Sustainability reporting regulations at the crossroads. A critical note on the EU Omnibus

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Abstract

Purpose – This study aims to focus on European Union (EU) regulations on sustainability reporting, which are currently equated with a build-up of bureaucracy, although potential chances of reporting for firms and stakeholders are rarely discussed.

Design/methodology/approach – This study includes a normative overview of the EU Omnibus with its major amendments of the Corporate Sustainability Reporting Directive (CSRD) and Taxonomy Regulation. Then, this paper reviews prior empirical research on the former Non-Financial Reporting Directive (NFRD), Taxonomy Regulation and CSRD, as well as their impact on corporate financial and sustainability outputs, through the lens of stakeholder and legitimacy theories. Finally, a critical assessment is made of the limitations of previous studies, the legitimacy crisis of the EU Commission and the implications for corporate sustainability transformation.

Findings – The sustainability reporting amendments of the EU Omnibus contrast with legitimacy and stakeholder theories, endanger the goals of the EU Green Deal project, lead to a massive legitimacy crisis of the EU Commission and reduce the possibility that corporate sustainability will go beyond the achievement of specific compliance levels. As regards EU sustainability reporting, the new thresholds for firms are a political compromise, achieved by lobbyism that lacks either empirical proven legitimacy or stakeholder inclusion. In view of the heterogeneous empirical results regarding the information value of NFRD reporting, the greater regulatory pressure of the CSRD and Taxonomy Regulation before the introduction of the EU Omnibus was justified.

Originality/value – To the best of the author’s knowledge, this is the first study of the EU Omnibus on sustainability reporting to connect the normative, theoretical and empirical aspects of the NFRD, CSRD and Taxonomy Regulation and critically reflect on their negative consequences for corporate sustainability.

Keywords Sustainability reporting, European union, Non-financial reporting directive, Taxonomy regulation, Corporate sustainability reporting directive

Paper type General review

1. Introduction

Since the financial crisis of 2008–2009, public interest entities (PIEs) have reacted to increased stakeholder pressure by preparing voluntary standalone sustainability reports in line with the triple bottom line and (inter)national frameworks, such as the Global Reporting Initiative (GRI) standards (e.g. Adams and Abhayawansa, 2022). It remains challenging to compare sustainability reports due to the lack of global harmonization of reporting standards.

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Greenwashing and information overload may reduce the decision usefulness of voluntary sustainability reporting (e.g. Aboud *et al.*, 2024). In contrast to financial statements, sustainability reports also include qualitative, subjective and future-oriented information, which may lead to the use of boilerplates (e.g. Breijer *et al.*, 2025). Management discretion regarding specific environmental and social information is high, as quantitative key performance indicators, such as measuring corporate biodiversity risks, are often not present (Breijer *et al.*, 2025).

In line with the increased stakeholder pressure felt since 2008–2009, many standard setters have implemented mandatory sustainability reporting duties (Christensen *et al.*, 2021). At the European level, the Non-Financial Reporting Directive (NFRD), implemented in response to the 2008–2009 financial crisis, has required certain PIEs to prepare a nonfinancial statement since the 2017 financial year (NFRD, 2014). Options vary across member states, and the legal terms used in the NFRD are vague; hence, implementation has been heterogeneous across EU member states, and the reports lack comparability (Hummel and Jobst, 2024). With the launch of the EU Green Deal project, it has become clear that the NFRD, as a political compromise, cannot adequately meet the goal of climate-neutral economy by 2050. As this goal is a key milestone of the EU Green Deal project, an EU-wide classification system for green economic activities has been implemented through the Taxonomy (2020). Since the 2021 financial year, nonfinancial declarations must contain three green performance indicators (share of green sales revenue, capital expenditure and operating expenses), in accordance with Article 8 of the Taxonomy Regulation, so that stakeholders can analyze how and to what extent the business activities of the reporting company can be classified as ecologically sustainable (Taxonomy, 2020). In addition, the NFRD has been replaced by the Corporate Sustainability Reporting Directive (CSRD) (CSRD, 2022), which is linked with the mandatory preparation of a full sustainability report based on the environmental, social and governance (ESG) concept, as well as a duty to undergo annual external assurance (Kosi and Relard, 2024). To operationalize the ESG reporting obligations under the CSRD, the EU Commission specified complex reporting structures in the European Sustainability Reporting Standards (ESRS) (Kosi and Relard, 2024). The ESRS were prepared by the European Financial Reporting Advisory Group (EFRAG), which works in close cooperation with other standard setters, such as the GRI, the International Sustainability Standards Board (ISSB) and the Task Force on Financial-Related Climate Disclosures to realize an adequate level of interoperability (EFRAG, 2025a). However, as these standards have major differences in detail, overall comparisons of sustainability reports remain challenging.

In contrast to these extensive EU regulations on sustainability reporting, the Budapest Declaration of 2024 promised a significant reduction in the administrative, regulatory and reporting burdens for EU companies (EC, 2024). The new goal of the EU Commission, to stimulate the competitiveness of the European economy, was motivated by, among other things, the geopolitical situation in the USA under the current Trump administration. Commission President von der Leyen then announced an Omnibus initiative to give significant bureaucratic relief to companies. The competition compass stated that the administrative burden for companies should be reduced by at least 25% and for medium-sized companies by at least 35%. As a result of these plans, the EU Commission published the proposal for an Omnibus package in February 2025 and has finalized the "Substance proposal" by the end of 2025 (EC, 2025a). The changes provide, among other things, for major reductions in the scope of firms and the contents of their sustainability reporting in line with the CSRD/ESRS and Taxonomy Regulation. The weakening of the reporting obligations of companies that have so far been affected by sustainability regulations is expected to result in cost savings of around €6.3 billion (EC, 2025a), however, it runs counter to stakeholder demands.

Our research contributes to prior research in two primary ways. First, from a normative perspective, we still lack a comparative analysis of the major differences between the NFRD, Taxonomy Regulation, CSRD and amendments of the EU Omnibus. In this context, we have only identified one study on the NFRD, Taxonomy Regulation and CSRD (Hummel and Jobst, 2024). We use legitimacy and stakeholder theories in our analysis. Second, from an empirical perspective, we have not identified any research summarizing prior studies of the EU sustainability reporting regulations. This article makes a significant contribution to Christensen *et al.* (2021), who reviewed the literature on the economic effects of mandated sustainability reporting on a global level and prior reviews of the NFRD (La Torre *et al.*, 2018; Korca and Costa, 2021; Fiandrino *et al.*, 2022; Velte, 2022). Based on normative and theoretical analyses regarding EU regulations on sustainability reporting, we conducted a review of empirical studies seeking to determine whether the NFRD, Taxonomy Regulation and CSRD positively impact corporate financial and sustainability outputs in line with legitimacy and stakeholder theories. It was crucial to consider the results of empirical research on the corporate sustainability and financial consequences of the NFRD, Taxonomy Regulation and CSRD in view of the current controversy around the EU Omnibus. Careful consideration must be given to the empirical research on the financial and sustainable consequences of these regulations, and the diverse information demands of stakeholders before formulating proposals or tasks for future regulatory initiatives ("evidence-based regulations").

In the discussion section, we stress the limitations of prior research, the legitimacy crisis of the EU Commission, and the questionable information value of sustainability reports in furthering the corporate sustainability transformation since the EU Omnibus was introduced. Thus, our study has major implications for researchers, regulatory bodies and business practitioners alike. First, future regulations on sustainability reporting and potential amendments should be prepared and developed after careful empirical analysis of the status quo and in closer cooperation with business practice. Second, we stress the need for increased interdisciplinary research projects by legal and economic scholars to increase the probability that evidence-based regulations will be formulated. Third, while the EU Omnibus is focused on the potential costs of sustainability reporting, the standard setters should conduct studies to determine whether sustainability regulations are likely to foster greater corporate sustainability transformation.

This study is structured as follows. We start with a normative analysis of the major differences of sustainability reporting based on the NFRD, CSRD, Taxonomy Regulation and the EU Omnibus (Section 2). This analysis is followed by an explanation of the theoretical foundation of our study and a presentation of the previous empirical findings on corporate sustainability and the financial consequences of the EU sustainability reporting regulations, based on legitimacy and stakeholder theories (Section 3). Finally, the restrictions of previous empirical research on sustainability reporting are highlighted, and the EU Omnibus is critically discussed in view of the legitimacy crisis of the EU Commission and the negative implications for corporate sustainability progress (Section 4).

2. Sustainability reporting under the NFRD, CSRD, taxonomy regulation and the proposed amendments to the EU omnibus

2.1 Scope of sustainability reporting

The *NFRD* is limited to large (parent) PIEs (corporations, equivalent companies and credit and insurance companies) with revenues exceeding €50m or a balance sheet total exceeding

€25m and an average annual workforce of more than 500 (NFRD, 2014). Large credit institutions and insurance companies with more than 500 employees are subject to reporting requirements regardless of their capital market orientation due to their particular social significance (NFRD, 2014).

The scope of application of the *CSRD* and *Taxonomy Regulation* is not limited to capital market-oriented companies but applies to all large companies; thus, the size criterion of the average number of employees is reduced to 250 (CSRD, 2022; Taxonomy, 2020). The sustainability report, including disclosure of the three environmentally relevant performance indicators pursuant to Article 8 of the Taxonomy Regulation, must be prepared by large companies that exceed at least two of three size criteria (more than 250 employees, more than €50m in sales revenue and more than €25m in total assets) as well as by capital market-oriented small and medium-sized enterprises (SMEs) that exceed at least two of three further size criteria (more than ten employees, more than €0.9m in sales revenue and more than €0.45m in total assets) (CSRD, 2022; Taxonomy, 2020). Furthermore, the corresponding thresholds also apply to group companies, although a description of the various exemption provisions is omitted here.

The EU Commission's *Omnibus* envisages a significant reduction in the scope of application of the CSRD (EC, 2025a). Only large corporations with revenues exceeding €450m and average annual employees of more than 1,000 employees will be required to comply with the CSRD (EC, 2025a). These criteria also apply to the parent companies of large groups (EC, 2025a). These criteria will apply regardless of capital market orientation, with the result that capital market-oriented companies with 501–1,000 employees, which were subject to the NFRD, will no longer be required to prepare a sustainability report in accordance with the CSRD. According to the EU Commission's estimates, this increase in thresholds will exempt approximately 80% of the companies currently obliged to comply with CRDS requirements (EC, 2025a). For (parent) companies from third countries outside the EU, the current CSRD threshold of €150m in sales revenue is to be raised to €450m and the threshold for branches is to be standardized to more than €200m (EC, 2025a).

The EU Omnibus also includes a corresponding limitation of the scope of application of the *Taxonomy Regulation* (EC, 2025a). Only (parent) companies subject to CSRD reporting with more than 1,000 employees and generating more than €450m in revenue will be required to submit (consolidated) reporting in accordance with Article 8 of the Taxonomy Regulation. In this context, financial materiality thresholds regarding three taxonomy key performance indicators (revenue, capital expenditures and operating expenditures) are introduced to increase corporate flexibility (EC, 2025a). Based on a new delegated act, companies can now exclude economic activities that are not financially material, specifically if they collectively fall below 10% of key indicators from detailed taxonomy eligibility and alignment assessments. Moreover, the publication of one key performance indicator (ratio of environmentally related operating expenses) may be deleted.

2.2 First application of sustainability reporting

While the *NFRD* has required affected companies to prepare a nonfinancial statement since fiscal year 2017 (NFRD, 2014), the *CSRD* provides for staggered initial application dates depending on the company's capital market orientation and size, as follows (CSRD, 2022):

- *Fiscal year 2024:* large capital market-oriented (parent) companies (corporations, equivalent companies and credit and insurance companies) with revenues exceeding €50m or total assets exceeding €25m and with an annual average of more than 500 employees (NFRD user group; first wave);

- *Fiscal year 2025:* other large (noncapital market-oriented) (parent) companies outside the NFRD user group (second wave);
- *Fiscal year 2026:* capital market-oriented SMEs (third wave); opt-out option for a two-year transition period (from fiscal year 2028);
- *Fiscal year 2028:* non-EU (parent) companies with a (consolidated) turnover in the EU of more than €150m (in each of the last two financial years) and either a subsidiary in the EU or a branch in the EU with a turnover of more than €40m (fourth wave).

The reporting obligations under Article 8 of the *Taxonomy Regulation* (share of green sales revenue, operating expenses and capital expenditure) initially applied to all companies subject to the NFRD reporting regime (first wave), and the disclosures have been required since fiscal year 2021 (Taxonomy, 2020). Thus, fiscal year 2021 related to taxonomy eligibility, while since fiscal year 2922, taxonomy conformity has also been considered (Taxonomy, 2020). The above-mentioned initial application dates of the CSRD apply accordingly to the Taxonomy Regulation for companies in the other waves.

In April 2025, the *Stop the Clock* Directive was adopted as part of the EU Commission's *Omnibus* (EC, 2025b). Under this directive, the initial application date for sustainability reporting under the CSRD and Taxonomy Regulation was postponed by *two years* for certain companies (EC, 2025b). Companies in the second wave, which were required to prepare their first sustainability report for fiscal year 2025 under the CSRD, are now only required to do so for fiscal year 2027 (EC, 2025b). For companies in the third wave, which were required to prepare their first CSRD report for fiscal year 2026, the first reporting obligation will not apply until fiscal year 2028.

Based on the finalization of the "Substance proposal", CSRD-related EU firms must prepare their first sustainability reporting for the fiscal year 2027, whereas non-EU firms must publish their first reports for the fiscal year 2028 first (EC, 2025a). We also stress a member state option to exempt first wave firms within the thresholds (€450m revenues and 1,000 employees) from the reporting duties for the fiscal years 2025 and 2026 (EC, 2025a).

2.3 Frameworks for sustainability reporting

According to the *NFRD*, companies have the option of using (inter)nationally recognized frameworks when preparing their nonfinancial statements. Although the GRI standards represent the best practice for listed companies, diverse reporting practices exist in the European capital market, which impairs the consistency and comparability of sustainability reporting (KPMG, 2024).

To meet the objective of harmonizing sustainability reporting, the *CSRD* provides for the mandatory application of the ESRS (CSRD, 2022). The first set of the ESRS was published as a delegated act in 2023. Furthermore, in December 2024, EFRAG submitted an ESRS on voluntary sustainability reporting for nonlisted SMEs (VSME) to the EU Commission. On 30 July 2025, the EU Commission published a recommendation on the VSME ESRS (EC, 2025e), namely, that nonlisted SMEs and micro-undertakings that wish to voluntarily report sustainability information do so in accordance with the VSME ESRS. Moreover, the EU Commission recommended that financial institutions, financial market participants, insurance undertakings, credit institutions and other undertakings seeking sustainability information from SMEs should, as far as possible, limit their requests for such information to the information provided pursuant to the VSME standard. However, the VSME ESRS is not yet connected with the EU Omnibus amendments, as it only addresses SMEs with fewer than 250 employees. Thus, the Omnibus will enormously increase the practical significance of the

VSME ESRS. To avoid a trickle-down effect for nonreporting companies within the value chain of CSRD-compliant companies, such companies are only allowed to obtain information from CSRD-exempt companies (with a maximum of 1,000 employees) that results from the VSME ESRS (EC, 2025e). However, exceptions are made regarding typical sustainability information within the specific sector. Because the scope of the VSME ESRS was limited to companies with up to 250 employees under the original CSRD and as companies with up to 1,000 employees are exempted under the Omnibus, this regulatory change must ensure a significant broadening of the reporting requirements under the VSME ESRS, such as the introduction of a small double materiality analysis analogous to the full ESRS. In view of the increased firm size thresholds of the CSRD, the EU Commission will probably adopt a new version of a VSME ESRS with more complex sustainability reporting for the new range of voluntary adopters of the CSRD.

The planned ESRS for listed SMEs (ESRS LSME), however, is currently only available as a draft; it has not yet been finalized and submitted to the EU Commission. Since the Omnibus abolishes the CSRD requirement for capital-market-oriented SMEs (third wave), the adoption of the LSME ESRS becomes obsolete (EC, 2025a). Furthermore, the future issuance of supplementary sector-specific ESRS will be dispensed with.

To reduce the degree of complexity for the affected companies, the EU Commission announced in the *Omnibus* that it will reduce the number of data points in the full ESRS (EC, 2025a). However, the double materiality analysis will remain. In July 2025, the Commission has adopted targeted "quick fix" amendments to the first set of ESRS (EC, 2025c). This deregulation reduces burden and increase certainty for wave one companies that had to start reporting for financial year 2024 (EC, 2025d). Moreover, the EFRAG published Exposure Drafts of the ESRS with the reduction of mandatory datapoints by 57% and an overall datapoint reduction of 68% (EFRAG, 2025b). In December 2025, the EFRAG sent their proposals for a modified set 1 of ESRS to the EU Commission. The aims of the modifications of the ESRS are:

- to simplify the double materiality assessment (DMA) process and documentation for audit purposes;
- to ensure better readability and conciseness of sustainability statements;
- to delete the most granular narrative requirements in topical standards;
- to eliminate voluntary disclosure;
- to introduce horizontal burden-reduction reliefs; and
- to enhance interoperability with global reporting standards (ISSB S1 and S2).

2.4 Assurance of sustainability reporting

The *NFRD* only provides for a formal assurance duty for nonfinancial statements (NFRD, 2014). EU member states have the option of introducing a substantive mandatory assurance of sustainability reports by financial auditors. With few exceptions (e.g. Italy), most EU member states opted against a substantive mandatory assurance when implementing the NFRD (Hummel and Jobst, 2024). Companies could therefore decide whether they wanted to have their NFRD reports assured, either in addition to their content or merely in terms of existence. They could also opt for a limited or reasonable assurance level and engage external providers outside the auditing profession to conduct CSR assurance in addition to the financial auditor or another certified public accountant. Voluntary CSR assurance engagements have been best practice on the European capital market since the financial year

2017 (KPMG, 2024). A preference for engaging an auditor with a limited assurance level can be observed, which can be explained by cost and efficiency aspects (KPMG, 2024).

However, the *CSRD* provides for a substantive mandatory assurance of sustainability reports, generally by the financial auditor. Initially, sustainability reports only had to be conducted with limited assurance, but it is expected that this requirement will be extended from 2028 to reasonable assurance, as is the case for financial reporting (CSRD, 2022). Furthermore, the EU Commission plans to adopt independent EU standards for the assurance of sustainability reports with limited assurance before January 1, 2026, based on delegated acts (CSRD, 2022). Assurance standards with a reasonable assurance level are to follow two years later (CSRD, 2022). The CSRD also contains member state options for the assurance of sustainability reports: it includes a voting right to engage a second professional accountant, in addition to the financial auditor, exclusively for the assurance of the sustainability report or to authorize independent external providers in addition to representatives of the audit profession (CSRD, 2022).

The EU Commission' *Omnibus* no longer includes the planned mandatory transition from limited to reasonable assurance in the audit of CSRD reports (EC, 2025a). Consequently, the mandatory audit scopes of financial and sustainability reports will be different, leading to different levels of audit quality. Furthermore, guidelines for limited assurance auditing are to be adopted by 2027.

Table 1 summarizes the differences between the NFRD, the CSRD, the Taxonomy Regulation and the EU Omnibus on sustainability reporting.

In the next section, we present legitimacy and stakeholder theories to stress the need for sustainability reporting regulations. Table 1 indicates the decreased regulatory pressure since the EU omnibus. The EU Omnibus is linked with an impairment in the extrinsic motivations of firms, especially SMEs, to prepare sustainability reports, which leads to reduced legitimacy. Whether stakeholder pressure, for example, from investors, customers or the media will fill the gap created by this decreased regulatory pressure remains uncertain. Then, we review empirical studies on the impact of the NFRD, CSRD and Taxonomy Regulation on financial and sustainability issues. We analyze whether the EU sustainability regulations increase the range of legitimacy and stakeholder reputation, so that the two theories may be empirically tested.

3. Theoretical foundation and review of empirical research on the impact of EU sustainability reporting regulations on financial and sustainability outcomes

3.1 Legitimacy and stakeholder theories

Prior studies of EU sustainability reporting regulations refer to various theories, the most important being stakeholder and legitimacy theories, which have a complementary relationship (Agostini *et al.*, 2021). We use an integrative theoretical framework to stress that sustainability reporting is a fundamental communication tool in gaining legitimacy and increasing stakeholder reputation. It is assumed that regulatory and stakeholder pressure relate to an increased corporate sensitivity to the need to publish sustainability reports of adequate quality. Based on this normative interpretation ("what should be"), we evaluate in the following literature review, whether these assumptions have been empirically validated.

Legitimacy theory assumes that firms have implicit social contracts with the society in which they operate (Shocker and Sethi, 1973; Dowling and Pfeffer, 1975). These social contracts (Shocker and Sethi, 1973) motivate top management to comply with a society's specific values, norms and boundaries by implementing adequate sustainability structures and processes (Dowling and Pfeffer, 1975). A firm's long-term existence is linked to its ability to meet society's sustainability goals. If obvious legitimacy gaps exist, firms are

Table 1. Major differences between NFRD, CSRD/taxonomy regulation and EU Omnibus in the context of sustainability reporting

Topic	NFRD	CSRD/taxonomy regulation	EU Omnibus
Scope of sustainability reporting	• Big capital market-oriented corporations* (revenues > €50m or total assets > €25m) with > 500 employees on annual average • Also noncapital market-oriented big financial institutions and insurances	• Wave: big capital market-oriented corporations* with > 500 employees (NFRD-related firms) • Wave: big corporations* (> 250 employees, revenues > €50m, total assets > €25m; at least two of the three criteria are met) • Wave: capital market-oriented small and medium-sized corporations (>10 employees, > €0.9m revenues, > €0.45m total assets; at least two of the three criteria are met) • Wave: Non-EU-(group) corporations > €150m (consolidated) revenues with CSRD-required EU subsidiaries or branch within the EU with revenues >€40m	CSRD/taxonomy regulation: • Corporations* > 1.000 employees and revenues >€450m • Non-EU-(group) corporations > €450m (consolidated) revenues with CSRD-required EU subsidiaries or branches within the EU with revenues > €200m
First application of sustainability reporting	• Fiscal year 2017	CSRD: • Fiscal year 2024: 1. wave (see above) • Fiscal year 2025: 2. wave (see above) • Fiscal year 2026: 3. wave (see above); option to start with business year 2028 • Fiscal year 2028: 4. wave (see above) Taxonomy regulation: • Since fiscal year 2021: 1. wave (see above) • Fiscal year 2025: 2. wave (see above) • Fiscal year 2026: 3. wave (see above); option to start with business year 2028 • Fiscal year 2028: 4. wave (see above)	CSRD/taxonomy regulation: • Fiscal years 2025 and 2026: member state option to exempt first wave firms within the thresholds • Fiscal year 2027: EU firms • Fiscal year 2028: Non-EU firms

(*continued*)

Table 1. Continued

Topic	NFRD	CSRD/taxonomy regulation	EU Omnibus
Framework for sustainability reporting	• No obligation to use (inter)national frameworks	• Mandatory application of the first set of ESRS • Industry-specific ESRS • LSME ESRS (3. wave) • VSME ESRS	• Mandatory application of the modified first set of ESRS • No industry-specific ESRS • No LSME ESRS • Modified VSME ESRS
External assurance of sustainability reporting	• Formal assurance requirement by statutory auditors • Member state option for an additional substantive assurance requirement	• Substantive assurance obligation by the statutory auditor • Member states may choose to engage an additional auditor or authorize other external accredited assurance providers • Requirement to conduct a limited assurance and transition to reasonable assurance in 2028	• No transition to mandatory reasonable assurance from 2028

Note(s): *This also includes capitalist partnerships and parent companies of large group entities
Source(s): Author's own creation

requested to adopt legitimating strategies (Fernando and Lawrence, 2014). According to legitimacy theory, firms change their sustainability reporting strategy to enhance their decision usefulness in line with stakeholders' information needs (Korca and Costa, 2021). Legitimacy theory describes either a substantive or a symbolic use of sustainability reporting (Velte and Stawinoga, 2020). A symbolic use of sustainability reporting refers to greenwashing behavior and information overload (Mahoney *et al.*, 2013), whereas a substantive use indicates the intention to achieve sustainable business transformation strategically and operationally (Velte and Stawinoga, 2020). Stakeholder and regulatory pressures serve as a major instrument to increase the probability of substantive sustainability reporting. The EU Commission assumes that neither the voluntary sustainability reporting that used to be in place nor NFRD reporting contributed to this. Consequently, the CSRD and Taxonomy Regulation as parts of the EU Green Deal project, aim to increase corporate legitimacy toward society.

Stakeholder theory, as a complementary theory, stresses that sustainability reports should be clearly linked to the information needs and materiality principle of stakeholders (Freeman, 1984). As greenwashing and information overload run counter to stakeholders' needs, a proper stakeholder and materiality analysis represents the core element of sustainability reporting. The CSRD includes the double materiality principle, whereby firms must report on the consequences of CSR issues for their own business (outside-in-perspective) and the impact of their business activities on the environment and society (inside-out-perspective). This procedure guarantees that a broad range of stakeholder interests is met. Once implemented, in line with the business case argument, sustainability reporting may also lead to positive market reactions if the sustainability aspects included are in line with stakeholders' expectations. Successful stakeholder relations relate to improved firm reputation and thus better financial and sustainability performance.

Figure 1 summarizes our research framework on the corporate sustainability and financial consequences of the EU sustainability reporting regulations. In line with legitimacy and stakeholder theories, the EU Commission assumes that sustainability reporting regulations will have a positive impact on corporate sustainability and financial outcomes. Regulatory pressure (CSRD/ESRS and EU Taxonomy) is useful to increase the quality of sustainability reporting and stakeholder reputation, which leads to the long-term improvement of corporate financial and sustainability outcomes. Increased corporate financial and sustainability performance measures illustrate higher levels of legitimacy and stakeholder trust. In the following, we review prior empirical studies on this topic to analyze whether the EU assumptions, based on legitimacy and stakeholder theories, can be found in business practice.

3.2 Empirical research on the corporate sustainability and financial consequences of EU sustainability reporting regulations

Our literature review builds on established processes (Denyer and Tranfield, 2009). First, we formulated our research objective, namely, to focus on empirical-quantitative studies regarding the impact of EU sustainability reporting regulations on companies' financial and sustainability aspects. Second, based on international databases (EBSCO Business Source Complete and Web of Science), we used specific keywords for the selection of relevant studies ("sustainability reporting," "CSR reporting" and "ESG reporting" in connection with "Non-Financial Reporting Directive (NFRD)," "Corporate Sustainability Reporting (CSRD)" and "EU Taxonomy." This use of keywords led to an initial sample of 87 studies. Third, we set relevant exclusion and inclusion criteria. As this literature review focuses on the financial and sustainability consequences of the EU sustainability reporting regulations,

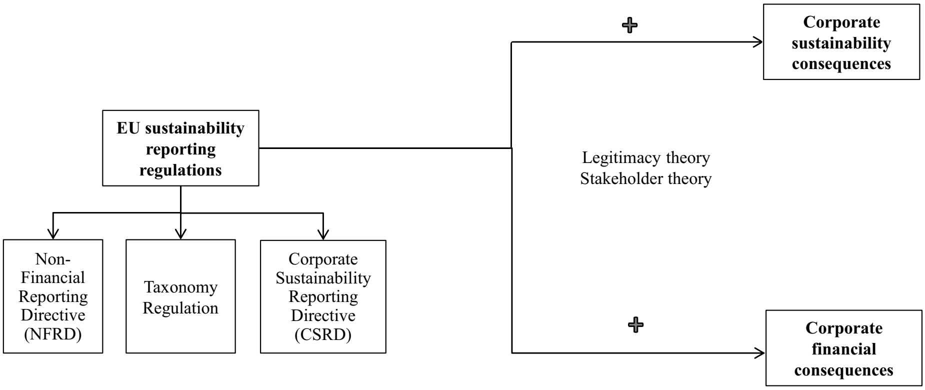

Figure 1. Research framework on the corporate sustainability and financial consequences of the EU sustainability reporting regulations
Source: Author's own creation

we deleted 19 studies that did not analyze the economic impact of these regulations. While a temporal restriction was not necessary due to the short time frame of prior research, we only included studies published in double-blind scientific journals in English. Applying these criteria reduced the initial selection by 21 studies and leaving a final sample of 47 studies. In total, 36 studies applied cross-country designs, and 11 are country-specific studies of EU member state, such as Italy, Poland and Spain. Most empirical studies (38 studies) addressed the NFRD, while the Taxonomy Regulation (7 studies) and CSRD (2 studies) have received only limited consideration. With two exceptions (experiments), the 47 studies are archival.

3.2.1 Non-Financial Reporting Directive Regarding the *NFRD*, *cross-country studies* have found that EU regulation is associated with an increased quantity and, in some cases, a higher quality of sustainability reporting (e.g. Al-Dosari *et al.*, 2023; Arif *et al.*, 2021; Cuomo *et al.*, 2024), increased sustainability performance (e.g. Bigelli *et al.*, 2023; Cicchiello *et al.*, 2023; Cuomo *et al.*, 2024) and sustainability assurance (Fiechter *et al.*, 2022; Garcia-Sanchez *et al.*, 2022). While Aboud *et al.* (2024) stressed that the NFRD negatively impacted ESG decoupling, other scholars pointed out that EU regulation increases the quantity rather than the quality of sustainability reporting (Mio *et al.*, 2021). Furthermore, companies subject to the NFRD use boilerplate information more frequently during initial application, leading to information asymmetries and declining market performance compared to other companies with a voluntary sustainability report (Breijer *et al.*, 2025). Furthermore, a short-term declining and long-term positive impact of the NFRD on the extent of environmental innovations is emphasized (Antonini and Gomez-Conde, 2024), while stakeholder involvement remains unchanged (Cosma *et al.*, 2021).

Regarding the financial impact of implementing NFRD, empirical studies have indicated, on the one hand, that the NFRD has improved the accuracy of analyst forecasts (Arif *et al.*, 2021; Ferrer *et al.*, 2020) and led to higher financial performance (Bruna *et al.*, 2022), declining equity costs and lower systematic corporate risk (Cuomo *et al.*, 2024). On the other hand, the NFRD's impact on costs of debt (Cupertino *et al.*, 2022), financial performance (Agostini *et al.*, 2021; Nampoothiri *et al.*, 2024), delisting decisions (Billio *et al.*, 2025) and the value relevance of sustainability reports (Mittelbach-Hörmanseder *et al.*, 2021) has been assessed as insignificant; in some cases, studies even demonstrated declining financial performance trends (Cupertino *et al.*, 2022) and lower abnormal cumulative returns (Grewal *et al.*, 2019) as a result of the NFRD.

Country-specific studies have also stressed that the NFRD has significantly increased the quantity of sustainability reporting, but not generally its quality. These studies primarily to considered Italy (Agostini *et al.*, 2021; Papa *et al.*, 2022) and Spain (Esteban-Arrea and Garcia-Torea, 2022; Posadas *et al.*, 2023)and found that although the NFRD has had a positive impact on financial performance (Agostini *et al.*, 2021), it has not significantly changed the value relevance of sustainability reports (Cordazzo *et al.*, 2020) or the extent of sustainability reporting restatements (Venturelli *et al.*, 2020). A Swedish study also stressed the increase in the quantity and quality of employee-related sustainability reporting since the NFRD, but this outcome has similarly been accompanied by an increased uncertainty in the information (Samani *et al.*, 2023). Studies for the Polish and German capital markets also indicated higher sustainability performance (Aluchna *et al.*, 2023) and sustainability reporting on anti-corruption measures (Aluchna *et al.*, 2024; Matuszak and Rozanska, 2021), human rights (Aluchna *et al.*, 2024; Matuszak and Rozanska, 2021) and corporate governance (Aluchna *et al.*, 2025). A British study also indicated that the NFRD had a positive impact on climate risk and strategy reporting, as well as on diversity and inclusion, although this impact is limited to diversity disclosures about the board of directors and excludes other organizational levels (Ferjancic *et al.*, 2024). Finally, the NFRD has been shown to have positively affected the extent of sustainability reporting by companies in Switzerland and the Netherlands (Hubers and Thijjssens, 2023).

Overall, it appears that cross-country and country-specific studies tend to support the positive effects of the NFRD on the extent of sustainability reports in line with the assumption of the EU Commission and our theoretical framework. However, these empirical results refer to an increased quantity of information rather than an increased quality. In this respect, it is worth critically questioning the extent to which an expansion of sustainability reporting, given the risk of information overload, is automatically associated with improved decision usefulness and the quality of sustainability reports produced under the NFRD. The results indicate that the regulatory pressure of the NFRD has not been sufficiently intensive to push top managers to produce high-quality sustainability reports, leading to legitimacy and stakeholder reputation being called into question. The limited economic effects of the NFRD underline the need for the implementation of the EU Green Deal project and the increased sustainability reporting duties required under the CSRD/ESRS and the EU Taxonomy Regulation. As the EU Omnibus hugely decreases the scope of firms and the contents of sustainability reporting, it remains unclear whether stakeholders will positively react to these reports.

3.2.2 Taxonomy regulation. Compared to the NFRD, there are limited empirical findings about the *Taxonomy Regulation* and the associated reporting obligations under Article 8 regarding the three green performance indicators. Cross-country studies have found that the share of green sales revenues under the Taxonomy Regulation is associated with increased cumulative abnormal returns and better ESG ratings, and the Taxonomy Regulation is therefore viewed positively by investors (Bassen *et al.*, 2025; Dumrose *et al.*, 2022). However, there is no empirical evidence of increased willingness to invest among companies that belong to the so-called NACE sectors that could reflect their engagement in sustainable economic activities (Lucarelli *et al.*, 2023). Furthermore, experimental evidence shows that the introduction of EU taxonomy quotas within NFRD and CSRD reports is associated with a significant change in the decision-making behavior of certain investor groups (Chrzan and Pott, 2024a, 2024b; Nipper *et al.*, 2025). This change is particularly seen among institutional and professional investors, who are better able to identify and sanction negative information, while private investors react positively to the publication despite the low level of the taxonomy quotas (Chrzan and Pott, 2024a, 2024b).

Based on the low number of studies on the Taxonomy Regulation, empirical evidence on the legitimacy and stakeholder effects is still questionable and further research is required.

3.2.3 Corporate Sustainability Reporting Directive. Empirical research on the *CSRD* has, like that on the EU Taxonomy Regulation, only recently started, and the results are limited. One cross-country study revealed negative market reactions to the CSRD (Boungou and Dufau, 2025), while a study of German companies stressed that companies subject to the NFRD improve the quality of their sustainability reports significantly and swiftly, that is, both when adherence to the CSRD is announced and when it is put into practice (Kosi and Relard, 2024). Companies that are not subject to the NFRD but will be required to comply with the CSRD in the future, in contrast, are more likely not to provide voluntary sustainability reports (Kosi and Relard, 2024).

In view of the limited scientific research on the CSRD, we present the results of some relevant business practitioner reports. The recent implementation study conducted by the EFRAG (July 2025) included the CSRD reports of the first-wave companies in the fiscal year 2024 (EFRAG, 2025c). The EFRAG found a high variability in report length, style and data point-level disclosure, leading to a restricted comparability (EFRAG, 2025c). The three most important topical standards in the EFRAG survey were climate change, own workforce and business conduct (EFRAG, 2025c). Stakeholder engagement in DMA focused primarily on business-related stakeholders, whereas broader societal stakeholders were consulted less often. Similarly, Frank Bold (2025) analyzed 100 large companies' climate transition and sustainability reports from Central, Eastern and Western Europe based on fiscal year 2024 and found that the CSRD had enhanced both the completeness of their sustainability reports and cross-company comparability. Moreover, there are indications that the ESRS has successfully addressed information gaps under the former NFRD. CSRD reports tend to follow a more consistent, ESRS-aligned structure, leading to increased readability and cross-company comparability (Frank Bold, 2025). However, the study criticizes the use of boilerplates in DMA, which limits the information value of the CSRD reports.

Moreover, the Accounting Standards Committee of Germany (ASCG) and Deloitte published a study on the first-wave experiences of German listed corporations for fiscal year 2024 (ASCG/Deloitte, 2025). The German setting is rather interesting because Germany has not yet finalized the transformation act of the CSRD. Firms in the first wave had an option to include the CSRD/ESRS (sustainability report) in fiscal year 2024 or to use the NFRD (nonfinancial declaration). Consequently, the comparability of German sustainability reporting practice was low. Among other matters, the authors stressed that most firms did not report on biodiversity, water management and affected communities as major topics of the ESRS (ASCG/Deloitte, 2025). This cherry-picking approach is problematic, as it does not meet stakeholder demands. With few exceptions, sustainability assurance was conducted with a limited assurance level (ASCG/Deloitte, 2025). In all cases, the audit firms published unmodified opinions.

Furthermore, Forever Sustainable (2025) published a study of the top 43 European firms, listed in the 2024 Corporate Knights Global 100 Index and found that the percentage of companies conducting a materiality analysis had dropped from 82% in 2023 to only 37% in 2024. The authors assumed that the decline is likely influenced by the introduction of CSRD, which has shifted corporate focus toward the more comprehensive DMA (Forever Sustainable, 2025). The shift underscores the evolving expectations for transparency and accountability in sustainability reporting. Another critical observation was linked with the decrease in biodiversity reporting, which dropped from 93% in 2023–72% in 2024 (Forever Sustainable, 2025).

Overall, the empirical results of the reporting behavior of first-wave companies from fiscal year 2024 indicated that the information quality of the CSRD reports was low. There are hints that these first CSRD reports do not fully meet stakeholder expectations and do not greatly contribute to legitimacy, even though the first-wave companies have longer experiences of voluntary sustainability reporting, for example, based on the GRI standards and have published nonfinancial declarations since fiscal year 2017. The empirical results question the EU Omnibus which massively impair decision usefulness of sustainability reports. The reduced scope of firms and the significant reduction of reporting duties based on the new versions of CSRD and ESRS (i.e. those in force since the Omnibus) are not aligned with empirical results, calling into question the legitimacy of the current EU strategy.

4. Discussion

4.1 Limitations of prior research and research recommendations

Despite increasing empirical research activity in recent years, the validity of previous studies on corporate sustainability and the financial consequences of EU sustainability reporting regulations is limited. While empirical research on the *Taxonomy Regulation and CSRD* has only just begun, studies of the *NFRD* have focused on its impact on sustainability reporting and related subpillars, with sustainability performance and financial aspects receiving less attention (Aluchna *et al.*, 2023). It is also unclear how specific stakeholder groups, such as employees, customers, suppliers and investors, react to the increased EU regulatory density in sustainability reporting (Cosma *et al.*, 2021). Furthermore, the extent to which the NFRD, CSRD and Taxonomy Regulation significantly contribute to the successful sustainability transformation of companies and to the climate neutrality goal under the EU Green Deal project is questionable (Antonini and Gomez-Conde, 2024). In previous empirical studies on the impact of the NFRD on sustainability reporting, the distinction between quality and quantity is often blurred (Agostini *et al.*, 2021). The individual quantity and quality scores of sustainability reports are often derived from selected report components that are difficult to compare and diminish the validity of previous studies (Garcia-Sanchez *et al.*, 2024, 2023). In this respect, a variety of recommendations for future empirical research can be made.

Alongside reporting changes, future research should consider other changes within companies since the implementation of the EU sustainability reporting regulations. Among others, differences in the corporate governance structure may be useful to analyze, based on either a symbolic or substantive use of sustainability reporting (Cosma *et al.*, 2021). Fiechter *et al.* (2022), among other scholars, stressed that NFRD-related firms make sustainable changes in corporate governance, including setting up sustainability committees, extending their sustainability training, or including sustainability-related management compensation. These effects occurred in EU regimes that had relatively weak CSR-related institutions in place at the time the NFRD was passed. Future studies should also measure the impact of the NFRD on sustainable management systems.

Empirical evidence about the impacts of the reporting regulations in the EU Omnibus on corporate financial and sustainability is similarly restricted. The EU Commission did not refer to any empirical study or evidence when it decided to increase the thresholds from 250 to 1,000 employees and to absolve most SMEs from mandatory sustainability reporting. We need representative surveys of preparing firms and related stakeholders on the costs and benefits of sustainability reporting in line with the CSRD and Taxonomy Regulation and the information demands of stakeholders. There is a high probability that the EU Commission will publish a new version of the modified ESRS with little information value for stakeholders.

4.2 Legitimacy crisis of the EU sustainability reporting regulations

The ambitious goals of the EU Green Deal, particularly reaching climate neutrality in the European economy by 2050, require decision-supporting sustainability reporting in accordance with the CSRD and the Taxonomy Regulation (Hummel and Jobst, 2024). The EU Omnibus contributes to additional regulatory complexity and a lack of legal clarity. The double materiality analysis emphasized in the CSRD and ESRS requires an appropriate quantification of the impacts of sustainability aspects on a company's financial situation (financial materiality) (Baumüller and Sopp, 2022). As mentioned above, recent studies question the comparability and information value of the DMA descriptions in the sustainability report (Forever Sustainable, 2025). Institutional investors and banks, at least, will increasingly consider the three green performance indicators pursuant to Article 8 of the Taxonomy Regulation in their decision-making. As already explained, this is also supported by initial empirical findings (e.g. Bassen *et al.*, 2025). The EU Omnibus is mainly influenced by the lobbying of firms and politicians, which tends to limit the overall sustainability progress of the EU Green Deal project and to "protect" firms from radical transformation processes. This situation may explain why the EU Commission focuses on the implementation costs of the CSRD and ESRS while neglecting the opportunities and first-mover advantages for firms that implement a successful sustainability transformation strategy. There is a tendency for unsustainable firms in environmentally sensitive industries, such as the automobile industry, to have important impacts on the EU Omnibus and the turnaround strategy regarding sustainability reporting. However, a recent post-Omnibus CSRD business survey of more than 1,800 professionals stressed the need for high-quality sustainability reports to ensure a corporate sustainability transformation, while the EU Omnibus was criticized by most professionals (We are Europe and HEC Paris and Sustainability and Organizations, 2025). As the EFRAG and EU Commission did not include any empirical research in their sustainability reporting regulations, such as the information gaps of first-wave firms, the EU Omnibus lacks legitimacy and neglects stakeholder concerns.

The EU Commission should have listened to SMEs early on, during the planning phase of mandatory sustainability reporting, to ensure the ESRS was practicable as also stated by recent empirical surveys (e.g., We are Europe and HEC Paris and Sustainability and Organizations, 2025). Among other matters, the CSRD and ESRS are based on the required corporate governance structure and processes of a listed company (see ESRS 2 and ESRS G1), which ideally has been preparing corporate governance statements since the 2009 business year, a nonfinancial statement in accordance with the NFRD since the 2017 business year, and voluntary sustainability reports in accordance with the GRI Standards. Companies with little exposure to capital markets and out of the scope of the NFRD have, in general, not yet chosen to engage in voluntary sustainability reporting and have not implemented corresponding management systems (We are Europe and HEC Paris and Sustainability and Organizations, 2025). Adequate and effective internal control and risk management systems (including compliance management) based on ESRS 2 are only available to a limited extent in SMEs (Wehrhahn and Velte, 2024). The EU Commission should have better considered these economies of scale not only when planning the initial application date of the CSRD and Taxonomy Regulation but also when considering the complexity of the reporting requirements of the ESRS during the planning phase. The retroactive introduction of specific thresholds in the CSRD and Taxonomy Regulation (1,000 employees and €450m in revenues) through the EU Omnibus appears arbitrary and impairs legal clarity, especially since these thresholds are unknown in financial reporting regulations (We are Europe and HEC Paris and Sustainability and Organizations, 2025). We are Europe and HEC Paris and Sustainability and Organizations (2025) survey also highlighted the lack of legitimacy in the new threshold of 1,000 employees. This firm size threshold, as an alternative to 250 employees, was rejected by many professionals, and a threshold of 500 was preferred even among firms with between 500 and 1,000 employees (We are Europe and HEC Paris and Sustainability and Organizations, 2025). It is problematic that even large and listed companies with 501 and 1,000 employees, which were already subject to the NFRD, are exempted from sustainability reporting under the EU Omnibus (We are Europe and HEC Paris and Sustainability and Organizations, 2025). Given the low information value of the sustainability reporting of these first-wave firms for fiscal year 2024, major positive effects on financial and sustainability outcomes are not to be expected.

Overall, the EU Commission's Omnibus is linked with a massive reputational loss, as the intended reduction in bureaucracy conflicts with the goals of the EU Green Deal project and undermines corporate sustainability activities. These outcomes are further elaborated below.

4.3 Does sustainability reporting since the EU Omnibus impair corporate sustainability transformation?

The EU Omnibus solely focuses on the implementation and ongoing costs of sustainability reporting, while the potential opportunities (including competitive advantages) of a successful sustainability transformation for companies and the risks of unsustainable management practices are ignored. The EU Green Deal project and the overall goal of reaching corporate climate neutrality depend on high-quality sustainability reports in line with stakeholder demands. The most significant Omnibus amendments, such as increased thresholds, are fundamentally misguided. The EU Omnibus contrasts with, among others, the nonregression principle of the UN Social Pact, which prohibits setbacks in human rights-related legislation, and it decreases resilience in global supply chains. The new thresholds of the CSRD and EU Taxonomy jeopardize supply chain robustness. There is a high probability that, since the EU Omnibus, CSRD corporations will have major suppliers in their value chains that have no direct reporting duties, since they have fewer than 1,000 employees and lower revenues than €450m. The current version of VSME ESRS cannot meet the information demands of adequate supply chain reporting as part of the CSRD report. The risk and compliance management systems must integrate actual and potential negative impacts from upstream and downstream business activities. The EU Commission should pressure top management to ensure continuous progress in meeting high environmental and social standards, rather than focusing only on compliance with the VSME ESRS. The EU Omnibus reduces firms' motivations to take their due diligence responsibilities seriously across their value chains. 2025 and 2026 remain a challenging phase in which many companies are stepping back from sustainability, do not integrate sustainability aspects into their supply chains, and thereby make it even more difficult to address the grand challenges of our time. In this context, it is important to stress that the Corporate Sustainability Due Diligence Directive (CSDDD) of 2024, as part of the EU Green Deal project is also affected by the Omnibus. The firm size thresholds of the CSDDD firms are even higher than those stipulated under the CSRD, leading to a mismatch between the scope of due diligence regarding sustainable value chains and sustainability reporting.

In line with the original EU strategy, the scope of firms of the CSRD, Taxonomy Regulation and CSDDD should be identical to create a triangle of robust sustainability reporting. As the ESRS include a detailed list of reporting items but gives no guidance on how to establish management reporting processes, companies still lack suitable practical guidelines to easily implement the relevant management systems. The primary goal should be to turn the sustainability reporting regulations into concrete action and enable corporations to successfully carry out sustainable transformations. Workshops between regulatory bodies, sustainability reporting researchers and practical experts should be conducted in every EU member state. Firms should interpret the EU Green Deal project and sustainability reporting as strategic changes to drive sustainable transformation and achieve ecological and social objectives, such as the UN Sustainable Development Goals.

5. Conclusion

With the NFRD, Taxonomy Regulation and CSRD, the EU Commission has adopted a wide range of regulations on sustainability reporting since the financial crisis of 2008–09. However, the EU Omnibus contrasts with the EU Green Deal project, as it hugely reduces the scope of users and the contents of sustainability reporting. The EU Stop the Clock Directive, which extends the timeframe for the initial sustainability reporting obligations for companies in the second and third wave, was adopted in April 2025 to decrease the burden, particularly for SMEs (EC, 2025c). Moreover, the scope of firms under the CSRD and Taxonomy Regulation are greatly reduced since new thresholds are introduced in the EU Omnibus. This paper aims to contribute to the recent controversy about the EU Omnibus and to guide researchers, regulatory bodies and corporate practitioners. Solid knowledge of the major amendments of EU sustainability reporting, a theoretical foundation and the inclusion of empirical research on the NFRD, Taxonomy Regulation and CSRD are required and will contribute to the creation of future evidence-based regulations.

Our paper includes normative and theoretical analyses regarding EU regulations on sustainability reporting. From a normative perspective, we stressed the major differences between the NFRD, CSRD, Taxonomy and the EU Omnibus regarding the user group, first application, framework and external assurance of sustainability reports. The EU Omnibus on sustainability reporting greatly reduces the number of mandatory users and it introduces a two-year time lag for many companies. Moreover, the complexity of the ESRS will be reduced significantly, whereas there is no longer an intention to shift from a limited to a reasonable assurance level in 2028.

We used legitimacy and stakeholder theories to create an integrative theoretical framework. These theories highlight the effectiveness of regulatory and stakeholder pressure to establish high-quality sustainability reports. The amendments of the EU Omnibus impair the information value of sustainability reporting, which runs counter to legitimacy and stakeholder theories. The review of empirical research on EU sustainability reporting regulations indicated the limited validity of previous studies and the existence of important research gaps. Prior studies have stressed that the NFRD has tended to significantly increase the quantity, but not the quality, of sustainability reports. This outcome retroactively legitimizes the EU Commission’s strategy of replacing the nonfinancial statement under the NFRD with a full sustainability report in line with the CSRD, Taxonomy Regulation and ESRS. Empirical studies on the effectiveness of the Taxonomy Regulation and CSRD are still in their early stages. However, content analyses on the first-wave sustainability reports of fiscal year 2024 called into question the quality of the CSRD reports of the first-wave firms. The huge reduction in regulatory pressure introduced by the EU Omnibus does not meet stakeholder demands, and it impairs legitimacy. We assume that future sustainability reports will supply low-quality information and that corporate progress toward sustainability transformation will be limited.

This paper mainly contributes to prior work on sustainability reporting legislation in the EU (e.g. Hummel and Jobst, 2024) and literature reviews of the consequences of global mandatory sustainability reporting Christensen *et al.* (2021) and of the NFRD (La Torre *et al.*, 2018; Korca and Costa, 2021; Fiandrino *et al.*, 2022). Our theoretical implications relate to the lack of legitimacy and neglect of important stakeholder concerns to guarantee proper sustainability reports since the EU Omnibus was introduced. Legitimacy and stakeholder theories require high-quality sustainability reports, which are in line with the original EU sustainability reporting regulations as part of the Green Deal project. Reports made under the NFRD did not meet stakeholder demands and thus contrast with legitimacy. We included a detailed critical discussion of the EU Omnibus, based on the legitimacy crisis of the EU Commission and the negative consequences of the Omnibus for corporate sustainability transformation. The geopolitically motivated reduction of bureaucracy conflicts with the goals of the EU Green Deal project and significantly reduces corporate sustainability activities, primarily among SMEs. If sustainability does not become relevant for the decision-making of top managers, sustainability reporting will, in many cases, continue to be viewed as merely a compliance tool. It is highly probable that under the revised version of the ESRS, with its reduced content and reduced scope of firms the level of sustainability information offered to stakeholders will be inadequate. We stress the need for further practical implementation guidelines for sustainability reporting and empirical research on the potential opportunities for sustainability reporting.

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