

Redefining Sustainability Reporting in the EU: Insights from the CSRD, ESRS, and the EU Omnibus Simplification Package

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Abstract

The regulatory framework of reporting in Europe is becoming increasingly complex, where the main goal of reporting is to strengthen transparency in the publication of information related to environmental, social and governance (ESG) issues, the so-called corporate sustainability reporting. This paper analyzes the latest changes in the EU sustainability reporting system, with a particular focus on how the proposed simplification legislative changes reshape the Corporate Sustainability Reporting Directive (CSRD) and the implementation of the European Sustainability Reporting Standards (ESRS). The omnibus simplification package is introduced with the aim of simplifying the reporting procedures, extending the implementation deadlines and with the focus of mandatory reporting primarily on larger companies. The proposed simplifications are still in line with the long-term environmental and social goals of the European Union, while at the same time introducing fewer administrative requirements, which still does not affect the transparency of reporting. The main challenge that arises is how to find a balance between regulatory ambitions and the real possibilities of companies to implement them in business practice. Therefore, the main objective of this paper was to show how the proposed regulatory changes affect the future development of sustainability reporting systems at the European level.

Keywords: Sustainability reporting, Corporate Sustainability Reporting Directive (CSRD), European Sustainability Reporting Standards (ESRS), EU Omnibus Simplification Package, ESG

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1. Introduction

Over the past decade, the European Union has been systematically developing a regulatory framework aimed at strengthening transparency, accountability and sustainability of business. The introduction of mandatory sustainability reporting in the European Union reflects a shift from voluntary to mandatory disclosure, driven

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by investor demand and stakeholder expectations for consistent, comparable sustainability information (Pantazi, 2024). According to Hummel and Jobst (2024), the CSRD and related standards were designed to establish uniform reporting requirements to improve the reliability and comparability of sustainability information across companies in the EU. In this context, sustainability reporting has gradually evolved from a voluntary practice into a comprehensive and mandatory system regulated by European legislation (Niemann, Morssinkhof, Linden & Vries, 2025).

The European Union has built this framework through a series of legislative acts – from the first non-financial reporting requirements introduced by Directive 2014/95/EU (Non-Financial Reporting Directive - NFRD), through the comprehensive changes brought about by Directive (EU) 2022/2464 (Corporate Sustainability Reporting Directive - CSRD), to recent initiatives that seek to balance ambitious sustainability goals with the competitiveness and administrative sustainability of the European economy (European Parliament & Council, 2014; European Parliament & Council, 2022). Although the sustainability reporting system was conceived with great ambition, in practice it has been shown that a significant part of its requirements is currently not fully implementable in the way originally envisaged, especially given the administrative capacities and technological readiness of a large number of companies. During 2024 and 2025, the importance of simplifying the legislative framework and adapting it to the capacities of companies of different sizes was emphasized, which resulted in the development of a series of omnibus packages and reform proposals (European Commission, 2025).

Although the European system of sustainability reporting is conceived as highly ambitious, numerous expert analyzes clearly indicate that the current level of requirements imposed on companies poses substantial administrative and technical challenges for them. Empirical evidence suggests that many businesses are not yet fully prepared for the implementation of the Corporate Sustainability Reporting Directive and the European Sustainability Reporting Standards, especially in relation to data collection, double materiality assessment and reporting on the entire value chain (KPMG, 2024; EY, 2025). Accountancy Europe (2025) comes to a similar conclusion, noting that the initial pace of regulatory changes has progressed faster than the actual capacity of the business sector to implement them. A similar view is expressed by the European Commission itself, which in its Work Programme for 2025 clearly recognised the need to simplify reporting rules in order to reduce administrative burdens and improve their practical applicability (European Commission, 2025). The European Parliament, in its most recent documents, further emphasises that the existing framework needs to narrow the

scope of obliged entities, simplify the content of reporting and postpone the application deadlines in order to more realistically align the requirements with the capabilities of companies (European Parliament, 2025, November 13).

Due to the rapid development of European sustainability legislation, it is clear that regulation is being shaped between two key objectives: achieving long-term climate plans and ensuring that the requirements imposed on companies are practically enforceable. Regulations such as the CSRD, the Taxonomy Regulation, the Corporate Sustainability Due Diligence Directive (CSDDD) and the announced omnibus packages form a complex but interconnected regulatory system that is continuously being supplemented. In order to understand their meaning and effects, it is necessary to view them in the light of previous research, expert analyses and relevant scientific debates. Therefore, the following chapter provides an overview of the relevant literature, the current state and previous research in the field of sustainable reporting, thereby setting a theoretical and analytical framework for further development of the topic.

2. Review of the literature, the current situation and previous research

Sustainability reporting has evolved from the concept of corporate social responsibility and transparency with the aim of including financial and non-financial effects of operations in the corporate reporting system. In the early stages of development, this form of reporting had a voluntary character and was strongly linked to reputational motives and institutional pressures (Fasan, 2024). The author points out that the establishment of a comprehensive and mandatory European framework for non-financial reporting by companies and the standardization of sustainability information are considered key to achieving the goal of a sustainable economy.

More significant changes were introduced with the adoption of Directive 2014/95/EU (the so-called Non-Financial Reporting Directive - NFRD), which for the first time introduced the obligation to publish non-financial information for large companies of public interest. On the other hand, research shows that the practical implementation of the NFRD directive was unevenly applied among different member states, which affected the quality and comparability of published information (Hummel & Jobst, 2024). Related to the above, the European Commission published the Guidelines on Non-Financial Reporting in 2017, a document that provides guidance to companies on how to improve the consistency and comparability of information (European Commission, 2017).

The next key step was the adoption of the Corporate Sustainability Reporting Directive (EU) 2022/2464 (CSRD), which extends the obligation of sustainability reporting to almost all large and medium-sized companies. In accordance with this directive, the European Financial Reporting Group (EFRAG) has developed the European Sustainability Reporting Standards (ESRS), which ensure comparability and standardize the content and structure of disclosures on environmental, social and governance issues. Leal Filho et al. (2025) point out that the ESRS represents one of the most important regulatory steps towards the systematic harmonisation of sustainability data in the European Union, in particular through the introduction of the concept of double materiality.

Pizzi et al. a tick-box approach, in which the emphasis is placed on meeting regulatory requirements rather than on actual improvement of sustainable business. The authors also point out that the high costs of digital implementation may discourage companies, especially small and medium-sized ones, which could lead to a reduced scope of published information. KPMG's report *The Move to Mandatory Reporting: Survey of Sustainability Reporting (2024)*, based on an empirical survey of sustainability reporting practices, shows that such practices are increasing ahead of the entry into force of the CSRD and that the directive will make reporting mandatory for around 50,000 companies. The report also states that double materiality assessments, which will be mandatory under the CSRD, are already carried out by approximately half of the largest companies (KPMG, 2024). At the same time, EY's article *EU Omnibus Simplification Package* points out that the recent initiative of the European Union aims to simplify sustainability reporting requirements, reduce obligations and significantly ease administrative burdens for companies, including reducing the number of entities that fall under the scope of CSRD (EY, 2025). These findings confirm that, while the regulatory requirements are high, the business sector's capacity to implement remains limited, requiring additional adaptation and support for companies during the transition period.

Overall, the research shows that the sustainability reporting system in Europe has changed from a primarily voluntary and fragmented approach to a unified and mandatory framework. However, there remains a gap between ambitious regulatory objectives and practical implementation, which is a key issue in the regulatory change proposals linked to the Omnibus simplification package and other EU initiatives.

3. Methodological framework

This research is based on a qualitative, conceptual approach that combines the analysis of the legislative framework of the European Union with a review of the

relevant scientific and professional literature. The main goal of the paper was to analyze how the latest regulatory reforms - primarily the Corporate Sustainability Reporting Directive (CSRD), the European Sustainability Reporting Standards (ESRS) and the Omnibus Simplification Package - affect the sustainability reporting system in the European Union, as well as to recognize the ways in which companies adapt to regulatory requirements in accordance with their administrative and organizational capabilities.

The analysis was carried out in three interconnected phases. The first phase analysed the EU legislative framework, including Directive 2014/95/EU (NFRD), Directive (EU) 2022/2464 (CSRD), the 2017 Non-Financial Reporting Guidelines and the European Commission Work Programme 2025. This phase enabled the identification of key transition points in the development of a European sustainability reporting model. The second phase included a thematic analysis of scientific publications recently published, among which the papers of Fasano (2024), Hummel and Jobst (2024), Leal Filho et al. (2025) and Pizzi et al. (2024) occupy a central place. These authors offered theoretical and empirical insights into the institutional challenges, adjustment costs and long-term effects of standardized sustainability reporting. The third phase is focused on the comparative analysis of two key professional reports – EY (2025) and KPMG (2024) – with the aim of assessing how legislative intentions are aligned with the operational capabilities of companies. This comparison served to identify the gap between the regulatory design and the implementation reality.

The most important limitation of the research stems from the fact that the analysis relies exclusively on secondary sources, without empirical insight into the actual practices of companies. Therefore, the results refer primarily to the normative and institutional level, while the concrete effects of implementation may change depending on the sector, size and geographical location of the company. Furthermore, since some legislative reforms are still in the negotiation phase (e.g. the Omnibus package), their real effects can only be confirmed subsequently, after full implementation.

Despite these limitations, the conceptual approach provides insight into the logic of regulatory transformation and contributes to understanding how the European sustainability reporting framework is evolving towards greater coherence, enforceability and proportionality of requirements.

4. Results, discussion and conclusion

The regulatory analysis shows that the financial and non-financial reporting framework in the European Union has gradually transformed over the last decade from a traditional accounting system to an integrated sustainability reporting model. With the publication of Directive 2013/34/EU, the requirements for the preparation of financial statements at the European Union level were harmonized. On the other hand, there is a strong need to include non-financial elements in corporate reporting in order to increase business transparency. Therefore, the adoption of Directive 2014/95/EU (NFRD) was a turning point in the development of a regulatory framework for corporate reporting by companies, where not only financial performance but also the impact of companies on the environment, society and governance (ESG) is reported. The Directive aimed to increase the comparability and relevance of published information. However, significant differences are visible in the implementation between Member States and the need for a greater level of harmonization and standardization is recognized (European Commission, 2017). Following this, Directive (EU) 2022/2464 (CSRD) was adopted, which significantly expanded and standardized the sustainability reporting system. The CSRD represents not only a technical upgrade of the existing framework, but also the most important effect, the transition from a voluntary approach to a mandatory, comprehensive and methodologically uniform system of corporate reporting at EU level.

The CSRD introduced mandatory European Sustainability Reporting Standards (ESRS), provided for mandatory audit of reports and expanded the scope of reporting to almost all large and medium-sized entities. Such a framework represents an important step towards integrated reporting that connects financial and non-financial indicators. However, practice has shown that the requirements of the CSRD have, in many cases, exceeded the technical and organizational capabilities of companies, especially small and medium-sized ones (KPMG, 2024; EY, 2025).

Based on past experiences, the European Commission and the European Parliament launched a reform package known as the Omnibus in 2025, to reduce regulatory complexity and alleviate administrative costs associated with sustainability reporting. The reform proposals also foresee the postponement of the application of certain obligations in order to allow companies a longer period of adaptation to the new system. According to the position of the European Parliament from November 2025, the reporting obligation should apply only to companies with more than 1,750 employees and an annual turnover exceeding EUR

450 million, while for smaller companies reporting would remain voluntary (European Parliament, 2025, November 13). The same package also envisages the simplification of the European Sustainability Reporting Standards (ESRS), with the establishment of a single digital portal that should facilitate access to guidelines and regulatory obligations and thus increase the operational efficiency of implementation.

The results of the analysis (Table 1) indicate that the European Union has made significant progress in establishing a uniform and transparent corporate sustainability reporting system. Nevertheless, the biggest challenge remains striking a balance between high regulatory ambitions and the actual implementation capacities of companies. An appropriate level of proportionality between policy objectives and administrative feasibility is imposed as a key prerequisite for a long-term sustainable and functional reporting system.

**Table 1. Recent EU Reforms Reshaping Sustainability Reporting:
Focus on CSRD and ESRS**

Directive / Proposal	Main Effect on CSRD	Main Effect on ESRS	Status
<i>“Stop the clock” Directive (EU) 2025/794</i>	Delays CSRD reporting deadlines by two years (second wave to 2028, third wave to 2029)	Delays ESRS application by two years; no content changes	Adopted April 2025
<i>“Content” Proposal (COM(2025) 81) - Commission version</i>	Applies only to companies with >1000 employees and > €50 m turnover; temporary exemption for 500–1000 employees until end-2026	Cancels sector-specific ESRS; revision in 2026 to simplify and cut datapoints by 30–40 %	Proposal February 2025
<i>“Content” Proposal (COM(2025) 81) - Council General Approach</i>	Raises threshold to > 1000 employees and > €450 million turnover; temporary exemption for 500–1000 employees until end-2026; includes review clause for future expansion	Commission required to issue guidelines for ESRS implementation; confirms no new sector-specific ESRS until 2026 revision	Council position adopted June 2025, trilogue expected late 2025
<i>European Parliament position (November 2025)</i>	Tightens scope further to >1750 employees and >€450 m turnover; limits taxonomy reporting to the same entities	Restricts ESRS and taxonomy disclosure to those entities	Adopted November 2025

Source: *Official Journal of the European Union* (2025, April 16), *European Commission* (2025, February), *Council of the European Union* (2025, June 23) and *European Parliament* (2025, November 13).

Analyzing the reporting system in the European Union starting from the Non-Financial Reporting Directive (NFRD) to the Corporate Sustainability Reporting

Directive (CSRD) and especially today's latest reforms included in the Omnibus package, it is possible to conclude that the European regulatory framework has gradually matured. The need for the synergy of financial and non-financial information is increasingly visible in the form of a strong initiative towards integrated and transparent reporting to stakeholders.

Furthermore, from practical insights, it is evident that there are strong and extensive regulatory requirements imposed on the companies, which they need to implement in a short period of time, which represents a valuable source for professional practice. Therefore, the European Commission have decided to balance the regulatory ambitions in the area of sustainability reporting, taking into account the need to reduce administrative restrictions resulting from complex reporting requirements. The basic idea was to find a balance between the demands of the proposal and the feasibility, in order to ensure a sustainable reporting framework that will not significantly burden the majority of EU companies.

In the long term, the success of the announced regulatory simplifications will depend on whether sustainability goals are really integrated into business strategies and not reduced to formal fulfillment of obligations. The key in this process is to ensure, in the long term, that sustainability reporting becomes a real tool for strengthening the resilience and sustainable development of the European Union economy.

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