

CORPORATE SUSTAINABILITY REPORTING DIRECTIVE (CSRD)

Directive (EU) 2022/2464 as regards corporate sustainability reporting

The Corporate Sustainability Reporting Directive requires companies to regularly report and assess climate and sustainability risks relating to their activities, to ensure transparency for investors and stakeholders. Businesses have been preparing to comply with the CSRD, but the certainty around the reporting framework is compromised because the European Commission's Omnibus Package 1 from 26 February 2025 includes the proposal to amend and delay the CSRD.

WHAT'S IN IT?

OBJECTIVE

Climate ambition

In view of respecting the limit of 1.5°C global warming under the Paris Agreement

Biodiversity

Preserving biodiversity in the EU and beyond

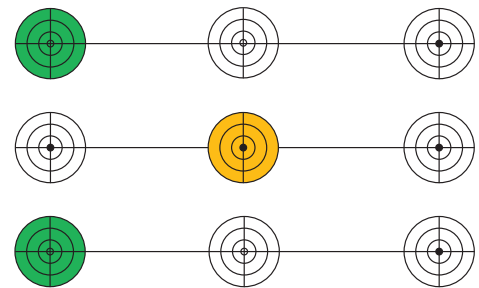
Zero pollution

Achieving zero pollution and a circular economy in the EU and beyond

GOOD PROSPECTS
IN VIEW OF
THE OBJECTIVE

MIXED
PROSPECTS

A STEP BACKWARDS,
UNDERMINING
THE OBJECTIVE



WHAT'S NEXT?

STATUS

**Entered
into force**



MILESTONES

October 2023

First set of European Sustainability Reporting Standards (ESRSs) adopted.

2024-2025

Gradual annual application.

26 February 2025

European Commission's Omnibus Package 1, including a proposal amending and delaying the CSRD.

WHAT TO WATCH OUT FOR?

Speed. Slowing down the EU law's progress or implementation.

Money. Conflict on distributional effects or lack of finance for making this EU law impactful.

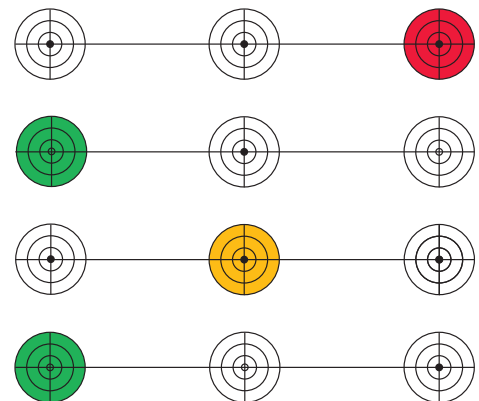
Licence for polluters. Undermining the polluter-pays principle, increasing global pollution..

Inequalities. Allowing for practices that deepen global inequality.

LIMITED RISK

MEDIUM RISK

HIGH RISK



NO RISK

N/A NOT APPLICABLE



Learn more
eu.boell.org/green-deal-risk-radar

WHAT'S IN IT?

 **Climate ambition**

The Directive ensures greater transparency for investors and stakeholders to assess climate and sustainability risks in relation to company activities. It also ensures alignment with the EU's climate neutrality goals.

The corporate reporting requirements include elements of environmental and social impacts. Companies are required to report the impact they foresee having on the climate with regard to future operations, as well as what impact the business activities have on the planet. Companies need to disclose climate-related risks, in the framework of reporting standards for uniform reporting and comparability (the European Sustainability Reporting Standards).

 **Biodiversity**

Biodiversity is brought to the forefront by requiring companies to disclose their impact and risks related to biodiversity and to integrate biodiversity goals into their strategies. A number of ESRS requirements (ESRS 4) directly relate to biodiversity and ecosystems, which should support companies to align with the EU Biodiversity Strategy for 2030, as well as water and marine resources (ESRS E3). Other requirements concern compatibility with the Kunming-Montreal Global Biodiversity Framework.

 **Zero pollution**

The CSRD foresees mandatory disclosures on pollution (ESRS 2), which provides an understanding of a company's polluting effect on air, water and soil, and its strategy and achievements against pollution, as well as resource use and circular economy (ESRS E5). It also supports alignment with the EU Zero Pollution Action Plan.

WHAT'S NEXT?



STATUS

Entered into force on 1 January 2024**Transposition by EU Member States**

The transposition timeline expired in July 2024, but only 10 Member States are on track.

Revision clauses and reporting duties

From financial year 2024: rules started to apply to the first groups of companies (large listed companies > 500 employees).

Financial year 2025: companies with more than 250 employees, more than 25 million euros of revenue or more than 50 million euros in turnover included.

Financial year 2026: Listed SMEs, except micro-companies, included.

Full application from financial year 2028: rule will apply to all companies, including SMEs and third-country companies, with turnover over 150 million euros for the last two consecutive years.

Changes proposed in the Omnibus Package of 26 February 2025:

- Delay of implementation by two years.
- Rules apply only to companies with more than 1,000 employees and more than €50 million in turnover or more than €25 million balance sheet.
- SMEs in scope: removing listed SMEs.
- No reasonable assurance, with targeted assurance guidelines to be published in 2026.
- ESRS Set 1 to be reviewed, removal of future adoption of sector specific reporting requirements, simplified voluntary SME standard, reduced data points.
- Fast-track of proposal without an impact assessment.

Delegated acts and other related legislative action

The first set of ESRSs was adopted as a Delegated Act in October 2023.

WHAT TO WATCH OUT FOR? RISKS

 Speed  Money  Licence for polluters  Inequalities

The time for implementation is considerably long. In September 2024, the Commission called on 17 Member States to fully transpose the CSRD. On the environment side, the biodiversity requirement ESRS E4 is only a voluntary option during the first two years of reporting. Also, a lack of finance and resources for small companies and overcompliance through misinterpretation of standards were identified, which may exacerbate inequalities, as smaller firms may face greater difficulty adapting to reporting mandates.

The risk of greenwashing remains high if companies fail to follow up on disclosed risks.

The changes to the CSRD, proposed in the Omnibus package, risk the Regulation not fulfilling its objective and delaying action. The Commission's intended burden reduction of 25% is far exceeded by the proposal to exclude 80% of companies currently in scope for mandatory reporting. The removal of the ESRS sector-specific standards was previously seen as an opportunity for transition through improving materiality assessments and reporting quality. These changes may create data gaps. Investors and companies asking for a robust and predictable reporting framework, who have already invested in extending their reporting capacities, now face legal uncertainty through the Omnibus package.

'The Omnibus Simplification Package isn't just an attack on corporate environmental accountability, it's a blow to democracy. In just four months, the Commission has rewritten agreed EU rules without any democratic process, impact assessment, or consultation.'

Faustine Bas-Defosse, European Environmental Bureau, 26 February 2025

HOW TO IMPROVE IT? OPPORTUNITIES

The EU should focus on support in the implementation process, including resources for guidance, capacity-building for Member States and ensured consistency with the Sustainable Finance Disclosure Regulation (SFDR) in its review. The biodiversity requirements can be strengthened by (in the future) mandating nature targets and transition plans, as well as the creation of robust Monitoring, Reporting and Verification (MRV) processes. The EU should not further backtrack on the reporting requirements under the CSRD. The option for companies to follow suit and report in similar ways, even if they fall outside the scope of the Regulation, is encouraged and can be promoted.

FURTHER READING

Multi-stakeholder statement: [Smart implementation of EU sustainability reporting standards: make complying with rules easy](#), December 2024