



EU Finalizes Streamlined ESRS and New Voluntary Reporting Standard

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The European Union's (EU) revamped sustainability reporting framework is now final. On September 21, 2026, the revised **European Sustainability Reporting Standards (ESRS)** and a new **Voluntary European Sustainability Reporting Standard (VS)** were published in the *Official Journal*, marking yet another significant step toward more proportionate sustainability reporting in Europe. In addition to previously raising applicable financial thresholds triggering compliance under the Corporate Sustainability Reporting Directive (CSRD), the revised ESRS cut mandatory datapoints for in-scope companies (i.e., undertakings under CSRD) by more than 60% and total datapoints by more than 70%. The VS, meanwhile, provides a proportionate framework for smaller companies outside mandatory CSRD scope and also implements the new "value chain cap". This cap limits the sustainability information that larger CSRD reporters may demand from certain smaller companies in their value chains to information that is covered by the VS's voluntary reporting standard.

When it becomes effective: The simplified ESRS will enter into force on November 10, 2026, and generally apply to financial years beginning on or after January 1, 2027, although "Wave-one" companies may elect to apply them early for financial years beginning on or after January 1, 2026. The VS entered into force on September 24, 2026.

Why it matters. For companies that remain within CSRD's scope, the reduced datapoint count should ease the reporting burden. The value chain cap is expected to have the same effect for those entities outside the scope of CSRD, as well. The European Commission (EC) estimates that the changes could reduce reporting costs by more than 30% per company, but

the practical savings will depend heavily on the ability to leverage existing financial reporting systems, governance processes and value-chain complexities.

What's still to come. The European Financial Reporting Advisory Group (EFRAG) continues working on ESRS-40a, the reporting standards for certain non-EU parent companies under the Accounting Directive, with EFRAG's public consultation currently scheduled to close October 31, 2026. EFRAG will analyze stakeholder feedback and deliver technical guidance to the EC in early 2027, with approval of the ESRS-40a reporting standards projected by summer of 2027. We note that reporting under ESRS-40a will apply to non-EU parent companies with consolidated EU-based turnover (i.e., revenue) exceeding €450 million in each of the last two consecutive financial years. In addition, the non-EU parent company must have an EU subsidiary or branch with net turnover exceeding €200 million in the preceding financial year.

A final observation: some reporting suggests that the final version of ESRS-40a is unlikely to require separate CSRD reporting at each of the parent and EU undertaking. Nevertheless, at least one subset of non-EU parent companies is embracing and planning on reporting under ESRS 40a: multinationals that expect to be scoped in at the parent level, but not necessarily at the EU subsidiary or undertaking level.

We have previously written about CSRD matters [here](#).

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