KPMG

Revised ESRS

What the changes mean for you

July 2026

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Clarity for reporters

What's happened?

Companies now have clarity on the requirements of the revised European Sustainability Reporting Standards (ESRS). After a period of uncertainty, change and recalibration, the European Commission's adoption of the revised standards draws the Omnibus simplification process to a close.

The final revised standards are largely aligned with the text that the Commission consulted on earlier this year based on the technical advice prepared by EFRAG.

The Commission has adopted the revised ESRS.

This guide will help you understand:

- the changes introduced compared with the first set of ESRS; and
- what these changes would mean in practice.

What's next?

The standards are now subject to scrutiny by the European Parliament and European Council for up to four months before they can be published in the Official Journal of the European Union and enter into force on 10 November 2026. As a delegated act, the standards will apply directly and will not require transposition into national law.

The revised standards will become mandatory for reporting periods starting in 2027. Companies already applying the first set of ESRS may also adopt the revised standards in full in 2026, or may apply some reliefs, including the top-down approach in the DMA, relief for undue cost and effort, acquisitions and disposals, and partial reporting boundary for metrics.

In this guide, explore our Top 10 highlights and see our recommendations for actions to take now.

Jan A. Müller
Partner, KPMG in Germany

How to use this guide

The text on the **left-hand side** of each page highlights key changes from the first set of ESRS.

Changes compared with EFRAG's technical advice are denoted by. New

The panels on the **right-hand side** of each page summarise the expected practical implications for companies.

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Contents

01 Objective is fairly presented information

02 Still double materiality, but streamlined

03 ESRS 2 remains the foundation

04 Connectivity enhanced

05 Key climate disclosures clarified

06 Other E standards simplified and clarified

07 Own workforce, business conduct focus

08 More options to tailor the statement

09 Interoperability further improved

10 More relief for companies

Abbreviations and key terms, and list of standards ►

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Objective is fairly presented information

01

Materiality as a general filter

- Under the **fair presentation principle**, companies need to report any material information. This includes entity-specific disclosures, which are required when applying ESRS is not sufficient to enable an understanding of their IROs.
- The **materiality of information** is introduced as a general filter that applies to all disclosures (including ESRS 2) – i.e. moving away from any implied checklist approach.
- The fair presentation principle applies to the **sustainability statement as a whole**, not to individual disclosures. New

Reporting scope and boundaries clarified

- Revised ESRS clarify that the reporting boundary generally follows that for financial reporting.
- However, impacts from using a leased asset are attributed to the lessee's own operations. The lessor considers the impact of leased assets as part of its downstream value chain.
- A similar provision applies to IROs arising from assets held as part of an employee pension scheme.
- Companies are not expected to report on impacts relating to assets managed on behalf of clients (e.g. asset management companies). New

Impact for companies

The fair presentation principle, together with fewer mandatory datapoints, may drive more entity-specific disclosures.

This requires companies to exercise greater judgement in determining what information is material and relevant.

Clarified reporting boundaries, particularly regarding leased assets and pension schemes, may help companies better attribute IROs within their own operations vs value chains.

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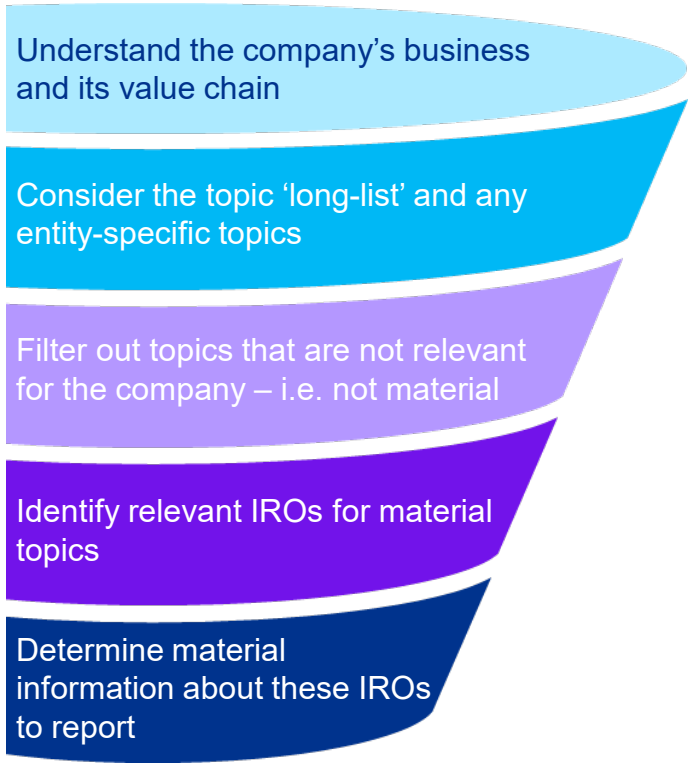
Still double materiality, but streamlined

Top-down as an easier route



Materiality assessment simplified

Companies may use a top-down approach to materiality assessment and focus on value chain actors with existing or likely material IROs.

- When a material IRO relates to a particular subtopic, only information related to that subtopic has to be reported.
- Annual updates to the DMA process are not needed unless warranted by changed circumstances or management judgement.

Revised ESRS also clarifies **how materiality of impacts is assessed**.

- For **actual** negative impacts, companies only consider mitigation measures, 'bringing to an end' or minimisation applied in previous periods when assessing severity. They do not consider remediation measures carried out during the reporting period. New
- For **potential** negative impacts, companies only consider prevention and mitigation policies and actions that are effective in reducing severity or likelihood.
- Information about impacts may be decision-useful to users even if the company manages these impacts effectively. The materiality assessment needs to take this into account.

Impact for companies

Companies are not required to address the needs of each individual user, but rather to provide decision-useful information for groups of users.

Existing materiality judgements may need to be revisited, in particular for information required under ESRS 2.

Greater clarity on mitigation and remediation actions can support companies in identifying material negative impacts.

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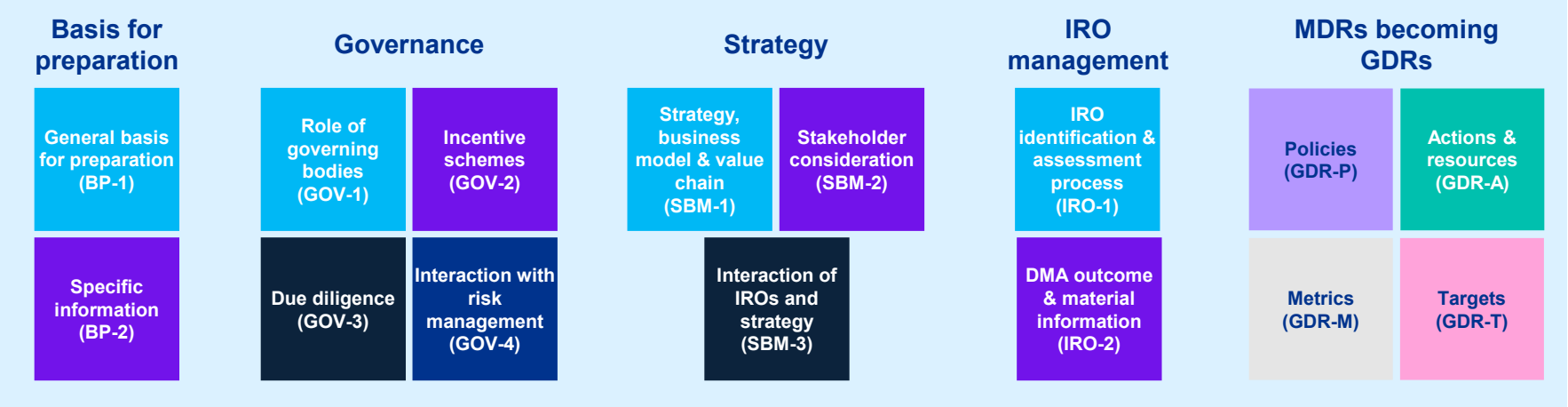
ESRS 2 remains the foundation

Disclosures consolidated and streamlined

- Many general disclosures in topic-specific standards become part of ESRS 2 to avoid repetition. Additional topic-specific PAT requirements remain in the relevant standards.
- MDRs become GDRs, emphasising that they are subject to materiality.
- Many granular narrative requirements are deleted – e.g. contextual information for metrics.
- Application requirements are streamlined and located under the related disclosure requirements.

General disclosure requirements in ESRS 2



03

Impact for companies

Consolidating general disclosures in ESRS 2 are likely to reduce duplication and streamline reporting, helping companies to maintain consistency across the standards.

A principles-based approach and fewer detailed requirements may help companies to explain their sustainability-related context more clearly. However, it also requires them to exercise more judgement.

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Connectivity enhanced

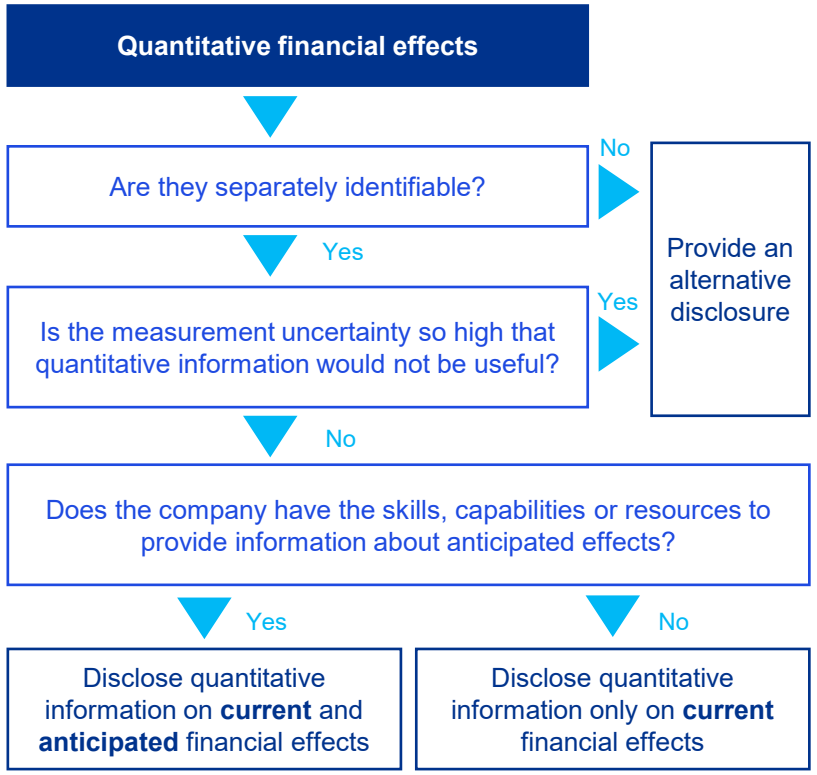
Core principle remains the same

- Companies are required to explain connections both within the **sustainability statement** and between the sustainability and **financial statements**.
- Data and assumptions used in preparing the sustainability statement need to be consistent with those in the financial statements to the extent possible. Any significant differences needs to be explained.

Increased interoperability in reporting financial effects

- Companies continue to disclose information about current and anticipated financial effects, but the requirements align with IFRS® Sustainability Disclosure Standards.
- In some cases, companies do not need to provide quantitative information about current or anticipated financial effects.

Reliefs on omitting quantitative financial effects information



04

Impact for companies

No changes are introduced to the core principles regarding connectivity between the sustainability statement and financial reporting.

Reporting on anticipated financial effects would require the use of estimates. Updating these estimates when better information becomes available is not considered as an error. New

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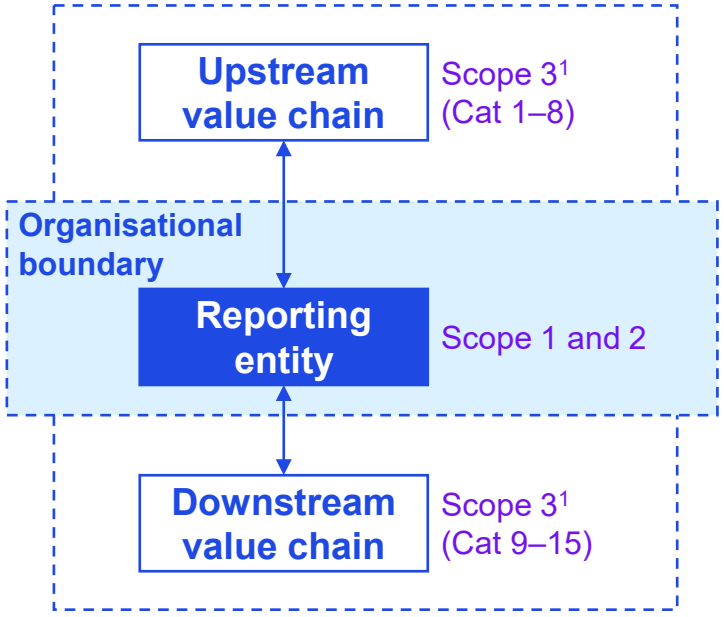
Key climate disclosures clarified



1. GHG emissions for each significant Scope 3 category would continue to be disclosed, prioritising inputs and assumptions based on the characteristics of the data.

General principle remains the same

- Sustainability reporting continues to follow the perimeter of the (consolidated) financial statements (financial control approach of the GHG Protocol). For GHG emissions, the equity share or operational control approaches are also available, as defined in the GHG Protocol Corporate Accounting and Reporting Standard (2004). New
- If applicable, a company discloses information on its Scope 1 and 2 GHG emissions disaggregated between the consolidated accounting group and other emissions excluded from the group perimeter. New

Transition plan disclosures clarified

- If a transition plan exists, then disclosure of the key features are still required. However, a company is not required to disclose all information used to manage the plan and that scenario analysis is not mandatory.
- Companies state whether their GHG emissions reduction targets **are or are not compatible** with limiting global warming to 1.5°C. However, they are no longer required to update their targets every five years after 2030. New

Impact for companies

Companies may need to revise their approach to determining organisational boundaries for GHG emissions reporting to align with the GHG Protocol financial control approach.

Clarifying that scenario analysis is not required may reduce complexity in transition plan reporting.

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Other E standards simplified and clarified

06

Several disclosures in E2, E3, E4 and E5 are removed to allow greater focus on decision-useful information. It has also introduced a small number of additional disclosures.

ESRS	Disclosure	Key amendments
E2	Scope for SoC and SVHC	• Limit disclosures to chemical manufacturers, formulators and importers of substances
	E-PRTR	• Replace E-PRTR references with **general pollutant reporting**
	Pollution metrics	• Align the scope, definition and thresholds for reporting on microplastics, SoC and SVHC with **REACH** • Limit disclosures to primary microplastics New
E3	Water	• Reduce scope of standard to focus on only **water resources** (marine resources remain part of E4 and E5)
	Water metrics	• Require disclosure of **water withdrawals and discharges**
E4	Biodiversity transition plan and ecosystem metrics	• Align disclosures with those for climate and market practice • Provide guidance to **disaggregate locations**; define sensitive areas
	Biodiversity transition plan	• Require companies to disclose key features of a biodiversity transition plan if they have been made public
E5	Resource inflows and outflows	• Limit disclosures about materials used for manufacturing products to **key materials** • Disclose packaging separately
	Resource outflows	• Introduce new definitions for the **durability and repairability** of products

Impact for companies

Temporary reliefs, such as the option to omit certain disclosures, may reduce reporting requirements in the short term, allowing companies to strengthen their reporting capabilities and processes.

The focus on key materials and new definitions for durability and reparability could prompt companies to reassess their supply chains and product life cycle data.

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Own workforce, business conduct focus

07

Certain disclosures supplement streamlined reporting and improve the relevance of the information provided, including a new requirement to disclose the benchmark used for adequate wage calculations.

ESRS	Disclosure	Key amendments
S1	Employees	• Revise the threshold for disclosing the **number of employees by country**
	Collective bargaining	• Revise the threshold for disclosing the **percentage of employees** covered by collective bargaining agreements by country
	Adequate wages	• Require disclosure of the **benchmark** used in the assessment
	Human rights incidents	• Limit disclosure to include only **substantiated and verified instances** New
G1	Political influence	• Distinguish between the datapoints related to **political influence** and **lobbying activities**
	Incidents of corruption/bribery	• Require disclosure of **confirmed incidents** of corruption or bribery

To simplify reporting, the following datapoints have been deleted.

- Explanation of methodologies and assumptions for non-employees
- Employee age distribution
- Gender breakdowns for training metric
- Ill health for non-employees and workers in the value chain
- Percentage of employees taking family-related leave
- Number of human rights complaints filed through internal channels
- Average time to pay invoices

Impact for companies

Changed thresholds and fewer workforce-related disclosures may reduce reporting requirements but may also entail updates to data collection and management systems.

Enhanced focus on distinguishing political influence from lobbying, and mandatory reporting of confirmed incidents of corruption or bribery, may require more detailed information to be disclosed.

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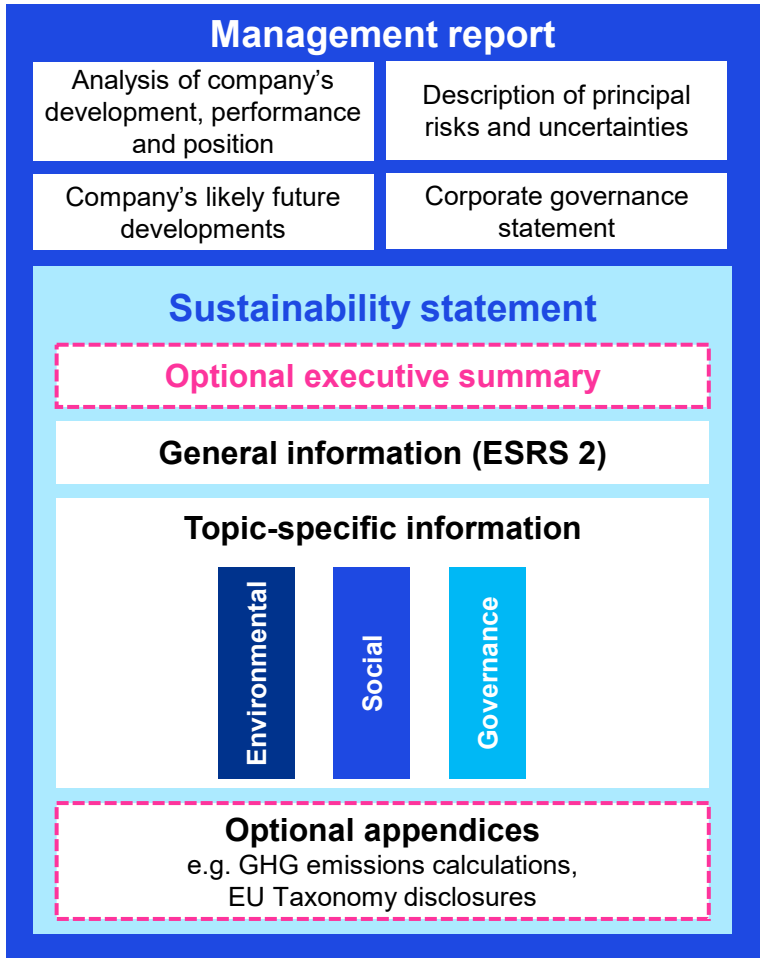
More options to tailor the statement



Greater flexibility of layout

Companies have the following options.

- Include an **executive summary** in the sustainability statement or locate it elsewhere and cross-reference.
- Provide disclosures about **PATMs in aggregate**, reflecting the level at which they are managed.
- Describe material IROs **alongside** the information about PATMs.
- Adopt an **alternative structure** for the sustainability statement, provided they can justify the chosen approach. New

Present detailed calculations, information about non-material matters and EU Taxonomy disclosures in **dedicated sections** or **appendices**.

- EU Taxonomy disclosures were originally required to be in the environmental section and may run to many pages.
- Supplementary information stemming from other legislation or generally accepted frameworks (e.g. GRI) may be included, provided it is clearly referenced, faithfully represented and does not obscure material information.

08

Impact for companies

Increased flexibility in structuring the sustainability statement may enable companies to present information in a way that better reflects their business model and strategic priorities.

The inclusion of an executive summary and appendices may enhance clarity and make information more accessible for users.

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Interoperability further improved

Alignment with IFRS Sustainability Disclosure Standards improves in certain areas, but some differences remain.

Key areas of alignment

Fair presentation
Companies apply a common understanding of complete, neutral and accurate information.

Disclosure of financial effects
Companies may provide qualitative rather than quantitative information, subject to certain conditions (see #04).

ISSB™ industry-based guidance
Companies may use the ISSB guidance for entity-specific disclosures under ESRS.

Reasonable and supportable information
Companies report all reasonable and supportable information available at the reporting date without undue cost or effort.

Key areas of difference

Materiality and value chain
ESRS retains the double materiality concept and requires value chain reporting.

Acquisitions and disposals
ESRS offers reliefs for disclosures related to acquisitions or disposals during the year.

Scenario analysis
Unlike IFRS S2, ESRS does not require scenario analysis.

GHG emissions reduction targets
ESRS requires disclosure of whether targets are science-based and align with 1.5°C.

09

Impact for companies

Alignment in key areas, such as the fair presentation principle and the use of reasonable and supportable information, supports consistency in reporting across both sets of standards.

Despite progress, differences remain between the frameworks. This may continue to create practical challenges for companies.

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More relief for companies

Phase-in reliefs extended

Disclosures subject to phase-in	Wave 1 companies	Other companies
All disclosures under E4 and S2–S4 and specific disclosures under S1	Omit until FY26	Omit for the first two years
Information on anticipated financial effects (ESRS 2.27 and partly E1–11)	Omit all information until FY27. New Report only qualitative information until FY29. No relief for disclosures on climate-related physical and transition risks	Omit all information for the first two years. New Report only qualitative information for a further two years. No relief for disclosures on climate-related physical and transition risks
Quantitative information on substances of concern (E2–5)	Omit until FY29	Omit for the first three years
Information on substances of very high concern (SVHC) New	Omit until FY27	Omit for the first year

Additional reliefs

- Relief based on reasonable and supportable information available at the reporting date without undue cost or effort, including the company's own operations and anticipated financial effects.
- Additional relief from disclosures on acquisitions and disposals made during the reporting period.
- Exclude activities that are not significant drivers of IROs; disclose partial estimates with actions to improve data quality; and exclude joint operations from E standards (other than ESRS E1) if there is no operational control.
- When value chain information is unavailable without undue cost or effort, disclose reasons for omission, sourcing efforts and plans to obtain it in future.

Impact for companies

Transition reliefs and extended phase-ins provide companies with additional time to strengthen data collection and control processes.

The principle of reasonable and supportable information without undue cost or effort allows companies to meet disclosure requirements while encouraging a pragmatic approach to data collection.

The disclosure exemptions option allows omission of commercially sensitive or legally protected information in limited circumstances. New

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Actions to take now

	Above threshold (>1,000 employees / €450m)	Below threshold (<1,000 employees / €450m)
Wave 1 companies	• Consider early adoption from FY26. • Assess how the revised standards can support your company expressing a clear overarching narrative in your reporting to strengthen credibility with investors and regulators. • Use an executive summary to emphasise the narrative of your disclosures. A structured opening section may help users navigate complex reports efficiently.	• Monitor local developments to determine whether mandatory sustainability reporting will still apply in FY26. • Compare the benefits of full reporting with the option to apply transition relief across all topic-specific standards. • Consider whether your stakeholders, including capital markets and value chain actors, might expect you to report on a voluntary basis under revised ESRS.
Other companies	• Prepare to apply the revised standards for your FY27 report. Begin gap assessments now to avoid last-minute compliance pressure. • Start, or continue, to develop your DMA approach by benchmarking your sector or business model in published Wave 1 reports. • Assess whether transition relief and exemptions apply that could reduce initial reporting scope while the necessary processes are developed.	• Consider Voluntary Sustainability (VS) as a strategic starting point. Proactive disclosure can differentiate your organisation with clients, banks and investors ahead of any mandatory deadline. • Shape a consistent narrative for your sustainability disclosures from the start and connect your ESG data to business strategy. • Read our article for guidance on getting started with VS, which is based on the VSME.

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Abbreviations and key terms

Cat

Categories of Scope 3 GHG emissions

DMA

Double materiality assessment

EFRAG

The EU's advisory body on corporate reporting

E-PRTR

European Pollutant Release and Transfer Register

ESRS

European Sustainability Reporting Standards

GDRs

General disclosure requirements

GHG

Greenhouse gases

IROs

Impacts, risks and opportunities

MDRs

Minimum disclosure requirements

PATs

Policies, actions and targets

PATMs

Policies, actions, targets and metrics

PIEs

Public interest entities

REACH

Regulation on the registration, evaluation, authorisation and restriction of chemicals

SoC

Substances of concern

SVHC

Substances of very high concern

VS

Voluntary Standards

VSME

Voluntary sustainability reporting standard for non-listed small and medium-sized entities (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

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Keeping in touch

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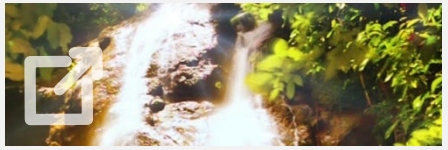
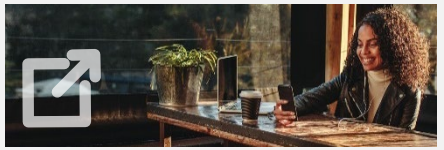


EU Sustainability
Our latest insights and guidance on European Sustainability Reporting Standards

IFRS Sustainability
Our latest insights and guidance on IFRS Sustainability Disclosure Standards

EU Omnibus hub
Digital hub on revisions to sustainability reporting



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