates actual and potential negative impacts on people and the environment connected with its business. Due diligence is an ongoing practice that responds to and may trigger changes in the entity's strategy, business model, activities, business relationships, and operating context and practices, including design, purchasing, and selling and distribution.

The ESRSs do not impose any conduct requirements in relation to due diligence, nor do they extend or modify the role of the administrative, management and supervisory bodies of an entity with regard to the conduct of due diligence.

The outcome of an entity's sustainability due diligence process informs the assessment of its material negative impacts.

Reporting boundaries
Reporting entity and own operations
The sustainability statement is for the same reporting entity as for the financial statements. If the parent entity prepares consolidated financial statements, the sustainability statement is for the parent and its subsidiaries in accordance with the applicable accounting requirements. When reporting at a consolidated level, the entity is required to carry out the assessment of material impacts, risks and opportunities for the consolidated group regardless of the group's legal structure.

Disclosure exemption
The CSRD stipulates that subsidiaries of a non-EU parent do not have to disclose information if the parent reports under ESRSs or standards that are deemed equivalent by the EC and the consolidated sustainability report including the assurance opinion is publicly available. What is deemed 'equivalent' is yet to be determined by the EC.

ESRS 1 *General Requirements*

Value chain
To the extent necessary for an understanding of the entity's material impacts, risks and opportunities and to meet the qualitative characteristics of information, the reported information is extended beyond an entity's own operations to cover material impacts, risks and opportunities connected with the entity through its direct and indirect business relationships in the upstream and downstream value chain (value chain information).

The entity is required to include material upstream and downstream value chain information in accordance with the outcome of its double materiality assessment as described in ESRS 1 and any specific requirements related to the upstream and downstream value chain in other ESRSs.

In some cases, associates or joint ventures that are accounted for under the equity method are also part of an entity's upstream and downstream value chain beyond the shareholding relationship, such as when they are also suppliers or customers. In these cases, the entity is required to disclose information related to the supply or customer relationship, consistent with the approach adopted for similar business relationships. This means that the entity considers both its relationship as investor in the associate or joint venture and its supply or customer relationship.

Entities must take the 'value chain cap' into account. This means that they cannot require entities in their value chain that, on their balance sheet dates, do not exceed an average number of 1,000 employees during the preceding financial year to provide information beyond the information resulting from the datapoints specified in the voluntary standard.

Reporting period, base year and time horizons
The reporting period for an entity's sustainability statement—including for the calculation of metrics—is consistent with that of its financial statements. A base year is the historical reference date or period for which information is available and against which subsequent information can be compared over time.

When preparing its sustainability statement, an entity is required to adopt the following time intervals as of the end of the reporting period:

- short-term time horizon: the length of the period adopted for its financial statements
- medium-term time horizon: from the end of the short-term period to five years
- long-term time horizon: more than five years.

An entity may adopt a different definition for medium- or long-term time horizons if the use of medium- or long-term horizons results in non-relevant information.

Preparation and presentation of sustainability information
Location and structure of the sustainability statement
An entity is required to present all the disclosures required by the ESRSs within a dedicated section of the management report identified as the entity's sustainability statement. The entity is required to structure its sustainability statement in four parts in the following order: general information, environmental information, social information and governance information. An entity may structure its sustainability statement in a different manner provided that it presents a reasoned explanation for using an alternative structure. It may use appendices or separate sub-parts. If an entity prepares disclosures pursuant to Article 8 of the EU Taxonomy Regulation, it is required to include them in its sustainability statement and may do so in a separate appendix within the management report.

The entity may provide an executive summary in the sustainability statement which includes the key messages about its material environmental, social and governance impacts, risks or opportunities and their management. The content and presentation of this executive summary should meet the qualitative characteristics of information and is an integral part of the sustainability statement.

The entity may include in its sustainability statement supplementary information stemming from other legislation which requires it to disclose sustainability information, or generally accepted reporting standards or frameworks, including non-mandatory guidance and sector-specific guidance published by other standard-setting bodies (such as material issued by the ISSB or GRI), even if that information is not material. This information should be clearly identified with an appropriate reference to the related legislation, standard or framework.

ESRS 1 *General Requirements*

If needed to meet the data demands of a specific user, the entity may include in its sustainability statement supplementary disclosures that are not material. Such information should be clearly identified as not resulting from the materiality assessment, provide a faithful representation of the aspects it intends to represent and be presented in a way that does not obscure material information.

Information or a specific datapoint prescribed by a disclosure requirement may be incorporated in the sustainability statement by cross-reference when specific requirements are met.

Reliefs for preparing the sustainability statement
The ESRSs include reliefs for preparing the sustainability statement. These include:

- The entity is required to use all reasonable and supportable information that is available to it at the reporting date without undue cost or effort:
  - to identify material impacts, risks or opportunities
  - to determine the scope of its upstream and downstream value chain, including its breadth and composition, in relation to material impacts, risks or opportunities
  - when extending the information to include upstream and downstream value chain information
  - to prepare information on metrics
  - to report on current and anticipated financial effects
- If an entity acquires a subsidiary during the reporting period, it may defer the inclusion of the subsidiary in the materiality assessment and in the sustainability statement to the following reporting period. Similarly, if a subsidiary leaves the group during the reporting period, the entity may adjust the scope of the materiality assessment and the reporting boundary as from the beginning of the current reporting period
- The entity may exclude activities from metric calculations if, due to their nature, they are not a significant driver of the impacts, risks or opportunities that the metric purports to represent, and if their exclusion from the calculation is not expected to impair the relevance and faithful representation of the reported information
- Except for GHG emissions, if the entity can provide without incurring undue cost or effort reliable direct or estimated data only for an objectively defined part of its own operations or its upstream or downstream value chain, it is required to disclose that it has identified material impacts, risks or opportunities but that the corresponding metric can currently only be reported on a partial reporting scope or for a subset of the value chain.

Connected information and linkages with other parts of corporate reporting
An entity is required to provide information that enables users of its sustainability statement to understand the connections within the sustainability statement, and between the sustainability statement and other corporate reporting documents published by the entity, including its financial statements.

If the sustainability statement includes monetary amounts or other quantitative information also presented in the entity's financial statements, the entity is required to cross-reference to its financial statements ('direct connectivity'). If the sustainability statement includes amounts that are an aggregation or part of amounts presented in the entity's financial statements ('indirect connectivity'), the entity is required to explain how these amounts relate to the most relevant ones presented in the financial statements.

ESRS 1 *General Requirements*

Classified or sensitive information

An entity is allowed to omit the following types of information if certain conditions are met:

- information whose disclosure would be seriously prejudicial to the commercial position of the entity
- information corresponding to intellectual capital, intellectual property, know-how, technological information or the results of innovation that qualifies as a trade secret
- classified information when disclosure could prejudice in some way the interests of the EU, or of one or more of the Member States
- information that is to be protected from unauthorised access or disclosure because of obligations laid down in EU legal acts or national law, or in order to safeguard the privacy or security of a natural person or the security of a legal person.

Disclosure requirements that are phased in

Disclosure requirement or information omitted	Entities that may omit the information	Financial years for which omission is permitted
Information about the entity's value chain, if not all the necessary information is available (In those cases, the entity is required to explain the efforts made to obtain the necessary information about its value chain, the reasons why not all of the necessary information could be obtained and its plans to obtain the necessary information in the future)	All entities	First three financial years that the entity is subject to sustainability reporting requirements under the CSRD
Comparative information regarding quantitative metrics and amounts, where those metrics and amounts are not the same as the metrics and amounts required by ESRS Set 1	'Wave one' entities[2]	First financial year of reporting in accordance with the revised ESRSs
Comparative information regarding quantitative metrics and amounts	Other entities[3]	First financial year of reporting
All disclosure requirements in all topical standards	Smaller[4] 'wave one' entities	Financial years prior to 2027

[2] Wave-one entities are those that are required to report on sustainability for financial years starting between 1 January 2024 and 31 December 2026.

[3] Other entities are those that are required to report on sustainability for financial years starting on or after 1 January 2027.

[4] Entities that on their balance sheet dates do not exceed a net turnover of EUR 450 million and an average number of 1,000 employees during the financial year

ESRS 1 *General Requirements*

Disclosure requirement or information omitted	Entities that may omit the information	Financial years for which omission is permitted
All disclosure requirements in ESRS E4 and ESRS S2-S4	Larger[5] 'wave one' entities	Financial years prior to 2027
	Other entities	First two financial years of reporting
All information about anticipated financial effects, except for certain information about anticipated financial effects from material physical and transition risks	'Wave one' entities	Financial years prior to 2028
	Other entities	First two financial years of reporting
Quantitative information about anticipated financial effects, except for certain information about anticipated financial effects from material physical and transition risks	'Wave one' entities	Financial years prior to 2030
	Other entities	First four financial years of reporting

Disclosure requirement or information omitted	Entities that may omit the information	Financial years for which omission is permitted
The quantitative information related to substances of concern prescribed by ESRS E2	'Wave one' entities	Financial years prior to 2030
	Other entities	First three financial years of reporting
Information about substances of very high concern if the entity is a user of articles that contain such substances	'Wave one' entities	Financial years prior to 2028
	Other entities	First financial year of reporting
Certain ESRS S1 disclosure requirements	'Wave one' entities	Financial years prior to 2027
	Other entities	First financial year of reporting

[5] Entities that on their balance sheet dates exceed a net turnover of EUR 450 million and an average number of 1,000 employees during the financial year

ESRS 2 *General Disclosures*

Objective

ESRS 2 sets out the disclosure requirements that apply across sustainability topics in relation to disclosure on material impacts, risks and opportunities and the topics related to them.

Basis for preparation of the sustainability statement

The objective of this disclosure requirement is to enable an understanding of the basis for preparation of the sustainability statement, including the disclosures required by ESRS 1 in specific circumstances.

An entity is required to disclose:

- whether the sustainability statement has been prepared on a consolidated or individual basis and, if the reporting boundary of the entity's own operations differs from the one adopted in the consolidated financial statements, a description of and the reasons for this difference
- an overview of the extent to which the sustainability statement covers the entity's upstream and downstream value chain.

An entity is required to state that its sustainability statement has been prepared in accordance with ESRSs as applicable at the end of the reporting period. The entity is required to disclose any relief, option or other specific provision prescribed in ESRS 1 that it applies, together with the related required information.

Governance

The entity is required to provide disclosures that enable an understanding of:

- the roles and responsibilities of the administrative, management and supervisory bodies, as well as the associated processes, controls and procedures in monitoring, managing and overseeing material impacts, risks and opportunities
- the key features of any incentive schemes that are linked to sustainability topics that are in place for members of the administrative, management and supervisory bodies
- where, within the sustainability statement, the main steps of the due diligence process applied with regard to sustainability topics are disclosed
- the entity's risk management and internal control processes and systems in relation to sustainability reporting.

Strategy

The entity is required to provide disclosures that enable an understanding of:

- the key elements of the entity's general strategy, business model, and upstream and downstream value chain that relate to or affect material impacts, risks and opportunities, in order to enable an understanding of its exposure to such material impacts, risks and opportunities and where they originate
- the entity's stakeholder engagement and how key stakeholders' interests and views are brought to the attention of its administrative, management and supervisory bodies and inform its strategy and business model
- the interactions between the entity's material impacts, risks and opportunities and its strategy and business model, as well as of the related financial effects.

ESRS 2 *General Disclosures*

Impact, risk and opportunity management
The entity is required to provide disclosures that enable an understanding of:

- the process through which the entity identifies impacts, risks, opportunities, and the related topics and assesses their materiality, as the basis for determining the disclosures to be made in its sustainability statement
- the outcome of the materiality assessment, in terms of material impacts, risks and opportunities and material information reported in accordance with ESRSs.

Detailed disclosure requirements related to the materiality assessment process
An entity is required to disclose:

- a concise description of its actual and potential, positive and negative material impacts, including how they affect or are likely to affect people or the environment, and its material risks and opportunities, specifying the related topics and how and where impacts, risks and opportunities are connected to its own operations and its upstream and downstream value chain
- the basis for concluding that climate change is not material, if the entity has reached that conclusion and therefore omits all disclosure requirements in ESRS E1
- changes related to its material impacts, risks and opportunities compared to the previous reporting period
- a list of the disclosure requirements complied with in preparing the sustainability statement, allowing users to identify where the related disclosures are located in the sustainability statement and giving a separate indication of those that are incorporated by reference
- a list of 'supplementary' information provided in accordance with ESRS 1
- its exposure to heightened risk of incidents related to forced or compulsory labour and child labour by type of operations (such as manufacturing plants), or by countries or geographies, if the entity is connected through its own operations or its upstream and downstream value chain to material negative impacts related to forced or compulsory labour, or child labour
- a table of all the datapoints that derive from other EU legislation as listed in Appendix A of ESRS 2, indicating where they can be found in the sustainability statement or, for those that the entity has assessed as not material, that they are "not material".

General disclosure requirements for policies, actions, metrics and targets
Overall disclosure requirements
Information about policies, actions, metrics and targets should enable an understanding of the level at which the entity manages its material impacts, risks and opportunities. If the entity has adopted policies, put in place actions, set targets or uses metrics only for certain aspects of a topic, this should be reflected in the way the disclosure is prepared and presented, enabling users to understand the specific aspects that are covered. If the entity does not have policies, actions or targets with reference to a topic related to material impacts, risks and opportunities, it is required to disclose this fact.

An entity is required to apply the general disclosure requirements for policies, actions, metrics and targets, when disclosing information either in accordance with a topical standard or on an entity-specific basis about:

- its policies and actions to prevent, mitigate, bring to an end, minimise and remediate actual and potential material negative impacts, and to manage material risks or pursue actual and potential material positive impacts and material opportunities
- the metrics and the targets to assess progress over time in relation to its material impacts, risks and opportunities.

ESRS 2 *General Disclosures*

Disclosure requirements for policies
The objective of this disclosure requirement is to enable an understanding of the policies that the entity has in place to prevent, mitigate, bring to an end, minimise or remediate its material actual and potential negative impacts, and to manage material risks and pursue material opportunities or positive impacts.

Disclosure requirements for actions and resources
The objective of this disclosure requirement is to enable an understanding of the entity's key actions, taken or planned, to manage its material impacts, risks and opportunities, and, where applicable, to achieve the objectives of related policies.

Disclosure requirements for metrics
The objective of this disclosure requirement is to support the preparation of the disclosures on metrics by the entity.

Disclosure requirements for targets
The objective of this disclosure requirement is to enable an understanding of how the entity sets targets, as defined in terms of expected results for people, the environment or the entity itself, and of how the entity tracks the effectiveness of its policies and actions in relation to its material impacts, risks and opportunities, as well as the overall progress and effectiveness towards the adopted targets over time. This includes (where applicable) whether the progress is aligned with a related action plan or whether any significant facts and circumstances related to the action plan affect the achievement of the target.

Topical ESRSs

ESRS E1 *Climate Change*

ESRS E1 sets out disclosure requirements related to climate change, particularly with respect to the following sub-topics:

- climate change mitigation
- climate change adaptation
- energy.

Climate change mitigation relates to the entity's efforts to limit the increase in the global average temperature to 1.5°C above pre-industrial levels in line with the Paris Agreement and the objectives of the European Climate Law. If an entity discloses information about a transition plan that refers to GHG emission reduction targets that are not compatible with limiting global warming to 1.5°C, it is required to explain that incompatibility, in particular by explaining how its target value(s) compare with the reference value(s) and how it has considered future developments. ESRS E1 covers disclosure requirements related to how the entity addresses its GHG emissions and the associated transition risks.

Climate change adaptation relates to the entity's process of adjustment to actual and expected consequences of climate change. ESRS E1 covers disclosure requirements related to climate-related hazards that may lead to physical climate risks for the entity and its adaptation solutions for reducing these risks. It also covers transition risks arising from the need to adapt to climate-related hazards.

The disclosure requirements related to energy cover all types of energy production and consumption.

Observation

The entity's transition plan for climate change mitigation can be either stand-alone or included in a broader transition plan covering both mitigation and adaptation aspects. If the entity's transition plan also covers adaptation, the disclosure should specify this fact and cross-reference the information provided.

ESRS E1 confirms that an entity is not required to undertake scenario analysis. However, if scenario analysis is used for the purpose of assessing climate resilience, the entity must disclose information about the analysis conducted and how the outcome informs the entity's potential response to climate-related risks.

The entity may already use climate-related scenario analysis when applying another reporting framework, such as the ISSB standards, or when it considers that such analysis helps in identifying and assessing climate-related risks and opportunities.

With regard to measuring GHG emissions, ESRS 1 defines the reporting boundary to be applied. The starting point of that boundary corresponds to financial control as per the *Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004)* (GHG Protocol). Alternatively, the entity may use the equity share or operational control approaches as defined in the GHG Protocol.

ESRS E2 *Pollution*

ESRS E2 sets out the disclosure requirements related to pollution, particularly with respect to the following sub-topics:

- pollution of air, pollution of water and pollution of soil
- microplastics
- substances of concern, including substances of very high concern.

Topical ESRSs

Pollution of air, pollution of water and pollution of soil refer to the entity's emissions to air, water and soil, as well as to the prevention, control and reduction of such emissions. Emissions to water include emissions to freshwater and to seawater.

Disclosure requirements on substances of concern, including substances of very high concern set disclosure requirements to provide users with an understanding of the related actual impacts or potential impacts, also considering possible restrictions on their production, use, distribution and commercialisation.

ESRS E3 *Water*
ESRS E3 sets out disclosure requirements related to water and, particularly with respect to the following sub-topics:

- water use, which includes:
  - water withdrawal
  - water consumption
  - water discharge
  - water stored.

The term 'water' refers to freshwater and other types of water from different sources, such as surface water, groundwater, seawater, produced water and third-party water.

ESRS E4 *Biodiversity and Ecosystems*
ESRS E4 sets out disclosure requirements related to biodiversity and ecosystems, particularly with respect to the following sub-topics:

- drivers of biodiversity and ecosystem change
- the state of species
- the condition and extent of terrestrial, freshwater and marine ecosystems
- ecosystem services.

The terms 'biodiversity' and 'biological diversity' refer to the variability among living organisms from all sources including, inter alia, terrestrial, freshwater, marine and other aquatic ecosystems and the ecological complexes of which they are part.

Observation
ESRS E4 states that if the entity has in place a biodiversity and ecosystems transition plan to transform its business model and strategy so that it contributes to the global goal of halting and reversing biodiversity loss, as stated in the Kunming-Montreal Global Biodiversity Framework, and it has made public the key features of such plan (e.g. through accessible public channels such as its website or reports), it is required to disclose those features.

Biodiversity can also be part of an entity's broader transition plan that, for instance, addresses climate change.

ESRS E5 *Resource Use and Circular Economy*
ESRS E5 sets out disclosure requirements related to resource use and circular economy with respect to the following sub-topics:

- resource inflows
- resource outflows related to products and services
- resource outflows related to waste.

Topical ESRSs

ESRS S1 *Own Workforce*

ESRS S1 sets out disclosure requirements related to the entity's own workforce, particularly with respect to the following sub-topics:

- working conditions (including adequate wages, work-life balance, working time, secure employment, social protection)
- social dialogue, freedom of association, works councils, participation rights of workers and collective bargaining
- health and safety
- training and skills development
- diversity and equal treatment (including gender equality, equal pay for work of equal value, employment and inclusion of people with disabilities, non-discrimination, anti-harassment)
- other labour-related human rights (including child labour, forced labour, privacy and adequate housing).

An entity's own workforce includes people who are in an employment relationship with the entity ('employees') and non-employees in the entity's own work force. Non-employees comprise people with contracts with the reporting entity to supply labour ('self-employed people') or people provided by entities primarily engaged in 'employment activities'.

Information about non-employees in accordance with ESRS S1 does not affect their status under applicable labour law. ESRS S1 does not cover workers in the entity's upstream or downstream value chain. These workers are covered in ESRS S2.

ESRS S2 *Workers in the Value Chain*

ESRS S2 sets out disclosure requirements related to workers in the value chain, particularly with respect to the same sub-topics as under ESRS S1.

ESRS S2 covers all workers in the entity's upstream and downstream value chain who are or can be materially impacted by the entity. Such impacts may be connected with the entity's own operations or its upstream and downstream value chain. They include impacts connected to the entity's products and services, as well as through its business relationships. ESRS S2 covers workers who are not included in the scope of 'own workforce' as set out in ESRS S1.

ESRS S3 *Affected Communities*

ESRS S3 sets out disclosure requirements related to affected communities, particularly with respect to the following sub-topics:

- communities' economic, social and cultural rights (including land-related impacts, security-related impacts, adequate housing and food, water and sanitation)
- communities' civil and political rights (including freedom of expression, freedom of assembly, impacts on human rights defenders)
- rights of Indigenous Peoples (including free, prior and informed consent; self-determination; cultural rights).

Topical ESRSs

ESRS S4 *Consumers and End-users*

ESRS S4 sets out disclosure requirements related to consumers and end-users, particularly with respect to the following sub-topics:

- information-related impacts on consumers and end-users (including privacy, access to information, freedom of expression)
- personal safety of consumers and end-users (including health and safety, protection of children, security of a person)
- social inclusion of consumers and end-users (including access to products and services, responsible marketing practices, non-discrimination).

ESRS G1 *Business Conduct*

ESRS G1 sets out disclosure requirements related to business conduct, particularly with respect to the following sub-topics:

- corporate culture, including anti-corruption and anti-bribery, the protection of whistleblowers and animal welfare
- the management of relationships with suppliers, including payment practices, especially late payment to small- and medium-sized entities
- political influence, including lobbying activities.

Applicability

The delegated act was published in the Official Journal of the European Union. It enters into force on 10 November 2026.

The delegated act, and the ESRSs contained in its annex, apply for financial years beginning on or after 1 January 2027. Early adoption for the financial year 2026 will be permitted as soon as the delegated act has entered into force.

The delegated act is binding in its entirety and directly applicable in all Member States. Mandatory application by entities will be required to the extent the CSRD is transposed in the Member States where they fall in scope.

Further information

If you have any questions about the ESRSs, please speak to your usual Deloitte contact. For more information, please see our UK Accounting Plus website.

The Deloitte Accounting Research Tool (DART) is a comprehensive online library of financial and sustainability reporting literature. GAAP in the UK on DART allows access to the full IFRS Standards and UK GAAP, linking to and from:

- Deloitte's authoritative, up-to-date, GAAP in the UK manuals which provide guidance for reporting under IFRS Standards and UK GAAP
- illustrative financial statements for entities reporting under IFRS Accounting Standards and UK GAAP.

In addition, our sustainability reporting volumes of GAAP in the UK provide guidance on disclosure requirements and recommendations which businesses must consider in light of the broader environmental, social and governance matters which can significantly drive the value of an entity.

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