EFRAG
sustainability reporting

Basis for Conclusions

Exposure Draft ESRS for Certain Non-EU Undertakings in Accordance with Article 40a of the Accounting Directive

ESRS-40a ED

JULY 2026

Open Consultation

DEADLINE: 31 OCTOBER 2026

DISCLAIMER

This Basis for Conclusions accompanies but is not part of the ESRS-40a Exposure Draft. It summarises the considerations of the EFRAG SRB and EFRAG SR TEG in the standard-setting process leading to the Exposure Draft. It also includes references to ESRS as adopted by the European Commission on 3 July 2026 and other regulations used in developing the proposed contents of the Exposure Draft.

It does not reflect the position of the European Union or the European Commission DG Financial Stability, Financial Services and Capital Markets Union (DG FISMA).

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Objective, background and legal basis

Introduction and objective

BC1. The European Commission (EC) has tasked EFRAG with the development of sustainability reporting standards regarding certain non-EU undertakings that have significant activity in the territory of the European Union on the Single Market. EFRAG will deliver its technical advice on such standards by January 2027. In preparation, on 23 July 2026 EFRAG issued an Exposure Draft for consultation in accordance with its due process procedures.

BC2. The objective of this document is to describe the process followed and the basis for conclusions for the preparation of the Exposure Draft for the European Sustainability Reporting Standards for Certain Non-EU Undertakings in Accordance with Article 40a of the Directive 2013/34/EU of the European Parliament and of the Council, as amended by Directive (EU) 2022/24642 (the 'CSRD') and by Directive (EU) 2026/470 for the ESRS-40a ED (the 'Accounting Directive') ('ESRS-40a ED' or 'the ED'). This includes the methodological approach taken, the main content of the ED and key aspects discussed by the EFRAG Sustainability Reporting Board (EFRAG SRB) and the EFRAG Sustainability Reporting Technical Expert Group (EFRAG SR TEG).

BC3. The ESRS-40a ED has been developed to assist the European Commission in complying with the provisions of Directive 2013/34/EU, which defines the content of the sustainability report for third-country undertakings (or non-EU groups) (Art. 40a of the Accounting Directive, as amended by the CSRD) by contrast with the content of ESRS for undertakings under the scope of Art. 19a and 29a. In particular, the reporting objectives of (financial) risks and opportunities, resilience and dependencies ('RORD') are excluded from Art. 40a of the Accounting Directive as amended by the CSRD and therefore from sustainability reporting by third-country groups.

BC4. The objective of ESRS-40a reporting is to ensure that there is a level playing field for undertakings operating in the EU market, as well as to ensure transparency on impacts on people and the environment of non-EU undertakings with significant EU activities. For this reason, the starting point in standard setting has been the content of ESRS[1].

BC5. ESRS-40a have the same structure as ESRS (12 Standards) and the same articulation in the reporting areas (strategy; governance; impact management through policies and actions; metrics and targets). It has the same content as ESRS as a starting point for the drafting, with selected exclusions described in detail in this document, in particular:

(a) disclosures on RORD, which have been deleted as per CSRD requirements. This resulted in the deletion of some datapoints and in the amendment of other datapoints to reflect the target reporting objective;

(b) other selected adjustments, such as the deletion of datapoints related to the EU taxonomy, which is not applicable for groups operating outside the EU.

BC6. In addition, the following new elements have been included:

(a) new paragraphs to reflect important provisions in the Accounting Directive as amended by the CSRD (level one regulation) and to promote understandability;

(b) the option to limit the disclosure of impacts other than those related to climate to EU-related impacts only when certain conditions are met ('mixed approach') and the introduction of specific disclosure requirements to promote transparency on the use of such option;

(c) specific disclosure requirements to promote transparency in the application of concepts and terms derived from EU laws and regulations to operations that are not in the scope of those laws and regulations;

[1] ESRS in this document is used to indicate the version of the ESRS adopted by the EC on 3 July 2026, resulting from the 2025 simplification work.

(d) flexibility in the application of incorporation by reference, acknowledging that a substantial part of ESRS-40a disclosures (e.g. general disclosures and information about impacts) may overlap with sustainability reports prepared in accordance with applicable jurisdictional sustainability reporting standards

BC7. Because the ESRS-40a ED has been developed based on the ESRS as adopted by the EC on 3 July 2026 ('2026 ESRS' in this document), this Basis for Conclusions focuses on the differences between 2026 ESRS and the ESRS-40a ED, particularly by explaining the arguments considered. Regarding the content of the ESRS-40a ED that is left unchanged from 2026 ESRS, the arguments supporting the Basis for Conclusions of the 2026 ESRS issued by EFRAG as technical advice to the EC are still applicable and are integrated by the Basis for Conclusions for EFRAG's advice on the simplification of ESRS issued in December 2025.[2]

BC8. The Basis for Conclusions for ESRS issued in 2022 may be found on the EFRAG Knowledge Hub.[3]

BC9. The detailed changes implemented compared to 2026 ESRS and other amendments are summarised in each section of this document.

BC10. The table below provides a high-level comparison of key characteristics of 2026 ESRS and the ESRS-40a ED issued for public consultation and gives a quick overview of the main similarities and differences.

Table 1. High-Level Comparison of the 2026 ESRS and ESRS-40a ED

2026 ESRS	ESRS-40a ED
12 standards: 2 cross cutting + 10 topical	**12 standards**: 2 cross cutting + 10 topical
Reporting objectives: impacts, risks and opportunities	**Impacts only** (RORD excluded)
Perimeter of disclosure: Global	**Perimeter of disclosure:** Global or mixed approach (see option in paragraphs 27 to 31 of ESRS-40a 1 ED to limit disclosures for topics other than climate to EU-related impacts only), or the undertaking may apply full ESRS (adopted by the EC on 3 July 2026)
Includes Value Chain	Includes value chain
Incorporation by reference	Includes incorporation by reference
Transitional provisions, phased-in disclosures to ease reporting	Same as in 2026 ESRS
EU Taxonomy-related disclosures	Removed, as the underlying obligation to report on EU taxonomy is not applicable to the reporting undertaking
Sector agnostic nature	Same as ESRS. Reference is made to ISSB Standards, GRI and other sector standards/frameworks as examples of entity-specific disclosure.

[2] https://www.efrag.org/sites/default/files/media/document/2025-12/Draft_Amended_ESRS_Basis_for_Conclusions_2025_December.pdf
[3] https://knowledgehub.efrag.org/eng/historical-documents/7#further-materials-technical-advice-november-2022

Legal basis: scoping and disclosure content

Scoping

BC11. The Accounting Directive as amended by the CSRD foresees that subsidiaries or branches of third-country undertakings which have significant activity in the EU are required to publish and make accessible a report on sustainability information at the group level of the third-country ultimate parent undertaking (where applicable), starting from financial year starting on January 1st, 2028 or thereafter (the report is to be published in 2029) in accordance with ESRS-40a. Omnibus I Directive has not changed the content, but the criteria to determine the entities in scope have been significantly modified.

BC12. The new scope of Article 40a of the Accounting Directive, which reduced the number of entities in scope, provides that the subsidiary undertaking or branch, established in the European Union with the following characteristics shall publish and make accessible an ESRS-40a sustainability report:

(a) on their balance sheet date, they exceed a net turnover of EUR 200 000 000 in the preceding financial year;

(b) their ultimate parent undertaking is governed by the law of a third country; and

(c) the ultimate third-country parent undertaking at the group level – or, if not applicable, at the individual level – generated a net turnover in the European Union exceeding EUR 450 000 000 for each of the last two consecutive financial years.

BC13. Addressing the question how to define net turnover for scoping purposes is outside the remit of EFRAG, as it is a legal interpretation of the Accounting Directive pertaining to the EC.

BC14. Article 40a of the Accounting Directive specifies that the reporting is to be prepared at the group level of the ultimate third-country parent undertaking. It is worth noting the asymmetrical nature of this obligation. The European branch or subsidiary of the third-country group is required to publish and make accessible the sustainability report prepared in accordance with ESRS-40a, but the target reporting boundary is not such branch or subsidiary. The ESRS-40a sustainability report is instead prepared for the ultimate third-country parent undertaking or group. EFRAG discussed whether the language in the standards needed to be amended, when referring to 'the undertaking shall' disclose/report/include and similar expressions. While the boundary of the reporting should be the group level of the third-country parent undertaking (with the exception of the mixed approach, as described below), there is not an explicit obligation for the ultimate third-country parent undertaking or group to prepare the ESRS-40a sustainability report (which would align with the language 'the undertaking shall disclose etc.'). At the same time, the Accounting Directive does not explicitly states that the subsidiary or branch shall prepare such information; the obligation is established in terms of publication and accessibility. EFRAG decided to leave the language in the standard unchanged for the purposes of this ED, to avoid creating differences with ESRS and consequential interpretation issues. Therefore the 'undertaking', is to be conventionally understood in the ED as the target reporting boundary, i.e. the group of the ultimate third-country parent undertaking (or the individual parent itself when there is no group).

Disclosure content

BC15. While ESRS for EU undertakings cover material impacts, risks and opportunities, ESRS-40a cover impacts only. However, financial information such as revenue split by geography or sector or financial resources dedicated to reducing the impacts is not excluded from ESRS-40a reporting, insofar as it may provide useful contextual information on impacts.

BC16. CSRD, Chapter 9(a), Art. 40a(1), Derogation to Art. 29(a)(1), specifies that the reporting content of ESRS-40a ED should contain the information specified in points (a)(iii)–(a)(v) and points (b)–(f) and, where appropriate, point (h) of Article 29(a)(2) at the group level of that ultimate third-country parent undertaking.

BC17. Article 29(a)(1)(2) specifies:

> 2.The information (…) shall contain:
>
> (a) a brief description of the group's business model and strategy, including:
>
> i. *[NOT TO BE INCLUDED IN ESRS-40a]* the resilience of the group's business model and strategy in relation to risks related to sustainability matters;
>
> ii. *[NOT TO BE INCLUDED IN ESRS-40a]* the opportunities for the group related to sustainability matters;
>
> iii. the plans of the group, including implementing actions and related financial and investment plans, to ensure that its business model and strategy are compatible with the transition to a sustainable economy and with the limiting of global warming to 1,5 °C in line with the Paris Agreement and the objective of achieving climate neutrality by 2050 as established in Regulation (EU) 2021/1119 and where relevant, the exposure of the group to coal-, oil- and gas-related activities;
>
> iv. how the group's business model and strategy take account of the interests of the group's stakeholders and of the impacts of the group on sustainability matters;
>
> v. how the group's strategy has been implemented with regard to sustainability matters;
>
> (b) a description of the time-bound targets related to sustainability matters set by the group, including, where appropriate, absolute greenhouse gas emission reduction targets at least for 2030 and 2050, a description of the progress the group has made towards achieving those targets, and a statement of whether the group's targets related to environmental factors are based on conclusive scientific evidence;
>
> (c) a description of the role of the administrative, management and supervisory bodies with regard to sustainability matters, and of their expertise and skills in relation to fulfilling that role or the access such bodies have to such expertise and skills;
>
> (d) a description of the group's policies in relation to sustainability matters;
>
> (e) information about the existence of incentive schemes linked to sustainability matters which are offered to members of the administrative, management and supervisory bodies;
>
> (f) a description of:
>
> (i) the due diligence process implemented by the group with regard to sustainability matters, and, where applicable, in line with Union requirements on undertakings to conduct a due diligence process;
>
> (ii) the principal actual or potential adverse impacts connected with the group's own operations and with its value chain, including its products and services, its business relationships and its supply chain, actions taken to identify and monitor those impacts, and other adverse impacts which the parent undertaking is required to identify pursuant to other Union requirements to conduct a due diligence process;
>
> (iii) any actions taken by the group to prevent, mitigate, remediate or bring an end to actual or potential adverse impacts, and the result of such actions;
>
> (g) *[NOT TO BE INCLUDED IN ESRS-40a]* a description of the principal risks to the group related to sustainability matters, including the group's principal dependencies on those matters, and how the group manages those risks;
>
> (h) indicators relevant to the disclosures referred to in points (a) to (g).

Approval of ESRS-40a Exposure Draft

EFRAG's due process and approval of the ED

BC18. EFRAG developed the ED in two different time intervals: from October 2024 to February 2025, and, following the simplification of ESRS, from April to July 2026.

BC19. The meeting dates for work performed in 2024–2025 (prior to the Omnibus proposals) are set out in Appendices A and B. The following are the meetings where the ESRS-40a ED was discussed in 2026:

(a) EFRAG SR TEG meetings: 11 March 2026, 19 March 2026, 27 April 2026, 13 May 2026, 26 May 2026, 28 May 2026, 11 June 2026, 16 June 2026 and 23 June 2026;

(b) EFRAG SRB meetings: 11 March 2026, 08 April 2026, 21 April 2026, 07 May 2026, 21 May 2026, 03 June 2026, 04 June 2026, 18 June 2026 and final approval of ED for public consultation on 01 July 2026.

BC20. Based on the main standard-setting issues that were the focus of SRB and SR TEG discussions, specific questions in the public consultation were raised about the following topics:

(a) the content and standard-setting approach (ESRS content included/excluded)

(b) the perimeter of disclosure: global or mixed approach

(c) references to EU laws and regulations and their feasibility

(d) incorporation by reference and interoperability.

EFRAG SR TEG voting

BC21. On 23 June 2026, in a public meeting EFRAG SR TEG approved the ESRS-40a ED, which was based on ESRS as issued by the EC for the 'Have-Your-Say' consultation. This version is identified by the use of sequential number 1.6 (the 'ED_V1.6'). A condition for this approval was the inclusion in the public documents that EFRAG will issue for the consultation:

(a) a description of the concerns members have with respect to the mixed approach; and

(b) an acknowledgment that the inclusion of the mixed approach in the consultation is an explicit request from the EC to EFRAG.

BC22. SR TEG also agreed to recommend the SRB to add specific questions in the consultation on whether human rights should be reported only on a global basis and whether there should be an additional condition for the mixed approach, i.e. that the impacts have geographic boundaries. For example, if spreading of a pollutant and its negative impacts cannot be geographically contained once released in the environment, reporting on the impacts of that pollutant should mandatorily be at global level.

BC23. In total, out of 26 members, 21 SR TEG members voted; 20 voted in favour and one dissented. The following three members provided their written intention to vote before the meeting and are counted in the voting members: Linnéa Waninger, Robert Adamczyk and John E Grova.

BC24. Concerns with the mixed approach were raised by the EFRAG SR TEG members who approved the ED, in relation to the following limitations:

(a) It does not support a level playing field between EU companies and their international peers.

(b) Using different reporting scopes for different topics within the same report may impair understandability.

(c) Relevant information may be lost, with a consequential risk of greenwashing, in particular as regards human rights impacts and environmental impacts, the latter of which cannot be confined to a specific geography.

(d) The feasibility of separating EU-related impacts is uncertain.

(e) It entails significant limitations for external assurance.

BC25. Specifically, regarding the level-playing field, the mixed-approach reporting introduces a structural gap between EU and third-country preparers. EU companies are required to disclose sustainability information across their global financial consolidation scope, whereas 40a preparers may disclose a sub-fraction of that scope. In addition, the mixed-approach assumes that in-scope third countries jurisdictions themselves require sustainability disclosure on risks and opportunities. This is not the case for several major jurisdictions accounting for a large share of 40a companies in scope (e.g., the US, which has no equivalent reporting obligation). This introduces a further discrepancy: EU preparers report under a double-materiality approach, while a proportion of their 40a peers are only required to disclose impact-materiality information in the absence of local jurisdictional sustainability reporting obligations.

BC26. Some of them also mentioned the following additional reservations with the mixed approach:

(a) Its legal basis is unclear, as the Level 1 regulation refers only to global reporting,

(b) It is not compatible with the Corporate Sustainability Due Diligence Directive (CSDDD), which foresees only the global approach.

BC27. Acknowledging that the public documents released by EFRAG to accompany the ED will present the limitations of the mixed approach described above, the following 20 members approved the ED:

1. Chiara Del Prete (SR TEG Chair)
2. Sigurt Vitols (SR TEG Vice-Chair)
3. Robert Adamczyk
4. PierMario Barzaghi
5. Guillaume Bône
6. Kati Beiersdorf
7. Anne-Claire Ducrocq
8. Eric Duvaud
9. Mathieu Filippo
10. John E. Grova
11. Arnoud A. Kuijpers
12. Thierry Langreney
13. Jannik Leiendecker
14. Brunno Maradei
15. Jose M. Moneva
16. Luis Piacenza
17. Christoph Töpher
18. Belen Varela Nieto
19. Linnea Waniger
20. Julia Zicke.

BC28. Piotr Biernacki dissented because of the inclusion of the mixed approach. He found this approach fundamentally incompatible with the values upon which the EU was founded. He finds it unacceptable that the human rights of some people but not other people are to be protected, and the same applies for nature. He believes that the concept of EU-related impacts does not exist in practice: if a company is violating human rights or damaging nature everywhere in the world, this is relevant for the EU. In addition, the mixed approach is incompatible with level-playing field for European undertakings.

BC29. Six members approved the ED but expressed additional reservations on the mixed approach.

(a) Guillaume Bône had reservations along the lines of the reasons expressed by Piotr Biernacki. In addition, he pointed out the lack of data standardisation, comparability and capacity to obtain similar information for EU and third-country undertakings. From a technical perspective on the environmental side, impacts thought of as local often have global repercussions. The mixed approach is arbitrary in terms of reporting results and does not capture environmental degradation. From the technical perspective on the environmental side, impacts thought of as local often have global repercussions. He argued that the mixed approach is arbitrary in terms of reporting results and does not capture environmental degradation.

(b) Sigurt Vitols had reservations due to points on competitiveness raised by Piotr Biernacki, comparability of information mentioned by Guillaume Bône, non-reporting of severe Human Rights issues, which are global, and non-compatibility with CSDDD, which only foresees the global approach (and the CSRD is the reporting instrument for this).

(c) Robert Adamczyk stated that we should aim for consistent requirements between third-country groups and EU groups where possible. He also suggested the EFRAG Secretariat prepare a comparison with Chinese reporting requirements.

(d) John E. Grova and Linnéa Waninger considered that the mixed approach should not be applicable to human rights impacts.

(e) Brunno Maradei had reservations on the application of the mixed approach to governance, as most governance issues, being global, do not affect only a single product. In addition, a user and investor mixed approach does not allow for the comparison of undertakings on the same basis.

(f) Kati Beiersdorf recommended considering an editorial change to avoid 'products and services' sold or provided to the EU being interpreted in a way that allows for judgment, e.g. when the client is based in a third country but the service is provided on EU territory.

The following five members did not participate to the vote: Sonia Artuso, Luca Bonaccorsi, Roberta Ceccon, Luc Hendrickx, Olivier Scherer.

EFRAG SRB voting

BC30. At its meeting on 1 July 2026, the EFRAG SRB approved the ESRS-40a ED for public consultation, with 14 members voting in favour and four abstaining.

BC31. At the same time, members expressed clear and broadly shared reservations regarding the mixed approach under which EU-related reporting would be the default global reporting option. Votes in favour were expressly linked to these reservations being made publicly visible, together with the acknowledgement that the mixed approach reflects a request from the EC.

BC32. The concerns raised by members in this and previous meetings were the same as the ones mentioned in the EFRAG SR TEG meeting in its approval session (see paragraph BC24 and 25 above). The inclusion of the mixed approach in the ED results from a specific request from the EC. Without such a request, the EFRAG SRB would not have proposed the mixed approach as its own initiative.

BC33. Out of the 21 SRB members, 18 participated in the vote. 14 members voted in favour with reservations, four abstained, the chair did not vote and two members were absent.

BC34. The following members voted in favour:

1. Begoña Giner
2. Charlotte Söderlund
3. Cristina Saporetti

4. Filip Gregor
5. Isabelle Schömann
6. Kristian Koktvedgaard
7. Laurence Rivat
8. Luc Vansteenkiste
9. Marcello Bianchi
10. Maria Dolores Urrea Sandoval
11. Ruben Zandvliet
12. Salvador Marin (by proxy)
13. Simon Braaksma
14. Susanna Penarrubia

BC35. The following SRB members abstained:

1. Grégoire de Montchalin (by proxy)
2. Roderik Meeder
3. Thomas Roulland (by proxy)
4. Wim Bartels

BC36. Kerstin Lopatta (EFRAG SRB Chair) did not participate in the vote.

BC37. The following two members were not present: Mariyan Nikolov and Monika Brom.

Decision tree for standard setting

Decision tree for standard setting and steps considered for the ESRS-40a ED

BC38. The purpose of ESRS-40a is stated in the first four paragraphs of Recital 20 of the CSRD, 'Third-country undertakings which have a significant activity on the territory of the Union should also be required to provide sustainability information, especially on their impacts on social and environmental matters, in order to ensure that third-country undertakings are accountable for their impacts on people and the environment and that there is a level playing field for companies operating in the internal market.'

BC39. The focus is on impacts, transparency and level playing field; however, EFRAG noted that 'especially' is a specification and that the inclusion of financial information is not per se strictly excluded, in particular when such information contributes to a fair representation of impacts and how they are managed when reporting on the different disclosure objectives (strategy / business model / impacts / policies / actions / targets / metrics).

BC40. In drafting the ED, EFRAG considered the different terms in the following formula.

Graphic 1: ESRS-40a decision tree content

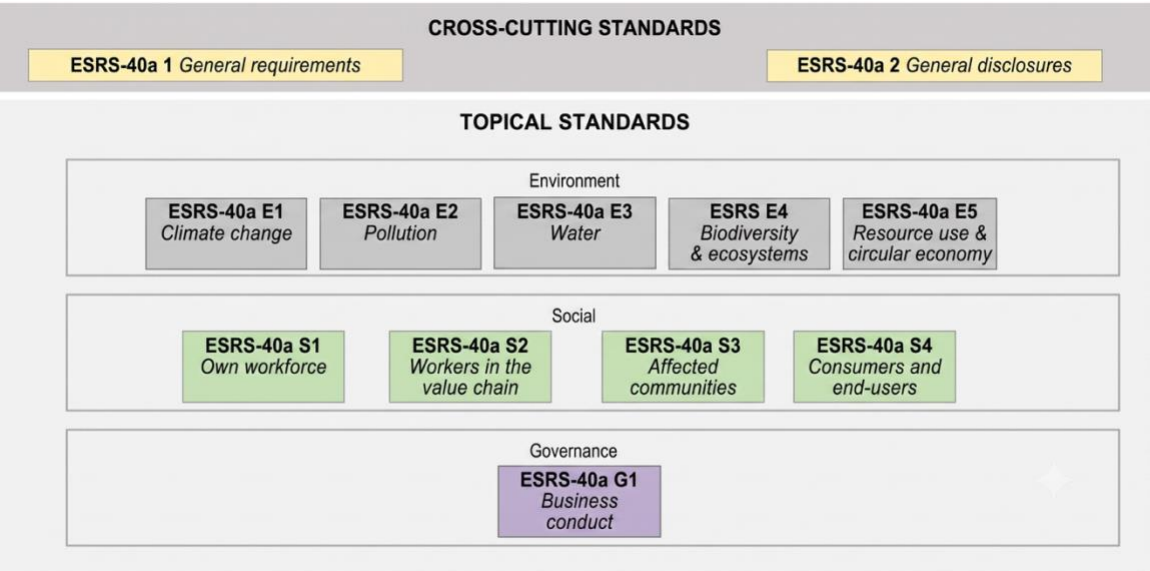
BC41. The basic principle in the development of the ESRS-40a ED was to start from the full inventory of datapoints in 2026 ESRS and remove/reformulate the datapoints as required by the CSRD.

BC42. It is worth noting that the elimination of RORD disclosures is not equivalent to the elimination of financial information from the standards. Financial information has been kept as it provides useful information about impacts and provides context to understand them.

Structure of the ESRS-40a ED

BC43. The ESRS-40a ED has the same structure as 2026 ESRS. The 12 standards are outlined below.

Graphic 2. ESRS-40a ED structure



Effective date

BC44. The provisions in the CSRD for third-country undertakings apply for financial years starting on or after 1 January 2028. First reports are to be published in 2029.

ESRS 40a sustainability report, and statements required, if applicable

BC45. The subsidiaries or branches referred to in Article 40a(1) of the Accounting Directive need to publish and make accessible their sustainability report, together with an assurance opinion. If applicable, the subsidiary or branch must publish and make accessible the statements mentioned in subparagraph 4 of Article 40a(2), respectively the statement mentioned in subparagraph 2 of Article 40a(3) of the Directive within 12 months of the balance sheet date of the financial year for which the report is drawn up, as provided for by each Member State, in accordance with Articles 14 to 28 of Directive (EU) 2017/1132 and, where relevant, in accordance with Article 36 of that Directive.

ESRS-40a 1 ED – *General Requirements*

Detailed discussion of key topics

Perimeter of disclosure and mixed approach

BC46. While the reporting boundary is the group level of the ultimate third-country parent company ('global approach'), the ED allows to limit the scope of reporting to EU-related impacts on topics other than climate change on the condition that impacts be managed accordingly ('mixed approach'). The condition is further discussed in BC52 and BC53.

BC47. Climate change is always global in the mixed approach[4]. However, the rationale for this choice is not a 'climate-first' logic. It derives from acknowledging that in many third-country jurisdictional standards based on IFRS S2 (Climate-related Disclosures) are being or are already adopted. Therefore, third-country groups are better prepared to report on climate change globally. In addition, it is aligned with the global nature of greenhouse gas emissions and their impacts.

BC48. The EC has requested EFRAG to consult on the mixed approach, and for this reason the ED has been amended to reflect such an approach. Please refer to the sections 'EFRAG SR TEG voting' and 'EFRAG SRB voting' (BC21–29 / BC30–36) above for a description of the concerns of SR TEG and SRB members with the mixed approach. While concerns were identified, the consultation seeks stakeholder feedback to test whether the safeguards included in the ED, particularly those relating to the meaningful identification of EU related impacts, faithful representation, transparency regarding the level of application, allocation methodologies, and limitations, are sufficient in practice to preserve understandability, comparability and assurance-readiness.

BC49. Based on the impacts of the undertaking, EU-related impacts must include impacts derived from:

a) customer-based impacts: impacts arising from products and services reasonably assumed to be sold or provided in the EU market; and

b) location-based impacts: impacts of undertaking's activities in the EU (unless already included in customer-based impacts).

BC50. The question of how to identify and assess customer-related component of impacts was discussed extensively. Initially, only customer-based impacts were considered, but members noted that this would be excessively narrow and fail to capture significant impacts on EU people and environment deriving from the operations of third-country groups in the EU. For this reason, the location-based component was added. It is worth noting that both components are to be captured and that the two elements do not represent options to choose from.

BC51. The ED assumes that the reporting undertaking first identifies the products and services reasonably assumed to be sold or provided in the EU market and then assesses the associated impacts once those products have been determined. Some of the EFRAG SR TEG members however would have preferred the alternative approach (i.e. that the global materiality assessment should be carried out first, and then its outcome should be filtered to isolate the EU-related impacts). Other SR TEG members noted that when starting from the global impacts, impacts of EU-subsidiaries could be deemed immaterial, when compared to the world-wide groups, while they are central in ESRS-40a reporting, together with impacts of products and services that were or can be reasonably assumed to be sold or provided in the EU market.

[4] EFRAG discussed whether ESRS-40a 2 General Disclosures should also be global if mixed approach is used and concluded that some of the Disclosure Requirements in ESRS-40a 2 should be adapted to reflect the scope of the respective topic. Adjustments have been done for the following Disclosure Requirements, while the rest of ESRS-40a 2 stays at global level: GOV 1 (AR 11), GOV 2 (AR 12), GOV 3, GOV 4, SBM 1, SBM 2 (AR 19), SBM 3 (AR 21), I-1 (AR 23), I-2 (AR 27), GDR-P (AR 34), GDR-A (AR 36), GDR-M (AR 44 to AR 47), GDR-T (AR 52)

BC52. The mixed approach is only applicable when a meaningful identification of EU-related impacts is possible and allows for a faithful representation of the undertaking's impacts. This is expected to be the case when the undertaking's operations, products, services, management structures or value chains are organised in a way that enables EU-related impacts to be distinguished from impacts arising in other jurisdictions. To support consistency in application, examples of relevant factors were included in Application Requirements, such as examples on dedicated EU business segments, EU-specific products or services, separate management of EU-related impacts, and value chains linked to products and services sold in the EU market. The conditions set out in paragraph 29 and AR 6 of ESRS-40a 1 ED were included to ensure that the mixed approach is applied only where EU-related impacts can be meaningfully identified and reported in a manner that achieves faithful representation. The reason for this conditionality is the need to secure the necessary level of quality of information in terms of relevance and faithful representation. EFRAG discussed at length whether the mixed approach option would result in relevant information, whether the inclusion of this conditionality is a key consideration for reinforcing relevance and enabling fair presentation of EU-related impacts, and how these are managed. How feasible the identification is in practice and how frequent the conditions are met to apply the mixed approach are key questions for the consultation.

BC53. In the initial discussions, the option to limit the reported impacts to EU-related only impacts were conceived at topical level. EFRAG also discussed whether for all the topics other than climate, the undertaking should have a consistent approach (e.g. global or EU-related for all the topics other than climate). However, the SRB decided to add flexibility in two levels: the option is, topic by topic, and it is available at different levels of granularity. Undertakings may disclose either all material impacts for the group, or only those related to the EU at topic, sub-topic or group of impacts level. This is justified by the fact that there may be groups of impacts that are managed globally, despite the corresponding sub-topic is managed at local level. The SRB considered the example of Pollution, whereby different approaches may be used for microplastics, which may be managed for the global operations, and other pollutants that are managed at EU-level. Transparency is sought in terms of how the undertaking has applied the mixed approach, including at which level, the methodology and parameters to estimate the reporting boundary; and whether the conditions apply as per ESRS-40a 2 ED para 4(a).

BC54. Some SR TEG members recommended introducing an overarching condition for the application of the mixed approach based on the nature of the impact. In particular, they suggested that the mixed approach should not be available for topics whose impacts are inherently global and cannot be meaningfully assigned to a specific geographical area. For example, there is evidence that some pollutants once released into the environment they can no longer be confined to a given geographic area. This option was discussed but ultimately not onboarded as it could have unduly restricted the use of the mixed approach. As explained above, ESRS-40a 1 ED paragraph 28 and AR 6 already provide safeguards by limiting the use of the mixed approach to situations where EU-related impacts can be meaningfully identified and reported in a manner that achieves faithful representation. Consequently, no additional overarching condition was considered necessary.

BC55. Important to mention, that beside the two options included in the ESRS-40a ED (global or mixed approach), third-country group in scope for Article 40a can always choose to apply the full ESRS (double materiality). If the third-country ultimate parent company applies full ESRS, the subsidiaries of that third-country group that fall under article 19(a) or 29(a) could benefit from subsidiary exemption.

Definition of impacts

BC56. The definition of impacts in ESRS-40a ED is unchanged from ESRS. Impacts include those connected with the undertaking's own operations and its upstream and downstream value chain, including through the reporting undertaking's products and services, as well as through its business relationships in its upstream and downstream value chain. This notion is also valid when applying the mixed approach.

BC57. When looking at the two components of the EU-related impacts, the 'customer-based' component should aim at capturing the impacts wherever they are located, connected to products and services that were or can be reasonably assumed to be sold or placed in the EU market, including impacts outside the EU deriving from the materials used by the reporting undertaking in the production of its products, as well as impacts outside the EU deriving from its suppliers. For example, if the third-country parent company produces in South Korea a product that is ultimately sold in the EU, and uses suppliers located in India, the impacts will include also those on people and environment in India.

BC58. When looking at the 'location-based' component, the reporting undertaking should aim at capturing the impacts wherever they are located, connected with its European Union operations. This includes impacts outside the Europe Union from upstream and downstream value chain business relationships, such as suppliers in Asia.

EU-related impacts- *customer based*

BC59. EFRAG members extensively debated the most appropriate wording to capture the customer-based impacts. Different alternatives were considered. For example, EFRAG considered impacts arising from products and services sold to EU counterparts, which would be too narrow as not capturing downstream impacts, and would allow for arbitration such as selling to a non-EU distributor while knowing that the goods or services are ultimately provided to EU-customers. For the same reason, the term 'provided in the EU market' was added next to 'sold to the EU market'.

BC60. EFRAG also debated whether reasonably assumed to be sold or provided was an appropriate terminology, from a legal certainty and feasibility point of view, and discussed what possible guidance could be provided to support the identification of such products and services, without triggering undue documentation effort. The resulting formulation reflects the willingness to avoid arbitrations and have a solid concept. The provision maintains a principles-based nature, and accordingly there are no additional application requirements on how 'reasonably assumed' should be determined.

BC61. The customer-based approach described above includes those products or services sold to EU businesses and consumers, regardless of the channel of the sale. Therefore, both brick-and-mortar sales as well as online sales made to consumers based in the EU member states are also in the ESRS-40a scope.

Transitional provisions

BC62. During the work performed in 2024-2025, the initial view was that as third-country groups have significantly more time to prepare for ESRS-40a than EU groups and undertakings, transitional provisions are not required. However, the following two scenarios were raised by SR TEG:

a) groups that reach the threshold for Article 40a reporting after 1 January 2029 need similar phasing-in provisions as those under ESRS (i.e., the value chain transitional provision and the phased-in provisions of Appendix C in ESRS 1); and

b) in the first year of reporting, the transitional provision related to comparative figures would facilitate the assurance requirements and the transitional provision related to current information provided would be useful to preparers (see also para. 124 in ESRS 1).

BC63. In the 2025 approved version (prior the Omnibus) the ESRS-40a ED had been updated to reflect this. Once work resumed after the Omnibus negotiations, transitional provisions were revisited.

BC64. The SR TEG considered the transitional provisions during its meeting of 13 May 2026 and reached general agreement that the ESRS-40a should remain aligned with the transitional provisions in ESRS as adopted by the EC on 3 July 2026. Members considered that introducing separate transition arrangements for ESRS-40a would not be justified unless required by the legislative framework.

BC65. The 2026 ESRS-40a ED for public consultation includes the same transitional provisions for third-country undertakings as in ESRS for undertakings reporting for the first time for financial years starting on or after 1 January 2027.

References to EU laws and regulations and their feasibility

BC66. ESRS include terms and concepts aligned with those in EU laws and regulations. During the development of ESRS-40a it was discussed whether the use of such terms and concepts in the preparation of ESRS-40a reporting would be appropriate outside the perimeter of their legal application.

BC67. Examples of references to EU laws and regulations in ESRS-40a (non-exhaustive list) are: use of the NACE sector classification system, energy performance certificates in EU/2024/1275 Energy Performance of Buildings Directive, list of GHGs in EU/2018/1999 Energy Union and Climate Action Regulation, reference to 1.5C in the EU/2021/1119 EU Climate Law, list of Pollutants and transfer registries in E-PRTR/IEPR, 0.1% threshold and requirements of Substances of very high concern in articles in EU/1907/2006 REACH regulation, definition of freshwater in EC/2000/60 Water Framework Directive, raw materials in Critical Raw Material Acts and the reference to NACE code of 078 in the definition of non-employees in EU/2023/137.

BC68. In developing the ED, EFRAG considered whether requiring the use of terms and concepts referenced to EU laws and regulations would impose a disproportionate effort to third-country groups. It was considered whether an option should be granted for their operations outside the EU, to adopt the terms and concepts from international references or, when those were missing, those deriving from applicable jurisdictional laws and regulations covering the same matters. EFRAG noted that the practical challenges arising from the use of terms and concepts referenced in EU laws and regulations to operations located in jurisdictions where those laws and regulations do not apply, are not different from the challenges encountered by EU groups in the scope of the CSRD in preparing their ESRS sustainability report. Such groups also have significant operations outside the EU and still they use the terms and concepts referenced in EU laws and regulations for all the operations of the group.

BC69. Despite noting that adding flexibility on the use of other terms and concepts would increase the global acceptability of the standard, in the final decision the considerations on ensuring a level playing field prevailed. EFRAG also noted that ESRS-40a ED includes the reliefs and practical expedients from ESRS, including undue cost or effort in Chapter 7.4 of ESRS-40a 1 ED.

BC70. At the same time, EFRAG added specific requirements to ensure a sufficient level of transparency regarding how EU references have been applied, including any resulting assumptions made and any limitations arising therefrom. Relevant disclosure requirements are set out in ESRS-40a 2 ED BP-1, paragraph 7. Further details are provided in BC 98-99, which elaborates on the corresponding adjustments.

BC71. References to EU laws and regulations is one of the topics to be field tested.

Interoperability and incorporation by reference

BC72. EFRAG noted that the third-country parent undertaking is likely to be subject to jurisdictional sustainability reporting standards or may already report on a voluntary basis in accordance with applicable sustainability reporting standards and frameworks. This was confirmed in early stakeholder engagement undertaken during the ED preparation. To reduce reporting burden and facilitate international acceptance, EFRAG devoted significant attention to avoiding double reporting and reducing reporting burden for companies, while not impairing understandability for users.

BC73. Jurisdictional requirements based on IFRS S1 and IFRS S2 that are mandatorily applicable to many of the groups in scope of ESRS-40a include a significant number of disclosure requirements that are in common with ESRS-40a. This is the result of the high level of interoperability existing between ESRS and IFRS S1 and IFRS S2, as illustrated in the EFRAG IFRS joint interoperability guidance[5] issued in May 2024. It also reflects the fact that while ESRS-40a focuses on impacts, to understand an entity's sustainability-related risks and opportunities, information about impacts may be material for primary users. ESRS have been modified and simplified with the adoption of ESRS by the EC on 3 July 2026, but EFRAG considers that the joint guidance of May 2024 is still a valid point of reference for the identification of the common disclosures. For topics other than climate, missing a topical ISSB Standard, producing a detailed list of common disclosures is not feasible, but the May 2024 guideline continues to be a useful point of reference also in this case at higher level. . EFRAG also notes that except for few cases, currently mandatory reporting using jurisdictional requirements based on IFRS S1 and IFRS S2 is typically limited to climate change. It is noted that for entities reporting on topics beyond climate applying reporting functionally aligned with ISSB Standards, IFRS S1 references ESRS as a source of guidance when that information meets the objectives of the ISSB Standards.

BC74. Building blocks of an ESRS-40a sustainability report (for climate disclosures) are:

(a) General disclosures in common with (jurisdictional requirements based on) IFRS S1 and IFRS S2;

(b) Climate change disclosures in common with (jurisdictional requirements based on) IFRS S2;

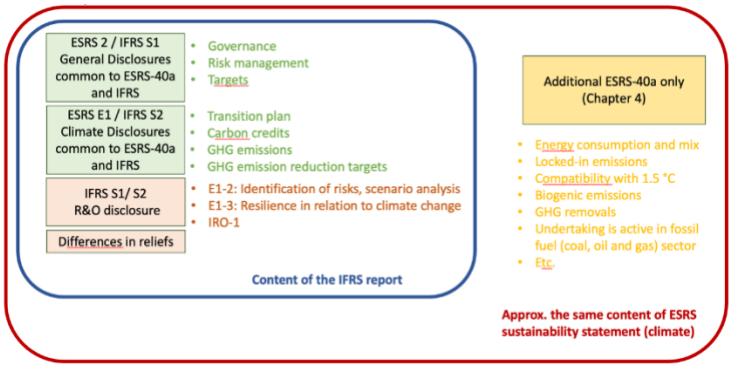
(c) Additional disclosures that are not in common with (jurisdictional requirements based on) IFRS S2;

BC75. RORD disclosures are not included in ESRS-40a, while they are needed for a sustainability report prepared in accordance with the applicable jurisdictional requirements based on IFRS S1 and IFRS S2. When putting together in the same report, the building blocks of ESRS-40a and the RORD disclosure, the outcome corresponds in substance to the content of a sustainability report prepared in accordance with ESRS (double materiality).

BC76. There are also some remaining differences in the reliefs of ESRS-40a which extend beyond those in the ISSB Standards. If the reporting undertaking intends to comply with both the sets of standards in one report, or to incorporate by reference from its sustainability report prepared in accordance with the applicable jurisdictional requirements based on IFRS S1 and IFRS S2, it cannot use the additional reliefs in ESRS-40a.

BC77. The following picture provides a graphical illustration of the building blocks.

Graphic 3: Building blocks



[5] ESRS–ISSB Standards Interoperability Guidance. Please also note that the interoperability guide was jointly published by EFRAG and the IFRS Foundation and is based on ESRS as issued by the European Commission in July 2023. In addition it is technically focused on the climate requirements of the two standards with some aspects of the respective general requirements.

BC78. To ease reporting and avoid double-reporting, the ED allows incorporation by reference, using provisions aligned with ESRS, where clear requirements are set for when Incorporation by reference is acceptable. This is needed in order to achieve a meaningful and auditable information (language, same assurance level, etc.). The ISSB Standards focuses on risks and opportunity information that is material to primary users of general-purposes financial reports, while ESRS-40a focuses on impacts and has a broader definition of users. For this reason, attention should be paid to how the reports are structured to enable understandability when complying with the two different sets of standards.

BC79. EFRAG discussed whether additional flexibility should be granted in ESRS-40a compared to ESRS, in consideration of the importance of efficient reporting, as well as of the significant share of disclosures in common (EFRAG Secretariat estimates that up to half of the disclosures are common in case of climate). It was noted that, among the entities included within the scope of ESRS-40a (multi-national undertaking with non-EU parents), many would be likely to already prepare group sustainability reporting using jurisdictionally mandated standards that are functionally-aligned with ISSB Standards. Given this population, the efficiency of reporting and need for efforts to reduce duplicative efforts is an important consideration. Despite being contrary to level playing field, EFRAG has factored such flexibility in ESRS-40a 1 ED, paragraph 124, where it is explicitly allowed to incorporate by reference a substantial share of the disclosures. In order to counterbalance the risk of potential loss of understandability, a new requirement has been added in ESRS-40a 1 ED paragraph 125, with a content table to be included in the ESRS-40a sustainability report, as well as with the identification directly in the source document, of the disclosures that are incorporated by reference.

BC80. This issue and whether the requirements are sufficient and feasible will form a question in the public consultation, and in the field test given the fact that the sustainability reports by third-country group undertakings are also subject to assurance and must be auditable.

BC81. EFRAG discussed whether incorporation by reference should also be made available to sustainability reports prepared on a voluntary basis. As this possibility is not granted to EU groups when they prepare ESRS reports, EFRAG concluded that this should not be possible.

BC82. Incorporation by reference is one but not the only one possible approach to reporting in compliance with the jurisdictional standards based on ISSB Standards and with ESRS-40a/CSRD. Alternatives are:

(a) the preparation of a single report that is compliant at the same time with ESRS-40a and with (jurisdictional standards based on) IFRS S1 and IFRS S2;

(b) the preparation of an ESRS (double materiality) sustainability report that is compliant at the same time with ESRS and with (jurisdictional standards based on) IFRS S1 and IFRS S2.

BC83. Both alternatives are possible, provided that:

(a) the undertaking considers some specific points of attention, i.e. the differences that exist in some similar but not identical disclosures. In the joint interoperability guide of May 2024 these points of attention were illustrated in chapters 3 and 4. Due to the changes introduced in ESRS by the simplification in 2025, the content of these two chapters need to be updated;

(b) the presentation of the disclosures in the report allows the presentation requirements of the two sets of standards to be met. This means, allowing a clear identification of the information that meets the requirements in the two respective sets of standards. Given the large amount of information reported that meets disclosure requirements common to both sets, this means clearly identifying:

i. the common disclosures and

ii. of the disclosures that are not common and meets the disclosure requirements of the respective standards (see paragraph 62 of IFRS S1 and paragraphs 110 and 112 of ESRS-40a 1 ED).

BC84. It is worth noting that in determining the approach to comply with both sets of standards, undertakings may consider the consequences in terms of location when preparing a single report or an ESRS report.

BC85. In particular, ESRS-40a ED is 'location agnostic', meaning that in line with the provisions of level 1 (CSRD), it does not prescribe that the ESRS-40a sustainability report is located in the annual report or in a separate section of the management report. On the contrary, a different location may be triggered by a single report or an ESRS report, as it will be subject to the same location and publication regime of the report issued in compliance with the (jurisdictional standards based on) IFRS S1 and IFRS S2.

BC86. Another factor to be considered relates to the subsidiary exemption, as per the CSRD, when the third-country parent undertaking prepares an ESRS sustainability report at group level, the subsidiaries in scope of article 19 (a) and 29 (a) of the Accounting Directive as modified by the CSRD and by the Omnibus I directive are exempted from their own CSRD obligations.

BC87. The ED does not include guidance on how to implement the two alternatives above, as they do not pertain to standard setting strictly speaking, i.e. they are not regulated by the content of the standards. However, EFRAG intends to collect feedback on the way companies are planning to approach complying with the jurisdictional standards based on the ISSB Standards and ESRS-40a, while minimising or avoiding double reporting, as well as feedback on aspects of the ED that are relevant to this exercise in the field test.

Fair presentation and users' information needs

BC88. EFRAG discussed whether the concept of fair presentation could apply in the context of ESRS-40a, given that these standards focus on impacts and do not include RORD.

BC89. It was ultimately concluded that, by analogy with the standards issued by the ISSB – where the concept of fair presentation exists in a system focused on risks and opportunities – the principle can also be applied within an impact-only framework. The reasoning was that fair presentation is a broader qualitative objective linked to completeness, neutrality and accuracy, and is not inherently limited to risks and opportunities. Therefore, EFRAG concluded that the notion of fair presentation can be transposed to impact-focused reporting, provided that (i) the underlying qualitative characteristics are appropriately articulated and applied, (ii) entity-specific information supplements the standardised disclosure, and (iii) the filter of information materiality applies. The objective of the sustainability report, taken as whole, is to present fairly all the undertaking's material impacts and how it manages them.

BC90. EFRAG debated at length the quality of the information resulting from the application of the mixed approach, as well as whether such information could meet the necessary qualitative characteristics and allow for a fair presentation of the impacts and how they are managed. EFRAG concluded that, with the conditionality clause that allows the information reported to be limited to EU-related impacts only when the reporting undertaking manages impacts in a way that enables reliable identification of such EU-related impacts, the information should be able to achieve the necessary quality to provide fair presentation.

BC91. EFRAG also debated whether, when adopting a mixed approach, a report prepared on a global basis for climate and with a reporting boundary limited to EU-related impacts for one or more topics would be understandable and therefore allow for a fair presentation of the impacts and how they are managed. Consistent with the argument illustrated above, the critical element in a fair presentation system is a clear identification of the reporting objective (i.e. global impacts for climate and EU-related impacts only for the topics for which the option is exercised). EFRAG concluded that a fair presentation is also possible in this case.

Definition of users

BC92. EFRAG considered the role of transparency in the objectives of ESRS-40a reporting and debated whether the definition of users, which also includes primary users of general-purpose financial reports, should be amended to include only users other than such primary users, reflecting reporting limited to impacts.

BC93. EFRAG noted that investors continue to have an interest in information on an undertaking's impacts and that removing this information would make the distinction between different user groups less clear.

BC94. In the absence of any contrary indication in the CSRD, EFRAG decided to maintain primary users of general-purpose financial reports in the definition of users, which remains unchanged from ESRS. EFRAG also considered that this approach will support interoperability with jurisdictional standards based on IFRS S1 and S2, as well as with GRI, given that when reporting on common general disclosures (e.g. strategy or governance) the target audience will be compatible with the one in those jurisdictional standards.

Value chain cap

BC95. The value chain cap is not applicable to undertakings reporting under ESRS-40a; accordingly, the respective provision of 2026 ESRS 1 has accordingly been eliminated from ESRS-40a 1 (see 2026 ESRS 1 paragraph 66).

Objective of ESRS-40a 2 ED

BC96. The objective of ESRS-40a 2 ED *General Disclosures* is to cover sustainability disclosure requirements that apply across sustainability topics (i.e. cross-cutting). The objective is to avoid the need to address these requirements multiple times under topical sections and to foster a comprehensive understanding of sustainability-related cross-cutting information. This approach is aligned with the comprehensive list of matters that are to be covered and follows the structure of 2026 ESRS.

BC97. The table below provides a high-level comparison between 2026 ESRS 2 and ESRS-40a 2 ED *General Disclosures*, highlighting key changes and areas where the requirements remain substantially unchanged.

Table 2. Comparison of 2026 ESRS 2 and ESRS-40a 2 ED General Disclosures

ESRS 2 – General Disclosures	ESRS-40a 2 ED 2 – General Disclosures
Across ESRS 2	References related to disclosure of RORD, have been eliminated.
Application of the mixed approach	SBM-1, GOV-3 and GOV-4 always reported on a global basis. GOV-1, GOV-2, SBM-2, SBM-3, I-1, I-2, GDR-P, GDR-A, GDR-T, and GDR-M may be limited to EU-related impacts.
Basis for preparation	
Describing the reporting scope (BP-1) (adjusted concept compared to ESRS to address ESRS-40a ED specificities from Level 1 legislation)	Adjusted to require the undertaking to clearly state whether the report follows the global or the mixed approach, and – if the mixed approach is used – how the EU-related impacts were determined.
Application of EU laws and regulations (applicable to multiple topical ESRS and ESRS 2) (new concept compared to ESRS to address ESRS-40a ED specificities from Level 1 legislation)	If EU terms/concepts are applied outside the scope of EU laws and regulations using estimates and approximations, the undertaking is required to identify the relevant disclosures, describe the approach, and outline the resulting limitations and where they appear. This transparency was added in consideration of the possible application challenges and the use of reliefs.
Ultimate parent undertaking not providing all necessary information (new concept compared to ESRS to	In such cases, the subsidiary or branch shall clearly state it (BP-2). This provision reflects a provision in the CSRD, which acknowledges that the entity obliged to publish the report is not the same as the third-country parent

ESRS 2 – General Disclosures	ESRS-40a 2 ED 2 – General Disclosures
address ESRS-40a ED specificities from Level 1 legislation)	undertaking and that there may be cases where it does not provide all the necessary information.
Assurance opinion (new concept compared to ESRS to address ESRS-40a specificities from Level 1 legislation)	In such cases, the subsidiary undertaking or branch shall clearly state that the sustainability report is not accompanied by an assurance opinion. This provision reflects a provision in the CSRD.
Governance	
Role of AMSB (GOV-1) and Incentive schemes (GOV-2)	Specific ARs added to support preparers in case they are applying the mixed approach, focusing on EU-related impacts for the topics, sub-topics, or group of impacts[6].
Strategy and Business model	
Interests and views of stakeholders (SBM-2) and Interaction of material impacts with strategy and business model (SBM-3)	Specific ARs added in SBM-2 and SBM-3 to support preparers in case they are applying the mixed approach, focusing on EU-related impacts for the topics, sub-topics, or group of impacts[6].
Impact, risk and opportunity management	
Description of the process to identify and assess material impacts, risks and opportunities, and material information to be reported (IRO-1) Material impacts, risks and opportunities, and disclosure requirements included in the sustainability report (IRO-2)	Focus in ESRS-40a ED is limited to impacts (change from IRO-1 and IRO-2 to I-1 and I-2). Specific ARs added in I-1 and I-2 to support preparers in case they are applying the mixed approach, focusing on EU-related impacts for the topics, sub-topics, or group of impacts[6].
Policies, Actions, Targets, and Metrics	
Policies (GDR-P), Actions (GDR-A) and Targets (GDR-T)	Same reporting principle as in 2026 ESRS: undertakings 'disclose what they have'. Specific ARs added in GDR-P, GDR-A and GDR-T to support preparers in case they are applying the mixed approach, focusing on EU-related impacts for the topics, sub-topics, or group of impacts[6].
Metrics (GDR-M)	Specific AR added in GDR-M to support preparers in case they are applying the mixed approach, focusing on EU-related impacts for the topics, sub-topics, or group of impacts[6]. If the mixed approach is applied, contextual information shall also specify that the metric only covers EU-related impacts, and the metric estimation for EU-related impacts shall be based using an allocation key that supports a faithful representation of the EU-related impacts.

[6] This is needed in order to support understandability and consistency between general disclosure and topical disclosure when the mixed approach is used.

Detailed information on the main amendments compared to ESRS for ESRS-40a ED

Basis for preparation

BP-1 – *Basis for preparation of the ESRS-40a sustainability report*

BC98. In line with the introduction of the mixed approach and to ensure sufficient transparency regarding the basis for preparation, the SRB adjusted the content of BP-1. In particular, where the undertaking applies the mixed approach, it shall additionally explain: (i) how it concluded that the option to limit the scope of the reported information is applicable, in accordance with the criteria set out in paragraph 29 of ESRS-40a 1 ED; (ii) how it determined which impacts are considered 'EU-related' (e.g. methodology); and (iii) whether the option has been applied at the level of topics, sub-topics, or groups of impacts.

BC99. As noted in BC68, the SRB and SR TEG retained the use of EU regulatory references in the ED. At the same time, ESRS-40a apply to third-country parent undertakings, including in respect of operations falling outside the scope of EU laws and regulations. In such cases, the application of terms and concepts derived from EU regulatory frameworks may necessitate the use of approximations or estimations.

BC100. The SRB therefore concluded that undertakings should ensure a sufficient level of transparency regarding how those EU references have been applied in such circumstances. Accordingly, ESRS-40a 2 BP-1, paragraph 7 requires undertakings to disclose relevant information where such approximations or estimations arise.

BP-2 – *Specific information if the undertaking uses phasing-in options and other specific circumstances*

BC101. The content of BP-2 was not amended compared to ESRS; however, the SRB added two disclosure requirements in paragraphs 12 and 13 that embed Level 1 specifications regarding ESRS-40a ED.

BC102. Paragraph 12 in the ED addresses situations where the ultimate parent undertaking does not provide all the required information for the subsidiary undertaking or branch to prepare the ESRS-40a sustainability report. Article 40a(2) refers to such events, in which the third-country undertaking does not provide all the required information, and specifies, in such cases, the subsidiary undertaking or branch shall clearly state this fact when publishing and making the ESRS-40a sustainability report available.

BC103. Paragraph 13 in the ED further requires the subsidiary undertaking or branch to clearly state when, and only when, the ESRS-40a sustainability report is not accompanied by an assurance opinion. While Article 40a(3) of the Accounting Directive requires the ESRS-40a sustainability report to be accompanied by an assurance opinion, where no such opinion is provided, the absence of the assurance opinion shall be clearly stated by the subsidiary undertaking or branch.

Governance

GOV-1 – *The role of the administrative, management and supervisory bodies in relation to sustainability*

BC104. The SRB did not amend the requirements in GOV-1. This Disclosure Requirement is designed to facilitate a description of the formal role and composition of the governance bodies (generic term to cover all undertakings' status). Such information is needed to demonstrate how much attention the governance bodies devote to sustainability matters.

BC105. Although the SRB and some SR TEG members expressed reservations about the feasibility of the mixed approach for governance disclosures, the SRB agreed to include an additional application requirement (AR) to support preparers in cases they are exercising the mixed approach option and include a question on this matter in the public consultation.

GOV-2 – *Integration of sustainability-related performance in incentive schemes*

BC106. The SRB did not amend the requirements in GOV-2, as the disclosure of a link between incentive schemes and the implementation of the undertaking's sustainability strategy and targets is generally considered a key feature demonstrating the undertaking's efforts to ensure that sustainability matters receive appropriate attention from individual members of the governance bodies.

BC107. Although the SRB and some SR TEG members expressed reservations about the feasibility of the mixed approach for governance disclosures, the SRB agreed to include an additional AR to support preparers in cases which they are exercising the mixed-approach option and include a question on this matter in the public consultation.

GOV-3 – *Statement on due diligence*

BC108. GOV-3 remains unchanged compared to ESRS, as due diligence is generally recognised as a pivotal concept in relation to adverse impacts, as requested in the CSRD.

GOV-4 – *Risk management and internal controls over sustainability reporting*

BC109. GOV-4 remains unchanged compared to ESRS. The SRB acknowledged that information about an undertaking's internal control processes improves the credibility and reliability of sustainability reporting.

BC110. It is important to note that this DR focuses exclusively on the risks arising from the sustainability reporting process and is not intended to cover other risks to which the undertaking is exposed.

Strategy and Business model

SBM-1 – *Strategy, business model and value chain*

BC111. SBM-1 remains unchanged compared to ESRS and is reported on a global level. The only adjustments made concern the deletion of references to risks and opportunities.

SBM-2 – *Interests and views of stakeholders*

BC112. While the SRB did not amend the requirements in SBM-2, it nevertheless included an additional AR to support preparers in cases which they are exercising the mixed-approach option. This AR specifies that the disclosures on stakeholder engagement shall enable an understanding of the aspects of the DR that relate to material EU-related impacts.

SBM-3 – *Interaction of material impacts with strategy and business model*

BC113. The SRB considered this DR essential and, at the same time, agreed to delete requirements linked to disclosing on RORD. These are: (i) the effects of sustainability risks and opportunities on the undertaking's business model and value chain; (ii) the current and anticipated financial effects of material sustainability risks and opportunities; and (iii) qualitative information on the resilience of its strategy and business model with regard to material sustainability risks.

BC114. In addition, to support preparers, the SRB introduced an AR for cases which they apply the mixed approach. This AR mirrors the one added in SBM-2 and specifies that disclosures on the interactions between the undertaking's material impacts and its strategy and business model shall enable an understanding of those aspects of the DR that relate to material EU-related impacts.

Impact management

I-1 – *Description of the process to identify and assess material impacts and material information to be reported*

BC115. The SRB deleted requirements linked to disclosing on RORD. At the same time, it retained references to the risk management process and to how the undertaking considered areas of heightened risks of negative impacts related to specific activities. These references are not strictly linked to disclosing on RORD; rather, they support a clearer understanding of the undertaking's material impacts.

BC116. In addition, to support preparers in cases which they are applying the mixed approach, the SRB introduced an AR specifying that disclosures on the description of the process and decision-making steps for identifying material impacts shall enable an understanding of those aspects of the DR that relate to material EU-related impacts.

I-2 – *Material impacts and disclosure requirements included in the ESRS-40a sustainability report*

BC117. The SRB deleted requirements linked to disclosing on RORD and, at the same time, retained the disclosure of the undertaking's exposure to heightened risk of incidents related to forced or compulsory labour and child labour by type of operations, or by countries or geographies. This was retained because it supports the information needs of financial market participants subject to the SFDR, particularly in relation to principal adverse impacts.

BC118. In addition, to support preparers in cases which they are applying the mixed approach, the SRB introduced an AR specifying that disclosures on the description of actual and potential, positive and negative material impacts shall enable an understanding of those aspects of the DR that relate to material EU-related impacts.

Policies, Actions, Targets

BC119. The SRB considered that Policies, Actions and Targets follow the same reporting principle as in ESRS. Undertakings shall 'disclose what they have' and clearly state whether they do not have policies, actions or targets with reference to a topic related to material impacts.

BC120. In the ED, the SRB retained these disclosures while removing any reference to disclosing on RORD. Disclosures on financial resources that have been or are expected to be allocated to the implementation of key actions were nevertheless retained, as they support an understanding of the undertaking's efforts in managing material impacts.

BC121. In cases which preparers apply the mixed approach, the SRB introduced ARs specifying that disclosures under GDR-P, GDR-A and GDR-T shall focus on the respective policies adopted, actions implemented and targets set to manage material EU-related impacts.

GDR-M – *General Disclosure Requirement for metrics*

BC122. The SRB retained disclosures related to metrics required by topical standards, as well as metrics defined on an entity-specific basis, while removing any reference to disclosing on RORD.

BC123. In cases which preparers apply the mixed approach, the SRB introduced the following ARs to ensure transparency on how metrics disclosed under topical ESRS-40a ED or on an entity-specific basis are prepared:

(a) an AR specifying that information disclosed for the respective metric shall also cover the estimation of the metric for EU-related impacts. This shall be specified when the undertaking provides contextual information;

(b) an AR specifying that the calculation of metrics under GDR-M shall reflect only EU-related impacts;

(c) an AR on the estimation of the respective metric, specifying that the undertaking shall use an allocation key that best supports the faithful representation of EU-related impacts; and

(d) an AR setting out factors that the undertaking may consider when selecting an appropriate allocation key to faithfully represent EU-related impacts, including the nature of the impact and the geographical in which it arises.

ESRS-40a ED Environmental topical standards

Objective of ESRS-40a E1–E5 ED

BC124. The objective of ESRS-40a ED – ESRS-40a E1–E5 ED is to cover sustainability disclosure requirements, including metrics, regarding climate change, pollution, water, biodiversity and ecosystems, and resource use and circular economy. These disclosures are aligned with ESRS, except for the changes described in this section, and take into account the CSRD provisions and the requirements of related EU legislation and regulation (i.e. the EU Climate Law, Regulation (EU) 2019/2088 (SFDR), Commission Delegated Regulation (EU) 2020/1818 (Climate Benchmark Regulation), and the EBA Pillar 3 ESG risk disclosure requirements).

BC125. The table below provides a high-level comparison between 2026 ESRS E1–E5 and ESRS-40a E1–E5 ED, highlighting both key changes and areas where the requirements remain substantively unchanged, as discussed and approved by the EFRAG SRB and SR TEG.

Table 3. Comparison of 2026 ESRS E1–E5 and ESRS-40a E1–E5 ED

2026 ESRS E1–E5	**ESRS-40a E1–E5 ED**
ESRS E1 – Climate change	
Objective and interaction with other ESRS	Exclusion of references directly related to disclosing on RORD, namely risks (including transition risks and physical climate risks), opportunities and hazards.
E1-1 – Transition plan for climate change mitigation	Removal of reference to transition risks, considered not strictly necessary for an understanding of impacts.
E1-2 – Identification of climate-related risks and scenario analysis	Deleted entirely as linked to disclosing on RORD.
E1-3 – Resilience in relation to climate change	Deleted entirely as related specifically to disclosing on RORD.
E1-4 – Policies related to climate change mitigation and adaptation	Addition of AR 6 – clarifying the relationship between scenario analysis, policies and material impacts.
E1-5 – Actions and resources related to climate change mitigation and adaptation	No significant changes.
E1-6 – Targets related to climate change	No significant changes.
E1-7 – Energy consumption and mix	No significant changes.
E1-8 – Gross scope 1, 2, 3 GHG emissions	No significant changes.

2026 ESRS E1–E5	**ESRS-40a E1–E5 ED**
E1-9 – GHG removals and GHG mitigation projects financed through carbon credits	Removal of reference to risks associated with GHG removals and storage.
E1-10 – Internal carbon pricing	No significant changes.
E1-11 – Anticipated financial effects from material physical and transition risks and potential climate-related opportunities	Deleted entirely as related specifically to disclosing on RORD.
ESRS E2 – *Pollution*	
Objective and interaction with other ESRS	Removal of references to RORD.
E2-1 – Policies related to pollution	No significant changes.
E2-2 – Actions and resources related to pollution	No significant changes.
E2-3 – Targets related to pollution	No significant changes.
E2-4 – Pollution of air, water and soil	Inclusion of AR 4 – which clarifies the scope of reporting against paragraph 16 (on primary microplastics) when exercising the mixed approach.
E2-5 – Substances of concern and substances of very high concern	Inclusion of AR 9 and AR 10 – which clarify the scope of reporting against paragraphs 18 and 20 (on total weight of SoC and SVHC, and on SVHC) when exercising the mixed approach.
ESRS E3 – *Water*	
Objective and interaction with other ESRS	Removal of reference to risks (including acute and chronic physical risks), opportunities and other terminology associated with disclosing on RORD.
E3-1 – Policies related to water	Amendments to AR 1, reformulating the scope of reporting on areas with water stress, replacing references to physical water-related risks with water-related impacts.
E3-2 – Actions and resources related to water	No significant changes.
E3-3 – Targets related to water	No significant changes.
E3-4 – Water metrics	No significant changes.
ESRS E4 – *Biodiversity and ecosystems*	
Objective and interaction with other ESRS	Removal of reference to risks, opportunities and other terminology associated with disclosing on RORD.
E4-1 – Biodiversity and ecosystems transition plan	No significant changes
E4-2 – Policies related to biodiversity and ecosystems	Removal of reference to risks, opportunities and other terminology associated with disclosing on RORD.
E4-3 – Actions and resources related to biodiversity and ecosystems	No significant changes
E4-4 – Targets related to biodiversity and ecosystems	No significant changes
E4-5 – Metrics related to biodiversity and ecosystems change	Removal of reference to risks, opportunities and other terminology associated with disclosing on RORD.
ESRS E5 – *Resource use and circular economy*	
Objective and interaction with other ESRS	Removal of reference to risks, opportunities and other terminology associated with disclosing on RORD.
E5-1 – Policies related to resource use and circular economy	No significant changes.
E5-2 – Actions and resources related to resource use and circular economy	No significant changes.

2026 ESRS E1–E5	ESRS-40a E1–E5 ED
E5-3 – Targets related to resource use and circular economy	No significant changes.
E5-4 – Resource inflows	Removal of reference to risks, opportunities and other terminology associated with with disclosing on RORD.
E5-5 – Resource outflows	Removal of reference to risks, opportunities and other terminology associated with disclosing on RORD.

Detailed information on the main amendments compared to 2026 ESRS for ESRS-40a ED

Impacts only

BC126. EFRAG removed from ESRS-40a E1–E5 ED the disclosures, application requirements and definitions associated with disclosing on RORD, including references to risks, opportunities, resilience and anticipated financial effects. Where the underlying concept remained relevant for an understanding of impacts, the wording was reformulated to avoid ambiguity. The word 'risk' was preserved where used in a generic, non-financial sense, such as 'extinction risk' in ESRS-40a E4 ED.

Mixed approach

BC127. The mixed approach is not available for ESRS-40a E1 ED (see BC45-BC46), given the global nature of greenhouse gas emissions and their impacts. For ESRS-40a E3, E4, E5 ED and the majority of ESRS-40a E2 ED, it operates through the generic rule in ESRS-40a 1 ED, paragraph 28 and the allocation guidance in ESRS-40a 2 ED GDR-M. For substances of concern, substances of very high concern and primary microplastics in ESRS-40a E2 ED, topic-specific ARs define the boundary of EU-related impacts by reference to existing EU chemicals and microplastics regulations.

Allocation and local-context impacts

BC128. The principle-based allocation in ESRS-40a 2 ED GDR-M directs preparers to select the allocation key that best supports faithful representation, considering the nature of the impact and the geography in which it arises. The application of this principle to impacts whose materiality is anchored in a local context will be tested in the field test and the public consultation.

ESRS-40a E1 ED *Climate Change*

BC129. ESRS-40a E1 ED is applied on a global scope and therefore the option to limit the impacts to the EU-related ones is not available. This approach also supports efficient reporting outcomes with IFRS S2.

BC130. EFRAG excluded the following DRs in their entirety from the ESRS-40a E1 ED, because under ESRS they are mainly linked to disclosing on material risks and opportunities which are to be excluded from the standards (see BC3 and BC5):

(a) E1-2 – Identification of climate-related risks and scenario analysis

(b) E1-3 – Resilience in relation to climate change

(c) E1-11 – Anticipated financial effects from material physical and transition risks and potential climate-related opportunities

However, nothing prevents undertakings from using scenario analysis or resilience assessment for forward-looking impact assessment or for planning impact-related actions.

BC131. The Objective section, paragraph 7 was reformulated to refer to the impacts of the undertaking's transition to a low-carbon economy. Paragraph 8 was retained and reformulated in impact terms, covering the undertaking's adjustment to actual and expected consequences of climate change and the potential negative impacts arising from adaptation and maladaptation.

BC132. EFRAG included an AR (AR 6) in ESRS-40a E1-4 ED, clarifying that scenario analysis can inform climate policies and the assessment of material impacts over time, whilst simultaneously resolving the exclusion of ESRS-40a E1-2 ED without reintroducing provisions related to disclosing on RORD.

BC133. The reference to 'technical risks' in ESRS-40a E1-9 ED, paragraph 27(c) could narrow the scope of disclosure of 'leakage risk'. As such, it was decided to include the concept of 'uncertainties related to non-permanence'.

BC134. ESRS-40a E1-10 ED was retained, on the basis that internal carbon pricing is also used by undertakings to manage their climate-related impacts. The reference in paragraph 31(a) (formerly paragraph 37(a)) to the consistency of internal carbon prices with prices used in financial impairment tests was removed, as that connection is grounded in disclosing on RORD.

ESRS-40a E2 ED *Pollution*

BC135. EFRAG included three ARs to clarify the scope of reporting in ESRS-40a E2 ED for preparers applying the mixed approach, in line with the generic rule in ESRS-40a 1 ED, paragraph 28:

(a) AR 4 for paragraph 16 – primary microplastics;

(b) AR 9 for paragraph 18 – total weight of SoC and SVHC;

(c) AR 10 for paragraph 20 – SVHC.

BC136. EFRAG decided to retain the legal reference to 'Article 33 of Regulation (EC) No 1907/2006 (REACH)' in paragraph 20: it supports technical interpretation and the 0.1% threshold for substances of very high concern in articles is established by reference to REACH. This decision reflected the ideas proposed in BC65-BC70 and was considered helpful for preparers.

ESRS-40a E3 ED *Water*

BC137. EFRAG reformulated the reference from 'physical risks' to 'physical impacts' in paragraph 9, to clarify the impact materiality approach of ESRS-40a E3 ED.

BC138. EFRAG reformulated 'AR 1 for paras. 11, 13, 14 and 16(b) (on Water stress)', removing all references to risks and replacing them with references to impacts, to be consistent with the ESRS-40a ED's impact materiality approach.

ESRS-40a E4 ED *Biodiversity and* Ecosystems

BC139. EFRAG amended the wording of AR 4 for para.12 (biodiversity and ecosystems scenario analysis)', excluding the reference to 'risks and opportunities' and replacing it with 'impacts' to be consistent with the ESRS-40a ED's impact materiality approach.

BC140. The defined-term formatting applied to 'extinction risk' was removed, as it inadvertently linked the term to the glossary definition of 'risk'.

ESRS-40a ED Social topical standards

BC141. The key changes in ESRS-40a ED for the social standards mirror the general principles applied throughout this standard, namely the focus on impact reporting and the inclusion of clarifications and guidance for the implementation of the mixed approach. Therefore, the EFRAG Secretariat has developed an EU impacts definition for the four affected stakeholder groups at topical level, with the objective of providing clarity for how to determine the scope of EU impacts related to products and services that were or can be reasonably assumed to be sold or provided in the EU. The definition of 'own workforce' under the mixed approach is accompanied by an AR aimed at supporting undertakings in scoping the employees to include.

BC142. In addition, the EFRAG Secretariat assessed the key definitions in ESRS-40a S1 ED to ensure that these were aligned with international definitions (e.g. ILO conventions) and could be implemented by third-country undertakings with operations within and outside the EU.

BC143. A significant minority of SR TEG members had strong doubts about allowing the mixed approach for social standards, in particular S1 *Own Workforce*. Those concerns ranged from doubts about the usefulness of the resulting reports to concerns about misalignment with the global applicability of international human rights conventions to which the CSRD refers. These members would have preferred to make S1 global by default, or at least to require global reporting about human rights violations. A counter-argument against making S1 global was that, unlike for climate, there was no widely accepted global standard for reporting about own workers.

BC144. There were also more technical concerns raised by SRB and SR TEG members about the complexity of the mixed approach, in particular the difficulty of assigning operations and impacts to products and services sold in the EU. For example, what part of the total number of workplace fatalities in a factory that produces for the EU and other markets can be seen as EU-related? This ultimately contributed to EFRAG's decision to make application of the mixed approach contingent on whether undertakings are internally organised in a way that allows them to attribute products or services to EU impacts (see ESRS-40a 1 ED, paragraph 29 ESRS-40a ED). It also led EFRAG to add an AR to S1 stating that undertakings must normally, unless they have another reliable allocation basis, include in their mixed approach reporting all employees and non-employees who work in a workplace that makes products or services that were or are reasonably assumed to be sold or provided in the EU market.

BC145. The SRB and SR TEG also discussed whether it would be feasible and useful to require undertakings that opt for the mixed approach to disaggregate some of the quantitative metrics in S1 *Own Workforce* by EU and non-EU workforce, such as S1-6 (Characteristics of non-employees), S1-12 (Training and skills development metrics), S1-13 (Health and safety metrics), S1-15 (Remuneration metrics: gender pay gap). There were diverging opinions and ultimately it was decided not to add such requirements but to include a question in the public consultation survey.

Table 4. Comparison of Simplified ESRS S1–S4 and ESRS-40a S1–S4 ED

Location	**Changes in ESRS-40a S1–S4**
S1 to S4	All references to 'risks', 'opportunities' and 'dependencies' were deleted.
S1–S4, 'Objectives' sections	New paragraph inserted into the 'Objective' section of each Social standard to define the scope of the relevant stakeholder group if the undertaking chooses mixed approach.
ESRS-40a S1 – *Own workforce*	
S1, 'Objectives' section AR 1	New AR inserted to provide an alternative allocation method to determine whether employees and non-employees of the undertaking's own operations are

Location	Changes in ESRS-40a S1–S4
	connected to EU-related impacts, should the undertaking not have its own method. Clarification about the concept 'involved in the production of products and services'. This concept extends beyond the production chains of the undertaking and also covers supporting functions.
S1, 'Objectives' section AR 2	New AR inserted to make it clear that FTE does not refer to the proportion of an employee's time allocated to producing goods or services for the EU market.
S1-8 AR 20	Gender diversity in top management: Inserted an AR that clarifies which management level is relevant if the undertaking chooses mixed approach.
S1-15 AR 39	Total annual remuneration ratio: Inserted an AR that clarifies how to identify 'highest-paid individual' if the undertaking chooses mixed approach.

ESRS-40a ED Governance topical standards

BC146. The content of G1 *Business Conduct* remains unchanged compared to ESRS. The SR TEG and SRB discussions on the application of the mixed approach were particularly oriented towards the metrics G1-4, G1-5 and G1-6.

BC147. G1-4 requires information on the outcomes of investigations or cases against the undertaking regarding the violation of anti-corruption and anti-bribery laws or regulation. This allows stakeholders to hold management accountable for these incidents. The aim is that this transparency will encourage continuous improvement of prevention and detection mechanisms and contribute to avoiding the repetition of such incidents.

BC148. G1-5 covers the undertaking's activities and commitments related to exerting its political influence, including its lobbying activities. Undertakings and their representatives have an interest in the political landscape that shapes the business environment in the form of taxes, incentives, rules and regulations. This may create potential for undue influence, especially through constant interaction, exchange of personnel and financial contributions. This means that undertakings should provide information to stakeholders that allow them to understand the risk that these relationships and interactions may create.

BC149. G1-6 requires information about payment practices as part of the management of suppliers' relationships. The background for this is that late payments have destructive consequences on value chains, and improved transparency in this area may help undertakings to detect unfair payment practices and negotiate fairer payment terms.

BC150. Some SRB and SR TEG members questioned the feasibility of the mixed approach for these governance disclosures as it be more likely that these matters are managed on a global scale and acknowledged the technical difficulty of linking impact of business conduct matters directly to product and services sold in the EU. Ultimately, it was decided to opt for a principle-based approach complemented with some guidance in application requirements and ask a question on this in the public consultation.

BC151. The table below provides a high-level comparison between the 2026 ESRS G1 and the ESRS-40a G1, highlighting both key changes and areas where the requirements remain substantively unchanged as discussed and approved at the EFRAG SR TEG and SRB.

Table 5. Comparison of 2026 ESRS and ESRS-40a G1 ED

2026 ESRS	**ESRS-40a G1 ED**
G1-1, G1-2, G1-3 – Policies, Actions and Targets related to Business Conduct	Same as ESRS
G1-4 – Metrics related to corruption or bribery G1-5 Metrics related to political influence, including lobbying G1-6 Metrics related to payment practices	Disclosure requirements are the same as ESRS + Specific ARs added to support preparers applying the mixed approach. Unless the undertaking selects a better allocation key for fair presentation, these ARs specify what the information of the DRs cover to represent EU-related impacts.

Other drafting assumptions

BC152. While the provisions to report on risks and opportunities have been eliminated, the word 'risk' has been maintained when it is used generically and not to indicate sustainability-related financial risks.

BC153. For the ESRS-40a ED standard, across all the standards it was used 'sustainability report' instead of "sustainability statement" as requested by the EC.

Appendix A: List of public meetings – EFRAG SR TEG and EFRAG SRB

- EFRAG SR TEG 22 October 2024, Update on SRB discussions and results from survey
- EFRAG SR TEG 07 November 2024, First discussion on working papers/sharing of complete draft of ESRS-40a
- EFRAG SR TEG 18 November 2024, preparation for the vote, discussions and feedback on the ESRS-40a working papers
- EFRAG SR TEG 21 November 2024, Recommendation to SRB
- EFRAG SRB 03 December 2024, initiation of the approval of the ESRS-40a Exposure Draft
- EFRAG SRB 12 December 2024, pre-approval the ESRS for Third-Country Groups
- EFRAG SRB 15 January 2025, final approval of ED for public consultation
- EFRAG SRB 03 June 2026, Strategic direction and Mixed approach appendix
- EFRAG SR TEG 16 June 2026, discussion and preparation for the approval.
- EFRAG SR TEG 23 June 2026, recommendation the ESRS-40a ED to SRB
- EFRAG SRB 01 July 2026, approval of the draft ED
- EFRAG SRB and SRT TEG 29 July 2026, to provide input on CBA methodology

Appendix B: List of closed meetings and drafting sessions – EFRAG SR TEG and EFRAG SRB

- EFRAG SRB 02 October 2024
- EFRAG SRB 16 October 2024
- EFRAG SR TEG 22 October 2024
- EFRAG SR TEG 07 November 2024
- EFRAG SR TEG 18 November 2024
- EFRAG SR TEG 21 November 2024
- EFRAG SRB 03 December 2024
- EFRAG SRB 18 December 2024
- EFRAG SR TEG and SRB 11 March 2026
- EFRSG SR TEG 19 March 2026
- EFRAG SR SRB 8 April 2026
- EFRAG SRB 21 April 2026
- EFRAG SR TEG 27 April 2026
- EFRAG SR TEG 13 May 2026
- EFRAG SR TEG 26 May 2026
- EFRAG SRB 04 June 2026
- EFRAG SR TEG 16 June 2026
- EFRAG SRB 18 June 2026
- EFRAG SR TEG 23 June 2026
- EFRAG SRB 1 July 2026.

Appendix C: Other meetings/Stakeholder engagement

Public webinars:

Three public webinars, each following the same agenda, were held at different times to accommodate multiple time zones and maximise stakeholder participation.

The agenda was as follows:

1. EU Commission representative presented and explained Article 40a of the CSRD for Third-Country Groups
2. EFRAG Secretariat presented timing and due process and gave update on the standard-setting approach and content

Dates and times of the webinars:

- 1st Webinar meeting (22 July 2026, 9:00 – 10:30 CEST)
- 2nd Webinar meeting (22 July 2026, 13:30 – 15:00 CEST)
- 3rd Webinar meeting (22 July 2026, 17:30 – 19:00 CEST)

Jurisdictional engagements:

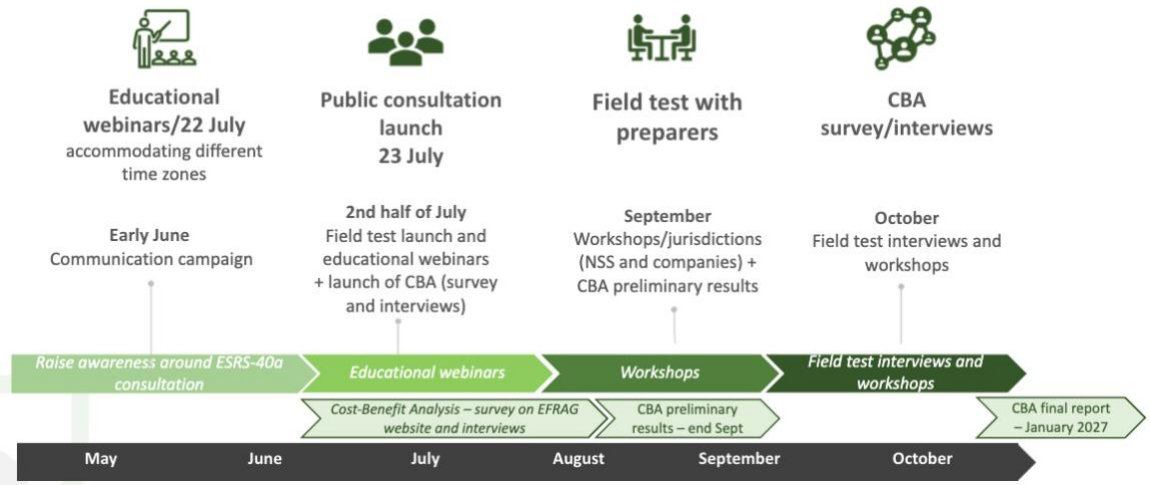
EFRAG's engagement with jurisdictions is currently underway across 15 key jurisdictions, to promote the consultation and be sure EFRAG obtains the necessary input. Participation has already been confirmed from representatives in Australia, Brazil, Hong Kong, Japan, Korea, Mexico, New Zealand and the UK, while discussions continue to expand representation in China, India, Ireland and Singapore. Engagement with AmCham serves as a key entry point to US companies. Direct involvement from national standard setters has been secured in Japan, Korea, Mexico and New Zealand. Further outreach to standard setters and trade associations is planned for September 2026, including a dedicated session with IFASS, to broaden participation and strengthen stakeholder engagement.

Other outreach events EFRAG was invited to:

Roundtable organized by AmCham: 19 June 2026

Japanese Business Council Europe Sustainability Committee session: 23 June 2026

Planned stakeholder engagement for September and October:



Prior stakeholder engagement

EFRAG engaged stakeholders through a series of public webinar sessions in November 2024 on the development of ESRS for Third-Country Groups, prior to the simplification of the CSRD. The sessions provided updates and collected feedback and questions on key issues, including the scope, reporting requirements, disclosure approaches, practical application challenges, and interactions with other sustainability reporting requirements. The feedback received in the webinars informed EFRAG on the further development of the standards.

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