Real-time ESRS: FAST 50

Early findings and key learnings from the first wave of ESRS reporting

March 2025

ESRS and beyond

What can we learn from the first wave of ESRS reporting?

Reporting is in its early stages with the first ESRS sustainability statement being issued just weeks ago. This is our FAST 50 – a look at the reporting by 50 companies that issued reports in January and February.

Our early-stage findings show trends that appear consistent with our experience as advisors and assurance providers.

There are enduring lessons to be learnt about stakeholder engagement, the impact of AI and telling your strategic story amid complexity. These are relevant for all companies looking to improve their sustainability reporting – whether under ESRS, IFRS® Sustainability Disclosure Standards or as part of voluntary reporting. There are also compelling questions about the relationship between impact and financial materiality.

Alongside its Omnibus proposals, the European Commission announced its intent to substantially reduce the volume of ESRS disclosures – e.g. by prioritising quantitative datapoints over narrative text and clearly distinguishing between mandatory and voluntary datapoints. The concept of double materiality would remain, but the Commission intends to provide clearer instructions on applying the materiality principle.

Our findings support the need for both simplification and further guidance, particularly in assessing double materiality. This is not surprising given that ESRS remains in its infancy as a reporting framework and will evolve as it matures. We all have a role to play in its evolution.

With this background in mind, we hope you find our analysis useful – for ESRS and beyond.

Dr. Jan-Hendrik Gnändiger
KPMG Global Head of ESG Reporting

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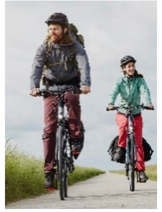


Contents

01 Our FAST 50 methodology

02 A wide range in the number of IROs

03 Greater maturity in climate reporting

04 Most IROs concentrated in five topics

05 Tailored stakeholder engagement is beneficial

06 Impacts outpace risks and opportunities

07 A company's story is more than just data

08 Prepare for machine readability

09 The link to strategy

10 How to leverage these findings

Abbreviations and key terms >

KPMG

1. Our FAST 50 methodology

We analysed the sustainability statements of 50 companies that reported under ESRS in January and February 2025.

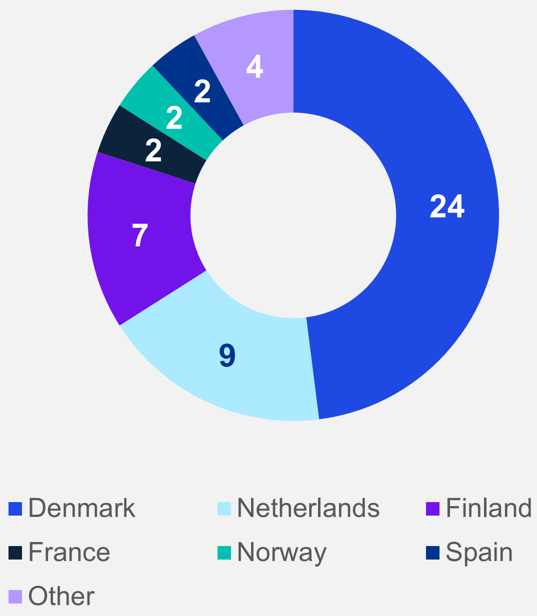
Our analysis also includes observations from KPMG specialists who are providing ESRS-related advisory and assurance services (referred to as ‘our experience’).

Our findings are not necessarily representative, but early-stage reflections based on our experience and the first wave of ESRS reporting.

We will deepen our analysis over time, but even now believe that valuable learnings are emerging that resonate with aspects of the European Commission’s Omnibus proposals.

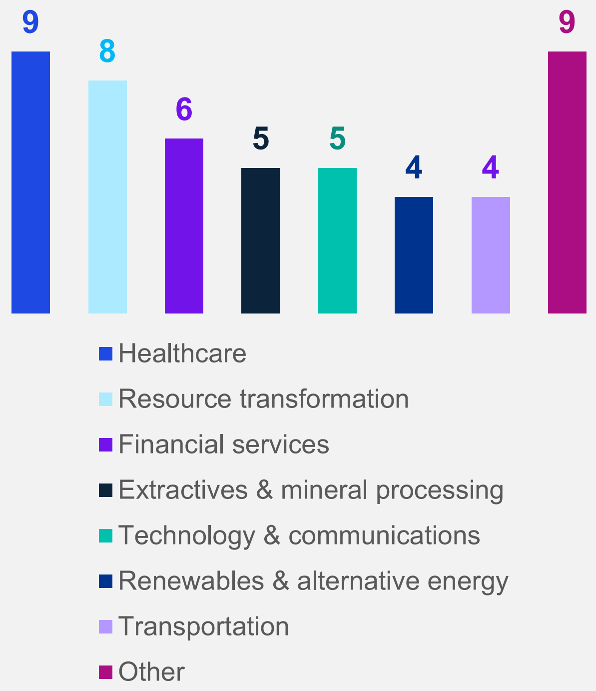
Country spread

The spread of countries reflected the filing deadlines in different countries, with Denmark first to report. All 50 companies analysed are headquartered in the European Economic Area.



Sector spread

Our sample comprised a wide variety of sectors with no individual sector representing more than 18% of the population.



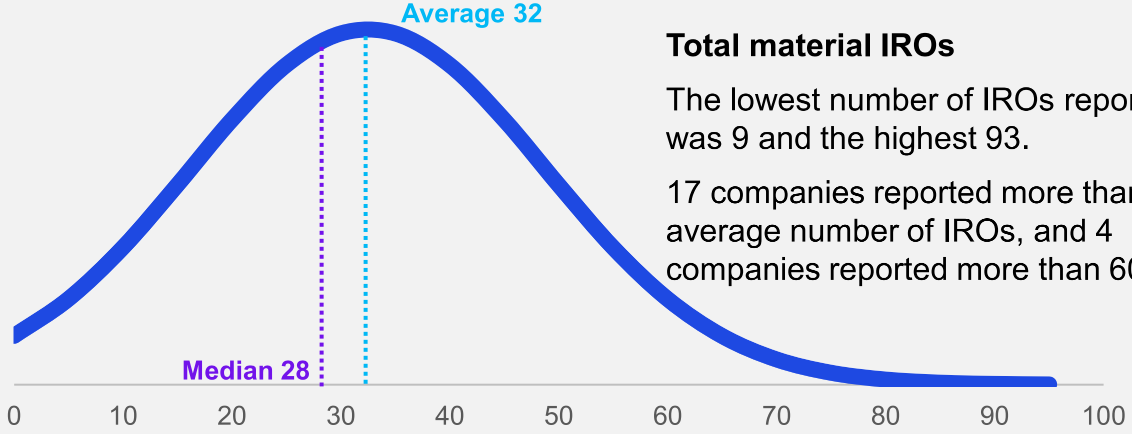
2. A wide range in the number of IROs

Identifying material IROs is the foundation for reporting under ESRS and our analysis shows that companies' first experience with the DMA process was challenging.

There was a great deal of variety in the way companies categorised and presented their IROs. In addition, although companies may have appreciated EFRAG's implementation guidance, many needed to make key reporting decisions before the guidance was published because of the CSRD's rapid implementation period.

The European Commission intends to provide clearer instructions on applying the materiality principle, while maintaining the concept of double materiality. We support further guidance being developed.

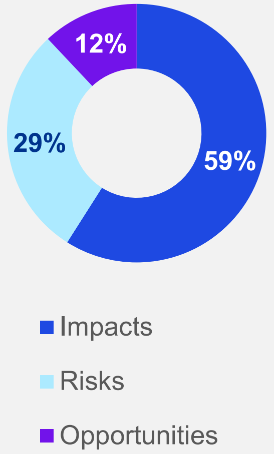
Key learning: These factors could have contributed to companies focusing on the details rather than the company's strategy and its critical link to material IROs.



Total material IROs

The lowest number of IROs reported was 9 and the highest 93.

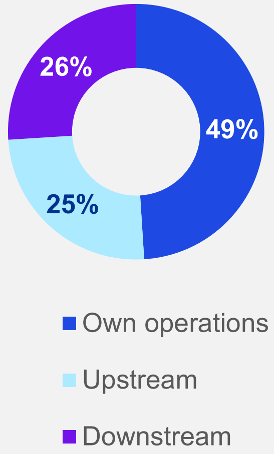
17 companies reported more than the average number of IROs, and 4 companies reported more than 60.



Type and location of material IROs

More than half of the identified IROs were impacts; two-thirds of impacts were identified as negative. Almost half of all IROs affected own operations.

The classification of IROs as short-, medium- and long-term was often unclear; the distinction between actual and potential impacts was sometimes unclear.



3. Greater maturity in climate reporting

Much of companies' sustainability focus in recent years has been on climate change – including measuring GHG emissions and decarbonisation.

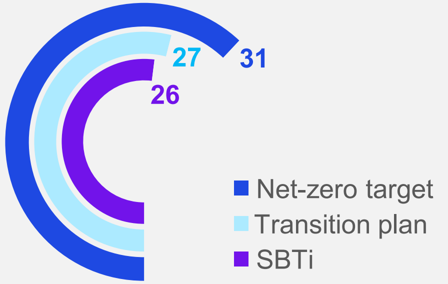
During that time, many companies have invested in their plans and grown more comfortable with reporting under the GHG Protocol and TCFD recommendations. Many companies prepare transition plans and are familiar with scenario analysis.

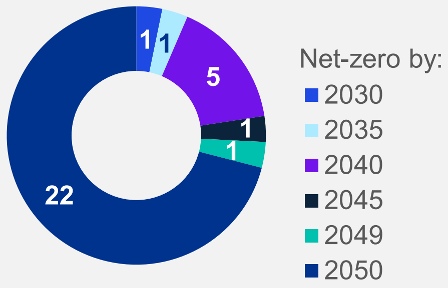
Therefore, it was not unexpected that the largest companies in the first wave of ESRS reporting had relatively mature climate-related disclosures. One company asserted that climate change was not a material topic.

Key learning: Our experience indicates that companies are more prepared for climate-related disclosures, but perhaps less so for other topics requiring specialist expertise (e.g. pollution).

Net-zero

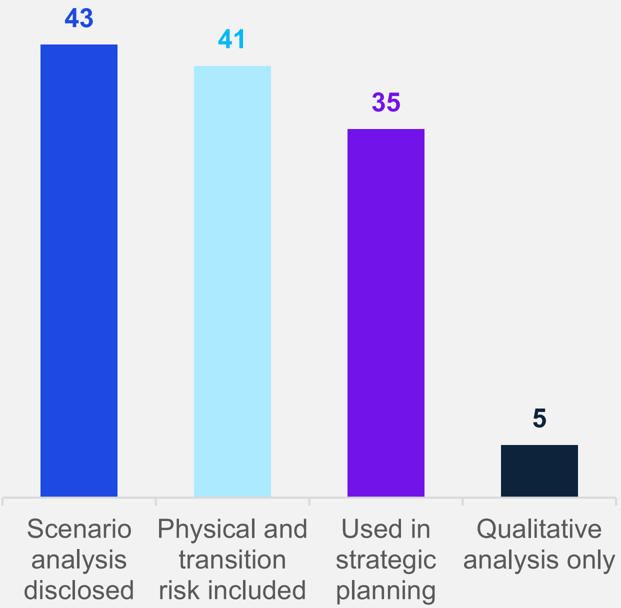
62% of companies had a net-zero target (or commitment). Of those companies, most referenced SBTi as the underlying framework and had a transition plan. 71% were committed to achieving net-zero by 2050 (not before).





Scenario analysis

86% of companies disclosed information about scenario analysis. Of those companies, most covered both physical and transition risk and clearly indicated how the scenario analysis was part of their strategic planning. 5 of those companies relied on qualitative analysis only.



4. Most IROs concentrated in five topics

ESRS include a long list of topics, subtopics and sub-subtopics that a company needs to consider in determining its material IROs.

Despite its length, the list is not exhaustive and 7% of the total IROs identified were entity-specific.

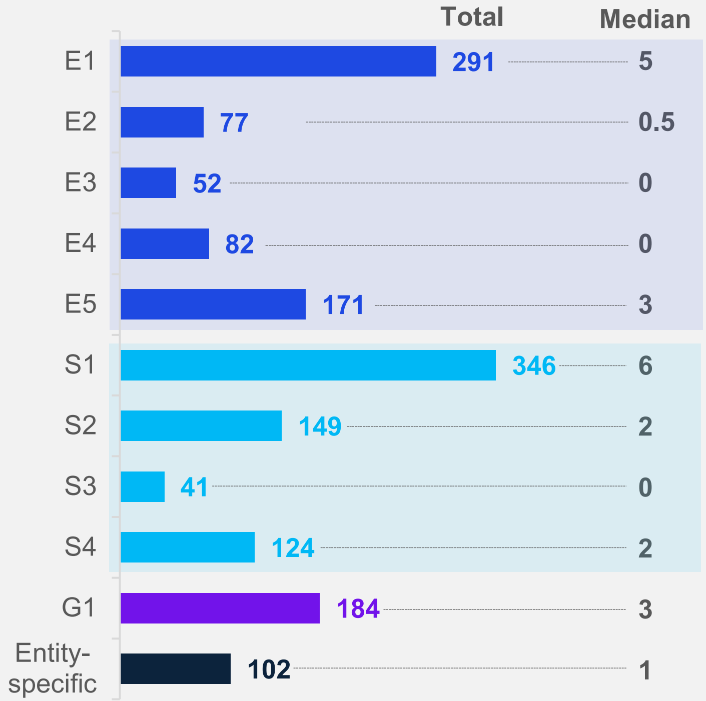
Disclosures about IROs sometimes lacked specificity about placement in the value chain and were often unclear about the relevant time horizons.

As the European Commission assesses areas of ESRS to simplify as part of its Omnibus proposals, the spread of IROs in the first wave of reporting is a useful reference point.

Key learning: Our experience indicates that the mapping process is complex and challenging, and likely to improve over time as the standards become more familiar.

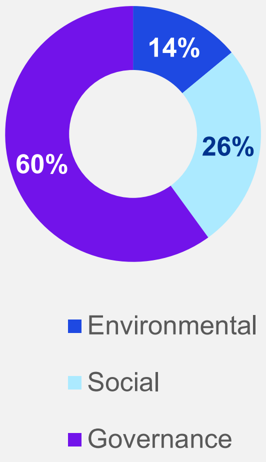
Topical spread of material IROs

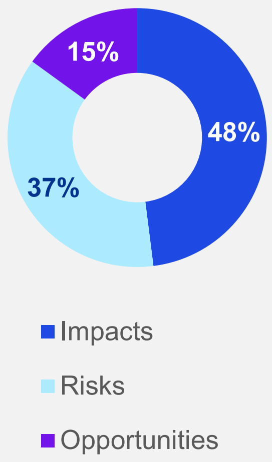
Beyond climate, most IROs related to workforce (ESRS S1 and S2), governance (ESRS G1), and resource use and circular economy (ESRS E5).



Spread of entity-specific material IROs

Most entity-specific IROs related to governance and almost half were impacts.





The most frequent matters broadly related to:

- Cyber and data security, 31%
- Safety and quality of life, 18%

5. Tailored stakeholder engagement is beneficial

ESRS are new to preparers and other practitioners; they are also new to stakeholders in determining what they consider to be material.

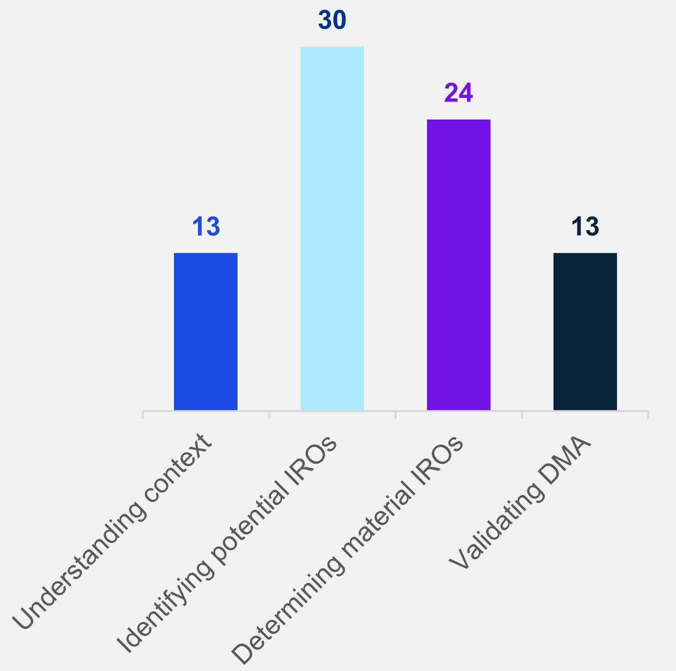
In our experience, stakeholder feedback was most useful when gathered via personal contact that allowed companies to explain the relevant context. Passive methods (e.g. questionnaires) were less useful because instructions could be misinterpreted or misunderstood.

Companies with a mature stakeholder engagement process – or that otherwise invested in direct interviews or focus groups – found it the most helpful to the process.

Key learning: Designing stakeholder engagement that is based on the level of stakeholders' knowledge, skills and experience with the DMA concept is beneficial.

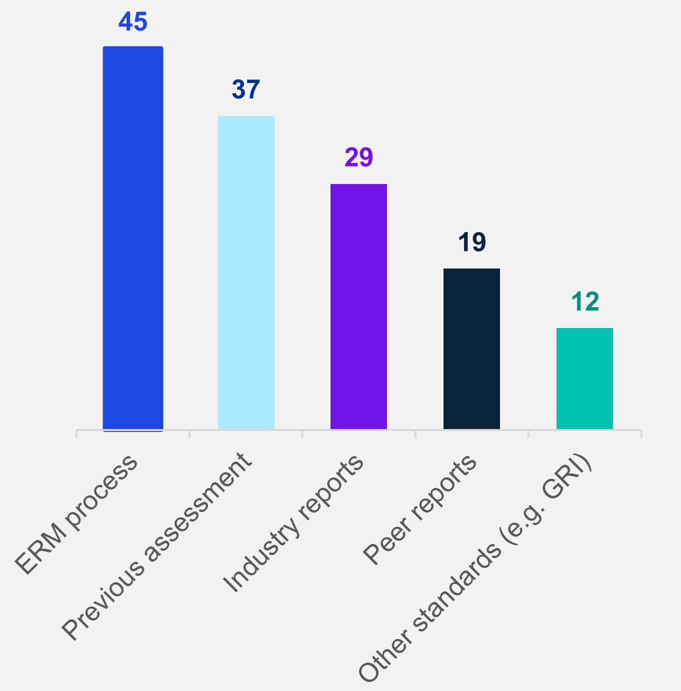
Direct stakeholder engagement

The most common step of the DMA process in which external stakeholders were directly involved was identifying potential IROs (60%) followed by determining material IROs (48%).



Other inputs to the DMA

Beyond the views of external stakeholders, the following were most frequently cited as inputs to the DMA process.



6. Impacts outpace risks and opportunities

The implementation of ESRS is the first time that the concept of double materiality is being applied at scale. It combines:

- impact materiality through the lens of a wide group of stakeholders, which is familiar to those who have applied GRI Standards; with
- financial materiality through the lens of investors and creditors, which is familiar to those who have applied SASB Standards and generally understandable to accountants because it aligns with financial statement materiality.

In general, companies disclosed more impacts than risks or opportunities – i.e. they judged some matters to be material for groups such as employees and customers, but not financially material. This raises questions, such as:

- Are many of these impacts simply not financially material?
- Is this relationship between impacts, risks and opportunities what was expected?

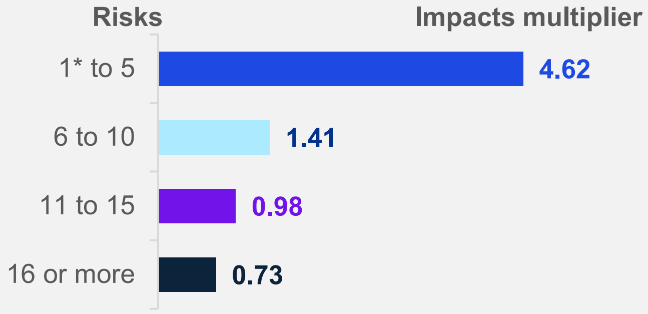
Key learning: More practical research is required to understand the level of impacts vs risks and opportunities.

Impacts vs risks

28% of companies had between 1 and 5 risks, but over 4 times as many negative impacts.

That ratio declined as companies identified more risks.

The average ratio of negative impacts to risks was 1.35.



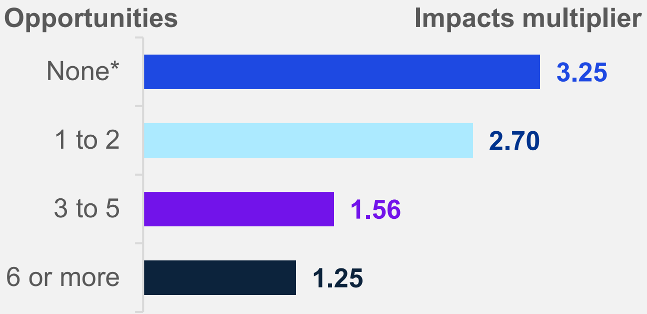
* In one case, zero risks set to 1 for the purpose of determining the relative number of impacts.

Impacts vs opportunities

16% of companies identified no opportunities, but over 3 times as many positive impacts.

Similar to risks, that ratio declined as companies identified more opportunities.

The average ratio of positive impacts to opportunities was 1.61.



* Opportunities set to 1 for the purpose of determining the relative number of impacts

7. A company's story is more than just data

The adoption of ESRS has been a complex undertaking, with significant focus on robust data collection and reporting.

In some cases, companies have focused more on the metrics, which might have caused them to overlook the policy and action side of managing IROs ahead of reporting.

Even for companies more mature in developing policies, actions and targets, the sheer size of this first compliance exercise made it difficult to stand back and assess the overall story being told.

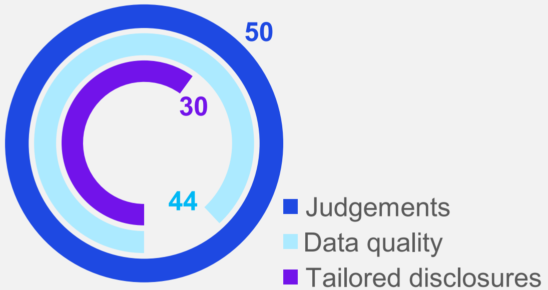
We expect to see a more targeted focus on a company's story and the link to strategy in future years.

Key learning: Some companies could spend more time on balancing the way they convey how IROs are managed and the related metrics.

Judgements and data quality

All companies disclosed significant sources of judgement, with 88% highlighting challenges with data quality.

Many disclosures were general in nature, although 60% of companies tailored disclosures to their specific circumstances at least to some extent.



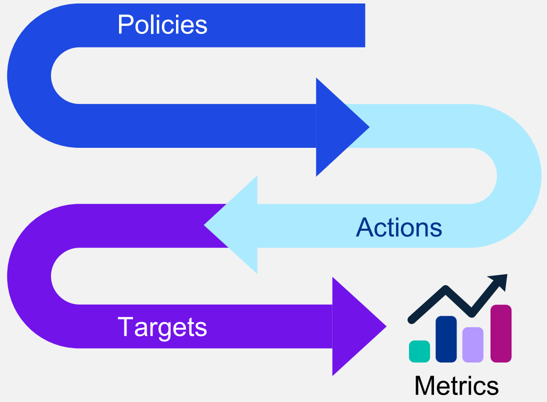
The most cited specific data quality issues related to Scope 3 GHG emissions.

IRO management

Managing IROs starts with a company's policies – as the driver for its actions and targets.

Disclosing metrics is the end point of the IRO management process.

In many cases, we observed a lack of cohesion in the disclosures – preventing clear insights into a company's sustainability performance and ultimately its story.



8. Prepare for machine readability

Most companies used visual elements that made the sustainability statements easier to understand.

These techniques were greatly appreciated by human reviewers; however, AI tools struggled with certain features and required more effort to achieve suitable prompts.

Designing the sustainability statement with AI in mind from the outset has clear advantages. It allows for fast analysis and reduces the risk of messaging being misinterpreted.

An XBRL taxonomy for digital tagging is not expected to be adopted until 2026 at the earliest and may be further delayed by the Omnibus proposals.

Key learning: Although AI capabilities are developing exponentially, disclosures may require additional legends or tagging to promote machine readability while still optimising for human readability.

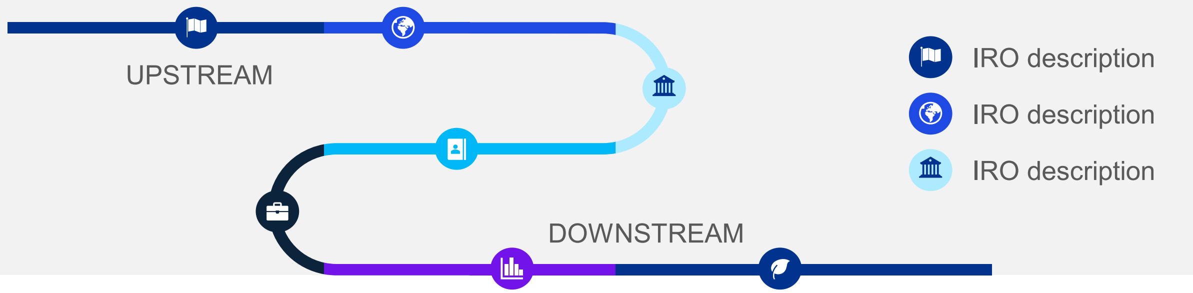
Summary of IROs

Humans scored IROs that were presented in a table very highly for readability. Current AI tools struggled and required some training.

Title	Classification	Location in the value chain	Time horizon
Description	• Impact (positive or negative); • Risk; or • Opportunity.	• Upstream; • Own operations; and/or • Downstream.	• Short-term; • Medium-term; and/or • Long-term

Value chain visualisation

Similarly, humans scored very highly those visualisations of value chains that explained the business and plotted IROs. AI tools struggled with pictures and relied on the descriptions and any legend to interpret the messaging.



9. The link to strategy

Many sustainability statements included the required disclosures, but the link to the company's overall business strategy was unclear. There was also significant repetition in the statements and an apparent tension between providing sufficient information in each section vs cross-referencing.

Overall, it appeared that the compliance exercise had often overwhelmed how a company effectively communicates its story and its strategy.

Our experience confirmed this observation, finding that some companies benefited from starting afresh rather than trying to amend existing reporting.

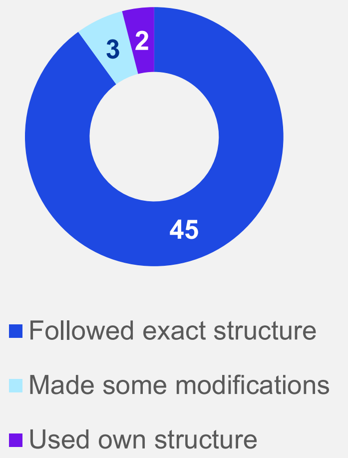
Key learning: Step back from the data, consider the story the data is telling and how it informs the strategy.

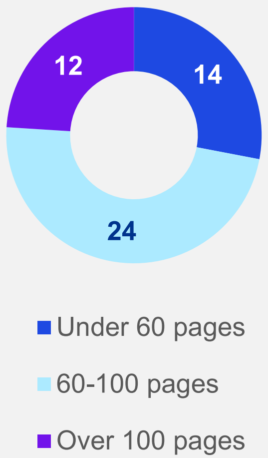
Structure and length of the statement

90% of sustainability statements followed the structure illustrated in ESRS, as encouraged by ESMA.

In all cases, the statement was presented as a single statement rather than being split across the management report.

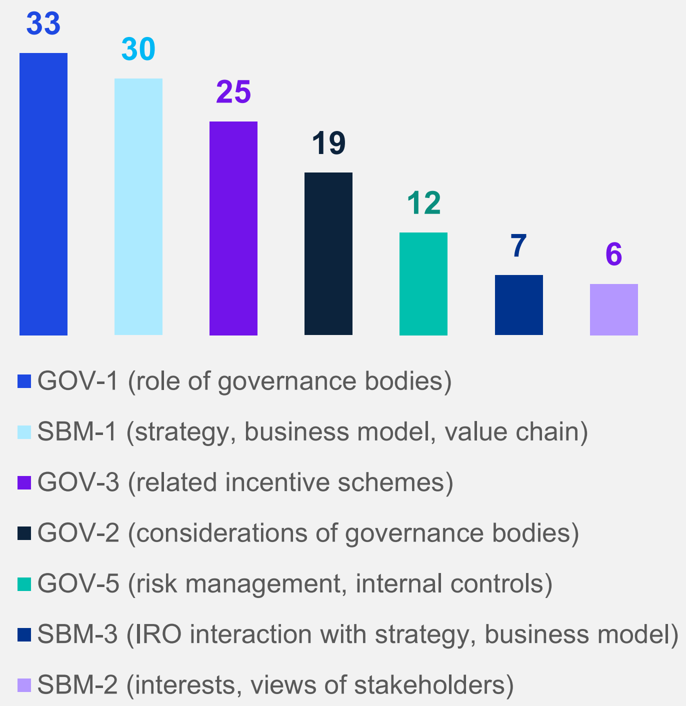
The average number of pages (excluding information incorporated by reference) was 84; the median was 75 pages.





Disclosures incorporated by reference

82% of companies incorporated some information by reference. The chart shows the most common disclosures that were referenced.



10. How to leverage these findings

Whether you are looking to improve your existing ESRS reporting or are preparing to report in the future, here are our tips.

01	**Reassess stakeholder engagement** Consider improvements that may enhance the quality of stakeholder input and ultimately your reporting.
02	**Take a step back** Consider the most effective structure for the statement as a whole – to comply with ESRS but still effectively communicate your strategy and story.
03	**Agree tone and language** Reach internal agreement on the desired tone and language – e.g. formal vs more casual.
04	**Find the optimal level of aggregation** Break down complex sections by grouping subtopics that have common policies, actions and targets. But beware: too much disaggregation leads to repetition; too little leads to confusion.
05	**Use the latest AI tools** AI can help you craft wording. It can also help you test your disclosures for machine readability.

Abbreviations and key terms

CSRD

Corporate Sustainability Reporting Directive

DMA

Double materiality assessment

EFRAG

European Financial Reporting Advisory Group

ERM

Enterprise risk management

ESG

Environmental, Social, Governance

ESMA

European Securities and Markets Authority

ESRS

European Sustainability Reporting Standards

GHG

Greenhouse gases

GRI

Global Reporting Initiative

IROs

Impacts, risks and opportunities

Omnibus proposals

The European Commission has released an Omnibus package of proposals to reduce sustainability reporting and due diligence requirements. As part of this Omnibus package only the largest companies would report under ESRS. Read more in our article.

SASB (Standards)

Sustainability Accounting Standards Board

SBTi

Science Based Targets initiative

TCFD

Task Force on Climate-related Financial Disclosures

Keeping in touch

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With thanks to Catarina Vieira for her significant contribution as well as to others who assisted:

- Jinwen Ang
- Deborah Chandler
- Gina Desai
- Alex Francis
- Hillary Green
- Roberta Maiello
- India Preswick
- Flavia Taveres Scott
- Natalie Sokol
- Phil Taylor
- Chinwe Ugwuzor
- Abhishek Verma

Additional resources

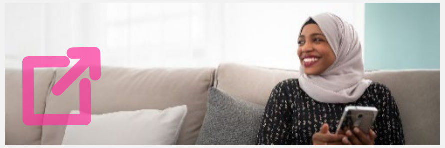
We deliver the latest news, together with our insights and comprehensive guidance.

ESRS Today

Insights, high-level guides and detailed analysis

ISSB Standards Today

Global sustainability reporting is here



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Publication name: Real-time ESRS: FAST 50

Publication number: 137887

Publication date: March 2025