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ESG: The future of business is sustainable

Expert's opinion

New ESG Rules: Simplification or risk for sustainability?

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Over the last few years, corporate sustainability has become a pillar of corporate strategy, with the European Union at the forefront of ESG regulation. However, the recent Omnibus Package, proposed by the European Commission, could redefine the regulatory scenario.
The key question is: does this review represent a step forward in simplification or does it risk compromising transparency and corporate engagement?
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Overview

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*by **Gabriele Felici***

Partner - Bernoni Grant Thornton

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Therefore, sustainability reporting should not be seen as a mere regulatory fulfilment, but rather as an effective tool to attract investors and finance, as well as to build a solid competitive advantage and value for the companies which adopt it.
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Focus on

From regulatory requirement to strategic lever: sustainable reporting evolves

*by **Martina Cersosimo and Fabio Cerroni***

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The European Union is currently facing a complex challenge with regard to sustainability reporting, which is gaining in importance in a global context, where social and environmental responsibility is becoming a priority for companies and institutions. The EU's intention is to find a balance between the growing demand for transparency on sustainability and the need to reduce the reporting burden on companies, as initially envisaged by the Corporate Sustainability Reporting Directive (CSRD). In a scenario where sustainability becomes a determining factor for long-term...

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Sustainability is nowadays an increasingly relevant driver for organisations that have integrated ESG factors in their trading practices, processes and in their business strategies.

Therefore, sustainability reporting should not be seen as a mere regulatory fulfilment, but rather as an effective tool to attract investors and finance, as well as to build a solid competitive advantage and value for the companies which adopt it.

Moreover, recent studies demonstrate how companies integrating sustainability factors obtain a positive impact on their business opportunities and increased innovation levels, a growth in revenues, easier access to finance at more favourable conditions, besides improving their reputational capital.

On a regulatory level, aware of the urgency to effectively manage ESG related issues, the European legislator has invested increasing efforts in sustainability regulation, issuing among others, Directive (EU) 2022/2464, known as Corporate Sustainability Reporting Directive (CSRD), recently implemented in the Italian regulation with legislative Decree no. 125 dated 6 September 2024, which amended the previous regulation, i.e. that introduces by Directive (EU) 2014/95, Non financial Reporting Directive (NFRD).

The CSRD paved the way for a more attentive regulation of sustainability reporting obligations, effectively broadening the scope of businesses required to report on ESG and introducing more specific reporting criteria, such as the so-called “double materiality”.

On 26 February 2025, the European Commission published its “Omnibus Package” proposal, which should amend the CSRD as for some sustainability reporting obligations, as well as Directive (EU) 2024/1760, also known as Corporate Sustainability Due Diligence Directive (CSDDD).

The proposal aims at limiting sustainability reporting obligations. The main measures introduced include: the amendment of the scope of the subjective obligation, with an increase of dimensional thresholds for the largest companies, the publication of a new voluntary standard (updating the current Voluntary Reporting Standard for Small-Medium Enterprises, VSME), the increase of the value cap chain which limits the maximum number of information that can be required to voluntary reporting entities and to their value chain, the suspension of industry standards, the elimination of the gradual shift from limited assurance to reasonable assurance, the simplification of datapoints currently required by the European Sustainability Reporting Standards (ESRS), a two-year postponement for CSRD and CSDDD required entities, simplifications on environmental taxonomy (for the identification of "sustainable" business activities) and the voluntary reporting of some KPIs.

Among the measures above, on 3 April 2025, the European Parliament expressed its favourable vote on the "Stop the clock" directive which postpones the application of sustainability reporting obligations. In particular, this directive falls within the broader strategy of simplification of the reportig obligations provided under the "Omnibus" package.

On 14 April 2025, the EU Council also approved the Directive, finally resolving upon the 2-year delay of the application of the CSRD for businesses of the 2nd (i.e. large companies) and 3rd (listed SMEs, small and non-complex entities, captive insurance and reinsurance companies) waves and the one year delay for the implementation and application of the CSDDD. The "Stop the clock" mechanism is not limited to a mere bureaucratic postponement but rather, as declared in the Council official document, a strategic measure to ensure that companies have the necessary time to adapt to the new requirements without compromising their competitiveness. The document also underlines that this measure will enable member States to transpose existing regulations more consistently, in particular to ensure that reporting requirements are proportionate and adapted to the capabilities of businesses, especially SMEs. Directive (EU) 2025/794 was published on the EU Official Gazette on 16 April 2025 and entered into force the following day; member States will have time until 31 December 2025 to implement it in their legislation.

Below is a table showing the impact of the "Stop the clock" Directive on the regulation introduced by the CSRD regarding ESG reporting.

CSRD			
Type of business/activity	**Dimensional requirements**	**Before Stop the clock**	**After Stop the clock**
Large companies already subject to NFRD	average number of employees over 500 and either: a) turnover over 50.000.000 €; b) total balance sheet over 25.000.000 €.	FY 2024 → publication 2025	No amendments
Large companies not subject to NFRD	exceeding at least two of the following thresholds: a) average number of employees over 250 (increased to 1000 in the Omnibus proposal); b) turnover over 50.000.000 €; c) total balance sheet over 25.000.000 €.	FY 2025 → publication 2026	FY 2027 → publication 2028
Listed SMEs	exceeding at least two of the following thresholds: a) average number of employees between 11 and 250; b) turnover between 900.000 and 50.000.000 €; c) total balance sheet between 450.000 € e 25.000.000 €.	FY 2026 → publication 2027	FY 2028 → publication 2029

The simplification of sustainability reporting requirements, and its postponement, have raised some criticisms such as that of an excessive weakening of the ESG reporting regulations, which is an indication of less transparency, uniformity and comparability of sustainability information due to the potential phenomenon of unregulated voluntary reporting by companies no longer/not yet obliged.

Despite the understandable criticisms, it is still possible to appreciate the rationale of the simplification intervention implemented by the Legislator. In fact, the intervention redraws the rules in a broader timeframe and consistent with the real operational capabilities of companies. For this reason, companies should seize the opportunity to better prepare, consolidate internal processes and structures and anticipate their change in view of the implementation of sustainability reporting obligations.

In conclusion, therefore, the importance of integrating ESG factors in business management structures is reiterated, since only monitoring sustainability reporting related risks and opportunities and regulatory compliance will allow companies to preserve their value and, indeed, increase it over time.

The postponement of the entry into force of sustainability obligations should, therefore, be welcomed by companies as an opportunity to strengthen their assets, integrating ESG factors into their Internal Governance, thus pursuing corporate sustainability.

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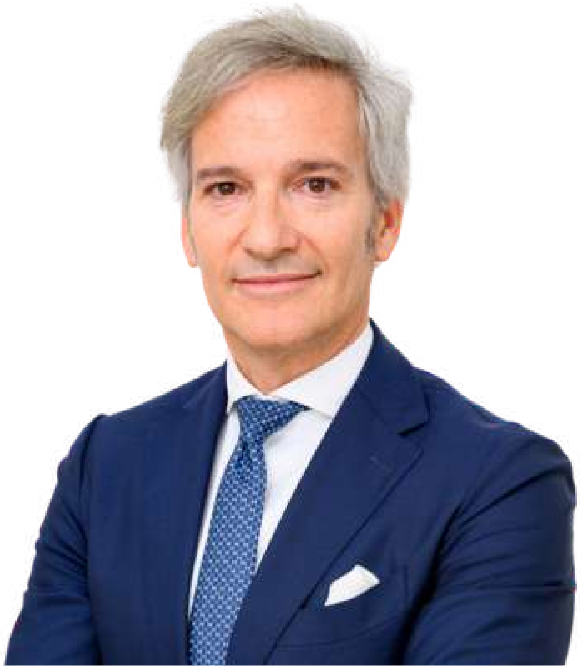

Over the last few years, corporate sustainability has become a pillar of corporate strategy, with the European Union at the forefront of ESG regulation. However, the recent Omnibus Package, proposed by the European Commission, could redefine the regulatory scenario. The key question is: does this review represent a step forward in simplification or does it risk compromising transparency and corporate engagement?

A package to lighten the regulatory burden

The **Omnibus Package** was created with the aim of harmonising and streamlining the application of ESG regulations, including the **CSRD** (Corporate Sustainability Reporting Directive), the **CSDDD** (Corporate Sustainability Due Diligence Directive), the **EU Taxonomy** and the **CBAM** (Carbon Border Adjustment Mechanism).

Among the most discussed proposals are:

- The increase of the threshold for **mandatory CSRD reporting from 250 to 1,000 employees**, reducing the burden for approximately 85% of companies currently affected.
- The elimination of the reporting obligation for **listed SMEs**, which could still join on a voluntary basis.
- The introduction of a **new voluntary standard** based on the EFRAG VSME framework.
- The **two-year delay** of the application of the CSRD and CSDDD

These changes have prompted mixed reactions: on the one hand, many companies welcome the reduction in red tape; on the other, there are concerns that the regulation will be **watered down**, with a negative impact on the transparency and credibility of ESG commitments.

Simplification or regulatory unknown?

The **critical issue** raised by experts concerns the possibility that the Omnibus Package will **make the regulatory framework less stable**, creating uncertainty among companies that have already invested significant resources to comply with current standards.

Some companies may **delay their ESG plans**, waiting to see if and how regulations change. This could lead to a general slowdown in sustainable investing, at a time when stakeholder pressure is higher than ever.

Nonetheless, supporters of the proposal say the aim is not to reduce transparency, but rather to **avoid an excessive administrative burden**, especially for small and medium-sized companies that struggle to manage the complexity of ESG regulations.

Europe and the Comparison with Global Standards

Another relevant aspect is the comparison with international regulations. While the EU focuses on a **double materiality** system and stringent obligations, the US, with the **Securities and Exchange Commission (SEC)**, focus only on certain environmental aspects, such as Scope 1 and 2 emissions.

Meanwhile, the **ISSB (International Sustainability Standards Board)** is developing a more flexible global standard, designed to be adopted in various contexts. This could lead to a scenario where European companies, subject to stricter regulations, are disadvantaged compared to global competitors.

The Omnibus Package could therefore represent an **attempt to bring EU rules closer to a more international standard**, avoiding excessive market imbalances.

ESG remains a priority, despite uncertainties

Despite regulatory changes, **sustainability remains a strategic pillar for companies**. Beyond legal obligations, consumers, investors and business partners are increasingly demanding transparency on ESG policies.

Forward-looking companies will continue to invest in sustainability to:

- **map climate risks,** avoiding negative impacts on the supply chain;
- **ensure business resilience** by integrating ESG criteria into long-term strategy;
- **maintain a competitive advantage** by meeting market expectations.

Although the **Omnibus Package** offers some breathing space for companies, the message is clear: **ESG is not an option, but a necessity for the future of business.**

Conclusion

The EU is trying to balance ESG regulation between transparency and simplification. However, companies should be prepared: regardless of regulatory obligations, sustainability is now a decisive factor for success in the global market.

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In a scenario where sustainability becomes a determining factor for long-term success, companies must be prepared to meet the challenges and seize the opportunities. The increasing attention by consumers, investors and institutions on responsible business practices requires companies to strategically integrate sustainability. Regardless of the constraints imposed by specific regulatory obligations, adopting a sustainable approach becomes crucial not only for strengthening corporate image and reputation, but also for successfully addressing market challenges and effectively responding to the growing expectations of a business landscape being increasingly oriented to social and environmental issues.

As part of the European initiatives to simplify and harmonise corporate sustainability reporting, a process has been launched to revise the **European Sustainability Reporting Standards** (ESRS), i.e. the standards that concerned companies are required to adopt to ensure clear, consistent and comparable reporting of non-financial information. To this end, the European Commission has mandated the European Financial Reporting Advisory Group (EFRAG) to propose a simplified version of the standards by 31 October 2025. Currently, the ESRS include a considerable number of mandatory datapoints (around 1,200), which require a highly detailed disclosure. However, as part of the ongoing review, the Commission intends to significantly reduce the number of datapoints, in order to simplify the structure of the standards without compromising their informative effectiveness.

In particular, the aim is to:

- place **more emphasis on quantitative data**, which are considered more comparable and objective than qualitative data;
- clarify the **distinction between mandatory and voluntary requirements**, so as to provide companies with clearer guidance on what is essential to report;
- **lighten the administrative burden** on companies, while maintaining a high level of transparency and accountability.

Double materiality will continue to be a key element for companies that want to integrate sustainability into their strategy. This approach considers two aspects: on the one hand, how environmental, social and governance (ESG) factors can influence a company's financial performance (financial materiality); on the other hand, how corporate actions can affect the environment and society (impact materiality). In this way, companies can obtain a clearer view of their sustainability-related impacts, risks and opportunities (so-called IROs), which is reflected in various aspects of corporate management:

- **integrated risk management:** by identifying and assessing both financial and ESG risks, companies can develop more resilient and sustainable strategies;
- **creation of shared value:** this approach fosters innovation and improved relations with stakeholders, contributing to long-term competitive advantage;
- **facilitated access to finance:** companies with sound ESG practices can attract sustainable investments and enjoy a positive valuation by financial markets;
- **improved transparency and reputation:** clear and comprehensive reporting enhances the trust of investors, customers and other stakeholders, improving corporate image.

It is therefore clear how much strategic it is for companies to prepare themselves for future developments in the European regulatory framework and the growing expectations of stakeholders by starting a voluntary sustainability integration process at an early stage. This means starting to develop and consolidate internal procedures and monitoring tools to effectively collect, manage and communicate the most relevant ESG information.

This approach allows not only to anticipate future regulatory obligations, but also to build stronger and more transparent governance over time, improve stakeholder relations and enhance market competitiveness.

Ready to take the next step in your ESG journey?

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