



Simplifying ESRS

Understanding the proposals

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August 2025



Your opportunity to shape revised ESRS

Will the proposals result in less effort for companies and better information for stakeholders?

- As preparers and other stakeholders, do you agree that EFRAG has achieved its objective of more concise, less duplicative and more effective reporting?
- Provide your comments on the proposals by 29 September 2025.
- Access all documents and the online consultation on EFRAG's website ►

Why is ESRS being simplified?

The first wave of ESRS reporting was challenging. Our analysis of 270 companies in [Real-time ESRS](#) painted a picture that is confirmed in the commentary accompanying EFRAG's proposals to simplify ESRS.

- A checklist approach is obscuring the strategic story.
- The DMA is complicated and subject to interpretation.
- The compliance burden is very high.

What's the timeline?

The European Commission tasked EFRAG with revising and simplifying ESRS to reduce the reporting burden for companies.

EFRAG consulted widely in a short timeframe and its proposals are open for comment until **29 September**.

Until the revised ESRS apply (potentially late 2026), companies are required to continue applying the existing ESRS requirements, including the recent [quick fix amendments](#).

What's in our guide?

This guide is designed to help you to understand elements of the proposals as you formulate your response.

This guide does not cover interoperability as a separate topic. Some elements of the proposals (marked with **+** to the extent covered in this guide) would bring ESRS closer to IFRS® Sustainability Disclosure Standards; others (marked with **−**) would separate them further.

What do you need to do now?

As you read, think about these questions.

- There are fewer mandatory datapoints, but will that translate to a significant reduction in implementation effort?
- Has the path to achieving more decision-useful sustainability reporting been made clearer and less burdensome?

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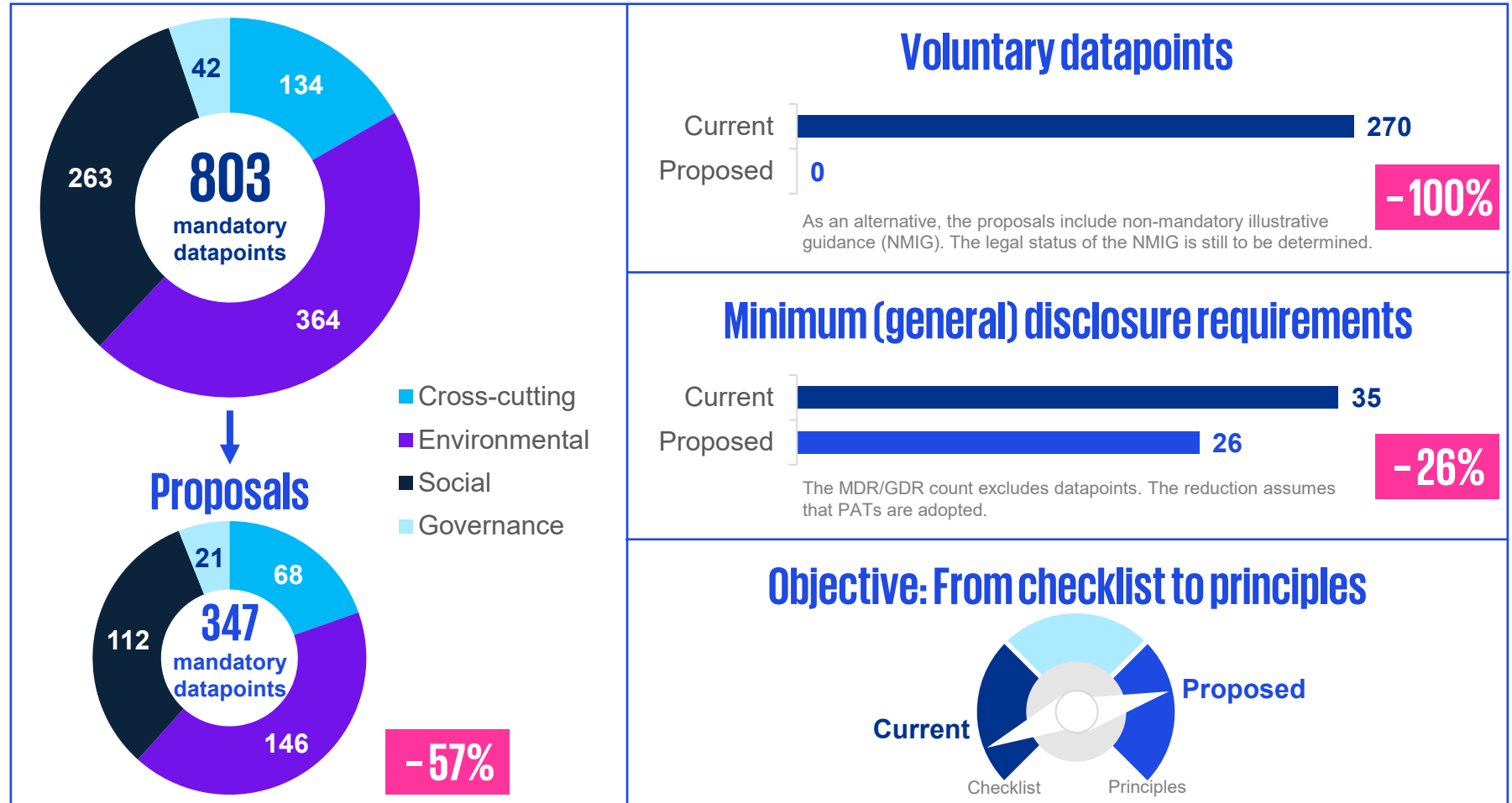
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Abbreviations and key terms,
and standards listing ►

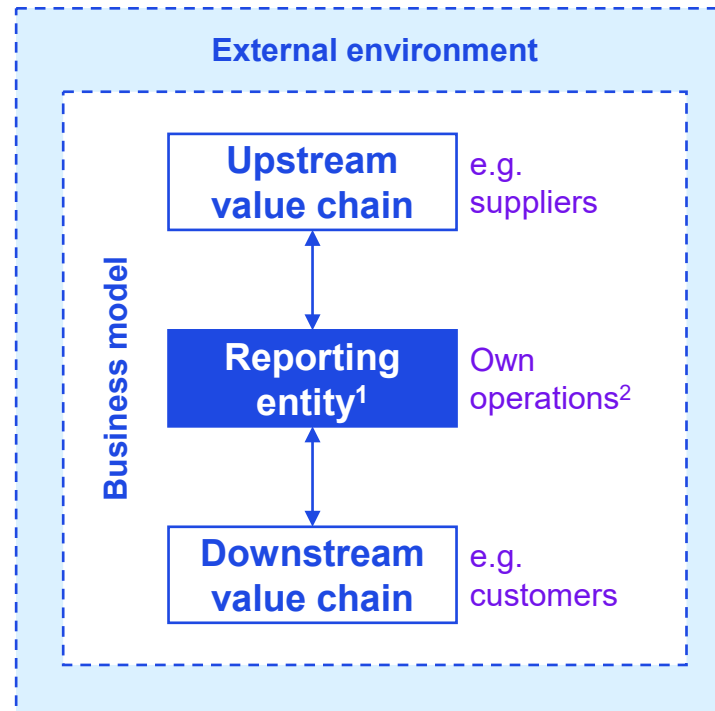
- Consistent with EFRAG's mandate, the proposals would significantly reduce datapoints across all standards and consolidate general disclosures in ESRS 2 (see #4).
- Ask yourself: Will this reduction in mandatory datapoints make compliance simpler? Are the areas that have been deleted important?

Fewer disclosures, but also less effort?



- It was previously unclear whether ESRS is a fair presentation or a compliance framework.
- The proposals **+** emphasise that ESRS is a fair presentation framework.
- The sustainability statement would be required to present fairly the reporting entity's material impacts on people and the environment, as well as its material sustainability-related risks and opportunities.

Objective is decision-useful information



1. The reporting entity is the same as for the financial statements. Proposed: Subsidiaries that are not consolidated because they are not material would be excluded unless they expose the group to material IROs.
2. Proposed exception: IROs from the use of a leased asset, including relevant metrics, would be attributed to the lessee's own operations (see #5).

Materiality filter as a primary lens **+**

- The proposals introduce the materiality of information as a general filter that applies to *all* disclosures – i.e. moving away from any implied checklist approach.
- Combined with proposals to streamline reporting and reduce redundancy (discussed throughout this guide), this filter would promote decision-useful information.

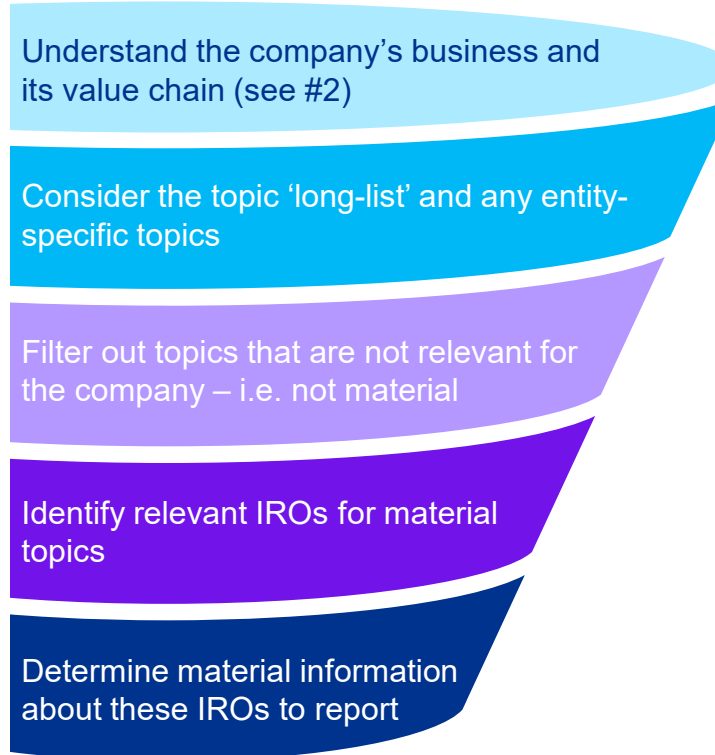
Extending 'undue cost or effort' **+**

- The proposals include far-reaching relief – including for own operations – that is based on preparing sustainability disclosures using reasonable and supportable information that is available without undue cost or effort.
- This would apply:
 - in the materiality assessment;
 - to the extent of coverage in the value chain;
 - for all metrics; and
 - to the disclosure of quantitative financial effects.

- Significant concerns have been raised that the existing DMA is driving a compliance exercise resulting in:
 - a burdensome, checklist-type assessment for preparers; and
 - excessive detail obscuring relevant information for users.
- The proposals aim to streamline the DMA to help companies focus on decision-useful information.

Still double materiality, but streamlined

Top-down as an easier route



Focus on decision-useful information

- The proposals allow a top-down approach aimed at identifying relevant IROs and material information about them.
- A new appendix in ESRS 1 simplifies the process by consolidating the previous levels of subtopics and sub-subtopics.
- When a material IRO relates to a particular subtopic, information related only to that subtopic would be reported.
- The proposals introduce flexibility to report at IRO or topic level depending on what provides the most relevant information.

Mitigation and remediation clarified

- The materiality of actual negative impacts would be assessed after any mitigation and prevention actions, if those actions took place before the impact occurred.
- A different approach would apply for potential negative impacts.
- The results of mitigation or remediation on negative impacts caused or contributed to by compliance with laws and regulations would not be positive impacts.

- Concerns have been raised that the standards have resulted in repetition and excessively detailed information.
- The structure of the standards made it challenging for companies to tell their own story effectively.
- The proposals seek to remove duplication and streamline requirements in the standards.

ESRS 2 remains the foundation

Proposed structure of ESRS 2

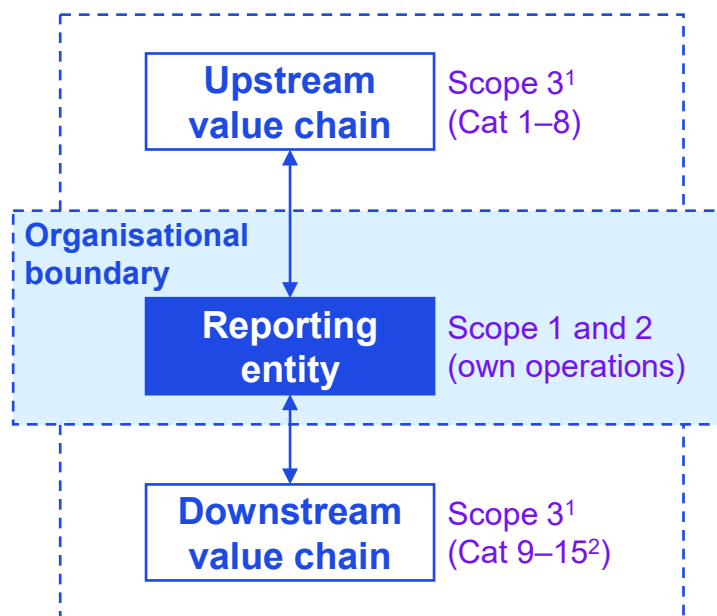


Consolidating and streamlining disclosures

- Many general disclosures in topic-specific standards would be moved to ESRS 2 to avoid repetition. Additional PAT requirements that are specific to a topic would be included in the relevant standard.
- MDRs would become GDRs, emphasising that they are subject to materiality (see #2).
- Many granular narrative requirements would be deleted – e.g. contextual information for metrics.
- Application requirements would be streamlined and located under the related disclosure requirements.

- Current ESRS applies a hybrid approach to the measurement of GHG emissions: a combination of financial control and operational control.
- The proposals seek to simplify the approach but stay true to the definition of the reporting entity and the newly emphasised fair presentation principle. See #2.

Further leverage of the GHG Protocol



1. GHG emissions for each significant Scope 3 category would continue to be disclosed, prioritising direct measurement and otherwise high-quality inputs.
2. The guidance in PCAF Part A (financed emissions) would continue to be considered. PCAF Parts B (facilitated emissions) and C (insurance-associated emissions) would continue to be excluded.

The organisational boundary

- Consistent with the reporting entity concept (see #2), the **+** organisational boundary for GHG emissions (own operations) would be based on the financial control approach in the GHG Protocol.
 - However, GHG emissions from the use of a leased asset would be attributed to the lessee (see #2).
- If necessary for a fair presentation (see #2), then additional disclosure of Scope 1 and 2 applying the operational control approach in the GHG Protocol would be required.

Transition plans and other select disclosures

- Disclosure of the key features of a transition plan would still be required, but the proposals clarify that a company is not required to disclose all information used to manage the plan.
- The proposals would still require a statement on whether GHG emissions reduction targets are science-based and compatible with limiting global warming to 1.5°C, but would not require targets to be updated every five years after 2030.

- Stakeholders perceive the existing topic-specific standards as too granular with excessively detailed datapoints.
- The proposals would remove or address in ERS 2 many of the disclosure requirements relating to PAT, anticipated financial effects, governance, strategy and IRO management (see #4).
- Read our article for further temporary relief (including for certain environmental and social disclosures) in the proposed quick fix amendments.

Other E standards simplified, clarified

Action	Disclosure	Examples of proposed amendments
Simplify	SOC	Limit disclosures to chemical manufacturers, formulators and distributors
	Resource inflows	Limit disclosures about materials used for manufacturing products to 'key materials'
Clarify	Pollution metrics	Align microplastics scope and definition with REACH
	SOC and SVHC	Align SOC and SVHC definitions and thresholds with REACH
	Biodiversity transition plan	Align disclosures with those for climate (see #5) and market practice
	Biodiversity, ecosystem metrics	New guidance to disaggregate locations; define sensitive areas
Add	Resource outflows	New definitions for durability and reparability of products
	Water metrics	Required to disclose water withdrawals and discharges
	Biodiversity transition plan	Required to disclose if one has been publicly released

Rationale for additional disclosures

- When the proposals add requirements, generally by making voluntary disclosures mandatory, the rationale is explained.
- For example, the requirement to disclose a biodiversity transition plan would be mandatory if one has been publicly released. The rationale is that the information is considered decision-useful and there is no added burden because the plan is already public.

Own workforce, business conduct focus

- Similar to the E standards (see #6), the proposals clarify, simplify and reduce the number of required datapoints in the S and G standards, while seeking to maintain useful reporting content.
- Read our article for further temporary relief (including for certain environmental and social disclosures) in the proposed quick fix amendments.

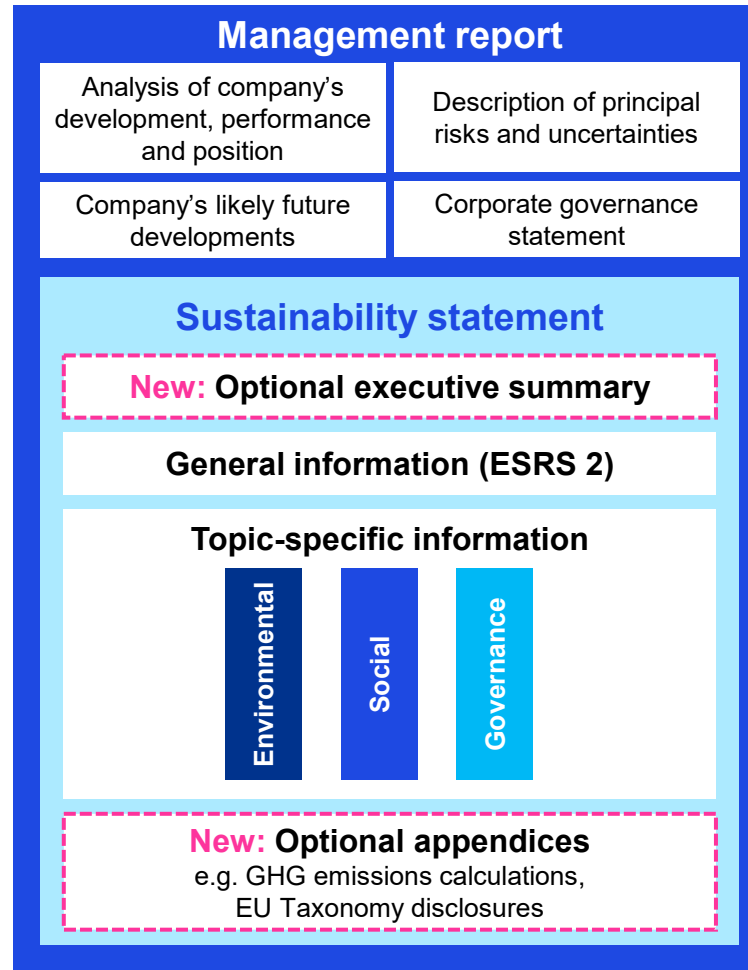
Action	Disclosure	Examples of proposed amendments to ESRS S1 and ESRS G1
Simplify	Non-employees	Delete datapoint requiring explanation of methodologies and assumptions
	Diversity	Delete datapoint requiring distribution of employees by age group
	Training	Delete datapoints requiring gender breakdowns
	Health and safety	Delete datapoint on ill-health for non-employees and workers in the value chain
	Work-life balance	Voluntary to disclose percentage of employees who have taken family-related leave
	Human rights	Voluntary to disclose number of complaints filed through channels for own workforce
	Payment practices	Delete datapoint requiring average time to pay an invoice
Clarify	Employees	Revise threshold for disclosing by country the number of employees
	Collective bargaining	Revise threshold for disclosing by country the percentage of employees covered
	Political influence	Distinguish between datapoints related to political influence vs lobbying activities
Add	Corruption or bribery	Required to disclose number and nature of confirmed incidents

Streamlining the other S standards

- The other social standards (ESRS S2–ESRS S4) have no metric disclosure requirements, but they do include disclosures relating to stakeholder engagement, channels to raise concerns or needs, and approaches to remedy. Consistent with the overall approach, similar disclosure requirements would be merged to simplify reporting.

- Concerns have been raised that the prescribed format of the sustainability statement did not offer enough flexibility, and many statements published in 2025 were long, complex and hard to read.
- The proposals provide more flexibility for companies to present their information in the way that best tells their story.

Greater flexibility to tailor the statement



A more flexible layout

- Under the proposals, companies would have the option to:
 - include an executive summary in the sustainability statement, or locate it elsewhere and cross reference;
 - present detailed calculations, information about non-material matters and EU Taxonomy disclosures in dedicated sections or appendices. Currently, the EU Taxonomy disclosures are required to be in the environmental section and often run to many pages;
 - provide disclosures about PATMs in aggregate, reflecting the level at which they are managed; and
 - describe material IROs alongside the information about PATMs.

- Current ESRS have various transition reliefs for when a company applies the standards for the first time.
- Despite these reliefs, companies found the first year of reporting challenging.
- The proposals include a number of practical reliefs that are not time-bound.
- Read our article for further temporary relief in the proposed quick fix amendments.

More relief for companies

Anticipated financial effects

- The quick fix amendments delay the anticipated financial-effects requirements, but the proposals include further relief that would not be time-bound.
- When disclosing *quantitative* information, a company would be permitted to provide either a single amount or a range.
- EFRAG is asking which of these options stakeholders would prefer as relief from *quantifying* financial effects:
 - **Option 1:** If the company cannot provide quantitative information, then qualitative information would be permitted subject to certain conditions; or
 - **Option 2:** Qualitative information would be required but quantitative information would be optional.

Other reliefs

Relief	How it would apply
+ Reasonable, supportable information	<ul style="list-style-type: none"> • In certain circumstances, consider 'all reasonable and supportable information available at the reporting date without undue cost or effort.' See #2.
– Acquisitions and disposals	<ul style="list-style-type: none"> • Acquisitions: May delay including a newly acquired subsidiary or business until the subsequent reporting period. • Disposals: May exclude the subsidiary or business from the start of the current reporting period.
– Comparatives for new IROs	<ul style="list-style-type: none"> • Not required to present comparative information for new material IROs or new topics for the reporting period in which they are first reported.
– Metrics	<ul style="list-style-type: none"> • Limit metrics to own operations except for Scope 3 GHG emissions (see #5) and, when appropriate, entity-specific metrics. • Exclude activities from metrics if they are not significant drivers of IROs. • If a metric can only be partially estimated, then disclose a partial estimate and actions to improve data quality in the future. • Exclude joint operations from metric calculations in the E standards (other than ESRS E1) if there is no operational control.

10 Things to do now

WAVE 1	Large EU PIE	Stick to existing ESRS for now, but...	<ul style="list-style-type: none"> Revised ESRS will not be in force in time to be used as a framework for FY25 reporting. Instead, look to the updated phase-in provisions in the quick fix amendments. Evaluate required actions to enable voluntary adoption for FY26 disclosures and ensure full compliance for FY27 reporting.
WAVE 2	Large EU company	Keep moving, focus on no-regrets moves	<ul style="list-style-type: none"> Closely monitor the CSRD 2.0 thresholds to determine applicability of the regulation. 2027 reporting is fast approaching – leverage the time gained from the stop-the-clock initiative to continue implementation efforts or start now by focusing on no-regrets moves. Work on your DMA and PATMs for material topics. Identify subject matter experts and assign responsibilities. Consider assurance readiness services, limited scope internal assurance or growing your external assurance scope as part of preparation during the delay.
WAVE 3	Listed EU SME or outside CSRD scope	Explore voluntary transparency	<ul style="list-style-type: none"> Consider what voluntary sustainability reporting might be necessary based on capital market or business partner expectations. Monitor developments around the VSME standards, recently adopted as a European Commission recommendation.
WAVE 4	Ultimate non-EU parent	Monitor developments and support subsidiaries	<ul style="list-style-type: none"> Review and assess your subsidiaries and your reporting strategy; support your affected Wave 2 EU subsidiaries and continue your own implementation efforts. Examine interoperability and synergies with IFRS Sustainability Disclosure Standards in other markets. Monitor future development of non-EU ESRS and CSRD 2.0.

Abbreviations and key terms

Cat

Categories of Scope 3 GHG emissions

CSRD

Corporate Sustainability Reporting Directive

DMA

Double materiality assessment

EFRAG

European Financial Reporting Advisory Group – the EU advisory body on corporate reporting

ESRS

European Sustainability Reporting Standards

GDRs (New)

General disclosure requirements

GHG

Greenhouse gases

IROs

Impacts, risks and opportunities

NMIG (New)

Non-mandatory illustrative guidance

MDRs

Minimum disclosure requirements

PATs

Policies, actions and targets

PATMs

Policies, actions, targets and metrics

PCAF

Partnership for Carbon Accounting Financials

REACH

EU regulation, Registration, Evaluation, Authorisation and Restriction of Chemicals

SME

Small or medium-sized entity, as defined

SOC

Substances of concern

SVHC

Substances of very high concern

VSME

Voluntary sustainability reporting standard for non-listed SMEs

List of standards

ESRS 1	General requirements
ESRS 2	General disclosures
ESRS E1	Climate change
ESRS E2	Pollution
ESRS E3	Water
ESRS E4	Biodiversity and ecosystems
ESRS E5	Resource use and circular economy
ESRS S1	Own workforce
ESRS S2	Workers in the value chain
ESRS S3	Affected communities
ESRS S4	Consumers and end-users
ESRS G1	Business conduct

Keeping in touch



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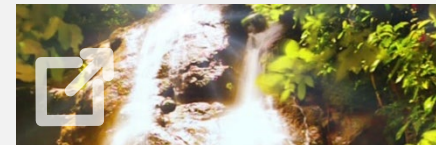
With additional thanks to the significant contributions of Irina Ipatova, Stefanie Jordan, Marissa Spencer and Ida Sulkunen.

Supplement this guide with a series of webcast replays from KPMG in Germany:

- New ESRS exposure drafts explained: What changes, what stays, what is next? [▶](#)
- Deep dive: Cross-cutting ESRS in focus [▶](#)
- Deep dive: Environmental ESRS in focus [▶](#)
- Deep dive: Social & governance ESRS in focus [▶](#)

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Our latest insights and guidance on European Sustainability Reporting Standards



ISSB Standards Today

Our latest insights and guidance on IFRS Sustainability Disclosure Standards



Connected Reporting Today

Aligning strategic, sustainability and financial information



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Publication name: Simplifying ESRS – Understanding the proposals

Publication number: 137900

Publication date: August 2025

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