



# Update on Sustainability Reporting

27 January 2026



# Here with you today



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# Agenda



**01. Legislative update**

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**02. New draft simplified ESRS explained**

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**03. What Companies can do now**

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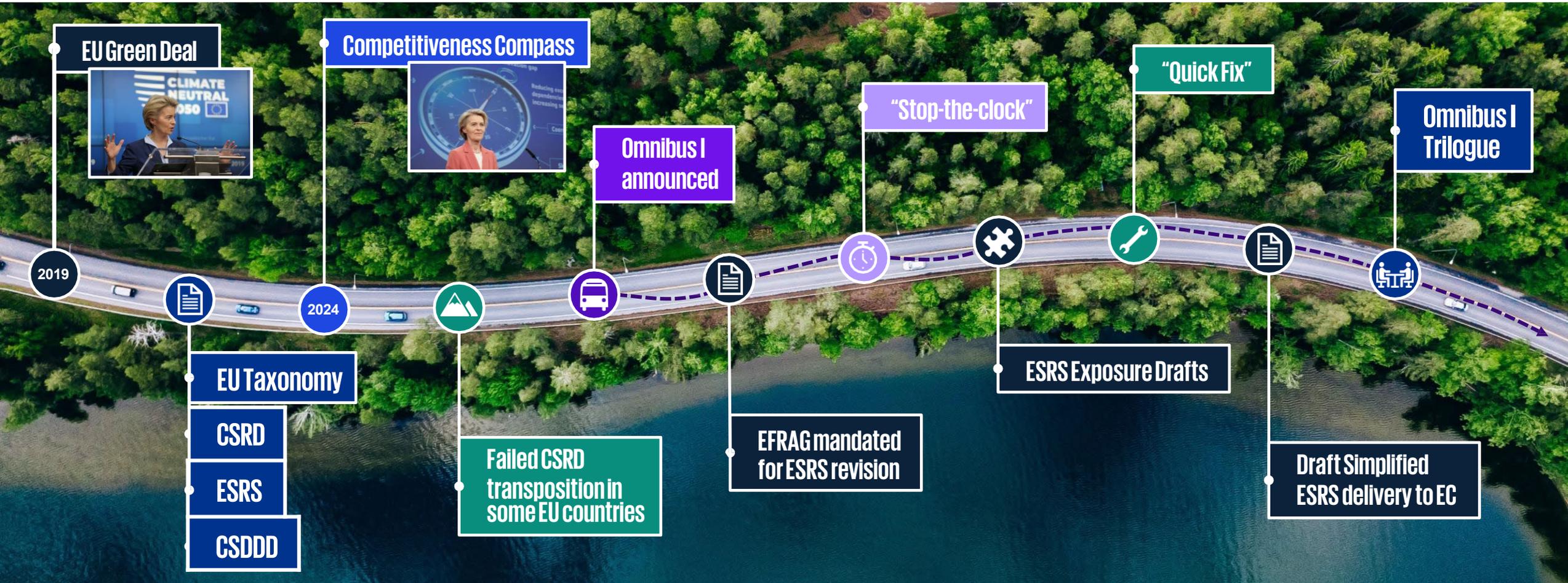
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# Legislative update

Lorraine Sammon



# ESG Reporting....A Winding Trail

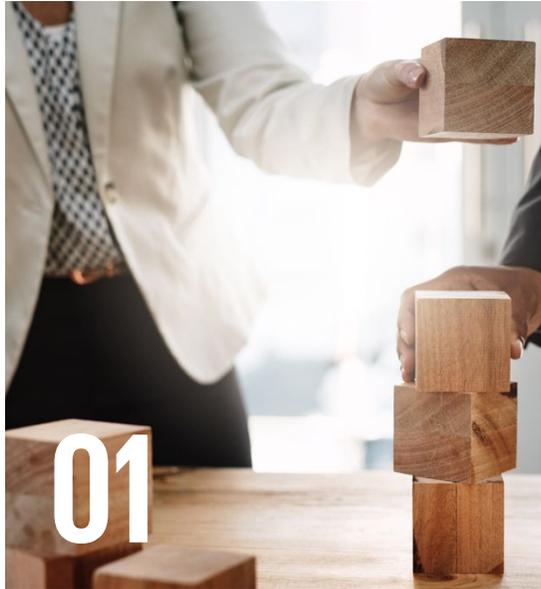


# Key Changes

In December 2025, the EU agreed changes to the Corporate Sustainability Reporting Directive (CSRD). The key changes are:

Topic	Existing CSRD	Agreed changes
<b>EU Scoping</b>	All large and listed EU Companies, except micro undertakings	EU Companies with 1,000 employees and net turnover of > EUR 450m
<b>Non-EU Parent Scoping</b>	Non-EU parent groups with > EUR150m net turnover in the EU; and <ul style="list-style-type: none"> <li>At least one EU subsidiary in scope of the CSRD; or</li> <li>At least one branch with &gt; EUR 40m net turnover</li> </ul>	Non-EU parent groups with >450m net turnover generated in the EU and a subsidiary or branch with > EUR 200m net turnover
<b>Smaller Companies</b>	<ul style="list-style-type: none"> <li>No explicit cap on information requests to smaller companies in the value chain</li> </ul>	<ul style="list-style-type: none"> <li>Value chain companies with up to 1,000 employees will be protected undertakings and can refuse information requests that exceed the voluntary reporting standard (expected in 2026 and based on the VSME)</li> <li>The limit will not prevent voluntary sharing of extra information or override contractual or legal obligations</li> </ul>
<b>Assurance Standards</b>	<ul style="list-style-type: none"> <li>Limited assurance, moving to reasonable assurance over time</li> <li>Standards adopted by 1 October 2026</li> </ul>	<ul style="list-style-type: none"> <li>Limited assurance only</li> <li>Adopted of standards postponed to 1 July 2027</li> </ul>
<b>Sector-specific Standards</b>	<ul style="list-style-type: none"> <li>Sector-specific standards to be adopted in 2026</li> </ul>	<ul style="list-style-type: none"> <li>No sector-specific standards</li> <li>Commission may issue sector specific ESRS guidance</li> </ul>

# Key Changes



## Transposition



## Group Exemption



## Financial Holding Companies



## Non EU Groups

02

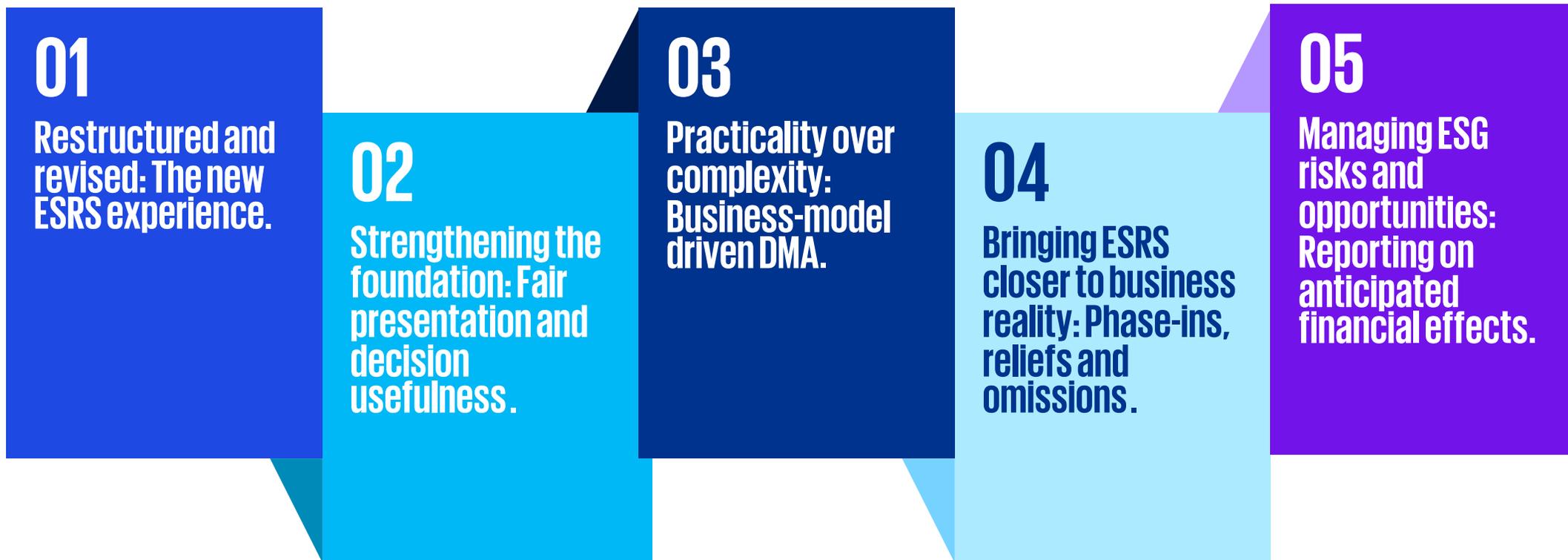
# New draft simplified ESRS explained

Patricia Carroll



# Decoding the structural changes to the ESRS: 5 key highlights

Whether you've been close to the revision process or familiar with ESRS 1.0, this snapshot will help you understand where we stand with the ESRS today:



# Restructured and revised: The new ESRS experience

All ESRS have been significantly shortened in length

NEW

257 pages  
Delegated act  
(Dec 2023)

156 pages  
Draft Simplified  
ESRS (Dec  
2025)

Non-mandatory Illustrative Guidance (NMIG) introduced



66 pages  
of additional  
guidance  
(Released in July)

Overall number of datapoints reduced across all standards

NEW

~60%

Reduction of 'shall' datapoints

Reduction of 'may' datapoints

100%

Application Requirements (ARs) provide guidance

Disclosure Requirements  
= Mandatory datapoints

Application Requirements  
= Additional information,  
guidance on processes,  
sources or calculation

## Market insights

- 💡 Reduction of datapoints does not translate to equivalent effort reduction
- 💡 Shift to principles-based requirements

## Your next steps

### As a wave 1 company

1. Conduct analysis of adaptation needs (*must vs. can vs. want*)
2. Review selected existing definitions carefully to understand impact on KPI level

### As a wave 2 company

1. Your priority should be the DMA
2. Leverage simplified ESRS, but do not underestimate the effort

Wave 1 companies: Entities required to report under CSRD in FY25 (large PIEs). Wave 2 companies: Entities required to report under CSRD starting FY27. The exact start date depends on national transposition of both CSRD and the 'Stop-the-Clock' provision.

# Strengthening the foundation: Fair presentation and decision usefulness

The sustainability statement should present decision-relevant information in an adequate and user-friendly manner

NEW

*'The objective of the sustainability statement, taken as whole, is to **present fairly** all the undertaking's sustainability-related material impacts, risks and opportunities and how the undertaking manages them. The reported information shall be **decision-useful** for the users (...).'*

ESRS 1.3



**What is of relevance?**



**Consistent narrative as the target**

**Decision usefulness of material information**

= Information whose...

- Omission... or
- Misstatement... or
- Obscuring...

could reasonably influence decisions of users

**How to identify and present such information?**



Tool kit to provide faithful and decision-useful information



**Materiality filter at appropriate granularity**

(ESRS1.24)



**Entity-specific considerations**

(ESRS1.11f & ESRS1.20(b))



**Qualitative characteristics of information**

(ESRS1.Appendix B)



**Aggregation and disaggregation**

(ESRS1.53ff)



**Optional use of executive summary for key messages & appendices for more detailed information**

(ESRS1.111f)

## Market insights



So far, information overload & too little coherence



Aligning compliance and decision-useful information

## Your next steps

### As a wave 1 company

1. Focus on decision-useful information
2. Use an executive summary to underline the narrative of your disclosures

### As a wave 2 company

1. Shape a consistent narrative of your sustainability disclosures from the start

Wave 1 companies: Entities required to report under CSRD in FY25 (large PIEs).  
The exact start date depends on national transposition of both CSRD and the 'Stop-the-Clock' provision.

Wave 2 companies: Entities required to report under CSRD starting FY27.

# Practicality over complexity: Business-model driven DMA

## Top-down approach is strengthened and reflected in chapter structure



(Sub-)Topics materiality based on analysis of strategy & business model

Discard topics that are clearly non-material

Identification of IROs<sup>1</sup> for material topics and “close-calls”

More in depth assessment of “close calls”

**Topics to be reported in relation to material IROs**

**NEW**

**Information about impacts and how they are managed may be decision-useful, irrespective of how effectively they are managed or regulated (ESRS1.44c)**

<sup>1</sup>: Impacts, risks and opportunities.

## Clarification/definition of positive impacts

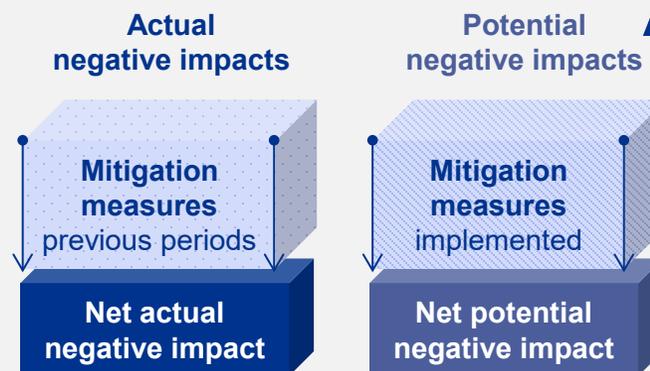
**NEW**

*‘The results of prevention, mitigation or remediation actions to address negative impacts the undertaking is connected to, or compliance with law and regulation, are **not** positive impacts.’*

ESRS 1.45

## Gross vs. net assessment clarified

**NEW**



## Market insights

- 💡 Large range regarding reported IROs
- 💡 Market practice for sectors evolves

## Your next steps

### As a wave 1 company

1. Potentially adjust gross/net and positive impact approaches
2. Review top-down application to enhance efficiency (in future update)

### As a wave 2 company

1. Start / continue your DMA
2. Benchmark your sector in published reports

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**Wave 2 companies:** Entities required to report under CSRD starting FY27.

# Bringing ESRS closer to business reality: Phase-ins, reliefs and omissions

## Reliefs that can be applied for own operations and value chain (ESRS1.91ff)

*'Undue cost or effort',  
to balance cost and benefits*

*Exclusion of activities in metrics  
if they are not significant driver of IROs*

*Report partial reporting boundary for metrics  
if lacking reliable direct/estimated data (except E1-8)*

*Exclude joint operations from metric in the E2, E3,  
E4 and E5 if there is no operational control*

*Acquisitions and disposals*

## Clarifications on 'without undue cost or effort' principle



Size



Resources



Technical  
Readiness



No exhaustive  
search

## Extended Phase-in reliefs and applicable years

	Wave 1 companies	Wave 2 companies	
ESRS E4	Omit until 2026	EFRAG leaves it to EU Commission to decide on this due to close linkage with Level 1 legislation decisions	
ESRS S2, S3 and S4			
S1-6, S1-7, S1-10 to S1-14			
Quantitative information on substances of concern	Omit until 2029		<b>NEW</b>
Anticipated financial effects	Omit until 2026, only qualitative information until 2029		<b>NEW</b>

## Market insights

Strong demand for relief from companies, especially related to data accessibility

'Undue cost or effort' principle welcomed but challenges in practice

## Your next steps

### As a wave 1 company

1. Balance burden reduction vs. discontinuation / pause of previously reported datapoints

### As a wave 2 company

1. Plan use of reliefs and phase-ins and align with your auditor
2. Nevertheless, start looking into anticipated fin. effects due to complexity & potential insights

Wave 1 companies: Entities required to report under CSRD in FY25 (large PIEs). Wave 2 companies: Entities required to report under CSRD starting FY27. The exact start date depends on national transposition of both CSRD and the 'Stop-the-Clock' provision.

# Managing ESG risks and opportunities: Reporting on anticipated financial effects

Required disclosure of current and anticipated financial effects both qualitatively and quantitatively

NEW

Expected changes in **'financial position, financial performance, and cash flows [...]** over the short, medium and long term, given [your] strategy to manage material risks and opportunities'

ESRS 2.27

Relief to omit quantitative reporting, if:

NEW



Effects not separately identifiable



Measurement uncertainty prevents usefulness of information



Lack of skills, capabilities or resources

Explanation and qualitative information required

Moreover, Phase-in applies for wave 1

NEW

Wave 1 companies can omit quantitative information about anticipated financial effects for financial years until 2029

Quantitative information

NEW

Single amounts or ranges



May be described only for a period

Confidentiality and commercially sensitive information concerns will be addressed directly to EU Commission

## Market insights



Evaluating these effects is challenging and resource intensive



Assessment unlocks value insights beyond regulatory compliance

## Your next steps

### As a wave 1 company

1. Streamline financial materiality results from initial DMA
2. Pilot quantitative assessment of major financial effects to gain valuable insights

### As a wave 2 company

1. Consider in definition of risks and opportunities during DMA
2. Start qualitative assessment of major financial effects

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# KPMG Selected key changes in the Draft Simplified ESRS compared to Set 1

## Cross-Cutting

- **Fair presentation principle strengthened**
  - **'No undue cost or effort principle' & reliefs** and further introduced
  - **Phase-ins extended** and based on concrete years for wave 1 companies
  - **Omissions** now related to EU law, but remain relevant
  - **Adaptability in reporting** through choice of reporting level, topic simplifications, and use of executive summaries & appendices
  - **Reporting boundary** clarified
  - **Aggregation alongside disaggregation**
- 
- **Top-down DMA** with strategy and business model as basis, also reflected in chapter structure
  - **Disclosures on DMA condensed** and restructured
  - **Concept of materiality of information** in greater focus
  - New approach to **gross vs. net impacts**
  - Inclusion of **non-material information** allowed
- 
- **List of topics reworked;** level of sub-sub-topic removed and slight restructuring
- 
- Compared to other standards, in **ESRS 2 order of chapters and DRs were substantially restructured**
  - MDRs are now named **'General Disclosure Requirement'** (GDRs)

## Environment

- **E1 Transition plan** disclosures are simplified, yet the reference to 1.5 degree stayed
  - **Climate-related risks, scenario analysis & climate resilience** have two dedicated DRs, while analysis is not mandatory and no specific scenarios are required
  - **GHG emission reporting boundaries** clarified; financial control is the starting point
  - New Option to disclose of **anticipated financial effect either before or after mitigation actions**
- 
- **On secondary microplastics** only qualitative information
  - **Phase-in for quantitative information on SOC**
  - **Manufacturers, formulators and importers of substances** report quantitatively on SVHC, while **manufacturers, importers and users of articles** above threshold report only qualitatively
- 
- **E3 is now titled Water**, 'marine resources' disclosures moved to other topical standards
  - Changed focus from 'areas at water risk, incl. areas of high-water stress' to **'areas at water stress'**
- 
- **Disclosure of E4 Biodiversity transition plan** if in place and made public; together with guidance and clarification that one can have one transition plan together with climate
  - **Guidance** on prioritization of locations and level of aggregation
  - Definition of **biodiversity sensitive areas** in AR/Annex II
- 
- **Concept of 'key materials'** in E5 resource inflows & inclusion on **critical/strategic raw materials**
  - **No disclosure on** 'recycled content' of key products and packaging

## Social

- Updated **clustering of sub-topics**
  - **Human rights policy** disclosures moved to ESRS 2
  - **Merger of DRs on processes to engage and raise concern** (S#-2 and S#-3)
- 
- Obligation to **always report on S1-5** (if own workforce material) **and S1-6** (if non-employees material), while ESRS S1-16 only to be disclosed for material sub-topics; ESRS S1-5 and S1-6 subject to materiality of information
  - **Simplified disclosure**, e.g. on lost days due to fatalities, age distribution and live events for social protection
  - **Concept of 'significant employment' introduced**
  - Limited disclosures on **non-employees**
  - **Adequate wages hierarchy adjusted** for non-EEA countries to equal choices of sources
  - Concept of **'severe' human rights incidents removed**
  - **Unadjusted gender pay gap** is maintained, incl. guidance

## Governance

- **Introduction of clear PAT-architecture** in G1
- **Disclosure on number and nature of confirmed incidents deleted**, nonetheless reporting also on convictions and fines
- **SME specification regarding payment practices**
- Removal of **average time to pay an invoice**
- Datapoints on **training of procurement team transformed into 'shall'**
- **Simplification by deletion or moving** several voluntary metrics to NMIG

## Across all ESRS



Overall reduction in mandatory datapoints

- **Overall**, text shortened, sentence structure simplified, increased readability, while duplications removed and formulation made consistent
- **Deletion/shift** of numerous DRs/ARs aiming at a clearer structure
- **Reduction of topical GDRs** for PATs and deleted topical specifications
- **ESRS 2 IRO-1, GOV-1, GOV-3, SBM-2 and SBM-3** moved to ESRS 2
- **'Topics'** is new, consistent wording for sustainability matters
- Introduction of **Non-Mandatory Illustrative Guidance (NMIG)**
- **Reduction to key datapoints for anticipated financial effects for E2 – E5** retained for investor and lender needs (in ESRS 2)

03

# What Companies can do now

Lorraine McCann



# Next steps for Wave 1 and 2 companies



Review IROs and potentially adjust gross/net, and positive impact approaches.  
Review top-down application (in future update) to an appropriate level of granularity.

**Revise/complete the DMA**

Use an executive summary to underline the narrative of your disclosures and enhance clarity.  
Focus on decision-useful information.  
Plan for FY26 revisions using ESRS 2.0.

**Prepare/upgrade your Sustainability Statement**

Balance burden reduction vs. discontinuation / pause of previously reported datapoints.

**Phase-ins, reliefs and omissions.**

Streamline financial materiality results from initial DMA.  
Pilot quantitative assessment of major financial effects as there are valuable insights to be gained.

**Reporting on anticipated financial effects.**

Monitor future developments as the revised and simplified ESRS are finalised.

**Monitor future developments**



Start / continue your DMA, leveraging top-down approach.  
Benchmark your sector against published sustainability statements (e.g. using EFRAG Knowledge Hub Repository)

ESRS 2.0 Impact assessment to determine any impact of deletions/additions.  
Tailor the layout of the Sustainability Statement.  
Don't underestimate the level of effort.

Plan use of reliefs and phase-ins, and align with your auditor

Consider definition of risks and opportunities during DMA.  
Start qualitative assessment of major financial effects.  
Consider anticipated fin. effects due to complexity & potential insights.

Monitor future developments such as further application reliefs.

## Call for Action

**As a wave 1 company: Stick to ESRS 1.0 for now. Start preparation for adjustments.**

- Prepare your FY25 report building on FY24 disclosures (applying ESRS 1.0)
- Monitor possibility to voluntarily apply ESRS 2.0 for FY26
- Define and integrate a clear overarching narrative in your reporting
- Identify datapoints that will be amended to start ESRS 2.0 preparation

**As a wave 2 company: Start preparation now, use the simplified ESRS for efficient reporting.**

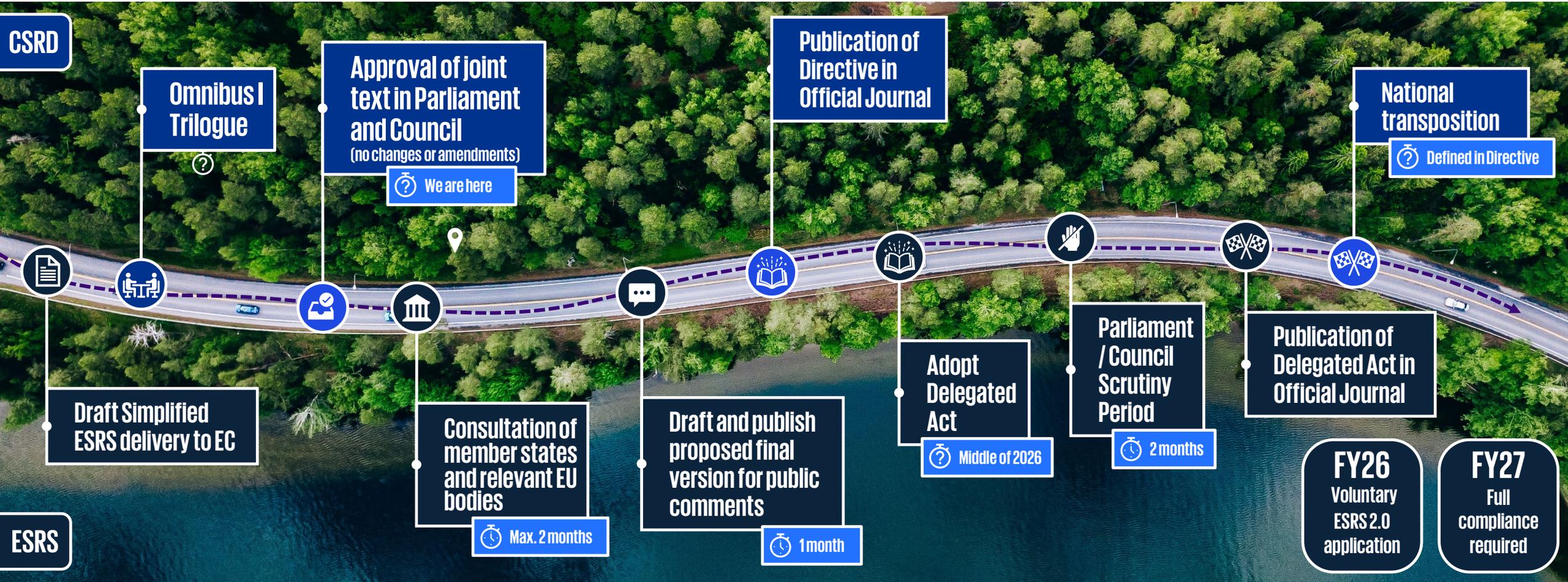
- Start preparations for your FY27 report, applying ESRS 2.0 rather sooner than later. Take full advantage of the simplified standard
- Plan ahead what reliefs and phase-ins you want to apply and align with your auditor

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### 3. What is next?

# Omnibus I will continue (and hopefully conclude) its tour in 2026





# From Pause to Progress

An interactive CSRD workshop

Wednesday 11 February – 8:45am – 11:00am

Platform X, 2 Harbourmaster Place, IFSC, Dublin 1





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