The first wave of CSRD reporting: What you need to know

How can companies create streamlined data gathering and disclosure to comply with the CSRD?

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Foreword

Environmental, Social and Governance (ESG) reporting is becoming mainstream as increasing numbers of companies undertake structured assessments of the non-financial impacts of their activities.

The European Sustainability Reporting Standards (ESRS), which are part of the European Union's Corporate Sustainability Reporting Directive (CSRD), have introduced several new requirements including double materiality, a wider scope of disclosure and limited assurance. In their efforts to disclose hundreds of metrics and targets, companies in the first wave of reporting have to access and process appropriate information and set up a groupwide ESG reporting organization.

The European Commission's Omnibus package of proposals, published in February with the aim of simplifying sustainability reporting and due diligence obligations, has added a degree of uncertainty. Under these proposals, only large companies with more than 1,000 employees would be in scope of the CSRD and therefore required to report under ESRS. In April, EU member states agreed to the so-called 'Stop the clock' proposal, postponing for two years mandatory ESRS reporting for second and third-wave companies.

To determine reactions to the Omnibus proposal, KPMG has surveyed 128 companies from 17 countries with a particular focus on Germany. In this report, we summarize the results of this research, examine specific impacts and make recommendations for companies and leaders planning their next steps on ESG reporting.

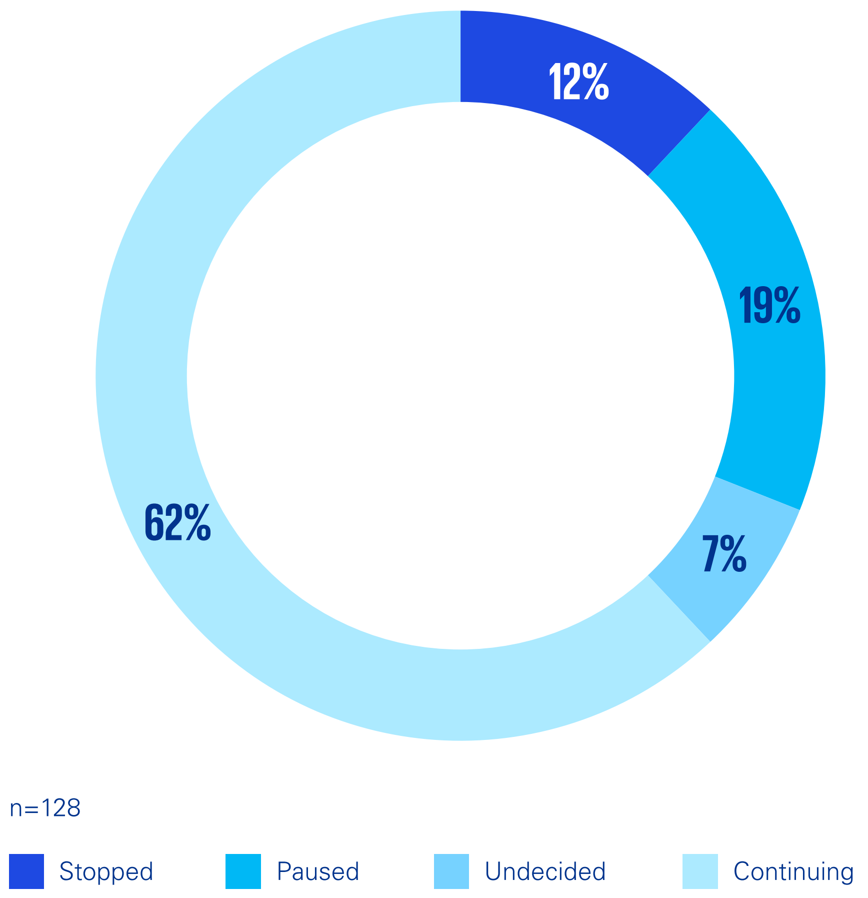
KPMG specialists are ready to support companies both in meeting ESG reporting requirements including CSRD and finding opportunities that result from such work. We look forward to working with you on this fast-developing topic.

Methodology

These results are based on a voluntary survey carried out by ESG assurance and advisory client service teams at KPMG member firms in March 2025. This received responses from 128 companies from 17 countries, including 62 from Germany, 20 from the United States, 11 from the Netherlands, five each from Spain, Belgium, Italy and Luxembourg and four each from Japan, France, Finland and the Republic of Ireland. It also includes smaller numbers of responses from Austria, China, Latvia, Saudi Arabia and the United Kingdom.

Industrial manufacturing was the sector with the most companies in the survey, followed by consumer goods. Among the 128 companies, 92 (72 percent) will be obliged to report sustainability data following the Omnibus proposal as they are large companies with more than 1,000 employees.

What is the status of your ESRS implementation project following the Omnibus proposal?

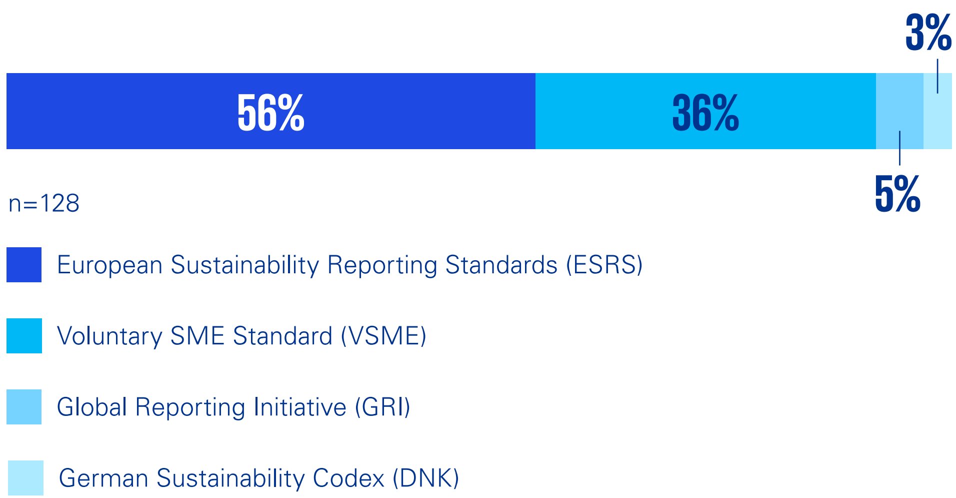


How does the Omnibus proposal impact on your reporting strategy?

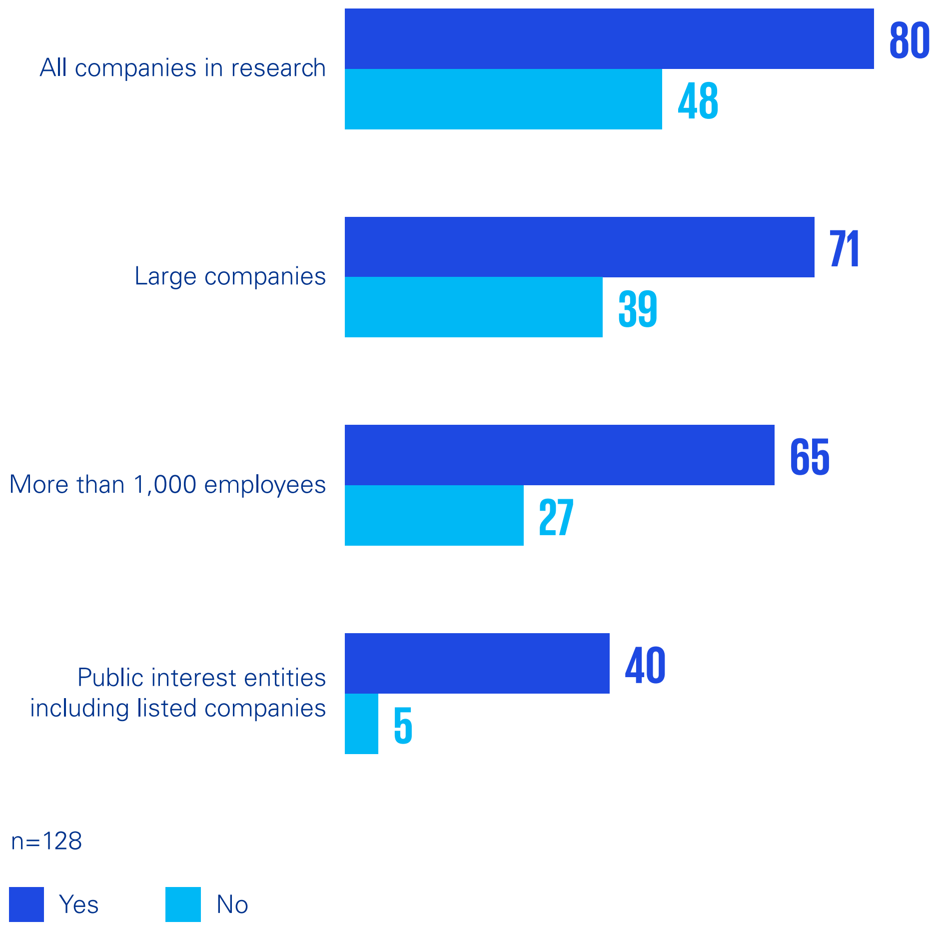
3 in 4 of the 84 companies that plan to continue reporting plan to use ESRS as a reporting framework before required by the CSRD and Omnibus proposal.

2 in 3 of the 23 companies outside the scope of the Omnibus proposal will continue to report on ESG voluntarily.

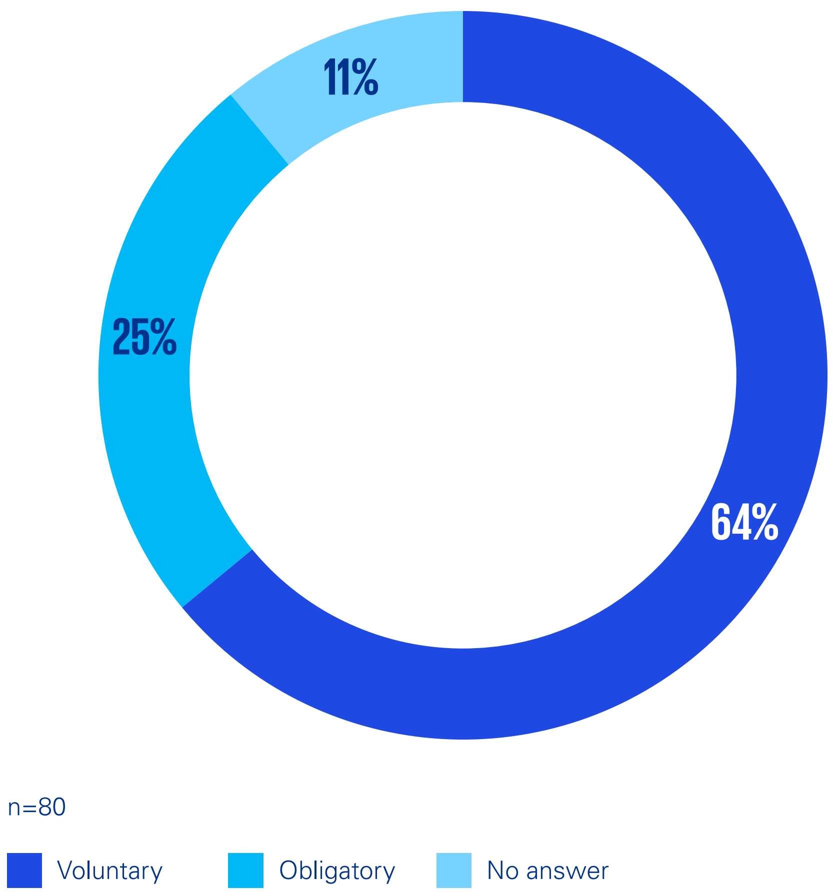
If you report voluntarily, what standards do you use?



Have you reported on sustainability for the 2024 financial year?



Was reporting for the 2024 financial year and earlier voluntary or obligatory?



Sustainability statements

As well as the survey, KPMG professionals have analyzed the sustainability statements of 50 companies that reported in accordance with ESRS in January and February 2025, to determine their levels of preparedness, gaps in information, and remediation plans to meet the oncoming deadlines.

The findings show that most companies declared as material the topics of climate change (E1), pollution (E2), resource use and circular economy (E5), own workforce (S1) and workers in the value chain (S2).

Perhaps not surprisingly environmental data, especially climate change, received the most attention with almost all the companies reporting Scope 1,2 and 3 emissions although less than one-third reported on reductions. Nearly three-quarters of companies (74 percent) had a net zero target, with 84 percent of those companies referencing the Science Based Targets initiative as the underlying framework. All but one of those companies also had a transition plan. A majority (63 percent) were committed to achieving net zero by 2050. Based on feedback, it appears that companies felt prepared for climate disclosures, but less so for other topics that require specialist expertise such as pollution and social data points.

Most companies used visual infographics to make sustainability statements easier to understand, which were greatly appreciated by human reviewers. However, AI tools failed to cope with certain features and required more supervision and quality checks. Although AI tools are developing fast, disclosures may require some additional legends or tagging to promote machine readability while still enabling human readability.

Adoption of an XBRL taxonomy for digital tagging was not expected until 2026 at the earliest and may be further delayed by the Omnibus proposals. Rather than cross-referencing, statements often repeated information from other sections.

Many statements contained the required disclosures, but companies struggled to effectively communicate their sustainability story and strategy. KPMG specialists found that some companies benefited from taking a fresh-start approach rather than trying to retrofit existing reporting.

As ESRS reporting develops, and companies become more comfortable within this new framework, KPMG expects reports to evolve to meet both compliance and business needs.

There was significant repetition in the statements and a tension between providing fulsome information in each section versus cross-referencing.

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

As ESG gets integrated into risk management and strategy, KPMG expects to see greater dialogue between preparers, regulators and governance bodies, to advance ESG reporting.

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Charting a course to effective ESG reporting

In the first year of reporting under CSRD, companies have tried to focus their efforts on materiality analysis, the structure and scope of their reports, and getting to grips with the taxonomy, which classifies their economic activities that significantly contribute to environmental objectives using science-based criteria.

Companies have attempted to understand and take advantage of the transitional measures provided for by the ESRS and the CSRD to facilitate initial reports. These provisions enabled companies to take a phased approach to meeting the new reporting requirements, giving them breathing space to improve their data collection processes. For example, in the case of entity-specific disclosures, organizations were able to use previously reported information such as made under the Global Reporting Initiative (GRI), so long as it satisfied the CSRD's quality criteria.

Similarly for value chain reporting, where companies have to provide metrics on sustainability impacts upstream and downstream, it is permissible to report in-house and publicly available information for the first three years. Companies with fewer than 750 employees also had the option of delaying disclosures regarding ESRS E4 and ESRS S1-S4.

Companies also had the option to report on a voluntary basis in countries where the CSRD has not yet entered national law, in preparation for when reporting become mandatory.

Companies no longer subject to the CSRD following the Omnibus directive must now decide which reporting strategy to follow in the future. The voluntary standard for small and medium enterprises (VSME) offers an excellent opportunity to meet rising regulatory, market and investor expectations. KPMG's post-Omnibus research found that three-quarters (75 percent) of the companies that plan to continue reporting will use ESRS as a reporting framework even before it is required by CSRD as modified by Omnibus. Two-thirds (66 percent) of those outside the Omnibus scope say they will continue to report on ESG voluntarily.

There was also the option — for companies with less than

750 employees

— to delay the inclusion of certain disclosures, notably for ESRS E4 and ESRS S1 — S4.

Adapting to double materiality assessments

Double materiality assessments (DMAs) require companies to explain how sustainability affects their own financial performance and influences investors' decisions along with how their activities across the value chain affect people and the environment.

Whether a topic is material depends on its severity and the likelihood of occurring. As part of the Omnibus proposals the European Commission has indicated that the concept of double materiality would remain, but it intends to provide clearer instructions on applying the materiality principle.

A DMA is an intensive exercise involving all businesses and functions. It is important to strike the right balance between complying with the standards and developing an appropriate and relevant internal methodology.

Critically, the DMA should present a reliable picture of the company's own impacts, as well as those in the value chain while being robust enough to withstand the scrutiny of an independent assurer.

It is also important that the DMA is consistent with current reporting, especially on risk, meaning the process benefits from the early involvement of the internal risk management team.

When identifying impacts, risks and opportunities (IROs) organizations need to determine whether these are material, which may often be a question of judgement. The IROs are then assessed using the company's own methodology. For instance, technology companies are likely to have large data centers that use significant amounts of energy and emit carbon dioxide, making them material. There is a lively debate ensuing over how to identify and evaluate IROs both upstream and downstream.

From a strategic perspective it can be useful to look at the top five risks and top five opportunities to gain an understanding of the major IROs.

ESG impact information is already collected internally, via employee surveys, and can subsequently be used for a DMA and risk maps. However, fewer companies are likely to send surveys to external stakeholders such as suppliers, logistics providers and energy providers. They may instead choose proxies, which should be more efficient.

KPMG insight:

Companies must ensure the necessary preconditions for assurance are present and issues addressed before going through the assurance process. This can reduce the risk of poor outcomes in the future.

Dong Seok Derek Lee
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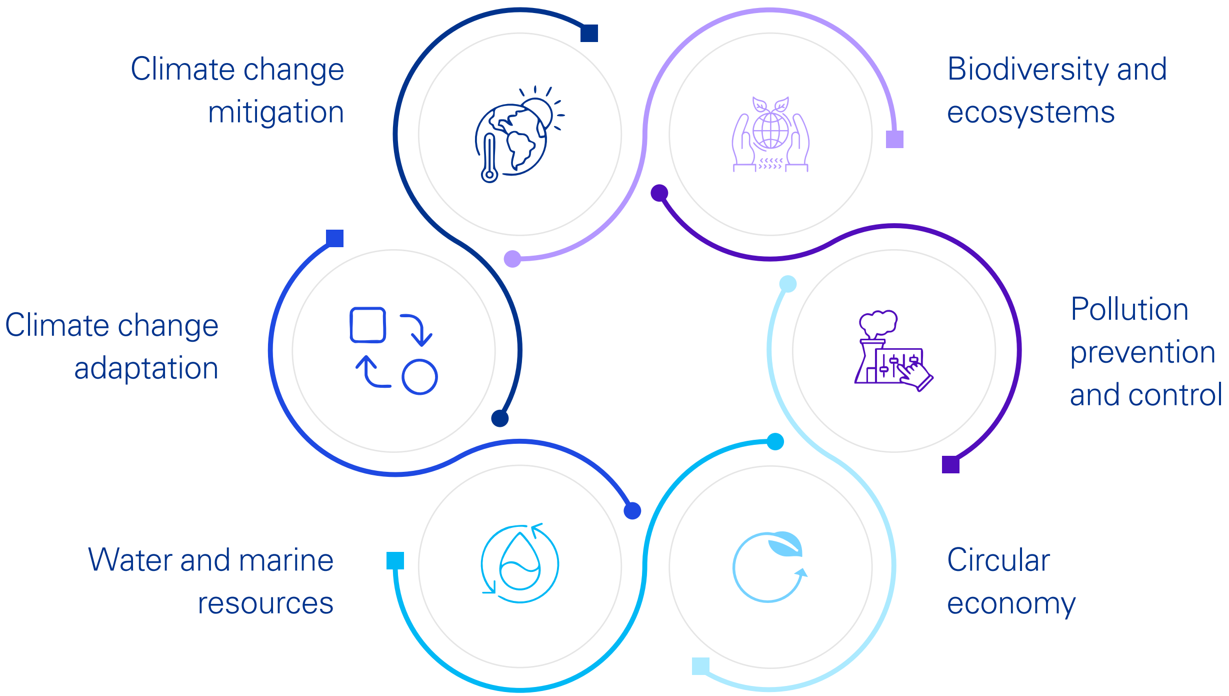
Getting on top of taxonomy

The EU Taxonomy Regulation establishes an EU-wide classification system for environmentally sustainable economic activities. Under the CSRD, companies must provide information on how, and to what extent, their activities help achieve sustainability. The activities should contribute to the aspects of sustainability shown in the chart.



An activity is sustainable if it fits the criteria of providing a substantial contribution or does no significant harm, along with meeting minimum safeguards. These safeguards also relate to tax, where to label their activities as sustainable, companies must show they are meeting required standards of tax governance, compliance and behavior.

Taxonomy is an important tool for measuring and directing financial flows towards sustainable activities, discussed in the 2023 KPMG paper 'Setting the baseline to transparency'.[1] There is considerable consistency between the EU Taxonomy, especially regarding capital expenditure, and the ESRS disclosures, such as E1.

However, the implementation of taxonomy is complex, and certain technical criteria are difficult to grasp. Understanding what data is needed to satisfy these requirements and gaining access to this data remain significant challenges, as the ESRS does not provide detailed guidance.

[1] Setting the baseline to transparency, KPMG International, 2023.

Building streamlined ESG data gathering and reporting processes

When considering the accessibility and quality of ESG data, companies needed to consider how closely the data is aligned with the CSRD/ESRS and the EU Taxonomy Regulation in terms of granularity or units or measurement. The more the data was based on actual measurements rather than assumptions, the greater the chance of meeting the CSRD requirements.

Presenting a reliable picture of the organization's carbon emissions is vital, including Scope 3 emissions up and down the value chain. In addition, companies had to provide details on transition plans, reduction targets, and decarbonization strategies to meet their published targets.

These details include specific decarbonization levers, tools and mechanisms to reduce emissions and achieve climate goals. These could include investments in green energy, energy and resource efficiency, circular manufacturing, recycling, zero-pollution operations and biodiversity.

To prepare for automation and digitization, organizations needed strong data governance, with clear key performance indicators (KPIs) across the value chain, communicated to all stakeholders. There may have been considerable differences in data quality and consistency between countries. Consequently, companies looked to establish non-financial processes and controls for collecting data and verify its accuracy and reliability, linked to enterprise risk management for IROs and risk scenarios, including transition plans.

Although there was no need for ESG 'Soxification' — transforming corporate reporting to the extent required for compliance with the 2002 US Sarbanes - Oxley Act — by operating effective control structures, companies aimed to achieve both data quality and assurance readiness.

ESG data collection was then integrated into existing systems and processes, using an appropriate, automated software tool to aggregate, calculate and consolidate data, in the shift to standardization. The approach also needed to align with and streamline any existing reporting with disclosures required by sustainability reporting regulations. The objective was to achieve a high level of consistency between reporting statements around the organization, with strong governance, especially regarding ownership, roles and responsibilities for CSRD reporting.

KPMG insight:

Companies need to continue to make urgent progress with ESG reporting in a way that supports their short-term and long-term business objectives. A robust sustainability reporting ecosystem can help businesses not only measure progress on executing their ESG strategy, but also support businesses in driving value while mobilizing capital markets to help support innovative and much-needed solutions to the many societal issues we face.

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Recommendations

1. Integrate ESG into risk management and strategic decision making.

It is a challenge for most global companies to gather consistent, high-quality data across their entire value chains. However, given ESG reporting processes are likely to gain in maturity, it is likely worthwhile for organizations to bring ESG data systems, controls and governance up to the same standard as financial data.

2. Support dialogue on ESG.

Discussion between preparers, governance bodies, assurance practitioners, standard setters and regulators can support consistency and transparency in ESG reporting and assurance.

3. Start by focusing on management and reporting data.

In the short-term, it may be useful to focus on data for management and reporting, using existing technology systems to obtain as much ESG data as possible, and adding targeted solutions to fill data gaps. Ultimately, ESG requirements can be integrated into ERP systems, bringing together financial and non-financial reporting and risk management.

4. A double materiality assessment is key.

Companies that have already completed a Double materiality assessment can develop a pragmatic climate transition plan using the Transition Plan Taskforce (TPT) framework. This helps prioritize areas within the company's control and influence, while acknowledging that some factors are beyond its reach and should not consume undue management time or resources.

Companies which have not completed such an assessment can carry out a strategic financial materiality exercise to uncover risks and opportunities that chief sustainability and chief financial officers can address.

5. Data challenges are not going away.

Financially material ESG data should become an integral part of strategic decision making, to drive value and optimize costs. The Omnibus package can help companies access and verify data, to increase its quality and reliability.

Sustainability technology tools have advanced significantly in the past year, so it is likely important to assess which solutions suit a company's needs, through conversations with the chief information and chief financial officers.

6. Look for opportunities.

ESG reporting — and the CSRD in particular — brings significant challenges. But reporting also offers opportunities to embed sustainability into a company's standard business practices. This can improve risk management and build competitive advantage, by keeping ahead of emerging regulations and stakeholder expectations.

In the longer term, when a company's ESG reporting has become more efficient, resources can be redeployed towards value-adding decarbonization or strategic sustainability initiatives.

Key questions for specific leaders:

Chief sustainability officer/head of sustainability

- Beyond ESRS, what are the core data points you still need to help run your business?
- Will this Omnibus proposal potentially free up capacity or resource in the short or medium term?
- How do you redeploy capacity in support of driving your transition initiatives?

Chief executive officer

- Going beyond reporting, where can sustainability drive a competitive advantage?
- How can we focus sustainability actions on performance improvement add value creating activity?

Chief financial officer

- Where does sustainability fit into your wider reporting strategy?
- Are any of your financial commitments or investor narrative tied to sustainability data or reporting?
- Were you reliant on sustainability reporting to manage material financial and business risk?

Chief information officer

- For your sustainability data points, where in the business is that data coming from and who manages it?
- What tools and system architecture is needed to ensure you drive value from your sustainability data?

What you should do next

Here are some key steps to help avoid losing momentum on your sustainability journey:

For companies who have completed a DMA

Develop a pragmatic climate transition plan using the Transition Plan Taskforce (TPT) framework. This helps you prioritize areas within your control and influence, while acknowledging that some factors are beyond your reach and shouldn't consume undue management time or resources.

For companies who have not completed a DMA

Carry out a strategic financial materiality exercise, to uncover risks and opportunities that CSOs and CFOs can address.

Data challenges aren't disappearing

Financially material ESG data should become an integral part of strategic decision making, to drive value and optimize costs. The Omnibus package can you access and verify data, to increase its quality and reliability. Sustainability technology tools have advanced significantly in the past year, so it's important to assess which solutions suit your needs, through conversations with your CIO and CFO.

Look for opportunities

When your ESG reporting has become more efficient, you should be able to redeploy resources towards value-adding decarbonization or strategic sustainability initiatives.

How KPMG can help

Sustainability is vitally important for all companies. KPMG firms support organizations of any ESG reporting level to make their sustainability transition as smooth and beneficial as possible. The CSRD will require corporations to integrate ESG as a major topic in their Risk discussion which must be qualified and quantified in their ERM. Our five-phase approach can help you embed the CSRD requirements in your organization while, at the same time, seizing ESG-related opportunities.

With our tailored, modular project approach, and KPMG professionals extensive experience in providing advisory and assurance services over sustainability reporting, we can deliver pragmatic solutions and services to help you address the CSRD challenges and to help you get ready for a new level of ESG reporting. For more information on our CSRD approach, please visit kpmg.com/CSRD.

KPMG insight:

The scope and complexity of the ESRS is unprecedented. Companies have had to prepare themselves in a holistic way to meet the reporting deadlines.

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