FROM BOX-TICKING TO IMPACT:

Five recommendations to drive long-term impact while easing short-term CSRD compliance burden

FOREWORD

At the start of this political term, the European Commission (EC) announced several measures aimed at reducing «administrative burden and compliance costs» to strengthen the competitiveness and resilience of EU companies. As part of this effort, the EC proposed a first 'Omnibus' package to simplify sustainability reporting obligations with amendments to the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD).

Environmental Defense Fund (EDF) has a long history of working with businesses and the financial sector. Our experience tells us that while simplification is needed in some areas, it must not come at the cost of dismantling core elements of a policy framework that has been instrumental in advancing the EU's economic resilience and sustainability leadership. With this in mind, we have reached out to companies and financial institutions to understand in detail which parts of the CSRD are working for them and which are posing disproportionate challenges. Our aim is to contribute to the debate with robust evidence and real-world insights from those who deal with the CSRD every day, both preparers and users of sustainability reports.

As policymakers consider the omnibus proposal to amend the CSRD, it is essential to reflect on the Directive's original purpose and ensure that its potential to drive systemic change is not lost. The CSRD was introduced with a clear and ambitious goal: increasing transparency to steer capital towards more sustainable investments, and support the EU's transition to a stronger, greener economy. That purpose must be preserved, along with the need for a stable and predictable regulatory environment.

In this context, we have developed five key recommendations to help guide revisions to the CSRD. These are based on interviews conducted between March and April 2025 with 23 financial institutions and corporations of varying sizes, sectors, and geographies. Rooted in a pragmatic, solution-oriented approach, the recommendations aim to preserve and strengthen the achievements and benefits of the CSRD, while supporting growth and competitiveness.

It is also worth noting that the 'Omnibus' has been introduced without the usual public consultation procedure to gather evidence. EDF is deeply concerned about this lack of meaningful public consultation in the development of the proposed amendments, which appears at odds with the European Commission's own principles of better regulation. This report represents our effort to fill that gap and provide evidence to support a more informed and constructive consultation process.

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Environmental Defense Fund

1.Reframe discussions to highlight short & long-term benefits of CSRD-aligned data

INSIGHTS

CSRD-aligned data is key to short and long-term business resilience and financial health, but its short-term costs and resource demands often overshadow these benefits in how the CSRD is perceived.

Addressing these short-term costs should not come at the expense of economic and societal costs further down the line.

RECOMMENDATIONS

Highlight the CSRD's short-term operational benefits and reframe competitiveness debates to include long-term resilience.

Acknowledge the short-term reporting burden by supporting companies through the DMA and ESRS, and by guiding auditors to reduce overcompliance.

Counter negative narratives around the CSRD to position ESG reporting as core to business strategy.

" Assessing their water data highlighted a major leak on a [construction] site that was costing them a lot of money and going to affect the structural integrity of the project "

ESG consultant

" Sustainability reporting has given us a better understanding of where risks lie and whether we have the resources to ensure compliance across different geographies "

Oil & Gas industry representative

" There is still climate urgency, there is still social inequality, there is still consumer demand for transparency "

Oluf Lorentzen

" There's always more we have to report on, so we don't have the resources to implement "

Large EU food company

2.Maintain a broad scope and promote value chain transparency to stimulate sustainable business practices and build resilience

INSIGHTS

Limiting the CSRD scope to a threshold of 1000+ employees and reducing value chain reporting may reduce short-term compliance costs, but it risks weakening the EU's long-term resilience to climate, legal, and other systemic risks.

Collecting CSRD data drives companies' own strategies and contributes to business and investor relations. Value chain transparency pushes actors to confront their supply chains and can give smaller sustainable suppliers a competitive edge.

RECOMMENDATIONS

Maintain the scope in line with previous ESG reporting rules (500+ employees) but consider adjusting requirements based on the size of the reporting company.

Encourage value chain data collection, in line with the ESRS' objectives, but ease the burden on SMEs by ensuring data requests are proportionate to company size and resources.

Fast-track the EU Single Access Point (ESAP) and digital tagging to ease CSRD data collection while reducing bilateral data requests to smaller actors.

" We want to finance small companies but not having the information we need to report is a hurdle for us to invest in them "

Degroof Petercam

" The focus on ESG data gives us a competitive edge because we can't compete on financial data [compared to cheaper non-EU tech alternatives] "

Small EU clean tech company

" If companies don't realise the advantage of transparency in their supply chain, they haven't been litigated against enough "

Oil & Gas industry representative

" There's no real process for financial partners to scan through [sustainability] reports, so they send us tables and excel sheets to fill out "

Runden Group

3.Keep the core principles of the CSRD, but guide companies through the transition

INSIGHTS

The CSRD is already benefiting companies' operations, by for example, mainstreaming sustainability discussions, improving data coordination and collection, structuring ESG reporting, and importantly, highlighting operational opportunities and risks.

However, the transition does come with costs, particularly in the early stages, when significant resources are required to carry out the DMA, understand the ESRS, train staff and implement data processes.

RECOMMENDATIONS

Keep double materiality and guide reporting companies through the transition - compliance costs are expected to fall as CSRD reporting becomes routine.

This can be done by developing short, sector-specific guidelines to support companies in conducting the DMA and focus disclosures under ESRS on material topics. These should build on Wave 1 reports, clarify definitions, identify potential material topics and explain how the ESRS aligns with international frameworks.

" The DMA is a good way of identifying material topics and has been a valuable process that we want to make use of - not only in sustainability reporting but also management and strategy "

Large EU mining company

" The cost of the DMA was almost double what we would have paid pre-CSRD "

Medium-sized EU construction company

" We were about eight people working more or less only on the sustainability statement from September until publication in February "

Danske Bank

" I would guess that CSRD reporting is a fraction of the cost of financial reporting, but infinitely more expensive than traditional sustainability reporting "

Large American multinational bank

4.Make the ESRS more decision-useful and targeted for companies, investors & business stakeholders

INSIGHTS

The ESRS are key to ESG data comparability but are often seen as too burdensome due to a high number of data points, a lack of guidance and repetitive disclosures.

They are particularly challenging for the financial sector's own reporting and raise concerns about the standards' usability for both investor engagement and business decision-making.

RECOMMENDATIONS

Simplify the ESRS by focusing on "decision-useful" data for companies, investors and other business stakeholders. This simplification should build on Wave 1 reports and consider the expected positive impact of sector-specific guidance and standardised assurance in easing reporting burden.

Simplified ESRS could prioritise quantitative metrics, include sector-specific indicators for topical ESRS and adopt a proportionate approach.

" So many disclosure requirements are quite hard to interpret especially for financial institutions because the standards are mostly made for a production company with a clear value chain "

Danske Bank

" Getting a consensus on investor decision-useful data points would really help drive capital flows "

Large American multinational bank

" A lot of the information required is not bringing added value to investors or companies "

Degroof Petercam

" Everything is material to us at one point or another so there is a lot of repetition in the topical ESRS "

Mining industry representative

5.Standardise assurance practices to tackle burdensome disclosure requirements from auditors

INSIGHTS

High-quality audited data is key to the CSRD's objectives, both for companies' own strategies and for investors looking for trustworthy data.

However, assurance is currently very burdensome and costly. A risk-averse, and overstretched auditing industry still adapting to CSRD-expectations, is driving excessive disclosure requests and creating fragmentation across Member States.

RECOMMENDATIONS

Rapidly develop EU-level limited assurance standards to harmonise practices and ease risk aversion.

Support this with CSRD-specific auditor training, offered by competent authorities.

Allow auditors sufficient time to develop best practices, then phase in reasonable assurance standards, starting with companies' internal data, followed by more challenging aspects such as supply chain data.

" This whole process is driven by auditors "

Large American multinational bank

" Auditors are also learning (which is) leading to different approaches and mindsets, where there is a risk that CSRD becomes a costly legal "tick-the-box" exercise rather than a tool to measure & disclose real progress "

Degroof Petercam

" We were quoted a 6-figure sum to verify the report and very few consultants had the bandwidth to take on the new [assurance] requests "

Medium-sized EU company

" A big pharmaceuticals company paid around £1 million for assurance of their report and the result led to 15 different workstreams to address the feedback they received "

ESG consultant

Environmental Defense Fund

Annex - Glossary

CSRD	Corporate Sustainability Reporting Directive
ESRS	European Sustainability Reporting Standards
DMA	Double Materiality Assessment – it requires market actors to assess the impact of their activities on the world around them, as well as the impact of the world on their activities
ESG	Environment, Social and Governance
WAVE 1 REPORTERS	First group of companies to report under the CSRD (in 2025 for the financial year 2024)