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COMMISSION STAFF WORKING DOCUMENT
Accompanying the documents

COMMISSION DELEGATED REGULATION (EU).../...

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

COMMISSION DELEGATED REGULATION (EU) …/... supplementing Directive 2013/34/EU of the European Parliament and of the Council by establishing sustainability reporting standards for voluntary use by undertakings protected by the value chain cap

{C(2026) 5010 final} - {C(2026) 5011 final}

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1 Introduction on the legal and institutional context and purpose of the staff working document: adoption of the revised ESRS and the VS as key deliverables of the EU sustainability reporting simplification agenda

This Staff Working Document accompanies the adoption of two key deliverables of the sustainability reporting simplification agenda under the Omnibus I package: a delegated act adopting the revised European Sustainability Reporting Standards (ESRS) and a delegated act adopting the Sustainability Reporting Standard for Voluntary Use (VS). The corporate sustainability reporting rules introduced in the Accounting Directive [1] by the Corporate Sustainability Reporting Directive (CSRD) [2] provide investors and other stakeholders with transparent, comparable and reliable information on companies' sustainability impacts, risks and opportunities. In light of the evolving policy priorities to strengthen competitiveness and reduce administrative burdens, the sustainability reporting framework was revised be the Omnibus I Directive [3] to simplify requirements and lower compliance costs while preserving its core objectives. Together with the amendments to the corporate sustainability reporting framework, these delegated acts give effect to the proportionality, burden reduction and competitiveness objectives pursued by the Omnibus I package.

Context of the ESRS revision

Under the Accounting Directive as amended by the Corporate Sustainability Reporting Directive (CSRD), the European Commission is empowered to adopt delegated acts establishing European Sustainability Reporting Standards (ESRS) which companies in scope of sustainability reporting must use to fulfil their sustainability disclosure requirements[4]. The ESRS delegated acts shall take account of the technical advice prepared by EFRAG.

The first set of ESRS was adopted by Commission Delegated Regulation (EU) 2023/2772 on 31 July 2023 [5] giving binding effect to the ESRS in EU law as a supplement to the Accounting Directive and specifying the information that an entity must disclose about its material impacts, risks and opportunities in relation to environmental, social and governance matters.

To deliver swiftly on the simplification and streamlining of sustainability reporting without undermining the objectives of the CSRD, the Omnibus I Directive - which narrows down the scope of sustainability reporting to companies above 1000 employees and EUR 450 million turnover, reducing the number of companies in scope by about 85% - recognises that the Commission, within six months

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[1] 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, ELI: http://data.europa.eu/eli/dir/2013/34/oj).

[2] 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, (ELI: http://data.europa.eu/eli/dir/2022/2464/2026-03-18).

[3] Directive (EU) 2026/470 of the European Parliament and of the Council of 24 February 2026 amending Directives 2006/43/EC, 2013/34/EU, (EU) 2022/2464 and (EU) 2024/1760 as regards certain corporate sustainability reporting requirements and certain corporate sustainability due diligence requirements (OJ L, 2026/470, 26.2.2026, ELI: http://data.europa.eu/eli/dir/2026/470/oj).

[4] Article 29b of the Accounting Directive.

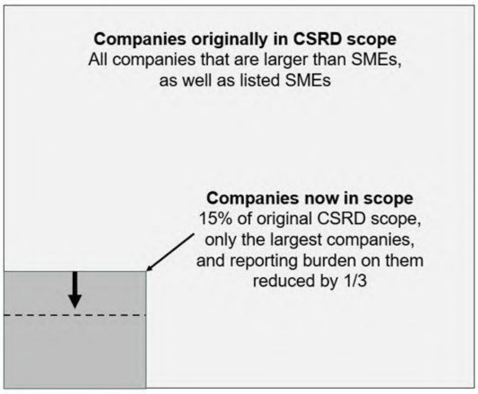
[5] Commission Delegated Regulation (EU) 2023/2772 of 31 July 2023 supplementing Directive 2013/34/EU of the European Parliament and of the Council as regards sustainability reporting standards ((OJ L, 2023/2772, 22.12.2023, ELI: http://data.europa.eu/eli/reg_del/2023/2772/oj).

of the entry into force of the Omnibus I Directive[6], will adopt a delegated act to substantially revise the first set of ESRS on the basis of the technical advice prepared by EFRAG.

The revision of the ESRS constitutes a central element of the Omnibus I package. The narrowing of the CSRD scope alone would not have delivered the intended cost reductions' level if the reporting standards had remained unchanged. The ESRS revision is therefore necessary to ensure that companies remaining in the amended scope are subject to less costly reporting requirements. Those companies remaining in scope of CSRD are the largest undertakings in the EU.

Additionally, the amendments to the CSRD and the revision of the ESRS operate as mutually reinforcing levers of the Omnibus I objectives of simplification and burden reduction. The CSRD amendments reduce and recalibrate the population subject to mandatory reporting, while the revised ESRS simplify the substantive requirements applicable to those undertakings. Together, they combine a reduction in scope with a simplification of content, thereby lowering the burden while preserving the purpose of the sustainability reporting framework.

Visualizing the burden reduction:



Context of the VS adoption and role in the value chain cap

In parallel to the mandate for the ESRS revision, the Omnibus I Directive provides for the introduction of a sustainability reporting standard for voluntary use (VS) for undertakings not subject to mandatory reporting under the CSRD.

Under the Accounting Directive as amended by the Omnibus I Directive, the VS should be based on Commission Recommendation (EU) 2025/1710[7], which endorsed the Voluntary Sustainability Reporting Standard for SMEs (VSME) developed by EFRAG[8]. Furthermore, the VS should act as a value-chain cap protecting SMEs and other companies not subject to mandatory reporting requirements from excessive information requests of larger business partners, subject to mandatory reporting. Specifically, undertakings with no more than 1000 employees that are in the value chain of reporting undertakings will have the right to decline to provide information beyond what is required under the VS. In practice, this will mean that companies subject to mandatory sustainability reporting cannot impose additional or more detailed data requests on smaller suppliers, customers, or business partners beyond those contained in the VS for the purposes of sustainability reporting. The value chain cap is intended to protect smaller entities from disproportionate reporting burdens and to ensure that value-chain information requests remain proportionate to their size and resources.

[6] Recital 18 of the Omnibus I Directive. The Omnibus I Directive entered into force on 18 March 2026.
[7] Commission Recommendation (EU) 2025/1710 of 30 July 2025 on a voluntary sustainability reporting standard for small and medium-sized undertakings (*OJ L, 2025/1710, 5.8.2025, ELI: http://data.europa.eu/eli/reco/2025/1710/oj*).
[8] Available here: VSME Standard.pdf.

The value chain cap mechanism has been designed around a single, employee-based criterion and applies to undertakings with up to 1000 employees in the value chain of reporting entities. This approach deliberately differs from the one adopted to define the new scope of the CSRD, which entails two criteria: an employee threshold of 1000 employees and a EUR 450 million net turnover threshold. As a result, a limited category of undertakings with more than 1000 employees but a net turnover below EUR 450 million falls outside the CSRD scope while also not formally falling within the protection of the value chain cap.

The co-legislators opted to define the value chain cap based on one criterion only to ensure it remains operationally simple and easily applicable in practice. In particular, such approach allows reporting undertakings to apply the value chain cap consistently across their value chains without the need to verify both workforce size and turnover for each business partner. This reduces the burden on reporting entities and, at the same time, provides a predictable safeguard for the large majority of undertakings below the 1000 employee threshold, as CSRD-reporting undertakings may not request information exceeding the content of the VS.

Together with the ESRS revision, the adoption of the VS constitutes a central element of the proportionality measures under Omnibus I. While the narrowing of the CSRD scope substantially reduces the number of reporting undertakings, this measure alone would not sufficiently address the trickle-down effects borne by smaller companies through value-chain information requests. The VS is therefore a translation of the legal requirement in the Omnibus I to protect smaller undertakings with a concrete mechanism framing how sustainability information may be requested from non-CSRD companies in the value chains.

Purpose of the document

The purpose of this staff working document is twofold. Firstly, it substantiates the basis for the Commission's adoption of the delegated act amending the first set of ESRS by presenting the structured, transparent and evidence-based due process guiding EFRAG's technical advice on revised ESRS and by setting out the expected impacts of such revision, with particular emphasis on cost reductions and overall savings. That assessment is based on the Cost-Benefit Analysis prepared by an external contractor for EFRAG[9] and is developed in Section 2. Section 3 presents the changes that the Commission has made to the technical advice presented by EFRAG.

Secondly, the document presents the development of the VSME standard forming the basis for the VS, describes the due process followed by EFRAG in its preparation and assesses the expected impacts and benefits of the VS. That assessment relies primarily on the Cost-Benefit Analysis conducted for the VSME[10] and is developed in Section 4.

Section 5 assesses the compatibility of both delegated acts with the European climate law.

Section 6 finally draws the main conclusions of the two delegated acts in terms of impacts.

[9] Cost-benefit Analysis on Draft Amended ESRS.pdf.

[10] EFRAG's Cover Letter and Cost Benefit Analysis on VSME.pdf.

2 Revised ESRS, methodology and impacts, including costs savings

2.1 Role of EFRAG as the Commission's technical advisory body

EFRAG acted as the European Commission's technical advisory body for the revision and simplification of ESRS. In this role, EFRAG was entrusted with preparing technical advice to support the revision of the ESRS Delegated Act, on the basis of a formal mandate from the Commission. The work was carried out under the governance of EFRAG's Sustainability Reporting Board (SRB) and Sustainability Reporting Technical Expert Group (SR TEG), following an adapted but structured due-process, due to time constraints and the critical nature of the simplification exercise, and an evidence-based standard-setting approach that culminated in the delivery of draft revised ESRS to the Commission.

Mandate for the revision of the ESRS

Through letters of 27 March 2025[11] and 5 May 2025[12], the Commission mandated EFRAG to deliver technical advice for a substantial simplification of the first set of ESRS.

From the outset of the revision process, stakeholder views were taken into account and directly informed the design of the proposed changes. In the Explanatory Memorandum of the Omnibus I Directive, the Commission stated its intention to revise the first set of ESRS[13]. This is also recognised in Recital 18 of the Omnibus I Directive, which specifies that this revision would "substantially reform ESRS by: (i) removing datapoints deemed least important for general purpose sustainability reporting; (ii) prioritising, to the extent possible, quantitative datapoints over narrative text; (iii) further distinguishing between mandatory and voluntary datapoints; (iv) providing clear instructions on how to apply the materiality principle in order to ensure that undertakings are only required to report material information and to reduce the risk that assurance service providers inadvertently encourage undertakings to report information that is not necessary or dedicate excessive resources to the materiality assessment process; (v) improving consistency with other pieces of Union legislation, including financial services legislation; and (vi) taking account, to the greatest extent possible, of interoperability with global sustainability reporting standards." The revision would also clarify provisions that are deemed unclear and simplify the structure and presentation of the standards. It would also make any other modifications that might be considered necessary considering the experience gained in the application of the first set of ESRS, . also taking account of the difficulties that undertakings might encounter in gathering information from actors throughout their value chain, especially from those which are not subject to the sustainability reporting requirements and from suppliers in emerging markets and economies.

Timeline and deliverables

EFRAG's work followed a compressed and adapted timeline reflecting the urgency of the simplification exercise. Evidence gathering and stakeholder outreach took place between April and mid-May 2025, followed by the drafting of the Exposure Drafts (referred to as 'interim revised ESRS' hereafter) between the second half of May and July 2025. A public consultation on the interim revised ESRS was conducted from the end of July to the end of September 2025. The final technical advice, in

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[11]Commissioner Albuquerque, 27 March 2025, Letter to EFRAG, available here: Commissioner Albuquerque Letter to EFRAG March 2025.pdf.

[12]Commissioner Albuquerque, 5 May March 2025, Reply letter to EFRAG, available here: Reply to EFRAG submission of workplan_5 May.pdf.

[13] Explanatory memorandum of proposal for a Directive of the European Parliament and of the Council amending Directives 2006/43/EC, 2013/34/EU, (EU) 2022/2464 and (EU) 2024/1760 as regards certain corporate sustainability reporting and due diligence requirements, available at: 892fa84e-d027-439b-8527-72669cc42844_en, p.5.

the form of draft revised ESRS and the accompanying Basis for Conclusions[14], was finalised and approved by EFRAG's governance body in November 2025 and delivered to the Commission by the end of that month, following a short extension of the original deadline. The main deliverables consisted of the draft revised ESRS, Basis for Conclusions explaining the rationale and due process and accompanying supporting documents, including a cost-benefit analysis.

2.2 Evidence gathering and due process underpinning revised ESRS

EFRAG adapted its usual standard-setting process due to the time constraints and the criticality of the exercise at hand, while preserving its core governance and oversight arrangements. Its governance structure ensured that technical judgements were subject to multi-layer scrutiny and collective decision-making, while maintaining alignment with the mandate received from the Commission.

Capturing the diversity of perspectives across the sustainability reporting ecosystem

The evidence-gathering process of EFRAG was deliberately broad and multi-channel in order to capture the diversity of perspectives across the sustainability reporting ecosystem. EFRAG received coordinated contributions from European industry associations, users and investors as well as national standard-setting bodies and civil society organisations. The combination of consultations, targeted outreach activities and structured dialogue allowed to capture companies' and public-interest perspectives and to identify areas of convergence or deviation between stakeholder groups.

Engagement of the reporting community and experience from the first year of application

A key feature of the revision process was the systematic involvement of the reporting community, in particular companies that had already applied the ESRS in the first year of mandatory reporting (2025 for financial year 2024, so-called 'Wave 1' companies). Their practical experience played a decisive role in identifying the most burdensome and complex aspects of the standards. This engagement provided granular evidence on how the ESRS were implemented in practice, how methodologies were applied and where interpretation and audit-related challenges occurred.

As a result, the amendments were informed not only by policy considerations, but also by operational feedback from companies on the ground. The revision incorporated an explicit ex-post evaluation of the ESRS as enacted in 2023. EFRAG conducted analysis of sustainability statements prepared for the 2024 reporting year and analysed several hundred ESRS-based reports through its "State of Play" assessment[15]. This review identified recurring implementation patterns, divergences in practices and specific areas where requirements generated excessive complexity. The analysis of questions submitted through the ESRS Q&A platform further highlighted the provisions that created the greatest difficulties[16].

2.2.1 Call for evidence

As an initial evidence-gathering step, EFRAG launched a public call for input on 8 April 2025 open for 4 weeks and addressed to all interested stakeholders through an online questionnaire. The call was designed to capture early evidence on the practical functioning of the ESRS as enacted in 2023 and on priorities for simplification.

[14] EFRAG, *Draft amended ESRS, Basis for conclusion*, December 2025, available here: Draft_Amended_ESRS_Basis_for_Conclusions_2025_December.pdf.

[15] EFRAG, *State of Play 2025, Implementation of the European Sustainability Reporting Standards (ESRS): Observed Practices based on statements issued as of April 2025*, July 2025, available here: EFRAG State of Play 2025 Report_0.pdf.

[16] EFRAG, *Draft amended ESRS, Basis for conclusion*, December 2025, available here: Draft_Amended_ESRS_Basis_for_Conclusions_2025_December.pdf, Appendix 6.

The call for input was explicitly open to companies, users, financial institutions, civil society organisations, national standard setters and other stakeholders.

The public call for input attracted 823 stakeholders, who submitted approximately 16 000 individual comments, including direct written submissions. All contributions were analysed in detail by EFRAG and used as an input to identify priorities for the amendments.

2.2.2 Outreach events and public consultation

Outreach events

EFRAG organised a very large and structured programme of outreach events specifically designed to deepen and validate the feedback received from the reporting community and stakeholder groups. EFRAG organised a total of 89 outreach events, involving 3 842 participants and more than 1 506 organisations.

Companies were explicitly one of the main target groups of these outreach activities. The events systematically involved companies, business associations, together with other stakeholder categories (financial users, auditors, civil society organisations and national standard setters).

In the first phase of the process (from late March to 31 July 2025), EFRAG organised 68 outreach events, gathering 729 participants from 635 organisations.

In the second phase (from the end of July to the end of November 2025), EFRAG organised a further 21 targeted outreach events, attended by 3 113 participants representing more than 871 organisations. These events were specifically aimed at collecting feedback on the proposed amendments and testing whether the simplification levers proposed in the interim revised ESRS would effectively address the concerns previously raised by stakeholders.

This second round of outreach played a key role in taking into account stakeholders' feedback. It allowed EFRAG to verify whether the main cost- and burden-related messages expressed by companies in the initial call for evidence were effectively reflected in the draft amendments, and whether the revised drafting and relief mechanisms were perceived by companies as workable.

Public consultation

EFRAG conducted a formal public consultation on the interim revised ESRS from 31 July to 29 September 2025.[17]

The consultation generated responses from 717 stakeholders, corresponding to more than 26 000 individual comments, including formal written comment letters.[18] The complementary overview of evidence gathering confirms that this public consultation phase resulted in 720 structured responses, including 87 written comment letters. Preparers of sustainability reports constituted one of the main respondent groups to this consultation. [19]

One-to-one interviews with companies

EFRAG conducted as well one-to-one interviews and workshops with companies of different sizes, sectors and Member States, including companies with direct experience of ESRS implementation.

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[17] Press release - EFRAG Shares Revised ESRS Exposure Drafts and Launches 60-Day Public Consultation | EFRAG.

[18] For details on the public consultation, please refer to the EFRAG Basis for Conclusions available here: Draft_Amended_ESRS_Basis_for_Conclusions_2025_December.pdf (pages 12 and following).

[19] In parallel with the public consultation survey, the EFRAG Secretariat conducted 20 targeted outreach events between August and October 2025 which were attended by more than 3,000 participants (EFRAG Outreach Events on the Revised ESRS Exposure Drafts.pdf).

Field tests

EFRAG complemented its outreach and consultation activities with two targeted field tests carried out exclusively with reporting companies to assess the operational feasibility and burden implications of particularly complex requirements. The first field test, involving 28 companies from different geographies and sectors, examined the revised guidance on the double materiality assessment. The second field test involved 20 companies that had already published audited ESRS reports for the 2024 financial year and focused on the revised methodology for adequate wages under ESRS S1. Together, the two field tests provided direct company-level evidence and informed further simplifications in the final amendments.

2.3 Reporting cost savings resulting from revised ESRS

This section presents the expected reporting cost savings associated with the revised ESRS, as reflected in the technical advice delivered by EFRAG to the Commission. This section relies on the CBA that was commissioned by EFRAG and carried out by an external consortium composed of Prometeia and Syntesia available at this link.[20] The quantitative cost assessment is based on the EU Standard Cost Model (SCM), in line with the European Commission's Better Regulation guidelines.

For the purpose of this document, the analysis focuses on the net reporting cost reductions generated by the revised ESRS compared with the ESRS as enacted in 2023.

It should be noted that in parallel to the cost savings resulting from revised ESRS, substantial cost savings are expected from the reduction in the CSRD scope under the Omnibus I simplification package, a change that will exempt 85 % of companies originally in scope from mandatory reporting and is estimated to contribute to annual cost savings of around EUR 4.4 billion[21].

Source of savings	Type of measure	Impact	Population affected
CSRD scope reduction with Omnibus I	Removal of ~85% of companies from original scope	~4.4 billion	Companies originally in scope but now exempt
Revised ESRS for companies remaining in scope of CSRD	Simplification of disclosure requirements	EUR 2.24 billion per year from 2029 onwards	Circa 6 753 companies remaining in scope

2.3.1 Baseline and population of companies

Baseline used in this analysis

The analysis uses the ESRS as adopted in 2023 ("ESRS 2023") as the baseline and compares them with the revised ESRS. It therefore does not measure savings linked to a no-reporting scenario, nor savings resulting from changes to the scope of the CSRD. Instead, it isolates the change in reporting costs for companies that remain subject to ESRS reporting and captures the savings resulting from the simplification of the standards.

Population of companies in scope of the analysis: Wave 1 and Wave 2 companies

The population in scope consists exclusively of companies that will remain subject to CSRD reporting following the Omnibus I changes to the scope.

[20] EFRAG *Cost-Benefit Analysis on Draft Amended European Sustainability Reporting Standards (draft Amended ESRS)* (December 2025).

[21] Omnibus package - European Commission.

The total population is estimated at 6 753 companies, of which 1 535 are Wave 1 companies and 5 218 are Wave 2 companies.

The analysis distinguishes between two groups of companies reflecting their position in the ESRS implementation timeline.

Wave 1 companies have already produced sustainability statements under ESRS 2023. They have therefore already incurred the main initial implementation costs associated with ESRS adoption. As these costs have already been incurred, they are treated as sunk costs and are not affected by the revision of the ESRS. For these companies, the revised ESRS may generate savings through lower future recurring reporting and assurance costs, although some limited one-off adjustment costs may be required to adapt existing systems and processes to the revised standards.

Wave 2 companies have not yet produced ESRS-compliant sustainability statements. They are expected to report for the first time under the revised ESRS. As a result, they will not incur implementation costs associated with ESRS 2023 but will instead implement the revised ESRS directly. Their savings therefore arise both from lower initial implementation costs and from lower future recurring reporting costs.

This distinction is important because Wave 1 and Wave 2 companies face different cost profiles and therefore generate savings in different ways.

2.3.2 Costs concepts used

Different types of costs are distinguished.

First, recurring reporting costs are the annual costs of preparing and publishing ESRS information once reporting processes are in place.

Second, one-off implementation costs correspond to the initial set-up of ESRS reporting. For Wave 1 companies, that have applied ESRS 2023, the one-off implementation costs have already been incurred and are treated as sunk costs, as explained above. For Wave 2, that implement the revised ESRS directly, there will be lower one-off implementation costs.

Third, adjustment costs are the additional one-off costs needed to adapt existing reporting systems from ESRS 2023 to the new simpler standards that are revised ESRS. This is the case for Wave 1 companies.

These adjustment costs are estimated at EUR 55 000 for smaller companies and EUR 230 000 for larger companies and are annualised over five years. [22]

It should be noted that the term “adjustment costs” is used in the cost benefit analysis in a narrower sense than in the European Commission’s Better Regulation Toolbox. Here, the term refers specifically to the additional one-off costs incurred by undertakings to adapt existing reporting systems, processes and internal controls to the revised ESRS requirements. By contrast, under the Better Regulation Toolbox, adjustment costs (often referred to as compliance costs) are understood more broadly as the direct expenses incurred by businesses, citizens or public authorities in order to comply with new legislation. Reporting cost savings are calculated by comparing the recurring costs that would have been incurred under the 2023 ESRS with the recurring costs under the revised ESRS and by adding the adjustment costs required to move to the revised standards.

[22] Cost-benefit Analysis on Draft Amended ESRS.pdf (p.51).

The CBA also compares how much companies would have spent if the 2023 ESRS had continued to apply with how much they are expected to spend under the revised ESRS. The difference between the two is referred to as gross savings.

Net savings take into account that moving from the 2023 ESRS to the revised ESRS also generates additional costs, in particular one-off adjustment costs and some limited cost increases linked to specific changes in the standards. Net savings therefore correspond to gross savings minus these transition and adjustment costs.

At aggregate level, adjustment costs associated with the transition to the revised ESRS amount to around EUR 161 million in 2027, before falling to a negligible level in subsequent years.[22]

Different costs concepts:

Cost concept	Meaning in the CBA	Relevance
Baseline reporting costs	Annual ongoing costs of full compliance with ESRS 2023 after all phase-ins	Reference point for measuring savings
Reporting cost savings	Annual reduction in ongoing reporting and assurance costs under revised ESRS	Main burden reduction
One-off implementation costs	Initial costs for first-time implementation of ESRS reporting systems	Mainly relevant for Wave 2 companies, lower one-off implementation costs than Wave 1 For Wave 1, sunk costs of implementing ESRS 2023 for the first time
One-off adjustment costs	Additional temporary costs incurred to adapt existing systems to revised ESRS	Mainly relevant for Wave 1 companies that will transition from ESRS 2023 to revised ESRS

2.3.3 Key cost savings from revised ESRS

Table summarising key cost savings

The table below summarizes the main reporting cost estimates used throughout the analysis, distinguishing between baseline reporting costs, annual gross savings generated by the revised ESRS and savings rate compared to the 2023 baseline.[23]

Year	Baseline reporting costs (ESRS 2023) (in million EUR)	Gross annual savings from revised ESRS (in million EUR)	Savings rate compared to 2023 baseline	Explanation
2027	1 700	476	28%	Wave 1 adjustment costs still incurred
2028	2 370	900	38%	Major savings from avoided Wave 2 higher implementation costs
2029	2 240	747-805	33-36%	
2030	2 240	747-805	33-36%	
2031	2 240	747-805	33-36%	
2027-2031 cumulative		**3 700**	**34% average**	Excluding value-chain impact

[23] Cost-benefit Analysis on Draft Amended ESRS.pdf (Table 1 p.6).

2027-2031 cumulative		**4 700**	**44% average**	Includes value-chain impact

Annual and cumulative savings over 2027-2031 of EUR 3.7 billion

Under the ESRS 2023 baseline, total reporting costs for companies remaining in scope are estimated at around EUR 1.7 billion in 2027, rising to EUR 2.37 billion in 2028, and stabilising at around EUR 2.24 billion per year from 2029 onwards.

The reporting cost savings for companies in scope of the revised ESRS are quantified over a five-year horizon from 2027 to 2031 and show a substantial and persistent reduction in compliance costs compared to the ESRS as enacted in 2023.

The CBA estimates that, for companies remaining within the CSRD scope, annual reporting cost savings amount to approximately EUR 476 million in 2027 and rise sharply to around EUR 900 million in 2028. From 2029 onwards, once the revised standards are fully effective and transitional effects are over, annual savings are estimated to range between EUR 747 million and EUR 805 million per year. Over the full period 2027-2031, cumulative gross reporting cost savings for companies reach approximately EUR 3.7 billion. This evolution over time of savings reflects both the progressive entry of Wave 2 companies into reporting and the structural effects of simplification from the revised ESRS.

In 2027, net savings are broadly evenly split between companies that have already implemented ESRS and those entering the framework later, while from 2028 onwards the increase in savings is mainly driven by Wave 2 companies, who avoid the higher first-year implementation costs of the ESRS 2023.

Savings are comparatively lower in 2027 because a significant share of Wave 1 companies still sustain adjustment costs related to the transition to the revised standards. They increase markedly in 2028, when Wave 2 companies would otherwise have faced high first-year implementation costs under ESRS 2023, and then stabilise from 2029 onwards, when the cost structure reaches its long-term state.

Importantly, the analysis shows that savings are not temporary or just at the start but are sustained over time as a result of permanently reduced requirements.

Net savings: transition costs do not offset the benefits of simplification

Net savings are a very relevant measure of economic benefits for companies because they account for additional costs incurred for the transition to the revised ESRS.

Even after deducting these adjustment costs, net savings remain substantial in every year of the analysis. This confirms that transition costs do not offset the benefits of simplification and that the revised ESRS generate positive net effects from the first year of application.

Trickle-down effects raise cost savings to EUR 4.7 billion

When trickle-down effects on companies' value chains are taken into account, the magnitude of savings increases further. Reduced data requests and greater flexibility in the use of proxies and sectoral estimates generate additional savings estimated at approximately EUR 97 million per year for the value chains of Wave 1 companies and EUR 146 million per year for those of Wave 2 companies. Including these trickle-down effects raises cumulative savings over 2027-2031 from EUR 3.7 billion to around EUR 4.7 billion, corresponding to approximately 44% of baseline costs. [24]

[24] Cost-benefit Analysis on Draft Amended ESRS.pdf (Table 9 p.44).

2.3.4 *Distribution of savings*

Internal reporting cost reduction

A substantial share of the savings comes from reductions in internal reporting work.

Under the revised framework, recurring internal costs are significantly reduced. For Wave 1 companies, the interim revised ESRS already lowered recurring internal costs by around 24% for smaller companies and 15% for larger ones, with further marginal reductions confirmed in the revised ESRS. It is expected to be of similar magnitude for revised ESRS. [25]

External consultancy cost reduction

External consultancy costs follow a similar pattern.

The revised ESRS would reduce the need for such support. Quantitative evidence from the targeted consultation shows that, under the Exposure Draft, recurring consultancy costs fell by approximately 23% for smaller Wave 1 companies and 17% for larger ones, with similar reductions projected for Wave 2 companies.[25]

IT costs' reduction

IT costs account for a smaller but still measurable share of total savings.

For instance, for Wave 2 companies, IT costs under interim revised ESRS were estimated to be around 20% lower than under ESRS 2023 and it is expected to be of similar magnitude for revised ESRS. [26]

Assurance costs' reduction

Assurance costs remain a key cost category. Under ESRS 2023, it represented roughly 40% to over 50% of total reporting costs, with annual assurance expenditure estimated at around EUR 115 000 for smaller Wave 1 companies and close to EUR 1 million for larger preparers.[27] These amounts combined external assurance fees and substantial internal support costs, reflecting the time dedicated by company staff to documentation, interpretation and interaction with auditors.

The revised ESRS significantly reduce the burden relating to assurance. First-year implementation costs were structurally higher due to adjustments, interpretative complexity and audit frictions. However, even in steady state, assurance remained a structurally strong recurring burden under ESRS 2023. The revised ESRS will simplify that process. Assurance costs are estimated to fall to approximately EUR 86 000 for smaller preparers (-20%) and EUR 725 000 for larger companies (-19%) compared to ESRS 2023. [28]

External assurance fees decline by about 20%, while internal assurance support costs decrease by 24% for smaller companies and 15% for larger ones, reflecting fewer interpretative disputes, clearer architecture and more proportionate audit scope.

These reductions are not driven by a lowering of the limited assurance requirement under the CSRD. Rather, they result from structural simplifications: the reduction of mandatory datapoints, clearer articulation between materiality and disclosure requirements, reliefs on anticipated financial effects, separation of binding provisions from guidance, and strengthened auditability. The CBA confirms that the amendments improve clarity and auditability without weakening assurance levels.

[25] Cost-benefit Analysis on Draft Amended ESRS.pdf (Table 14 p.52).
[26] Cost-benefit Analysis on Draft Amended ESRS.pdf (Table 16 p.54).
[27] Cost-benefit Analysis on Draft Amended ESRS.pdf (p.44 and Table 10 p.45).
[28] Cost-benefit Analysis on Draft Amended ESRS.pdf (Table 14 p.52).

Clarifications around fair presentation principle further contributes to this trajectory. It is estimated to generate an additional reduction of around 2 percentage points in assurance-related burden.

As assurance constitutes one of the largest cost categories, these reductions materially contribute to the aggregate savings estimated under the revised framework over the 2027-2031 period.

2.3.5 Non-quantified impacts of revised ESRS

Beyond the quantified reporting cost savings, the CBA identifies a set of non-quantified impacts associated with the revised ESRS that affect companies' competitiveness, access to finance and the usability of sustainability information for users. These impacts are not quantified, they are systematically assessed through qualitative evidence gathered from interviews, surveys and field testing, and they play an important role in the overall balance of effects of the revision.

A positive effect on competitiveness

By lowering reporting complexity, companies can reallocate internal resources from compliance to core business and strategic activities.

Benefits relating to access to finance

More focused and material disclosures are expected to improve usability and comparability, thereby strengthening the link between sustainability reporting and financial analysis and supporting access to capital.

Modified experience for users of sustainability information

The revised ESRS are expected to reduce processing costs and improve usability through better prioritisation and structure.

However, it should be noted that feedback from users of sustainability information is also divided. Some consider that the revised ESRS strike a better balance, others express concern that the removal or simplification of certain requirements may limit their ability to assess corporate impacts. Overall, the revisions are seen as a compromise: improving readability and proportionality for many users, while potentially narrowing the scope of information available for more in-depth analysis.

Lessening the trickle-down effects

By limiting excessive data requests and encouraging the use of estimates, they help prevent trickle-down effects and related issues in the value chain.

3 Commission's changes to EFRAG's technical advice

In light of consultations the Commission has made a number of targeted modifications to EFRAG's technical advice, with the primary aim of facilitating the application of the standards by clarifying certain provisions and granting certain additional flexibilities to undertakings.

These changes are expected to increase the likelihood of more favorable cost-saving scenarios materializing. Notably, savings are estimated to stabilize at a range of around 33-36% from 2029 onwards, and we reasonably expect that those changes could allow for the upper range scenario of a 36% reduction of baseline costs to emerge.

The principal modifications made in this regard address the following issues:

- Materiality and materiality assessment. The text clearly states that the undertaking is not expected to meet the specific information needs of each individual user and stresses that the objective of the standards is to ensure the reporting of information that is decision-useful for users. It specifies that undertakings “shall not” report information that is not material, except in certain clearly defined circumstances, rather than stating that the undertaking “is not required to” report information that is not material. Lastly, a new provision emphasises that the “top-down” approach to materiality assessment allows the undertaking to avoid unnecessary work and in general to avoid assessing the materiality of each individual impact, risk or opportunity.

- Fair presentation: The text clarifies that fair presentation applies to the overall sustainability statement and does not apply to each datapoint. It also states more clearly that the application of ESRS results in fair presentation. The modifications made regarding materiality and materiality assessment will also facilitate the application of the principle of fair presentation.
- Level of aggregation and disaggregation: The text introduces greater discretion to the undertaking regarding the need to consider specific geographical contexts when carrying out the materiality assessment. It also clarifies that the level of disaggregation for materiality assessment does not imply that information must be reported at that same level of disaggregation.
- Omission of information: The text integrates new provisions derived from the Omnibus I Directive that allow undertakings to omit certain information in certain circumstances, including information that could be seriously prejudicial to the commercial position of the undertaking.[29]
- Anticipated financial effects: The text states that reporting anticipated financial effects is likely to involve estimates and that these can be updated in the future in light of new information without this constituting a reporting “error”. It also clarifies that the provisions that allow undertakings to omit certain information in certain circumstances, including information that could be seriously prejudicial to the commercial position of the undertaking, also apply to reporting on anticipated financial effects. An additional year of phasing-in is introduced for both qualitative and quantitative information.
- Green house gas emissions: the text aligns more closely with global sustainability reporting standards by giving undertakings the flexibility to use either the financial control approach or the operational control approach when defining the reporting boundary to be applied.
- Climate transition plans: The text requires undertakings that report transition plans with targets that are not compatible with 1.5C target to be transparent about this.
- Microplastics: The text limits the disclosure requirement to primary microplastics. For reasons of feasibility and proportionality it does not require undertakings to report metrics on secondary microplastics.
- Emission of pollutants: the text specifies that the decision on which pollutants are material for reporting purposes should be taken following a managerial assessment that considers the undertaking’s activities and sector of operation.
- Substances of very high concern: the text introduces a new phase-in provision of one-year for reporting on substances of very high concern for undertakings that are users of articles containing such substances.
- Coherence with Corporate Sustainability Due Diligence Directive (“CSDDD” – Directive (EU) 2024/1760)[30]: the text includes a number of technical modifications regarding due diligence to ensure better alignment with the CSDDD.

[29] Text derived from Articles 19a(3) and 29a(3) of the Accounting Directive as amended by the Omnibus I Directive.

[30] Directive (EU) 2024/1760 of the European Parliament and of the Council of 13 June 2024 on corporate sustainability due diligence and amending Directive (EU) 2019/1937 and Regulation (EU) 2023/2859 (OJ L, 2024/1760, 5.7.2024, ELI: http://data.europa.eu/eli/dir/2024/1760/oj).

- Human rights incidents and incidents of discrimination: the text clarifies that only "substantiated verified" instances are to be reported, and that not all instances are necessarily substantiated instances. It also deletes the reference to "initiated" for the judicial and non-judicial proceedings.
- Asset management activities: The text includes new provisions to allow financial institutions that manage investments subject to a fiduciary duty on behalf of clients pursuant to a mandate agreed with those clients to not disclose information in relation to those investments in their sustainability statement. Those investments are primarily relevant to the activities of the clients and not to the activities of the undertaking acting on their behalf. Additionally, the sustainability matters relevant for those investments are governed at EU level by Regulation (EU) 2019/2088 and by Delegated Regulations 2017/565 and (EU) 2017/593. These new provisions aim to avoid disproportionate administrative burden and the duplication of sustainability reporting requirements.

These changes made by the European Commission can broadly be grouped into four categories. First, feasibility and proportionality improvements like limiting microplastics disclosures to primary microplastics only, introducing managerial judgement for pollutant reporting, new phase-in for substances of very high concern and the asset management carve-out. Second, increased flexibility, including more discretion on aggregation and disaggregation, clearer top-down materiality assessment, omission provisions and flexibility in GHG reporting boundaries (financial vs operational control). Third, greater international alignment, notably closer alignment with ISSB on GHG boundaries. Finally, clarifications to improve legal certainty and avoid over-reporting, such as clarifying fair presentation, specifying that only substantiated verified human rights incidents must be reported and clarifying the treatment of estimates in anticipated financial effects.

4 Sustainability reporting standards for voluntary use: policy drivers leading the development of the standard and quantified impacts

4.1 Policy drivers and development of the VS

This section explains how the VS builds on the Voluntary Sustainability Reporting Standard for non-listed SMEs (VSME) developed by EFRAG and how its design reflects the policy objectives set out in the Omnibus I Directive. It first recalls the policy context and market need that led to the development of the VSME and outlines the structured due process followed by EFRAG in developing the VSME, including systematic consideration of stakeholder feedback. It also outlines the mandate and parameters provided under Omnibus I for the development of the VS.

Market demand and goal of market acceptance for the VSME standard

In December 2024, EFRAG published the final draft of the VSME, developed under the mandate from the European Commission as part of the 2023 SME Relief Package. EFRAG's work responded to a request to provide a simplified reporting framework for non-listed micro, small and medium-sized undertakings, reflecting a strong demand from markets. In July 2025, the European Commission formally endorsed the VSME through a Recommendation for voluntary use, encouraging undertakings with fewer than 250 employees and their counterparts in value chains to deal with sustainability information requests with the help of this standard.

The development of the VSME responded to the absence of a credible, proportionate and harmonised framework capable of replacing the multitude of uncoordinated ESG questionnaires used by banks, investors and large undertakings to collect sustainability information from SMEs in their value chain. The standard was therefore developed in response to market demand to address a concrete operational gap by providing a standardised reference to streamline sustainability information requests across value chains without imposing new mandatory obligations on reporting undertakings.

Beyond the market demand underpinning its development, the preparation of the VSME was guided by the goal of achieving wide market acceptance on the ground in the future, as the effectiveness of voluntary standards ultimately depends on the extent to which undertakings decide to use it in practice. Ensuring such acceptance required a robust and inclusive standard-setting process, which EFRAG conducted through an extensive public consultation in which the views of SMEs, financial institutions and users were systematically taken into account. The draft standard was subsequently subject to significant modifications reflecting that feedback, including simplifications to its structure and disclosure requirements, thereby reinforcing its usability and credibility and supporting its uptake by market participants.

The following section sets out in greater detail the main elements of the feedback received in the public consultation and explains how they were reflected in the final design of the standard.

Public consultation and field tests conducted by EFRAG

EFRAG conducted a public consultation on the VSME Exposure Draft (ED), an interim version of the VSME, over a 4-month period, running from 22 January 2024 to 21 May 2024[31]. The consultation process comprised two main strands: an online questionnaire and a field-testing exercise. The online survey generated input from 311 respondents, including 126 preparers[32], 39 users[33] and 146 participants falling into other stakeholder categories. In parallel, 164 stakeholders took part in the field test, of which 135 were preparers and 29 were users. In addition to these structured consultation activities, EFRAG received 22 written comment letters providing further feedback.

Alongside the consultation, EFRAG organised 11 field test workshops. The field test required participating preparers to draft a sustainability report based on the VSME ED. Further workshops were organised in September 2024 to gather feedback on a revised version of the VSME, updated in light of the consultation results[34].

The public consultation conducted by EFRAG mainly enquired about the proposed architecture of the VSME, the relevance of the proposed disclosures, the simplifications achieved by the proposed standard and the market acceptance[35]. The field test focused on assessing the costs and challenges associated with the disclosures under VSME ED, the understandability and usefulness of the guidance provided and the expected benefits of the disclosures[36].

Key messages from the public consultation and how they have been integrated

Public consultation and field testing highlighted several key themes regarding the design and implementation of the VSME. First, stakeholders emphasised the need for a supportive operational

[31] VSME Feedback Statement from the Public Consultation.pdf.

[32] Preparers are the undertakings that are responsible for producing and publishing corporate reports in accordance with applicable reporting requirements.

[33] Users are the external parties who rely on corporate reports to inform their economic, investment, supervisory or other decision-making.

[34] VSME Basis for Conclusions.pdf – para BC25 page 7.

[35] VSME Basis for Conclusions.pdf – Annex 11.

[36] VSME Basis for Conclusions.pdf – Annex 12.

ecosystem around the standard, including digital tools and practical guidance to facilitate its use and enable efficient data exchange along value chains. The standard-setter indicated its intention to contribute to such resources and to encourage complementary initiatives by other actors.

Second, feedback pointed to the need to simplify the structure and reporting approach. A previously proposed narrative-based module was therefore removed, as it was considered overly complex and of limited comparability. Core elements were retained and integrated in a more streamlined manner into the remaining modules. In the same vein, the materiality assessment requirement was eliminated and replaced by a simpler applicability principle, significantly reducing reporting burden.

Finally, consultation with financial stakeholders identified a limited number of additional information needs not initially covered. Rather than creating a separate module, selected elements were incorporated into the existing structure to ensure usability while addressing key user expectations.

The VS as a proportionate and simplified standard "based on" VSME

The Omnibus Directive establishes the parameters for the development of the VS. It provides that the standard is to (i) be "based on" the VSME standard as endorsed by the Commission; (ii) be proportionate to the capacities and characteristics of the undertakings concerned; (iii) specify the structure for the presentation of sustainability information.

The requirement that the VS is to be "based on" the VSME constitutes the primary methodological anchor. It implies continuity with the architecture, structure and disclosure logic of the VSME, rather than the development of a new or expanded framework. This continuity serves a policy objective of stability and predictability, providing legal certainty for undertakings that already applied the VSME under the VSME Recommendation, which functioned as an interim response to market demand pending the adoption of the VS.

In addition, maintaining the substantive boundaries of the VSME ensures that the VS does not expand the volume or granularity of information that undertakings protected by the value chain cap may be required to provide to reporting companies. The VS therefore preserves the protective function embedded in the original design of the VSME.

The practical consequence of these parameters is that the VS maintains the modular structure of the VSME divided into a basic module and a comprehensive module and introduces only limited and targeted modifications compared to the VSME. Therefore, no additional datapoints or modules are added to the VS and changes are confined to what is necessary to ensure coherence with the revised set of ESRS and to clarify structure and presentation where appropriate.

Moreover, in order to meet the proportionality parameters as set out in Omnibus I, the VS clarifies the operation of the value-chain cap. Only essential disclosures are covered by the value chain cap, and every datapoint under the cap is listed in Annex II of the VS, allowing for clear identification by undertakings. For the purposes of the value-chain cap, companies reporting under the CSRD can only require companies in their value chain to provide the information corresponding to disclosures listed in Annex II.

Furthermore, for reasons of proportionality, some of the essential disclosures across the VS have been marked as "voluntary" for companies with 10 employees or fewer. This not only implies that the reporting of those disclosures is voluntary for companies with 10 employees or less, but also that the value chain cap applying to those undertakings includes less information than the value chain cap for companies with between 11 and 1000 employees. In this way, companies with 10 employees or fewer are therefore given extra protection from the trickle-down effect.

Logically, the list of disclosures covered by the value chain cap in Annex II of the VS clearly distinguishes between the datapoints constituting the cap for undertakings with more than 10 employees from those constituting the cap for undertakings with 10 employees or fewer.

This set of targeted adjustments reflects the renewed proportionality equation of Omnibus I, which seeks to balance competitiveness with the needs for information of the market. Under this recalibrated understanding, the preservation of the VSME's modular structure and content, the absence of additional datapoints, the alignment with the revised ESRS, and the introduction of a more granular categorization of disclosures at datapoint level make the VS a proportionate reference point for undertakings with up to 1000 employees, even though the VSME was originally designed for SMEs.

4.2 Methodology, multi-stakeholders' interests and due process

The methodology underpinning the VSME Cost-Benefit Analysis (CBA) is robust, transparent and aligned with recognised EU analytical standards. As explained in EFRAG's Cover Letter, the CBA was commissioned through a public tender to independent experts (Syntesia and Prometeia), selected on the basis of their experience in similar EU-level impact assessments. The contractors applied the EU Standard Cost Model to estimate administrative costs and combined multiple sources of evidence, including targeted consultations, 75 structured interviews, SME surveys covering more than 4 400 companies across 13 Member States, field tests, public consultation responses, and a structured literature review, as developed in the previous section.

The analysis distinguishes baseline, administrative and incremental costs, incorporates scenario and sensitivity analyses, and explicitly acknowledges uncertainties inherent in ex-ante assessments. Importantly, benefits were assessed using both quantitative estimates (where feasible) and qualitative analysis where impacts are not readily quantifiable.

Beyond methodology, the VSME itself is the result of extensive stakeholder engagement and a rigorous due process. The draft standard was subject to public consultation, field testing, workshops, and iterative discussions within the EFRAG Sustainability Reporting Board (SRB) and Technical Expert Group (SR TEG). Feedback led to substantive structural changes to the standard.

This process ensured that the final VSME standard reflects broad stakeholder input and balanced assessments.

4.3 Quantified impacts

4.3.1 Baseline and population of companies

The VSME CBA is anchored in a comparison between two scenarios:

(i) a fragmented reporting environment characterised by multiple, heterogeneous ESG questionnaires addressed to SMEs in value chains; and

(ii) reporting conducted by SMEs in accordance with a single, standardised and proportionate framework (VSME).

Accordingly, the costs and benefits presented in the VSME CBA are the result of a comparison between the two scenarios outlined above. By assessing the implications of a fragmented reporting environment against those of a harmonised VSME framework, the CBA analysis focuses on the benefits and impacts attributable to the introduction of the standard. The resulting estimates demonstrate that the adoption of the VSME leads to a more efficient reporting landscape, with overall benefits outweighing costs when compared to a situation characterised by multiple, scattered ESG questionnaires.

The VSME CBA was developed for a population of undertakings with up to 250 employees. For SMEs below that threshold, the underlying logic of the VSME baseline remains fully applicable to the VS, given the limited differences in content and structure between the VSME and the VS. Accordingly, the quantified benefits identified in the VSME CBA can reasonably be expected to materialise in a comparable manner under the VS for companies with up to 250 employees. A similar reasoning can be applied to the qualitative benefits identified in the VSME CBA, which are not size-contingent and can be expected to extend across the full population covered by the VS.

Conversely, the quantitative cost estimates produced in the VSME CBA cannot be extrapolated to undertakings with 250 to 1000 employees, as this population was outside the scope of the original assessment. For these companies, cost impacts would require a separate estimation. Nevertheless, it is reasonable to expect that the VS standardisation effects will also generate both quantitative and qualitative benefits for this broader population.

4.3.2 Quantified impacts of the VS

Companies with up to 250 employees

The VS impacts on undertakings with up to 250 employees can be quantified based on the VSME CBA. Overall, the evidence shows a clear and favourable cost profile for SMEs: the introduction of a standardized sustainability reporting framework entails one-off implementation costs in the first year, followed by significantly lower recurring costs in the following years, as companies move from initial set-up to routine reporting.

For micro-enterprises and small enterprises with fewer than 20 employees, first-year costs are estimated at around EUR 3 500-4 500 when applying the basic module and around EUR 8 500-9 500 when applying the basic and comprehensive modules combined, with recurring annual costs of around EUR 2 000-2 300 and EUR 4 500-4 800 respectively. For small enterprises with 20 or more employees and medium-sized enterprises (up to 250 employees), first-year costs are estimated at around EUR 7 500-12 800 for the basic module and around EUR 17 500-22 800 for the basic and comprehensive modules combined, with recurring annual costs of around EUR 3 500-6 000 and EUR 8 500-11 000 respectively. These figures illustrate initial set-up, process adaptation, and first-time data collection, followed by lower costs once routines are established.[37]

Company size	Employees	Module applied	First-year costs (EUR)	Recurring annual costs (EUR)
Micro & small enterprises	< 20	Basic module	3,500 – 4,500	2,000 – 2,300
Micro & small enterprises	< 20	Basic + Comprehensive	8,500 – 9,500	4,500 – 4,800
Small (≥20 employees) & medium enterprises	20 – 250	Basic module	7,500 – 12,800	3,500 – 6,000
Small (≥20 employees) & medium enterprises	20 – 250	Basic + Comprehensive	17,500 – 22,800	8,500 – 11,000

At aggregate level, the VSME CBA shows that, compared with the baseline situation of uncoordinated sustainability information requests, the introduction of a common reporting framework is expected to generate rapidly declining incremental costs and potential net savings within a few years. Incremental costs are the additional costs generated by the VSME as compared to the baseline scenario in which SMEs will have to reply to uncoordinated ESG requests from their larger customers or financial institutions. By 2028, incremental costs are estimated at around EUR 5.0 billion, with a range of -EUR

[37] EFRAG's Cover Letter and Cost Benefit Analysis on VSME.pdf – Figure 9 p.49.

5.8 to 9.4 billion, indicating that under part of the scenarios SMEs would already incur lower costs when using the VSME than in the fragmented baseline. This favorable trajectory emerges quickly as incremental costs are estimated at around EUR 9.3 billion in 2026 (range -EUR 1.3 to 9.3 billion) and around EUR 9.4 billion in 2027 (range -EUR 3.5 to 9.4 billion), reflecting learning and scale effects across the SME population. The higher level observed in the initial transition year (around EUR 15.0 billion in 2025, range EUR 7.6 to 18.6 billion) reflects one-off adjustment as companies move from fragmented requests to a streamlined framework. Importantly, the presence of negative values in the estimated ranges from 2026 onwards indicates that, under part of the scenarios considered, those companies would experience net cost savings compared to the absence of the standard. As the common and proportionate framework becomes established and learning effects accumulate, compliance costs stabilize and can fall below the level that SMEs would otherwise face in a context of multiple, uncoordinated information demands.[38]

On the benefits side, SMEs using the VS are expected to experience both financial gains and advantages linked to participation in value chains. Financial benefits arise primarily from improved access to external finance and potential reductions in the cost of borrowing. The availability of structured, comparable sustainability information reduces information asymmetries for lenders and investors, facilitating credit allocation and potentially lowering financing costs. These effects translate into economic gains, as SMEs can deploy the capital obtained to generate additional returns. On this basis, aggregate financial benefits are estimated at approximately EUR 100-390 million in 2025, increasing to around EUR 380-1 340 million in 2028 as uptake expands and market familiarity with the standard grows.[39]

In parallel, the VS strengthens SMEs' position within value chains. By providing decision-useful and comparable ESG information aligned with market expectations, SMEs reduce the risk of being excluded from commercial relationships with larger corporates subject to sustainability reporting obligations. The CBA estimates benefits by assessing the share of SME turnover linked to business with larger counterparties and the extent to which standardised reporting mitigates the risk of contract loss. On this basis, benefits related to value chain participation are estimated at EUR 1.8-5.3 billion in 2025, rising to EUR 3.5-10.6 billion in 2028.[40]

The economic effects of the VS follow a gradual trajectory. In the first year, companies face initial set-up and adjustment costs, while the financial and commercial benefits build up progressively as the standard becomes embedded in market practices. From the second year onwards, however, net impacts turn positive, driven by lower recurring reporting costs and increasing financial and commercial benefits. Net benefits are estimated at around EUR 800 million in the second year of application and reach approximately EUR 2.6 billion in the third year.[41]

Year of application of the VS	**Estimated net benefits (EUR)**	**Key drivers**

[38] EFRAG's Cover Letter and Cost Benefit Analysis on VSME.pdf – Figure 11 p.51.
[39] EFRAG's Cover Letter and Cost Benefit Analysis on VSME.pdf – Figure 12 p.52.
[40] EFRAG's Cover Letter and Cost Benefit Analysis on VSME.pdf – Figure 13 p.53.
[41] EFRAG's Cover Letter and Cost Benefit Analysis on VSME.pdf – Figure 14 p.56.

Year 2	~800 million	Lower recurring reporting costs; increasing financial and commercial benefits
Year 3	~2.6 billion	Further reduction in relative reporting burden; continued growth in financial and commercial benefits

Companies with 250 to 1000 employees

There are no precise available figures quantifying the costs and benefits of the use of the VS for a population of companies with 250 to 1000 employees, therefore these costs have been excluded from this analysis. The reasons for this choice are multiple. First, the data uncertainties and variables make it impossible to reasonably estimate these costs at this stage. Furthermore, because the VS is a strictly voluntary reporting standard, it can be reasonably expected that companies will only opt into the VS if they see advantages to do so, therefore if the internal benefits outweigh the administrative burdens. Moreover, the introduction of the VS establishes a limit on data requests form bigger companies, shielding smaller enterprises and consequently saving costs. Finally, the VS streamlines the market for sustainability reporting, reducing the complexity and therefore the costs that would have otherwise been emerging through uncoordinated sustainability reporting demands.

However, available quantitative evidence and reasonable assumptions suggest that the VS can bring benefits to companies with 250 to 1000 employees. Generally speaking, as companies grow (+46% to a doubling of workforce, i.e. +100%)[42], compliance costs tend to scale less than proportionally with size and turnover. In other words, for companies larger than SMEs, the relative burden of compliance is expected to decrease in proportion to their capacity, even if absolute costs may still increase. It is therefore reasonable to assume that the use of VS by companies with 250 to 1000 employees will reduce their costs and time spent to address sustainability information requests.

4.3.3 Qualitative benefits

Although originally attributed to a population of SMEs, multiple qualitative benefits outlined in the VSME CBA remain applicable in the context of the use of the VS by undertakings with up to 1000 employees.

The use of the VS allows for the preparation of one structured report that can be reused by undertakings to answer multiple requests for information, reducing the complexities linked to such process. The use of a standardized report can also mitigate the needs for clarification and follow-ups with business partners and companies rely on common definitions and a shared understanding of practices.

The VS is also expected to support learning and automation. Once data collection processes and routines are established, subsequent reporting cycles are expected to require less burdensome, routinary practices.

Furthermore, the use of the VS as value-chain cap can also be expected to bring benefits to undertakings. As a value-chain cap, the VS operates as a shield against ESRS-based information requests from CSRD reporting companies. By establishing a clearly defined reference for the information that may be asked by reporting undertakings, the VS limits the scope, granularity and

[42] EFRAG (2025), *Cost–Benefit Analysis of the Draft Amended European Sustainability Reporting Standards*, December 2025, Box 3. The analysis finds a logarithmic correlation between firm size and reporting costs, with reporting costs increasing by approximately 46% when firm size doubles.

frequency of data requests addressed to companies with up to 1000 employees. This mechanism makes the VS beneficial not only as a limitation, but also as an instrument enhancing predictability for undertakings with respect to the data they need to disclose.

From a strategic perspective, undertakings may use the VS as an instrument to strengthen their market positioning and competitiveness. By disclosing sustainability information in line with a recognized EU reporting architecture, companies have a possibility to enhance their reputation and to differentiate themselves in sustainability sensitive markets. The alignment of the VS with the revised ESRS further reinforces its credibility as a recognized reference point within EU sustainability reporting.

Additionally, the use of VS can enhance transparency and stakeholder trust by allowing undertakings to communicate sustainability information in a consistent and comparable manner, strengthening credibility vis-à-vis investors, customers and value chain partners.

Another potential benefit linked to the use of the VS relates to the behavior of banks. According to feedback from financial institutions, the absence of sustainability disclosures can be a factor considered in lending decisions and may, depending on the circumstances, influence borrowing conditions. In such a scenario, the opportunity cost of restricted access to credit could exceed the reporting costs associated with the VS.

5 Consistency with the European Climate Law

The Commission has assessed the consistency of the delegated acts with the objectives laid down in Articles 2(1) and 5 of the European Climate Law (Regulation (EU) 2021/1119)[43]. Article 2(1) establishes the Union's legally binding objective of achieving climate neutrality by 2050 and of pursuing negative emissions thereafter, while Article 5 requires Union institutions and Member States to ensure continuous progress in enhancing adaptive capacity, strengthening resilience and reducing vulnerability to climate change.

The revised ESRS, in particular the Climate standard, is designed to operate within this framework. It requires undertakings to disclose transition plans, targets and actions aligned with the EU's climate-neutrality objective and climate-adaptation goals. In doing so, it supports both the credibility of corporate transition plans and the objectives of the European Climate Law. The disclosure of adaptation-related and mitigation-related information further contributes to transparency on climate-resilience efforts, reflecting the objective set out in Article 5.

The VS is likewise consistent with the European Climate Law. In particular, the requirement to disclose a greenhouse gas (GHG) emissions reduction target benchmark under the Comprehensive Module is aligned with the EU climate-neutrality objective under Article 2(1) of the European Climate Law. By anchoring corporate target-setting disclosures to this regulatory benchmark and by including disclosures on transition plans and climate change adaptation actions, the VSME, and the VS building upon it, ensures coherence with the objective set out in Article 5 of the European Climate law.

[43] Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 ('European Climate Law') ELI: http://data.europa.eu/eli/reg/2021/1119/oj.

6 Conclusions

6.1 Revised ESRS

The revised ESRS are expected to generate approximately EUR 4.7 billion in reporting cost savings over the period 2027-2031, corresponding to around 44 % of the costs under the 2023 ESRS baseline. These savings are mainly driven by lower recurring reporting costs, in particular for Wave 1 companies, reduced implementation costs for both current and subsequent waves, lower assurance costs and reduced costs relating to trickle-down effects and value-chain data requests. Reporting cost savings clearly constitute the most significant impact of the revision. Overall, the simplification measures under the revised ESRS are effective in delivering substantial and tangible reductions in reporting costs.

6.2 VS

The VS is designed to deliver tangible benefits in terms of proportionality and burden reduction. By building on the VSME framework without expanding its content, it provides a stable and recognized reference point for sustainability information. This shields undertakings outside the CSRD scope from disproportionate value-chain requests while enabling comparable and credible disclosures that enhance transparency, stakeholder trust and market positioning.

The VS therefore combines protection against regulatory trickle-down effects with opportunities for companies outside of the CSRD scope.

Crucially, the VS is also expected to generate rapid and potentially net cost savings. By replacing multiple uncoordinated sustainability information requests with a single structured report, it reduces duplication and recurring compliance costs. Evidence shows sharply declining costs after the first year and, from the second year of application onwards, scenarios in which companies already incur lower costs than in the absence of a common framework, with system-wide savings materializing by the third year of application.

Overall, while net impacts are expected to be negative in the first year of application, they turn positive from the second year onwards as recurring costs fall and benefits increase. Net benefits are expected to amount to EUR 800 million in the second year of application and reach EUR 2 600 million in the third year[44], underscoring the strong cost-saving potential of the VS in the medium term.

6.3 Joint conclusion

Taken together, the revised ESRS and the voluntary sustainability reporting standard constitute complementary elements of the EU sustainability reporting simplification agenda. While the revised ESRS significantly reduce reporting costs for undertakings within the CSRD scope, the voluntary standard provides a proportionate and structured framework for undertakings outside that scope, limiting regulatory trickle-down effects and fostering greater predictability in value-chain information flows.

By combining substantial cost reductions with enhanced clarity and proportionality, the two initiatives contribute to a more coherent and streamlined sustainability reporting system across the Union. They support the broader objective of maintaining robust sustainability disclosure while reducing unnecessary administrative burden.

[44] The calculation of net impacts is based on a population of companies with up to 250 employees. A similar order of magnitude can be expected to apply to companies with 250 to 1000 employees.