



Beyond the GAAP

Forvis Mazars' monthly newsletter on financial and sustainability reporting

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Beyond the GAAP is published by Forvis Mazars. The purpose of this newsletter is to keep readers informed of developments in financial and sustainability reporting. Beyond the GAAP may under no circumstances be associated, in whole or in part, with an opinion issued by Forvis Mazars. Despite the meticulous care taken in preparing this publication, Forvis Mazars may not be held liable for any errors or omissions it might contain.

The drafting of the present issue was completed on 5 November 2025.

Editorial

As we approach year-end 2025, Beyond the GAAP presents our traditional summary of the IASB texts in force at 31 December 2025, as well as an overview of ESMA's priorities for this year's closing of accounts. Given the uncertainties arising from the current economic and geopolitical environment, the regulator emphasises the need for transparent communication on significant judgements and estimates, particularly as regards impairment testing of non-financial assets, recoverability of deferred tax assets, revenue recognition, valuation of inventories, restructuring, and assessment of credit risk.

Also in this issue, we present ESMA's priorities for the second year of sustainability reporting applying ESRS Set 1. In an environment characterised by legal wrangling at the European level over the Omnibus I package, and the efforts under way to simplify the Set 1, ESMA has, unusually, reiterated and refined two of its priorities from last year: the materiality assessment, and the scope and structure of the sustainability statement.

IFRS Highlights

Equity method

At its October 2025 meeting, the International Accounting Standards Board (IASB) continued its redeliberations on the exposure draft on the equity method of accounting under IAS 28 – *Investments in Associates and Joint Ventures* (see Beyond the GAAP no. 202 - 2025). It provisionally decided that:

- acquisition costs incurred by an investor or joint venturer should be recognised as an expense in profit or loss in the period in which they are incurred, if they relate to:
 - obtaining significant influence or joint control; or
 - acquiring an additional ownership interest in an associate or joint venture;
- these rules would be applied prospectively from the transition date.

As regards the proposal to recognise in full gains or losses resulting from all transactions with associates and joint ventures, the IASB decided to carry out further work in order to understand the concerns expressed by respondents and to investigate whether they could be resolved by improving disclosures in the notes or adding guidance.

Application of IFRS 18: presentation of non-income taxes

At its October 2025 meeting, the IASB looked at an application issue relating to IFRS 18 – *Presentation and Disclosure in Financial Statements* (which is mandatory for financial periods commencing on or after 1 January 2027).

The question was whether an entity applying IFRS 18 is permitted to present, in the 'income tax expense or income' line item of the statement of profit or loss, taxes or other charges that do not fall within the scope of IAS 12 – *Income Taxes*.

The IASB decided to ask the IFRS Interpretations Committee (IFRS IC) to consider this matter.

Thirteenth compilation of IFRS IC agenda decisions published

The [13th compilation of agenda decisions taken by the IFRS IC](#) between May 2025 and October 2025 has been published.

This 'compilation' only contains a single agenda decision, which relates to assessing indicators of hyperinflationary economies (IAS 29 – *Financial Reporting in Hyperinflationary Economies*).

Bertrand Perrin reappointed to IASB

On 10 October 2025, the Trustees of the IFRS Foundation announced the reappointment of Bertrand Perrin as a member of the IASB. His second three-year term began on 1 July 2025.

The press release is available [here](#).

ISSB continues its discussions on targeted amendments to GHG disclosures

On 28 October 2025, the ISSB (International Sustainability Standards Board) met to continue its discussions on greenhouse gas (GHG) emissions reporting requirements in connection with the prospective amendments to IFRS S2 – *Climate-related Disclosures* on this matter. The minutes of this meeting are available [here](#).

In this context, the following decisions were (provisionally) adopted:

- modification of the SASB (Sustainability Accounting Standards Board) standards applicable to certain sectors to reflect amendments relating to financed emissions metrics; and
- setting the effective date of entry into force of these amendments as 1 January 2027, with early application permitted.

European Highlights

Omnibus Package I: EU Parliament rejects trilogue negotiations

On October 22, 2025, a plenary session of the European Parliament in Strasbourg rejected the mandate adopted by the JURI (Legal Affairs) Committee on 13 October 2025 which aimed to authorise the opening of interinstitutional negotiations with the Council of the European Union and the European Commission (known as the 'trilogue') on the draft 'Content' Directive. The draft is intended, in particular, to amend the thresholds of the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD). This mandate would have allowed the text, for which the JURI Committee had reached a

compromise, to pass directly to trilogue without being put to a plenary vote in Parliament.

This about-turn means that Members of the European Parliament will now have to table their amendments on the basis of the European Commission's initial proposal of 26 February 2025. The amendments will be debated during the next plenary session, scheduled for 12 and 13 November 2025.

As a result, the timetable for negotiations has been pushed back, reducing the likelihood that the 'Content' Directive will be finalised by the end of the year. Nevertheless, the Presidency of the European Parliament has reaffirmed its commitment to concluding discussions before the end of the Danish Presidency of the Council of the European Union, that is to say, by 31 December 2025.

In the short term, it should be noted that these institutional developments have no impact on Wave 1 undertakings, nor on entities initially affected by Waves 2 and 3, which benefit from a deferral. The CSRD implementation timetable has been adjusted by the 'Stop the Clock' directive, allowing entities to approach the regulatory framework with greater peace of mind while awaiting the adoption of the revised versions of the CSRD and CSDDD.

Entities that are not subject to reporting requirements may nevertheless choose to publish sustainability information on a voluntary basis, relying on recognised standards such as the VSME standard (see European Commission recommendation of July 2025 and Beyond the GAAP no. 201 - 2025), IFRS Sustainability Disclosure Standards, or other frameworks, with the option of voluntary verification.

Extension of scrutiny period for the new European Taxonomy Delegated Regulation

On 4 July 2025, the European Commission published a new Delegated Regulation aimed at introducing a series of simplifications to the European Taxonomy disclosure requirements (see Beyond the GAAP no. 201 - 2025). Since then, the new Delegated Regulation has been subject to a scrutiny period by the Parliament and the Council. This scrutiny period, initially expected to last four months by default, was extended by two months at the beginning of October 2025. It could now run until 4 January 2026, after the application date initially set out in the new Delegated

Regulation, which is 1 January 2026. However, the Parliament and the Council have the option of adopting a non-objection motion, thereby terminating the scrutiny period before its expiry.

It should be noted that once the scrutiny period has ended, the new Delegated Regulation will still need to be published in the Official Journal of the EU. It will then come into force 20 days after publication.

First CSRD reporting: ESMA publishes study on materiality disclosures under ESRS

On 14 October 2025, the European Securities and Markets Authority (ESMA) published a [study](#) of the materiality disclosures made by European listed companies¹ in accordance with ESRS in their first sustainability reports. The results of this study were then considered by ESMA in determining its priorities for the 2025 year-end (see the study in this issue).

The main lessons highlighted by ESMA are as follows:

- double materiality assessment (DMA) process: around 60% of the sample met the overall transparency objective of the IRO-1 disclosure requirement (DR) in ESRS 2, largely detailing the steps taken and sources used in this analysis. Although these results are encouraging there is scope for improvement in:
 - the presentation of entity-specific disclosures in order to avoid overly generic information ('boilerplate' disclosures), particularly when describing the judgements made in assessing the materiality of impacts, risks and opportunities (IRO);
 - the presentation of (mandatory) additional disclosures required by the topical standards, including datapoints found to be non-material;
 - clarification of the approach adopted to assessing the materiality of negative impacts (gross or net impacts);
- description of material IROs: most of the IROs disclosed could be mapped to the ESRS sustainability matters listed in the Application Requirement (AR) 16 of ESRS 1, offering users greater clarity and better comparability of the topical disclosures. However, this mapping was not always explicit;
- presentation of entity-specific information: close to 70% of the issuers disclosed entity-specific information, demonstrating a good understanding of the requirement to complement the ESRS disclosures with entity-specific disclosures when necessary;
- presentation of tables required under the DR IRO-2 of ESRS 2 (see paragraph 56): close to 90% of the sample provided a list of the DRs they had complied with. 85% reported a list of the datapoints derived from other EU legislation, with 70% reporting complete information, including whether these datapoints had been assessed to be material or not and where they could be found in the sustainability statement; and
- assurance of sustainability disclosures: only two issuers within the sample received a qualified opinion. Some auditors or independent assurance services providers included observations in their reports, some of which related to materiality considerations.

These findings also informed ESMA's thoughts on opportunities to simplify the requirements of the standards in light of the current revision of Set 1, thereby supporting the regulator's [response](#) to EFRAG's public consultation (see Beyond the GAAP no 201 - 2025 on the exposure drafts published at the end of July 2025). Although some of these conclusions have already been reflected in the exposure drafts, ESMA has made additional recommendations on:

- ensuring that the disclosures made with respect to the DMA are specific to the issuers and reflect how issuers adapt the materiality concepts and steps defined in ESRS 1 to their specific facts and circumstances (e.g., input parameters,

¹The survey sample covered 91 issuers from 23 Member States, approximately one-third of which were in countries that had not transposed the CSRD and which had applied the ESRS on a voluntary basis. The sustainability statements for all of these issuers were subject to limited assurance (or reasonable assurance in some cases). Issuers with more than 1,000 employees represent 90% of the sample, while 78% have more than 3,000 employees.

consideration of the responses to the stakeholder consultation); and

- the need to ensure the consistency of the material IROs with the associated topical disclosures. A requirement to map material IROs to the sustainability matters identified by ESRS 1 (which the EFRAG proposal would reduce to two levels of granularity, removing 'sub-sub-topics') could therefore be considered. This could take the form of a summary table presenting material IROs, related sustainability matters, and the associated policies, actions and targets (or recording their absence).

EFRAG interim report on the revision of ESRS Set 1: initial findings of the public consultation

On 14 October 2025, the EFRAG Secretariat presented its interim report summarising the feedback received from the public consultation conducted from 31 July to 29 September 2025 as part of the revision of Set 1 (see Beyond the GAAP no. 201 - 2025). This presentation, made during a joint session of the Sustainability Reporting Board (SRB) and the Sustainability Reporting Technical Expert Group (SR TEG), is part of EFRAG's scheduled revision and follows the publication in late September 2025 of an initial interim report drawing lessons from the outreach events previously organised (see Beyond the GAAP no. 202 - 2025).

In total, EFRAG received 717 contributions, mainly from preparers (47%), but also from users (15%) and a variety of other stakeholders (auditors, academics, NGOs, standard-setters, etc.).

Overall, EFRAG found broad support for the direction taken in the revision of Set 1. Among the main lessons learned, a degree of consensus has emerged around the following points:

- the revision of the architecture of the standards and their rationalisation;
- improving the language and overall readability of the standards;
- a more principles-based approach, with less focus on data granularity;
- greater flexibility in the presentation of disclosures; and
- simplification of the requirements for the DMA (ESRS 1).

However, the report also confirms some differences of opinion, already expressed during outreach events, particularly with regard to:

- reliefs;
- the 'fair presentation' principle;
- reporting of anticipated financial effects; and
- interoperability, in particular with IFRS standards.

The final report analysing feedback from the public consultation is scheduled for publication on 12 November 2025, a few days before EFRAG submits its technical advice to the European Commission.

Standards and interpretations applicable at 31 December 2025

As 2025 year-end closing approaches, we present our traditional overview of the texts published by the IASB, taking account of their endorsement process at European level.

Now that accounts are being finalised for 31 December 2025, Beyond the GAAP presents an overview of the IASB's most recent publications.

For each text, we clarify whether it is mandatory for this closing of accounts, or whether early application is permitted, based on the EU endorsement status report (position as at 30 September 2025, available on EFRAG's website [here](#)).

As a reminder, the following principles govern the first application of the IASB's standards and interpretations:

- the IASB's draft standards cannot be applied as they do not form part of the published standards;
- the IFRS IC's draft interpretations may be applied if the two following conditions are met:
 - the draft does not conflict with currently applicable IFRSs; and
 - the draft does not modify an existing interpretation which is currently mandatory;
- standards published by the IASB but not yet endorsed by the European Union at 31 December may be applied if the European endorsement process is completed before the date when the financial statements are authorised for issue by the relevant authority (i.e. usually the board of directors); and
- interpretations published by the IASB but not yet endorsed by the European Union at the date when the financial statements are authorised for issue may be applied unless they conflict with standards or interpretations currently applicable in Europe.

Remember that in accordance with IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors* the notes of an entity applying IFRS Accounting Standards must include the list of standards and interpretations published by the IASB but not yet effective that have not been early applied by the entity.

In addition to this list, the entity must provide an estimate of the impact of the application of those standards and interpretations.

As relates to minor amendments and interpretations, it seems relevant to limit such list to only those amendments and/or interpretations which are likely to apply to the entity's activities.

Standard	Topic	Effective date per IASB	Date of OJ EU publication	As of 31 December 2025, application...
IFRS 14	Regulatory Deferral Accounts (issued on 30 January 2014)	1 January 2016 Early application permitted	Endorsement suspended (the European Commission has not started the endorsement procedure)	Not permitted
IFRS 10 / IAS 28 amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued on 11 September 2014) Effective application date (issued on 17 December 2015)	Postponed Early application permitted	Deferred	Possible ²
IAS 21 amendments	Lack of Exchangeability (issued on 15 August 2023)	1 January 2025 Early application permitted	13 November 2024	Mandatory
IFRS 9 and IFRS 7 amendments	Amendments to the Classification and Measurement of Financial Instruments (issued on 30 May 2024)	1 January 2026 Early application permitted (in full or solely for provisions relating to the classification of financial assets)	28 May 2025	Possible

²If the entity had not developed a different accounting policy in this area

Standard	Topic	Effective date per IASB	Date of OJ EU publication	As of 31 December 2025, application...
Amendments to IFRS 9 and IFRS 7:	Contracts Referencing Nature-dependent Electricity (issued on 18 December 2024)	1 January 2026 Early application permitted	1 July 2025	Possible
Annual improvements Volume 11	Annual standard improvement process (IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7) (issued on 18 July 2024)	1 January 2026 Early application permitted	10 July 2025	Possible
IFRS 18	Presentation and Disclosure in Financial Statements (issued on 9 April 2024)	1 January 2027 Early application permitted	Awaiting endorsement by the EU (expected Q1 2026)	Not permitted
IFRS 19	Subsidiaries without Public Accountability: Disclosures (issued on 9 May 2024)	1 January 2027 Early application possible subject to adoption in local jurisdiction	Awaiting endorsement by the EU (date not yet announced)	Not permitted
Amendments to IFRS 19	Subsidiaries without Public Accountability: Disclosures (issued 21 August 2025)	1 January 2027 Early application possible subject to adoption in local jurisdiction	Awaiting endorsement by the EU (date not yet announced)	Not permitted

ESMA publishes the European common enforcement priorities for 2025 corporate reporting

As it does every year, ESMA has published its recommendations for 2025 financial reporting, aimed at companies preparing their financial statements under IFRS Accounting Standards, regardless of the sector in which they operate (industry, services, banking, insurance, etc.).

On 14 October 2025, ESMA published its [European common enforcement priorities for 2025 corporate reporting](#) on its website.

The regulator has identified specific key points relating to new standards and regulations, namely IFRS 18 – *Presentation and Disclosure in Financial Statements* (see Beyond the GAAP no. 187 - 2024), which is mandatory for financial periods commencing on or after 1 January 2027, and the amendments to IFRS 9 and IFRS 7 – *Contracts Referencing Nature-dependent Electricity*, which come into effect from 1 January 2026. The regulator also reminds issuers of the importance of connectivity between financial and non-financial information (published in the first sustainability statements under ESRS, where relevant).

The specific priorities identified by the regulator for 2025 closing relate to three distinct areas: (i) geopolitical risks and uncertainties; (ii) segment reporting; and (iii) ESEF reporting.

As in previous years, ESMA's enforcement priorities also include a section on sustainability reporting, which covers subjects relating to ESRS such as the materiality assessment, the scope of sustainability reporting and the structure of the sustainability statement.

For more details on the ESRS recommendations, see [this issue's special feature](#).

Key priorities relating to new standards and regulations

Anticipating transition to IFRS 18

The regulator encourages companies to start assessing the impact of IFRS 18 to ensure the financial statements comply with the new requirements, before it becomes mandatory from 1 January 2027. It emphasises that application of

IFRS 18 will have impacts on issuers' information systems, budgets and financial reporting, including the presentation of financial performance outside the financial statements.

Climate and connectivity

Following on from previous recommendations on the effects of climate change, the regulator emphasises the importance of consistency between financial reporting and sustainability information (published in other documents, notably the sustainability statement). It also draws companies' attention to the near-final illustrative examples published by the IASB in July 2025, which are aimed at helping companies to better understand how financial and sustainability information may be connected.

Amendments to IFRS 9 and IFRS 7

The regulator reminds issuers that the amendments to IFRS 9 and IFRS 7 come into effect for financial periods commencing on or after 1 January 2026 (early application in 2025 is permitted). These amendments:

- clarify application of the 'own-use' exception for power purchase agreements (PPAs); and
- facilitate the use of hedge accounting by introducing the option of hedging a variable nominal amount for virtual power purchase agreements (VPPAs) and PPAs that are accounted for as derivatives as they do not meet the criteria for the own-use exception.

The regulator once again emphasises that, if issuers are not applying these amendments early, they should provide disclosures in the notes on any material expected effects relating to PPA/VPPA contracts.

Recommendations for IFRS financial statements

Geopolitical risks and uncertainties

Key judgements, estimations and governance

In the current economic and geopolitical environment, significant uncertainties may have an impact on entities' financial position and performance. The regulator recommends that issuers should provide transparent, detailed and entity-specific information on the key judgements and assumptions used, to help readers of the financial statements to understand how these uncertainties affect their financial performance and statements (including going concern). With this in mind, the regulator notes that more detailed information may be necessary, beyond those explicitly required by IFRS Accounting Standards.

In addition, the regulator urges companies to ensure that information on assumptions and sources used is consistent with the information included elsewhere in the annual financial report.

Impairment testing of non-financial assets

Changes in the macro-economic environment may indicate that an asset or group of assets is impaired, requiring companies to carry out an impairment test additionally to the mandatory annual testing. The regulator encourages companies to disclose in the financial statements any indicators (internal or external) of impairment identified, as well as the judgements and assumptions used to identify these indicators.

When carrying out annual impairment testing, companies must estimate the recoverable value of CGUs (or groups of CGUs) and intangible assets with an indefinite useful life. Whether this recoverable value is measured as the value in use based on future cash flows, or the fair value less costs of disposal, it should be estimated based on reasonable and supportable key assumptions that represent management's best estimate (IAS 36.134 (d) and (e)). This is why the regulator emphasises the importance of explaining significant changes in these key assumptions relating to the economic and

geopolitical environment, and recommends using external evidence where possible when calculating the value in use (economic forecasts, analysts' projections, sector studies, etc.).

In a crisis situation, it may also be a good idea for issuers to review their sensitivity analyses to assess reasonably possible changes in key operational and financial assumptions. The regulator also recommends specifying which reasonably possible changes in which key assumptions would cause the carrying amount of the CGUs to exceed its recoverable amount, leading to additional write-downs.

Deferred tax assets

Uncertainties relating to the current economic environment can impact the judgements used in forecasting taxable profits and the recoverability of deferred tax assets (DTAs). Therefore, the regulator recommends that issuers recognising material DTAs should disclose the key assumptions used to determine if DTAs should be recognised, particularly if the company has suffered tax losses in the current or previous years (IAS 12.35, 81 and 82).

Recognising revenue from contracts with customers

As in 2024, ESMA encourages companies to ensure that forecasts used to estimate margins at completion on long-term contracts are reasonable and supportable. It reminds issuers that changes in the estimate of the transaction price or progress towards completion should be recognised as changes in accounting estimates as defined in IAS 8, and disclosed if material.

The regulator also notes that issuers should apply IAS 37 when assessing if provisions for onerous contracts within the scope of IFRS 15 need to be recognised. In that case, the issuer must disclose its analysis along with the methodology used to determine the amount of the provision.

ESMA also encourages companies to pay close attention to changes in transaction prices and/or sales volume. It recommends full transparency on the analysis carried out and the amounts involved. Readers will remember that IFRS 15 requires different accounting treatments depending on whether the change is deemed to be a contract modification (whether the accounting impact is

prospective or otherwise) or a change in the estimate of the variable consideration.

Provisions for restructuring costs

The regulator reminds issuers that, considering business sales, closure, changes in management structure or any major restructuring activities that could require the company to recognise a provision for restructuring costs, such a provision may only be recognised if all the criteria in paragraph 14 of IAS 37 are met.

Inventories

The regulator recommends that, if issuers revise the methods used to estimate the net realisable value of their inventories, they should specify what changes have been made, the reasons for these changes, and whether additional write-downs have been recognised due to a decline in the net realisable value of inventories.

Credit risk

Uncertainties arising from the current geopolitical context may have an impact on the valuation and risk profile of some financial instruments held by issuers. With this in mind, ESMA recommends that issuers should set out in their financial statements any changes in their financial risks. If there are any material adjustments relating to the current environment, issuers should disclose enough information to enable users to understand the nature of the changes to key assumptions, the reasons for these changes, and their impact on the total amount of expected credit losses and the classification (in 'buckets') of the corresponding assets.

Segment reporting

Disclosure of revenues and expenses for reportable segments

ESMA refers back to the IFRS IC's agenda decision of July 2024 on the income and expense items that should be disclosed for each segment. The regulator emphasises that the material items required by paragraph 23 of IFRS 8 should be disclosed in segment reporting if they are (i) included in performance measures reviewed by the chief operating decision maker (CODM), even if they are

not monitored individually; or (ii) regularly provided to the CODM.

The regulator also adds that material items of income and expense that need to be disclosed are not limited to those listed in paragraph 98 of IAS 1, but should be identified by applying the materiality principles set out in IAS 1 and considering the issuer's specific facts and circumstances.

Information about geographical areas and major customers

ESMA emphasises the relevance of entity-wide disclosures on geographical areas (IFRS 8.33) and major customers (IFRS 8.34) in the light of uncertainties relating to the current macroeconomic and geopolitical environment. In addition, the regulator reminds companies that they must disclose information about revenues from external customers and non-current assets located in (i) the country where the company is domiciled, (ii) all foreign countries in total, and (iii) individual countries, if material. Materiality should be assessed considering both qualitative and quantitative factors.

In addition, to better reflect the level of dependence on certain markets (particularly for exports if foreign countries are subject to trade restrictions or tariffs), ESMA recommends that companies should disclose how revenues have been allocated to individual countries or geographical areas (e.g. based on where the sales were originated or the location of end-customers).

Lastly, the regulator draws attention that although paragraph 34 of IFRS 8 does not require issuers to disclose the identity of major customers, it does not provide exemptions from disclosing the amount of revenues from those customers and the segments to which they relate.

Key principles of the standard and aggregation criteria

Readers will remember that paragraph 12 of IFRS 8 permits issuers to aggregate certain operating segments. In that case, ESMA notes that the issuer is required to disclose the judgements made when applying the aggregation criteria, particularly its analysis of similar shared long-term economic characteristics.

The regulator outlines that, considering macroeconomic uncertainties, issuers need to ensure

they have aggregated segment information appropriately and restate comparative information if the aggregation criteria are no longer met.

ESEF electronic reporting

ESMA's recommendations on European Single Electronic Format reporting focus on key enforcement priorities and common errors found in the statement of cash flows.

Finally, ESMA also reminds issuers of the ESEF Reporting Manual, which was updated in October 2025 and incorporates some changes to recommendations aimed at facilitating application of the ESEF Regulation.

ESMA's priorities for the second sustainability reporting exercise under Set 1 of the ESRS

As Wave 1 companies are currently preparing to publish their second sustainability statement under ESRS Set 1, ESMA unveiled on 14 October 2025 its priorities for the 2025 reporting cycle. Given the specific context, marked by ongoing legislative negotiations at European level on the Omnibus I package and the process launched to simplify ESRS Set 1, ESMA has, exceptionally, largely revisited and refined two of its priorities published last year: the materiality analysis as well as the scope and structure of the sustainability statement.

In a fast-changing regulatory environment characterised by significant uncertainty, ESMA begins by reminding Wave 1 companies that the revised ESRS standards will only apply once the corresponding delegated act has been published in the Official Journal of the European Union (OJEU). Consequently, these companies should not rely on the draft standards (see the exposure drafts published at the end of July 2025) or on EFRAG's final technical advice, which is expected to be submitted to the European Commission (EC) by the end of November 2025, when preparing their reporting for the 2025 financial year.

Nonetheless, ESMA recalls that the European Commission has adopted the 'Quick Fix' Delegated Act to extend several transitional provisions of ESRS Set 1. This text will be effective from 1 January 2025 following its publication in the Official Journal of the European Union, which is expected to take place by the end of the year (see Beyond the GAAP no. 201 - 2025).

Finally, ESMA invites preparers to refer to two previous publications:

- its [public statement on ESRS](#) (July 2024), aimed at preparers and their auditors, highlighting topics identified as particularly relevant to the first implementation of the standards; and
- its [public statement on the supervision of the first ESRS sustainability statements](#) (June 2025), acknowledging the uncertainties created by the Omnibus proposals and the uneven transposition of the CSRD across the EU, and therefore aiming to clarify the supervisory approach of the competent authorities in this context.

Beyond the GAAP provides here a summary of the key points to remember from ESMA's priorities for the 2025 reporting date when preparing disclosures under ESRS, bearing in mind that there will be a learning curve for issuers, and that some requirements may be modified as part of the revision of Set 1.

Priority 1: materiality issues

This year's priorities in terms of materiality were influenced by the results of a survey conducted by ESMA to assess the first reports under ESRS (see the note in this issue).

The importance of taking materiality into account

Reaffirming the structuring principle of materiality based on a two-step assessment (the materiality of impacts, risks and opportunities – IRO – and the materiality of disclosures) when preparing sustainability reporting and publishing information useful for decision-making by all users, ESMA emphasises the rigour expected in the publication of information required by ESRS 2, particularly in the description of the materiality analysis process (ESRS 2, DR IRO-1). In particular, it was noted that the descriptions provided during this first exercise were often too generic ('boilerplate') and insufficiently reflective of entity-specific facts and circumstances, particularly with regard to the adaptation of the methodology and criteria used.

Describing the double materiality assessment process

ESMA particularly emphasises the importance of the datapoint relating to the input parameters used by the entity (see ESRS 2 paragraph 53g), particularly in relation to the data sources used, the scope covered (particularly in relation to specific geographical areas or activities) and the data serving to support the assumptions made. ESMA also highlights the relevance of disclosures relating to the thresholds used by entities when assessing materiality. By way of examples, ESMA cites the description of the methodology used to assess the severity of negative impacts on specific topics, or the quantitative metrics or thresholds used to assess the risk materiality.

ESMA also emphasises the need for transparency when considering 'gross' impacts (i.e. before taking account of the effects of any prevention, mitigation or remediation measures), stressing that companies must clearly explain how this approach has been envisaged and implemented in their assessment process.

Finally, regarding the dialogue with internal and external stakeholders as part of the materiality analysis, it is reiterated that attention should focus on affected stakeholders as defined in ESRS 1 paragraph 22(a). These must be clearly identified to enable users of the sustainability statement to understand how their views have been taken into account in this assessment.

Presenting the double materiality assessment results

While the first reporting exercise revealed significant diversity in how the results of the double materiality assessment were presented in terms of both content and form, ESMA has made a number of recommendations on this subject for the attention of preparers.

ESMA first highlights the importance of the information to be disclosed under DR SBM-3 and IRO-2 of ESRS 2, as they represent key entry points for users of the sustainability statement. It invites preparers to provide a clear and structured overview of the material IROs, including those specific to the entity, explaining how they relate to the entity's strategy and business model. It also emphasises that this presentation should directly guide the user

towards the associated policies, actions, targets and metrics.

Regarding the content of the information to be published, ESMA reminds preparers of the requirement to include, in the description of material IROs, details on the time horizon (short, medium, and long term) as well as their location within the value chain (upstream, own operations, downstream). Where relevant, ESMA also recommends including explanations of any interdependencies between material IROs in order to avoid confusion between positive impacts and measures to mitigate negative impacts.

Finally, although neither the ESRS nor the various sources of guidance available offer a standard template for the presentation of material IROs, ESMA emphasises that the comparability of information is enhanced when preparers: (i) map their material IROs in relation to the associated topics and sub-topics, (ii) retain the ESRS terminology, and (iii) clearly identify any entity-specific material IROs.

Non-material information

ESMA briefly reminds entities that non-material information, when permitted by ESRS, must be clearly identified so as not to obscure material information.

Priority 2: scope and structure of the sustainability statement

Reporting scope

Restating the principle of equivalence between the reporting scope and the scope of the consolidated financial statements as defined by ESRS 1, ESMA also points out that the information presented in the sustainability statement must also cover material IROs in the value chain, both upstream and downstream. Therefore, when an entity encounters limitations in the coverage of its value chain, ESMA reiterates the need for full transparency and clear communication on the consequences of these limitations. This requirement for transparency also applies should there be any change relative to the previous reporting period in the scope of the targets set, which would result in an adjustment to their baseline.

Structure of the sustainability statement

In line with its previous recommendations (see Beyond the GAAP no. 192 - 2024), ESMA encourages entities to ensure that their sustainability statements are clear and easy to use, in order to guarantee their accessibility and comprehensibility for users.

It also invites preparers to strike a fair balance when structuring their sustainability statements, avoiding excessive repetition on the one hand, and the risk of dispersing information through overusing cross-references, or incorporation by reference, on the other.

To meet these objectives and avoid these pitfalls, ESMA recommends explicitly referencing the relevant disclosure requirement (e.g. 'DR E2-5') and using hyperlinks to facilitate internal cross-referencing.

Connectivity with other corporate communication

ESMA observes that ESRS 1 requires entities to demonstrate the links between the information in the sustainability statement and in other corporate communications, particularly in the financial statements, when monetary amounts or other quantitative data are presented in both sets of disclosures (direct connectivity).

Publications

Publication of Forvis Mazars' guide to the new Taxonomy Delegated Regulation

In October 2025, Forvis Mazars published a [guide to the new Taxonomy Delegated Regulation](#), aimed at providing an overview of the main new simplification measures introduced by this Regulation. As a reminder, this new Delegated Regulation is now subject to a scrutiny period by the Parliament and the Council (see: Extension of scrutiny period for the new European Taxonomy Delegated Regulation, on page 4 of this document).

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