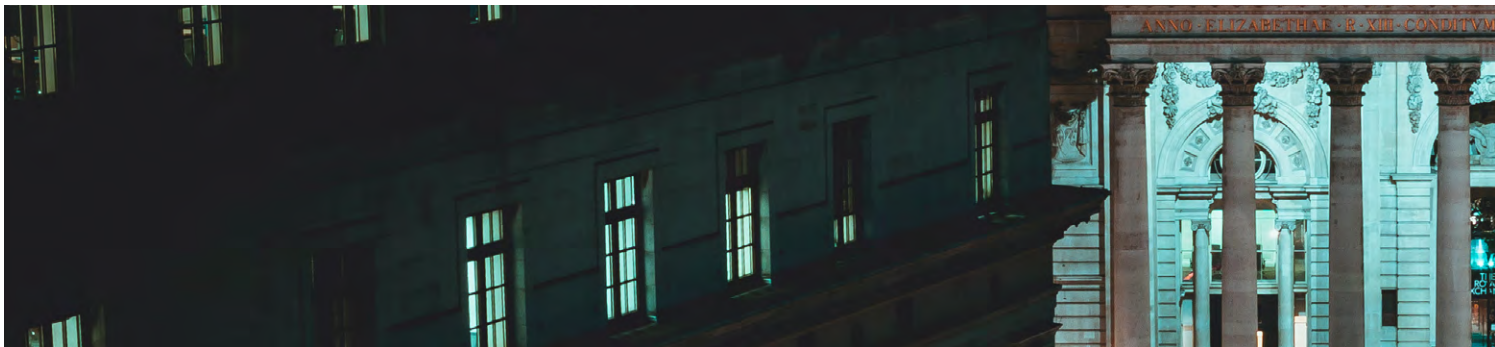


ESG Book Executive Briefing

**ESRS After the Omnibus: From Volume to
Pragmatism, From Fragmentation to Convergence**

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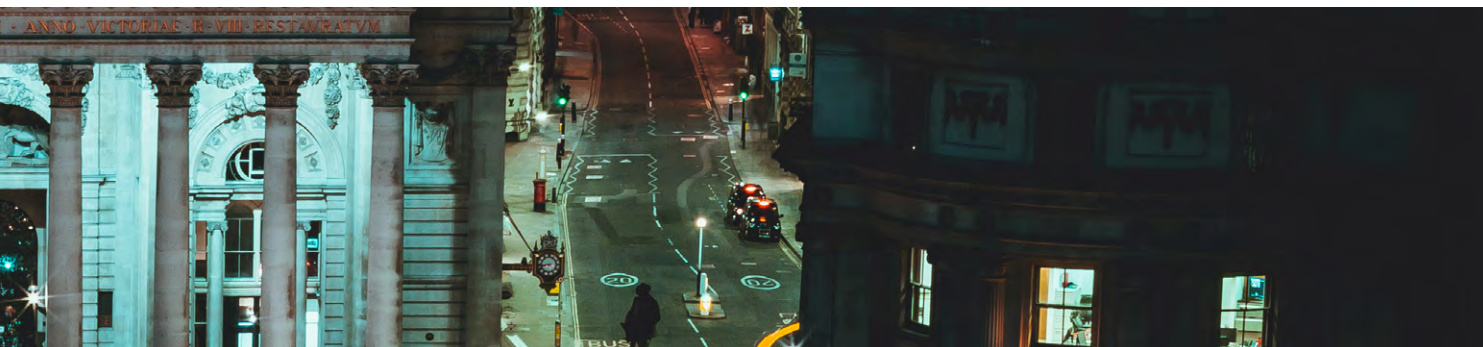


A Fundamental Shift in Banking Supervision

The European Commission's 2025 Omnibus proposal to simplify the Corporate Sustainability Reporting Directive (CSRD) and its European Sustainability Reporting Standards (ESRS) marks a pivotal moment for corporate and financial leaders. While the changes promise a significant reduction in the reporting burden for companies, they simultaneously create a more fragmented

and complex data environment for the banks, investors, and asset managers who rely on this information for risk management, product classification, and investment analysis. ESG Book's latest executive briefing outlines the dual impact of this shift from volume-to-judgment, detailing what the changes mean for both corporate preparers and financial data users.

Standards	Old	New	% Reduction
ESRS 2: General Requirements & Disclosures	162	75	53.7
E1: Climate Change	219	93	57.5
E2: Pollution	62	19	69.4
E3: Water and Marine Resources	38	11	71.1
E4: Biodiversity and Ecosystems	110	13	88.2
E5: Resource Use and Circular Economy	72	33	54.2
S1: Own Workforce	191	60	68.6
S2: Workers in the Value Chain	74	14	81.1
S3: Affected Communities	79	16	79.7
S4: Consumers & End-Users	75	11	85.3
G1: Business Conduct	53	19	64.2
Total	1135	364	67.9



For Corporate Preparers: A Welcome Simplification

For reporting entities, the primary benefit of the ESRS revisions is a significant reduction in the reporting burden, moving the focus from exhaustive data collection to more strategic, principles-based disclosure. EFRAG estimates

that the number of mandatory data points will decrease by approximately 61%, leading to reporting cost reductions of 28% in 2027, stabilizing at 33-36% from 2029.

The structural changes are even more significant:

Change	Implication
"Top-Down" Materiality	The shift to a high-level Double Materiality Assessment (DMA) eliminates the need for a bottom-up analysis of every individual Impact, Risk, and Opportunity (IRO), saving significant administrative effort.
Reversed Onus on Materiality	The rule has flipped from "what is not material must be omitted" to "what is not material must not be published." This empowers companies to defend the exclusion of irrelevant data, reversing the dynamic of "defensive reporting" and focusing discussions with auditors on what truly matters.
Clarity for Asset Managers	The new text clarifies that for asset and pension managers, investments where the end customer bears the risk (e.g., unit-linked and most pension products) fall outside the scope of their own sustainability reporting, resolving a major point of uncertainty.
Flexible Consolidation	Allowing firms to choose between an operational control, financial control, or ownership approach for GHG boundaries aligns sustainability reporting with IFRS financial consolidation and the GHG Protocol, eliminating the need for separate, often conflicting, data tracks.

For Financial Actors: A New Era of Fragmentation

While the simplification is a welcome change for reporters, it comes at a cost for the financial institutions that are the primary users of ESRS data. The revisions dilute the data

foundation upon which ESG analysis, product classification, and risk management have been built since 2023.

Three consequences are particularly noteworthy:

Key Comparative Metrics Disappear

The deletion of mandatory GHG and energy intensity ratios (per turnover) is a major setback. As the ECB and EBA have noted, these are the exact metrics used for Pillar 3 ESG reporting, financed emissions calculations (PCAF), and Green Asset Ratio (GAR) assessments. A bank seeking to compare the CO² intensity of two borrowers will soon lack a standardized figure to do so, forcing a reliance on qualitative judgment over comparable metrics.

The Link Between Corporate Action and Financial Products is Broken

The revised standards weaken the direct link between a company's transition plan and its financial proof points. By removing the requirement for a climate plan to reference Taxonomy-aligned CapEx or disclose its PAB exclusion status, the data chain is broken. An SFDR Article 9 fund manager, who could previously rely on standardized ESRS data, must now assemble these pieces independently, moving from a position of reliance to one of verification.

67% of investors expect the revised standards will reduce information quality, with 52% anticipating poorer comparability

EFRAG User Survey

A Shift to Qualitative and Less Verifiable Disclosure

The overarching trend is a move from rigid quantitative metrics toward qualitative narratives. The requirement to quantify the financial effects of climate risks has been softened with phase-ins and "undue effort" exemptions. This shift to subjectivity complicates systematic risk assessment and automated data processing, confirming the concerns raised in EFRAG's own user survey: 67% of investors expect the revised standards will reduce information quality, with 52% anticipating poorer comparability and 45% specifically pointing to the loss of critical climate data.

ESG Book's CSRD/Omnibus Tracker

ESG Book's CSRD/Omnibus Transposition Tracker is updated weekly to reflect the latest regulatory developments and the status of transposition progress by member states. The tracker covers both directives introduced as part of the European Commission's Omnibus Proposal in February 2025. This includes the Omnibus I directive, which introduced





substantive reforms to the CSRD framework, including revised scoping thresholds and reduced reporting requirements, with member states given until March 19, 2027, to transpose its provisions into national law. It also covers the "Stop the Clock" directive, which extended CSRD reporting deadlines by two years with a transposition deadline of December 31, 2025.

CSRD & Omnibus Transposition Tracker

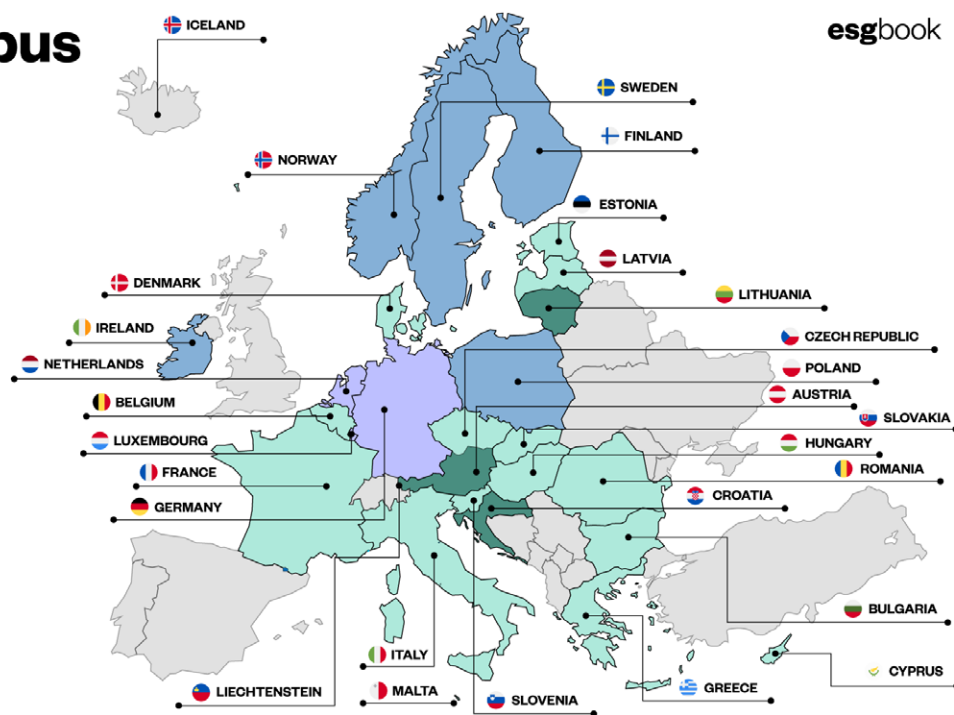
Out of the 27 member states and 3 EEA countries,

3

have transposed both the Stop the Clock and Omnibus Directive into Law.

Status of Adoption		
Key	Status	No. Countries
	Transposed Stop the Clock into Law	24
	Stop the Clock Legislation Introduced	3
	Transposed STC and Omnibus into Law	3
	STC Transposed, Omnibus in Progress	5

*Inclusive of 3 EEA/EFTA countries



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Conclusion

The revised ESRS framework marks a pivotal move toward a more principles-based reporting regime. For reporting companies, this brings a welcome focus on judgment and materiality. However, for the banks, asset managers, and pension funds that depend on this data, it signals a new era of fragmentation. These institutions will need to develop more sophisticated in-house analytical capabilities

to navigate the less standardized and more qualitative landscape of corporate sustainability reporting.

The consultation period for these significant changes closes on 3 June 2026. If you rely on ESRS data for risk management or product classification, understanding the outcome of this regulatory simplification is critical.

Annex

A side-by-side granular layout shows the operational differences between the **Old ESRS Set 1 (2023)** and the **Revised ESRS (2026 Omnibus Framework)** across all 12 standards.

This comparative breakdown details exactly what has changed at the disclosure and metric level, mapping the structural shift toward an interoperable, principles-based regime.

Cross-Cutting Standards

ESRS 1 & ESRS 2: General Requirements & Disclosures

Disclosure Area / Topic	Old ESRS (2023 Set 1)	New Revised ESRS (2026 Framework)	Operational Impact & Granular Delta
Materiality Filter Logic	Optional omission of non-material points; ambiguous guidelines on the level of granular screening required.	Strict "Shall Not" Filter. If a topic or datapoint is determined non-material, entities are prohibited from reporting it.	Alleviates "defensive reporting" where entities disclosed metrics purely to avoid compliance scrutiny.
Double Materiality Assessment (DMA)	Bottom-up requirement to identify and prove materiality for every separate Impact, Risk, and Opportunity (IRO).	Top-Down Approach. Materiality can be assessed directly at the high-level Topic or Sub-topic tier.	Eliminates the need to build complex data matrices for minor individual IRO sub-components if the main topic is irrelevant.
Fair Presentation Lens	Evaluated on an individual datapoint-by-datapoint compliance basis.	Evaluated across the Sustainability Statement as a whole , matching ISSB/IFRS alignment.	Focuses assurance and audit reviews on strategic coherence rather than micro-granular checkbox validation.
Value Chain Data Gathering	Demanded absolute preference for primary data from suppliers, causing deep upstream/downstream compliance drag.	Value Chain Cap Implementation. Companies can use estimates/proxies based on data feasibility.	Establishes a statutory cap preventing large enterprises from requesting more data from smaller suppliers than what is in the Voluntary SME Standard.
PAT Centralization (Policies, Actions, Targets)	Redundant, mandatory prescriptive narrative specifications repeated within every single topical standard.	Consolidated Minimum Disclosure Requirements (MDRs). Narrative blocks are centralized entirely inside ESRS 2.	Drastically cuts narrative duplication; topical standards now only contain specific numeric or localized metric parameters.

Environmental Standards (E-Series)

ESRS E1: Climate Change

Disclosure Area / Topic	Old ESRS (2023 Set 1)	New Revised ESRS (2026 Framework)	Operational Impact & Granular Delta
Transition Plan Disclosures (E1-1)	Mandatory submittal of a highly granular, prescriptive transition plan including "locked-in" emissions data.	Streamlined to " Key Features " of the plan. Added an explicit declaration loop if the plan deviates from the 1.5°C path.	Less emphasis on rigid, unverified forward-looking data; greater accountability for real-world benchmark alignment.
GHG Boundary Consolidation (E1-8)	Forced strict alignment with specific accounting definitions that frequently conflicted with financial structures.	Explicit choice permitted between the Financial Control or Operational Control approach (per the GHG Protocol).	Enables multinational groups to directly mirror their financial reporting boundaries, dropping parallel data tracks.
Scope 3 Metric Specifications	Demanded exhaustive collection across all 15 categories, requiring full absolute calculations even for minor items.	Allowed calculation shortcuts if a company can show that 80% of its total Scope 3 footprint is concentrated in a few key categories.	Streamlines supply chain mapping by allowing entities to safely ignore non-material Scope 3 categories.
Energy Intensity (Old E1-5)	Mandatory reporting of energy intensity metrics computed against net corporate revenue.	Completely Deleted.	Prevents highly diversified conglomerates from producing skewed or non-comparable intensity indicators.
Climate Resilience Scenario Analysis	Rigid, quantitative scenario building required across multiple predefined temperature pathways.	Shifted to a flexible, qualitative-first exercise ; quantitative results are subject to "undue cost or effort" relief.	Prevents entities from spending excessive resources on speculative long-term mathematical financial models.

ESRS E2: Pollution

Disclosure Area / Topic	Old ESRS (2023 Set 1)	New Revised ESRS (2026 Framework)	Operational Impact & Granular Delta
Substances of Concern (SoC) & SVHC (E2-5)	Exhaustive quantitative tracking across all industries, regardless of position in the supply chain.	Sector-Proportional Application. Quantitative splits are restricted to chemical and heavy manufacturing sectors.	Downstream end-users (such as tech or service firms) report basic SVHC presence without complex chemical mass balancing.
Microplastics Inventory (E2-4)	Lifespan quantification requested for primary uses and downstream secondary microplastic shedding.	Secondary Microplastics tracking reduced to qualitative text. Primary microplastics remain quantified if manufactured.	Dropped complex upstream/downstream secondary degradation calculations (e.g., tire wear, fabric degradation) due to measurement unreliability.
Pollution Metrics Framework	Prescriptive data capture anchored directly to the entire European Pollutant Release and Transfer Register (E-PRTR).	E-PRTR lists moved to non-binding Application Requirements (AR) guidance.	Permits companies to utilize localized, scientifically valid frameworks to define and monitor "significant" emissions.
Indoor Air Quality	Formally included inside the narrative scope of air pollution reporting.	Completely Deleted.	Removed due to overlapping occupational health frameworks and a lack of standardized corporate indicators.

ESRS E3: Water and Marine Resources

Disclosure Area / Topic	Old ESRS (2023 Set 1)	New Revised ESRS (2026 Framework)	Operational Impact & Granular Delta
Marine Resource Ecosystems	Complex metrics tracing direct business dependencies on marine biological cycles.	Marine indicators structurally broken apart and absorbed into ESRS E1, E2, E4, and E5.	Eliminates a redundant standard subset; ESRS E3 is redefined to focus on core water volumes and wastewater cycles.
Water Consumption Breakdown	Prescriptive, localized extraction breakdowns across every operation site, irrespective of regional environmental baseline conditions.	Strict Water Stress Filter. Site-level geographic disaggregation is restricted to facilities located within high water-stress zones.	Cuts geographic data tracking by focusing reporting efforts on facilities located in high-risk areas.

ESRS E4: Biodiversity and Ecosystems

Disclosure Area / Topic	Old ESRS (2023 Set 1)	New Revised ESRS (2026 Framework)	Operational Impact & Granular Delta
Impact Metric Disclosures (E4-5)	Mandatory requirement to provide highly advanced, land-use change and raw ecosystem metric indicators.	Streamlined into high-level, qualitative transition paths and operational land footprint indicators.	Removes advanced biological data tracking demands that standard corporate teams cannot easily fulfill.
Phase-in	Minimal phase-in periods, requiring prompt compliance from Wave 1 reporting organizations.	Full Exemption Extension. Undertakings can choose to completely omit ESRS E4 disclosures for reporting years 2025 and 2026.	Grants companies an extended runway to establish external ecological partnership data channels.

ESRS E5: Resource Use and Circular Economy

Disclosure Area / Topic	Old ESRS (2023 Set 1)	New Revised ESRS (2026 Framework)	Operational Impact & Granular Delta
Material Inflow/Outflow Tracking	Multi-tiered, granular tracking of secondary raw materials, recycled components, and explicit packaging volumes.	Consolidated into high-level absolute waste mass classifications and overarching circular strategic narratives.	Moves away from component-level auditing, re-focusing on major solid waste streams and primary product lifecycle strategies.

Financial Interoperability & Relief Mechanisms

Anticipated Financial Effects (AFE) across E1 to E5)

Metric Type	Old ESRS (2023 Set 1)	New Revised ESRS (2026 Framework)	Operational Impact & Granular Delta
Quantification of Risk Effects	Rigid mandates to model and append clear Euro/dollar values to long-term climate, pollution, and biodiversity liabilities.	"Undue Cost or Effort" Provision + Phase-In to 2029. Qualitative reporting is fully acceptable if financial modeling is unfeasible.	Eliminates arbitrary financial guess-work on multi-decade environmental risks by allowing narrative-based risk descriptions.

Social Standards (S-Series)

ESRS S1: Own Workforce

Disclosure Area / Topic	Old ESRS (2023 Set 1)	New Revised ESRS (2026 Framework)	Operational Impact & Granular Delta
Human Rights / Discrimination Incidents	Broad logging requirements encompassing all recorded grievances, and unverified worker allegations.	Limited to "Substantiated" Incidents only.	Protects corporate statements from containing unverified legal disputes or preliminary human resource claims.
Non-Employee Worker Metrics (S1-10 to S1-14)	Immediate, mandatory quantitative data capturing across agency, contract, and gig workers.	Transformed into extended phase-in options ; qualitative summaries permitted for non-core operational workforces.	Alleviates the administrative challenge of pulling real-time demographic data from external vendor payroll systems.
Adequate Wage Benchmarking	High-level, subjective commentary on pay equity and general competitive local salary positioning.	Mandatory Methodology Disclosure. Companies must declare the exact public or independent benchmark utilized to calculate an "adequate wage."	Imposes structure on wage reporting, turning a subjective narrative into a verifiable calculation.

ESRS S2, S3, & S4: Workers in the Value Chain, Affected Communities, Consumers & End-Users

Disclosure Area / Topic	Old ESRS (2023 Set 1)	New Revised ESRS (2026 Framework)	Operational Impact & Granular Delta
Value Chain Social Tracking	Demanded active qualitative and proxy reporting concerning downstream customer safety and upstream supplier workforces.	Combined and structured to map directly to the sequence of the UN Guiding Principles (UNGP) on Business and Human Rights.	De-duplicates narrative prompts and allows entities to leverage pre-existing human rights due diligence architectures.
Exemption Safeguards	Immediate compliance required for larger market capitalizations.	Comprehensive Phase-in Relief. Broad exemption allowed to completely omit S2, S3, and S4 frameworks for reporting years 2025 and 2026.	Allows companies to anchor their internal operations (S1) before mapping external human interactions.

Governance Standard (G-Series)

ESRS G1: Business Conduct

Disclosure Area / Topic	Old ESRS (2023 Set 1)	New Revised ESRS (2026 Framework)	Operational Impact & Granular Delta
Corporate Culture Narratives	Prescriptive requirements to detail internal ethical programs and general corporate behaviors.	Consolidated into basic cross-cutting Governance (GOV) requirements in ESRS 2.	Prevents text duplication between the main governance chapter and the business conduct annex.
Lobbying and Political Advocacy	Aggregated disclosures merging generalized political contributions with corporate advocacy activities.	Explicit Segregation. Demands independent, itemized tracking of direct advocacy expenses and explicit lobbying spend.	Heightens transparency around public policy influence while cutting out general corporate communication metrics.
Anti-Bribery and Corruption Incidents	Generic reporting of open investigations or broad corporate risk evaluations.	Streamlined general text, but increased granular disclosure requirements for confirmed infractions , including tracking active remedial actions.	Shifts the focus from theoretical compliance risks to the reporting of verified systemic issues.

