

## The Corporate Sustainability Reporting Directive: Preliminary Conclusions from the First Reports\*

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### Abstract

Nowadays, companies cannot operate ignoring the external environment. Some companies publish reports on social responsibility and sustainable development. So far, these reports have not had a defined scope, which has hindered their comparability. Starting with the 2024 reports, some companies will have to report the above information following European Sustainability Reporting Standards, which may improve the situation in this area. The purpose of this article is to examine the first reports prepared in accordance with the ESRS. The study involved an analysis of the sustainability reports of companies listed on the Warsaw Stock Exchange (included in the WIG20 index as of August 14, 2025). The findings indicate that the standards introduced have not resolved previously identified issues, including the limited comparability of reports and the challenges associated with verifying their reliability.

**Keywords:** sustainability reporting, corporate social responsibility, CSRD, ESRS

### Introduction

Due to growing stakeholder interest, more and more companies are publishing reports on their impact on the environment.

Various guidelines on these issues, such as GRI, have been developed, but companies have not been required to use them. In addition, the compactness of these reports was not defined, which often resulted in companies only disclosing the beneficial effects of their activities on the environment, ignoring the negative ones.

This situation made it difficult to compare the reports of different companies and to evaluate the sustainability of their performance. Improving the situation in these respects could be the introduction of European standards.

The inability to verify information disclosed by companies is also a major problem. The European Commission also plans to issue regulations in this area, but this is certainly a very big challenge.

## **From Nonfinancial Disclosure Reporting Directive to Corporate Sustainability Reporting Directive**

According to the definition of the European Commission (2011) Corporate Social Responsibility is “the responsibility of enterprises for their impacts on society”. A socially responsible enterprise not only meets its legal obligations to the community and the environment but also undertakes additional activities to which it is not obligated. CSR concerns many areas like human rights, labour and employment practices, environmental issues and combating bribery and corruption. Responsible enterprises should integrate social, environmental, ethical, human rights and consumer into their activity. By doing so, they should collaborate with various stakeholders.

The Non-Financial Reporting Directive (Directive 2014/95/EU) applied for the first time to reports covering financial year 2017. The NFRD was adopted in 2014 and amended the Accounting Directive (2013/34/EU). The act was introduced to strengthen requirements for corporate disclosure of non-financial information. The obligation applied to large public-interest entities (listed companies, banks, and insurance companies) with over 500 employees, including parent companies of large groups (European Commission, 2021).

Companies had to disclose non-financial information related to four key areas — environment, social and employee matters, human rights, and anti-corruption/anti-bribery. For each, they must report on their business model, policies (including due diligence), outcomes, risks, and key performance indicators (KPIs). If no policy exists, the company had to explain why (European Commission, 2021).

The NFRD introduced the concept of “double materiality”, meaning companies must report both how non-financial issues affect their performance and how their activities impact society and the environment. The directive leaves flexibility for companies to decide what is “material,” with only limited guidance from the European Commission’s non-binding reporting guidelines. Non-financial statements are usually included in the management report, though Member States can allow separate reports. The NFRD recommended, but did not mandate, the use of recognized reporting frameworks such as the Global Reporting Initiative (GRI). Regarding audit and assurance, the NFRD obliged auditors only to check that a non-financial statement exists (European Commission, 2021a).

Overall, most EU Member States transposed the NFRD closely following its wording, with few adding extra obligations. The directive marked a major step toward standardized corporate transparency on environmental, social, and governance (ESG) issues within the EU (European Commission, 2021a).

The adoption of the NFRD directive was an important step in the regulation of sustainability reporting.

The document established key principles requiring certain large companies to disclose sustainability information annually. However, evidence showed that the reported information remained insufficient for stakeholders. Many reports lack crucial details valued by investors, comparability of reports remained difficult across companies, and often raised doubts about their reliability. These shortcomings undermine the quality of sustainability reporting and had wider consequences. Stakeholders found it difficult to assess sustainability-related risks and the true environmental and social impact of companies. Moreover, the lack of credible information weakens the integrity of the green investment market and hinders effective allocation of funds to environmentally sustainable activities. Inadequate reporting also leads to an accountability gap, whereas high-quality, trustworthy disclosures would promote transparency and strengthen corporate public accountability (European Commission, 2021b).

From the user perspective, the following significant problems were associated with the NFRD: many companies either do not disclose information or fail to report all relevant details. Reported data often lack comparability, reliability, and accessibility. Only about 20% of large EU companies applied reporting standards, and only 30% provided assured information. Moreover, information on intangible assets remains largely underreported despite their growing economic importance (European Commission, 2021a).

These problems were partly driven by the design of the Non-Financial Reporting Directive (NFRD). Its limited scope covered only large listed firms, banks, and insurers with over 500 employees. The directive’s high-level,

principles-based approach offered little specific guidance and did not mandate standardized reporting, allowing companies considerable discretion. Consequently, the resulting disclosure were inconsistent, incomplete, and often fail to meet users' informational needs (European Commission, 2021a).

## **European Sustainability Reporting Standards – the scope**

The main goals of Corporate Sustainability Reporting Directive (CSRD), which entered into force on 5 January 2023 are to strengthen and update the EU's framework for corporate sustainability reporting. It spread out reporting requirements to include a wider range of large companies, listed SMEs, and certain non-EU firms with significant EU market activity. The directive aims to improve transparency by ensuring that investors and stakeholders have access to consistent, comparable information on companies' social and environmental impacts. In the long term, it is also expected to reduce reporting costs through harmonised disclosure standards.

Sustainability reporting standards should internationally recognize frameworks such as the SDGs, the UN Guiding Principles on Business and Human Rights, and OECD and ILO guidelines. These standards also should ensure that reported information meets users' needs without imposing excessive burdens on companies. The disclosures include: social factors such as working conditions, equality, diversity, inclusion, and human rights, including issues like forced and child labour. Furthermore, they should reflect the principles of the European Pillar of Social Rights and encourage an integrated approach to corporate reporting, enabling a comprehensive understanding of a company's development, performance, and impact (Directive (EU) 2022/2464).

Commission Delegated Regulation (EU) 2023/2772 of 31 July 2023 supplementing Directive 2013/34/EU of the European Parliament and of the Council as regards sustainability reporting standards introduced three categories of ESRS standards: cross-cutting standards, topical standards (Environmental, Social and Governance standards), and sector-specific standards.

European sustainability reporting standards (ESRS) include:

- ESRS 1 - General requirements,
- ESRS 2 - General disclosures,
- ESRS E1- Climate change,
- ESRS E2 – Pollution,
- ESRS E3 - Water and marine resources,
- 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

The General Disclosures are very detailed, covering the following areas, among: general basis for preparation of sustainability statements, disclosures in relation to specific circumstances, strategy, business model and value chain, interests and views of stakeholders, material impacts, risks and opportunities and their interaction with strategy and business model, description of the processes to identify and assess material impacts, risks and opportunities, disclosure requirements in ESRS covered by the undertaking's sustainability statement, policies adopted to manage material sustainability matters, actions and resources in relation to material sustainability matters.

Materiality assessment is the starting point for sustainability reporting under ESRS. 'A sustainability matter is material from an impact perspective when it pertains to the undertaking's material actual or potential, positive or negative impacts on people or the environment over the short-, medium- or long-term. Impacts include those connected with the undertaking's own operations and upstream and downstream value chain, including through its products and services, as well as through its business relationships'.

Then 'the financial materiality assessment corresponds to the identification of information that is considered material for primary users of general-purpose financial reports in making decisions relating to providing resources to

the entity. A sustainability matter is material from a financial perspective if it triggers or could reasonably be expected to trigger material financial effects on the undertaking’.

## Conclusions and future research

In 2025, the first reports were published in accordance with the new guidelines. Based on the reports of companies listed on the Warsaw Stock Exchange (included in the WIG20 index as of August 14, 2025), the following preliminary conclusions can be stated:

- the reports remain very extensive,
- companies resigned from widely used GRI standards.
- a very large amount of information is being presented, much of the information is provided in a descriptive form, which hinders the comparability of reports.
- the information is highly detailed,
- the issue of verification has still not been resolved – auditors’ reports only confirm that the information has been disclosed,
- the new standards have increased administrative burdens and reporting costs for companies.
- the Directive represents a significant step toward regulating sustainability reporting; however, based on preliminary analyses, it can be concluded that it has not addressed the shortcomings previously identified in the NFRD.

In the context of the above considerations, the potential subjects for future research may be to examine the degree of improvement in the quality of information disclosed by companies after the introduction of ESRS in the stakeholder’s point of view (in the context of the increased burden on companies resulting from the implementation of standards).

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