

Delivering on Sustainability: Evidence from Year 2 of CSRD Implementation

A comprehensive analysis of 100 companies' climate transition and sustainability disclosures through the lens of double materiality

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Disclaimer

This project is part of the European Climate Initiative (EUKI) of the German Federal Ministry for Economic Affairs and Climate Action (BMWK). The research is conducted as part of the "Company climate transition" initiative focusing on Poland, Czechia, Slovakia, Romania, and Bulgaria.

The report is intended exclusively for informational and research purposes. It does not constitute legal advice or a substitute for professional consultation. The methodology applied in this study is grounded in the European Sustainability Reporting Standards (ESRS). The analysis reflects how companies have reported in accordance with these standards during the second year of implementation of the Corporate Sustainability Reporting Directive (CSRD).

Compared to the previous year's research, Frank Bold reviewed and updated the methodology, reflecting areas simplified and clarified in the ESRS revision by EFRAG.

While the research aims to provide insights into market practices and application of the regulatory framework, it does not verify the accuracy and veracity of underlying disclosures or the results of materiality assessments. The research is based solely on publicly available information as disclosed in consolidated annual reports. Our study cannot be understood as a judgement on compliance, nor does it intend to provide such an assessment. Although every effort has been made to ensure the reliability of the data and analysis, errors or omissions may exist.

Readers - particularly companies seeking to improve reporting practices and policymakers involved in regulatory discussions - are advised to consider these limitations when interpreting the findings and to consult appropriate legal, regulatory, or compliance professionals for case-specific guidance.

We welcome dialogue: readers are encouraged to reach out to Lorena Bisignano (lorena.bisignano@frankbold.org) and Susanna Arus (susanna.arus@frankbold.org) for further discussion, clarification, or collaboration on the topics addressed in this publication.

Table of contents

4 Introduction

6 Methodology

9 Key findings

11 Research results

12 Climate-related disclosures

18 Double materiality and sustainability due diligence

25 Reporting on actions and metrics

29 Governance

35 Looking forward

35 Conclusions

36 Recommendations

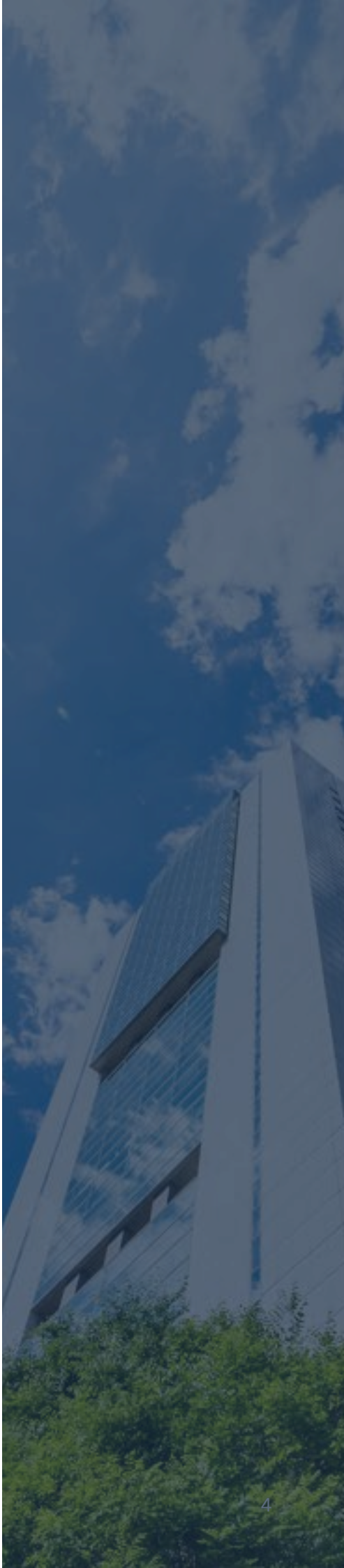
Introduction

Two years into the Corporate Sustainability Reporting Directive (CSRD), Frank Bold presents its second annual assessment of sustainability disclosures from 100 large EU companies, drawing on an expanded analytical framework that covers climate transition planning, GHG accounting, double materiality, due diligence, biodiversity, and governance disclosures. This research is complemented by a database of good practices for practitioners, available separately on Frank Bold's website.

The research analysed reports of the first wave of CSRD-obligated companies published between February and July 2026, covering financial year 2025. It looks into a representative sample of companies from high-risk sectors in the CEE region and Western Europe, to examine how companies in different regional contexts and industries approach sustainability reporting and what the information disclosed indicates about how large listed companies and banks reflect key sustainability challenges in their strategy.

The findings arrive at a pivotal moment for European sustainability policy. The Omnibus I package has significantly narrowed the scope of the CSRD and simplified the EU Sustainability Reporting Standards (ESRS). These changes reflect concerns about reporting burden and regulatory complexity. They also shift greater responsibility onto the companies that remain in scope: with less sectoral guidance and more emphasis on materiality of information and fair presentation, the quality and usefulness of reports will depend more than ever on companies' judgement of what is material information and commitment to transparency.

The stakes extend well beyond compliance. The sustainability transition is fundamentally an industrial and innovation challenge, and Europe's position in it is uncertain. As the United States retrenches from climate commitments and China accelerates its dominance in clean technology, the EU's competitiveness, energy security, and geopolitical influence increasingly depend on whether and how European companies succeed in integrating sustainability as a strategic priority. In this regard, the transparency provided by the CSRD offers critical insights.

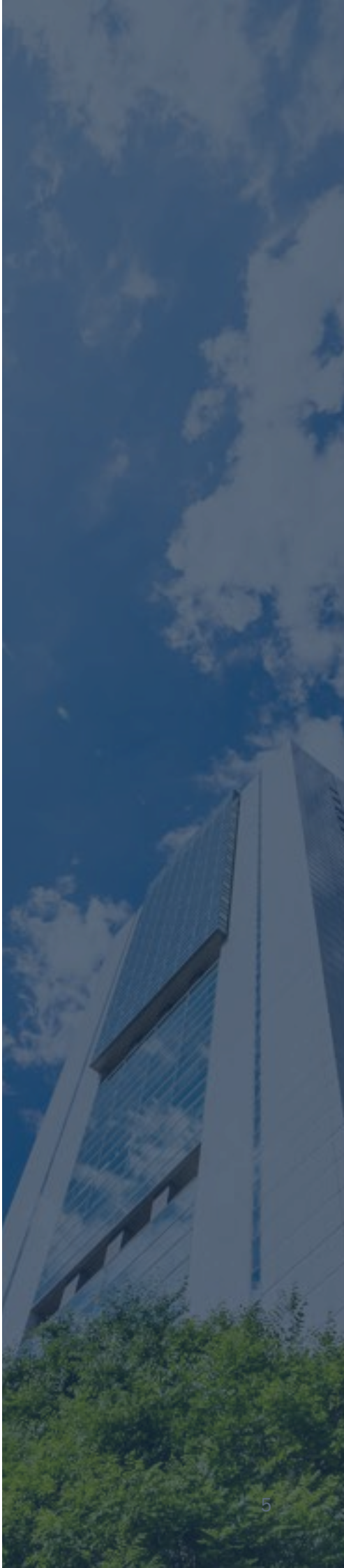


This research asks whether EU legislation and standards are helping companies meet that challenge. The findings show that the CSRD succeeds as a transparency instrument, enabling users to understand companies' performance and strategic direction. But they also reveal a very uneven approach among companies to reporting on more complex sustainability challenges related to sustainability due diligence and biodiversity, especially in the value chains. This signals a need to close the gaps in the standards and guidance, or ensure other means to clarify and encourage good practice, especially on key sector-specific matters.

The overall focus and quality of sustainability disclosures also show that only a minority of companies treat sustainability as an integral part of their strategy and planning. For most, it remains a compliance add-on rather than a strategic consideration: disclosures satisfy reporting obligations rather than reflect how the company actually plans and steers its business. Beyond the obvious strategic implications, this has negative effects on the materiality of the information provided and general usefulness of disclosures.

Disclosures on climate transition show improving quality but they also signal hesitation among companies rather than the accelerated strategic transformation that EU industrial competitiveness requires. Analysing the reasons is beyond the scope of this report, since they are embedded in the wider set of economic incentives and the clarity of the EU's policy direction. Still, this hesitation is worth noting as it indicates that the policies the CSRD is intended to support are not delivering the expected results. This is of concern because a corporate sector unprepared for new clean industrial policies, green procurement rules, and sustainable finance frameworks represents a structural economic risk as much as a social and environmental one.

This report provides an explanation of the research methodology, presents detailed research results, and offers conclusions and recommendations for both companies, policy-makers and public authorities.



Methodology

The research methodology was designed to generate empirical insights into the impact of the CSRD and ESRS on companies' sustainability reporting practices, with a focus on strategically important areas for corporate transparency and the transition to a more sustainable economy.

The methodology was specifically developed to assess the quality and completeness of disclosures from a general user's perspective. This study aims to identify the areas where companies are struggling to provide transparent and relevant information, as well as emerging good practices.

The research builds on last year's study, '*Delivering on Sustainability: Evidence from the First Year of CSRD Implementation*', which evaluated 100 reports from EU companies in line with the EU framework.

The scope of our research covers the same 100 companies subject to CSRD obligations for the second year.

- Geographic distribution: 55 of them based in Central and Eastern Europe (CEE) and 45 in Western Europe
- Sectors: financial, textile, energy, food and beverage, and transportation sectors, along with smaller representations from the pharmaceutical, chemical, metal, mining, manufacturing, and technology/telecommunications sectors.

The composition of the sample was determined by the availability of reporting companies from high-risk sectors subject to CSRD obligations in the CEE region. Moreover, companies in these industries face significant climate and environmental risks and impacts, making adequate climate transition planning and GHG accounting systems essential.

Our analysis focused on the following sustainability areas and transparency criteria:

Climate-related disclosures

Climate transition plans (CTP)

- Existence of targets and levers to achieve them
- Coverage of emissions scopes and alignment with Paris Agreement goals
- Net-zero and/or carbon neutrality claims
- Existence of a climate transition plan or key constitutive elements thereof; alternatively, whether the company envisages adopting such a plan within a determined timeframe
- External dependencies on which the plans rely
- Specific information on progress (resources, actions, reductions or sector-specific metrics)
- Biodiversity elements in CTPs

Climate risk assessments:

- Method applied and level of detail of results
- Explicit link between climate risks, the resilience of the company's strategy and business model, and how the transition plan addresses them

GHG emissions accounting

- Reporting on scope 1, 2 and 3 in tonnes of CO2eq
- Disclosure on both gross and net emissions, emissions from regulated trading schemes, emissions covered under regulated trading schemes (EU ETS)
- For Scope 3:
  - coverage of all relevant categories with justification of omissions
  - disclosure of calculation methodologies and emissions factors
  - inclusion of non-consolidated entities
  - use of operational control methodology
- Disclosure on the use of carbon offsets and/or claims of carbon removals

Double materialiity and sustainability due diligence

Double materiality assessment process:

- Quality and level of detail of the description
- Methodologies and tools to screen and identify impacts, risks and opportunities
- Interaction between double materiality and ongoing sustainability due diligence processes
- Value chain coverage (upstream and downstream) and identification of areas of heightened risk, including tools and methodologies for geographical context assessment
- Assessment (and evidence) of severity and likelihood (impacts) and magnitude and likelihood (risks) judgement
- Stakeholder engagement in the context of the double materiality assessment

Double materiality assessment outcomes:

- Quality of information on identified material impacts, risks and opportunities
  - impacts: description of negative impacts including time horizons, connection to the business model, and involvement through own operations or value chain
  - risks: specificity of disclosures, qualitative and quantitative anticipated financial effects
- Information on companies' value chain and business model and strategy
- Biodiversity-related disclosures:
  - whether material IROs are identified in own operations and/or value chain;
  - location and level of aggregation of disclosed sites
  - description of activities with negative biodiversity effects and measurement methodology

Reporting on actions and metrics

- Information and description of actions taken or planned to manage identified material impacts, risks and opportunities
- Metrics to track effectiveness of actions to address material IROs in the value chain

Governance

- Whether the report explains how governance bodies manage or oversee material impacts, risks and opportunities (IROs) and targets.
- Information flow to governance bodies on stakeholder views and on the effectiveness of measures to address IROs.
- Integration of material IROs into the company's overall strategy, including specific IROs addressed by governance bodies

The research evaluates companies' disclosures using two criteria:

> (a) the presence of key information as required by the datapoints listed in the ESRS and

> (b) the quality of these disclosures from the perspective of a general user, focusing on the qualitative characteristics of information, namely relevance, faithful representation (with particular attention to completeness), and understandability.

To capture nuances in companies' reporting practices and identify tick-box approaches, we reviewed cases where information was formally disclosed but lacked relevance, specificity or completeness. Information was considered a) insufficient when disclosures were too vague and omitted key elements needed for completeness, and b) non-specific when information was provided without the adequate level of detail, thus lacking company-specificity.

The research takes a closer look at the information published by financial institutions, examining climate-related disclosures – including decarbonisation targets, transition plans, and climate risk assessments – as well as their sustainable finance policies.

Specific biodiversity elements were assessed within the Double Materiality and Climate sections. These areas were selected for their strategic relevance and because ESRS disclosure requirements in these domains rely heavily on companies' judgement to ensure fair presentation. As good practices continue to evolve, mere compliance with datapoints does not ensure meaningful disclosure.

This report was authored by Filip Gregor, with project coordination by Susanna Arús and research leadership by Louis Establet and Lorena Bisignano, alongside a dedicated team of analysts whose data collection and analysis made this study possible.



Key Findings

1 There is a marked increase of companies adopting decarbonisation targets (+10 pp). However, targets from a significant number of companies are either short-term in nature or not yet substantiated with a credible pathway. **Only 56 out 85 companies reporting climate targets include interim targets or pathways.**

2 Quality of disclosure of climate transition plans has improved, but some companies still fail to cover the full timeline or all material emissions scopes. Moreover, **depending on the criteria applied, only 34 to 45 companies have comprehensive transition plans, and independent best-practice indicators converge at approximately 20 companies each.** While almost every company assessed (90) reported a climate risk assessment, only 65 detailed methods used, and 45 provided detailed results.

3 Reporting on the quantification of anticipated financial effects of climate risks remains limited, raising questions about the robustness of companies' systems to predict and evaluate risks. **Out of 100 companies, only 4 quantify anticipated financial effects and 10 provide a qualitative assessment**. Equally notable, **only 5 companies report current financial effects**, despite this being a mandatory datapoint.

4 Financial institutions in CEE lag behind the real economy in setting credible climate transition plans. **From the full EU sample, 5 of 17 financial institutions disclose interim milestones and 7 disclose robust sector financing policies specifying concrete levers or targets for decarbonisation**. This gap is more pronounced among CEE financial institutions.

5 Disclosures on material impacts and risks remain largely generic, failing to identify the concrete company-, activity- or value-chain-specific source through which the impact or risk arises. **Only 36 companies out of the 100 in the sample are specific in their impact descriptions.**

6 While most companies disclose coverage of their value chain, few explain their approach in sufficient detail to allow users to assess its maturity and prioritisation. **Of 95 companies claiming value chain coverage, 56 do so without elaborating on how they cover it, while only 39 provide an explanation**. Similarly, only **46 companies disclose areas of heightened risk** linked to specific activities, business relationships, or geographies, but typically without clarifying how local context was factored in, or how the company prioritised within its value chain.

7 **Only 20 out of 100 companies explain how material IROs are actually taken into consideration by governance bodies** when managing or overseeing strategy. This suggests that, while formal governance structures exist, their substantive engagement with material IROs is not evidenced in the disclosures.

8 **Only 6 companies mentioned AI in their description of material impacts, risks and opportunities,** suggesting that companies' double materiality assessments (or their broader internal risk-identification processes) have so far failed to anticipate the significance of the changes AI is bringing.

9 Nearly **all companies (90) claim to have an established sustainability due diligence process, yet most fail to explain how they understand due diligence or how it is organised.** The connection between due diligence and the double materiality assessment (DMA) is rarely made explicit: **only 27 companies mention that due diligence informs the DMA, and just 13 explain how.** This gap limits the usefulness of due diligence disclosures and raises concerns about the quality of its implementation, or about companies' understanding of what due diligence actually entails.

10 **Almost half of the companies (40/100) in the sample fail to clearly connect actions implemented/planned with their identified IROs**. This is **particularly visible also when it comes to tracking effectiveness on the management of environmental and social impacts** that require more than a compliance approach. For instance, only 11 companies disclose measurement results for biodiversity impacts in their own operations. In terms of tracking effectiveness of actions in the value chain, only 5 companies disclosed impact metrics (all of them from the Textile sector). On living wage, 24 reported application of living wage benchmarks in their own operations, and 3 in their value chain.

These gaps are particularly relevant to sustainability due diligence, which requires companies to take appropriate and effective action on severe impacts.



Research results

Climate-related disclosures

Targets and commitments

The number of companies adopting decarbonisation targets continues to grow, rising from 73 to 85 — an increase of more than 10 percentage points compared with last year. The quality of related disclosures has also improved, with nearly all companies now specifying a timeframe for their targets. While 85% of companies now report climate targets, only around two-thirds of these (56% of the total sample) disclose interim targets
or pathways.

This suggests that targets from the remaining companies are either short-term in nature or not yet substantiated with a credible pathway. Manufacturing companies show the weakest performance, with only 60% having any decarbonisation targets, pointing to deeper challenges within the sector.

The progress contrasts, however, with the ambition and robustness of the targets themselves, which have stagnated. Net-zero commitments were made by 41 companies, and a separate group of 10 companies made carbon-neutrality commitments backed by reduction targets — both figures nearly unchanged from last year.

Disclose decarbonisation targets



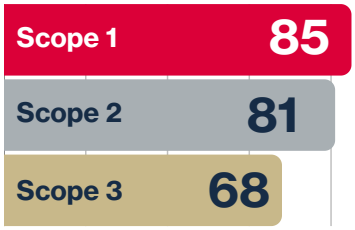
73 in 2025

56 disclose final year and interim targets

27 disclose only the final year for reaching the commitment

2 no clear timeframe

Targets cover:



Research results

These numbers may decline in the next reporting cycle, however, as a result of the EU's Empowering Consumers for the Green Transition (EmpCo) Directive.

The Directive amends the Unfair Commercial Practices Directive to prohibit generic climate-neutrality claims – such as "climate neutral" or "net zero" – unless they are substantiated by a detailed, verifiable implementation plan. See the assessment of Climate Transition Plan (CTP) disclosures further below.

Scope 3 emissions coverage in targets rose to 68%, up from 56% last year. The research sample includes a relatively high proportion of energy producers, for whom Scope 1 and 2 emissions are the primary material concern, so the remaining gap in Scope 3 target-setting is less concerning than it might otherwise appear.



41 claimed net-zero commitment

38 cover all relevant scopes

26 disclose management of residual emissions

10 sectoral pathways taken into account

7 whether and how claims and reliance on carbon credits impede/reduce achievement of GHG emission reduction targets

8 credibility and integrity of carbon credits used, incl. reference to recognised quality standards

31 methodology and/or any type of framework applied if any



17 claimed carbon neutrality commitment

10 accompanied by reduction targets

4 use of carbon credits does not undermine emissions reduction

1 credibility and integrity of the carbon credits used incl. reliance on recognised standards

1 management of residual emissions

5 carbon neutrality on all relevant scopes

Climate transition plans

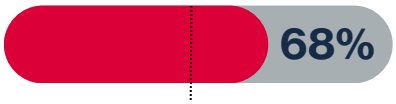
There is generally an increase in the information provided by companies on their climate transition plans, but bad practices are also becoming entrenched. Following the same broad trend observed in disclosure of decarbonisation targets, 14 additional companies are reporting CTPs compared with last year. Overall, 80% of companies with decarbonisation targets now also report on CTPs, up from 66% last year. This suggests that publishing at least a basic transition plan is becoming standard practice. However, a persistent share of companies still misreport on CTPs or provide incomplete information.

CTP disclosure was accepted by the research methodology when it paired disclosure of targets with an explanation of strategic focus areas of intervention by decarbonisation levels or action plans. Broad statements not supported by an outline of the plan were rejected. Such unsubstantiated disclosures labelled as CTP are common.

The number of companies disclosing CTP that address the entire decarbonisation timeline and all material emissions remains lower. Such incomplete disclosures typically set out a long-term (e.g. 2050) goal alongside short-term actions, without providing the mid-term perspective, whether through interim targets, action plans, or both. This creates a risk of "CTP" being used as a label without guaranteeing that the underlying disclosure meets a credible standard. The gap is roughly stable compared to last year (14 companies this year vs. 15 last year), suggesting this reflects a persistent issue.

Next year's reporting cycle will bring in wave 2 companies (non-listed undertakings) that were not yet mandated to report under the CSRD. They can be expected to have less experience and many of them have paused ESG-related investments in connection with policy and legal uncertainty brought by the Omnibus I simplification package. Given the current gaps, it is likely that the share of these companies disclosing CTPs and the quality of the information will be lower. This is a major issue that needs to be monitored.

Disclose climate transition plans



*54 in 2025

6 more indicate whether and when CTP will be adopted

54	Entire decarbonisation timeline
54	Emissions of all scopes
64	Decarbonisation levers
26	Statement alignment with 1.5 target
21	Statement + Explanation of how targets & plan are compatibles with 1.5°C
45	Robust information on investment strategies (explanation and quantification, incl. reference to taxonomy-aligned KPIs) *22 in 2025
24	Assessment of locked in emissions *15 in 2025
38	Changes product and service portfolio / adaption of new technologies
41	Approval by the administrative, supervisory and management bodies



include information about external dependencies

20	Progress on deployment of resources
45	Progress on actions taken
60	Progress on GHG emissions reductions (both planned and expected)
18	Presence of sector specific metrics

In terms of ambition, similarly to net-zero commitments, explanations of alignment of CTPs with a 1.5°C pathway have stagnated, at just above 20 companies out of the 100 sample. This indicates that even among companies with a stated net-zero ambition, fewer than half back this with a CTP demonstrably aligned to 1.5°C.

Nevertheless, there are also several qualitative indicators showing more marked improvements in terms of transparency.

- Disclosure of investment strategies nearly doubled, from 22 to 45 companies – the largest absolute increase (+23) among the indicators tracked. Nearly half of all companies with a CTP now disclose this information, and around two-thirds of those declaring a CTP do so. It is worth noting that only 20 disclosures included information on the actual deployment of resources.
- Disclosure of locked-in emissions rose from 15 to 24 companies (+9) – a modest increase in absolute terms, but proportionally a significant improvement.
- Progress on actions (45 companies), changes to products/services (38 companies), and entity-specific metrics (18 companies) illustrate how good practice is spreading.

Taken together, the research findings indicate that CTP disclosures have increased in quantity but not all cover the entire timeline and scopes of material emissions, casting doubt on whether such companies would qualify as having a true transition plan.

Comprehensive CTPs account for 34-45 cases depending on the choice of the criteria (progress on actions taken, investment strategies, changes in products and services or technologies, risks and external dependencies). A cluster of indicators pointing to best practice – including alignment with Paris Agreement goals, assessment of dependencies and locked-in emissions, entity-specific metrics, and progress on deployment of resources – independently converge around similar figures, at approximately 20 companies each.

As observed last year, companies in the CEE region lag further behind in terms of completeness of information on their climate transition plans, with 95% of Western companies (43 out of 45) presenting basic CTP elements compared with 45% in the CEE (25 out of 55).

Elements related to the topic of biodiversity and ecosystems?

21 in climate transition plans

3 in nature specific transition plan

Climate risk assessment

Similarly to other key climate disclosures, reporting by companies on their climate risk assessment has become the norm. However, the lack of useful and detailed information on the results indicates that the quality of the assessment is not always good.

Based on feedback from practice, reasons include reliance on external service providers and black-box automated tools, use of qualitative scoring rather than quantified analysis, superficial physical risk assessment, and weak prioritisation throughout the process.

Disclose climate risk assessment



90 YES

10 NO

65 provide detailed method

45 provide detailed results

34 companies disclose clear link between climate risks - resilience of business' strategy and model, and how it is addressed by CTP

Financial institutions

Financial institutions play a critical role in the climate transition, as providers of incentives and capital to the real economy, and as entities with both the capability and the need to factor long-term climate risk into their own decision-making.

Among the 17 financial institutions in the sample, only 5 (29%) disclose decarbonisation targets that are supported by interim milestones. This is a notably weaker result than for the real economy, where 56% of companies do so.

There is also a significant qualitative gap in financing policies related to high-impact sectors or activities. When assessed simply for the presence of any information on such policies, 14 companies (82%) tick the box. When examined for actual substance concerning decarbonisation plans, such as specific levers or targets, this drops to 7 companies (41%).

Compared to the overall research sample, the reports of financial institutions analysed leaned towards companies from Central and Eastern Europe (CEE) (13) rather than Western Europe (4). The drop in quality is more pronounced among CEE financial institutions, where 10 had decarbonisation targets but only 4 had tailored decarbonisation plans for high-impact sectors. All Western European financial institutions had decarbonisation targets, and 3 had sector-tailored decarbonisation plans.

Disclose decarbonisation targets



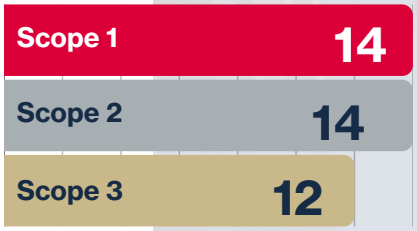
14 YES 3 NO

Timeframe:

5 disclose final year and interim targets

9 disclose only the final year for reaching the commitment

Targets cover:



8 disclose a net-zero commitment

Present a climate transition plan



11 YES 3 NO

7 disclose CTPs tailored for each sector in their portfolios

Sustainable Financing



14 YES 3 NO

Financing policies related to high-impact sectors and activities

GHG emissions accounting

Reporting on all emission scopes is near-universal. There are some remaining quality issues on Scope 3 disclosures.

Scope 1 and 2	99
Scope 3	98

43 report scope 1 GHG from regulated emissions trading schemes

23 report 0 as percentage (EU ETS)

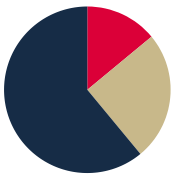
34 omits information

91 disclose scope 3 expected categories

68 explicitly confirm consolidated accounting for the group

Compared with the previous year, there is a notable, albeit limited, increase of companies reporting on carbon removals (from 6 to 14), but the practice remains limited to purchasing carbon credits that are not connected to the company's value chain, rather than through own projects.

Quantified carbon removals in own activities



14 YES → *6 in 2025

25 The number reported is 0

61 NO

Carbon credits

0 Projects financed by carbon credits in the value chain

14 Projects financed by carbon credits outside of the value chain

Double materiality and sustainability due diligence

DMA process

Scope of the assessment and screening methods

Disclosures on the double materiality assessment (DMA) process are intended to give insight into the robustness of a company's approach, and to provide space for companies to explain difficult decisions, methodological choices, and where they stand in their overall journey.

The research shows that most disclosures tick the box on describing the process as such, but many fall short of providing information beyond generic, compliance-oriented statements. There are significant differences among companies in this respect. The difference lies not in the length of disclosures, but in their quality – more voluminous descriptions do not automatically result in better information, and vice versa. Typical generic information repeated across reports includes steps and criteria drawn from EFRAG's Implementation Guidance, and generic scoring methodologies presented as thresholds.

What is typically missing, by contrast, is information on how and where local context was factored in, whether impacts were assessed gross or net (i.e. without or with accounting for the mitigating effect of actions already taken), and how the company approached its value chain, particularly how it prioritised within it. Value chain coverage, and the extent to which companies focus on areas of heightened risk, is a case in point: the majority of companies do not explain their approach at all. This prevents users from assessing the maturity of a company's understanding of its value chain and of its impacts, risks, and opportunities (IROs).

In general, while disclosures on the materiality assessment process are often relatively long, the information they provide is frequently not material and of limited usefulness to users. This is also an area where the new ESRS strike a distinctive balance by reducing box-ticking and formal requirements, while simultaneously raising the bar on quality and substantive meaning.



cover impact materiality and financial materiality

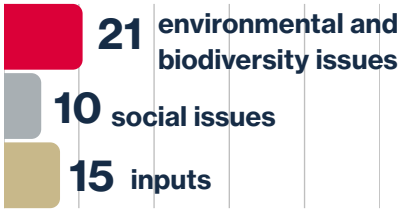
Coverage of upstream and downstream value chain

56 companies claim value chain is covered **without an elaborate explanation** of how they cover it

39 claim value chain is **covered and explain** how they cover it



focus on areas of heightened risks of negative impacts related to specific activities, business relationships, or geographies



Tools, methodologies and/or input parameters considered to assess the geographical context of the identified areas of heightened negative impact

Research results

Sustainability due diligence

Almost all companies claim to carry out sustainability due diligence. However, most do not provide even a basic summary of how they understand due diligence in this sense and how it is organised (see also findings on “Governance” disclosures). The fact that few explain the connection between due diligence and the double materiality assessment not only hampers the usefulness of due diligence disclosures but also raises concerns about the quality of the sustainability due diligence implementation as such or of the understanding of what it entails.



90 companies claim established sustainability due diligence process

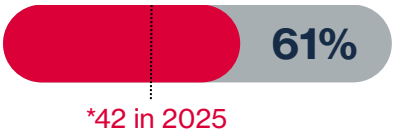
27 Mentions that it **informs the DMA**

13 Mentions and **explains how it informs the DMA**

Assessment criteria and thresholds

The disclosure of materiality thresholds has improved compared to last year, rising from 42 to 61 companies. Despite this progress, a third of companies still fail to provide information that would qualify under the research methodology – even though this is a mandatory datapoint under the ESRS. Its continued absence at this scale is a warning sign concerning the quality of both the DMA process and the audit: since this is a required disclosure element, assurance procedures should, in principle, have flagged its absence.

Explanation materiality thresholds



*42 in 2025

It should be noted that the research question on thresholds tests for the presence of content, not its qualitative substance. Not all disclosures that "tick the box" on this point necessarily present meaningful thresholds: some companies presented a generic cut-off score within their scoring methodology as their threshold, which is of little informational value to users.

By contrast to the question on the presence of thresholds, information on how severity and likelihood were measured was assessed qualitatively by the research: generic or otherwise uninformative disclosures were not deemed sufficient to qualify.

As with the analogous question on severity and likelihood, this information was assessed qualitatively, and the results provide more useful insights into the quality of disclosures than materiality thresholds alone.

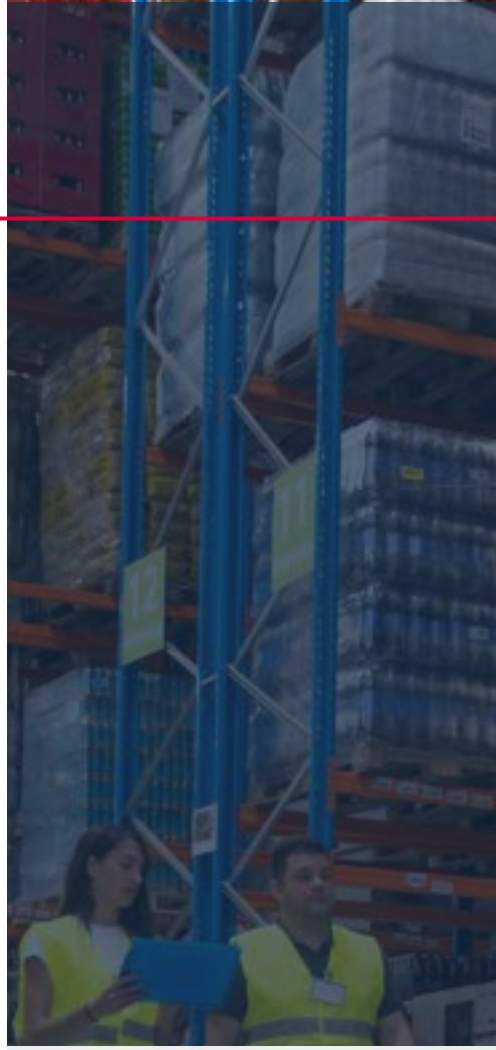
IMPACTS:
22 companies explain how severity and likelihood are measured when assessing and prioritising, including:

RISKS:
33 companies explain how magnitude and likelihood are measured when assessing and prioritising, including:

IMPACTS		RISKS
9	Quantitative data	28
4	Scientific consensus	6
14	External reports	11
14	Affected stakeholders	9

The comparably higher use of quantitative data here, compared to the measurement of severity and likelihood of impact, is due to the fact that financial effects are measured in monetary terms. Interestingly, this relatively high figure does not translate into disclosures of quantified anticipated financial effects under the respective disclosure requirement.

Research results



Stakeholder engagement

Consulting affected stakeholders (or their proxies or experts) in the context of the DMA process has become near-universal practice. This is not required under the ESRS or CSRD except for consulting workforce representatives.

This widespread use of general stakeholder consultation, and of surveys in particular, appears to be a lingering practice carried over from voluntary sustainability reporting prior to the adoption of the CSRD. Its value is questionable where such consultation is not tailored. Such information, however, is rarely provided clearly.

The research was able to confirm it unambiguously in only 21 cases. This might suggest that much of current stakeholder consultation practice is not particularly useful for the materiality assessment, or that some companies simply refer to whatever stakeholder engagement they conduct, regardless of whether it was actually leveraged in the process.

Consultation of affected stakeholders (or proxies or experts) in the context of the DMA process

29 Yes, through survey

49 Yes, through other way

28 Yes, not explained

1 No

Relevance of consultations
(tailored per sustainability matters relevant to affected stakeholder category)



11 Unclear

4 Non-specific

16 Insufficient

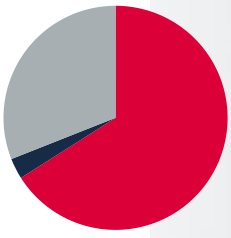
21 Yes

DMA outcomes

Interaction with business model and strategy

The relatively high number of companies that do not provide such information suggests that there is a continued misunderstanding of what the ESRS actually require in this respect, requirements which correspond to those of the ISSB standards.
This kind of strategic assessment of IROs (as opposed to a plain list of impacts and risks) is an indirect indicator of whether, and how, a company integrates DMA with its strategic processes. While it is not a guarantee of a strategic approach, the absence of such disclosure suggests that sustainability is treated only as a compliance add-on.

Summary of the **effects that its impacts and risks have on its business model, value chain, strategy, and decision-making**



66: Yes

31: No

3: Non specific/ insufficient information

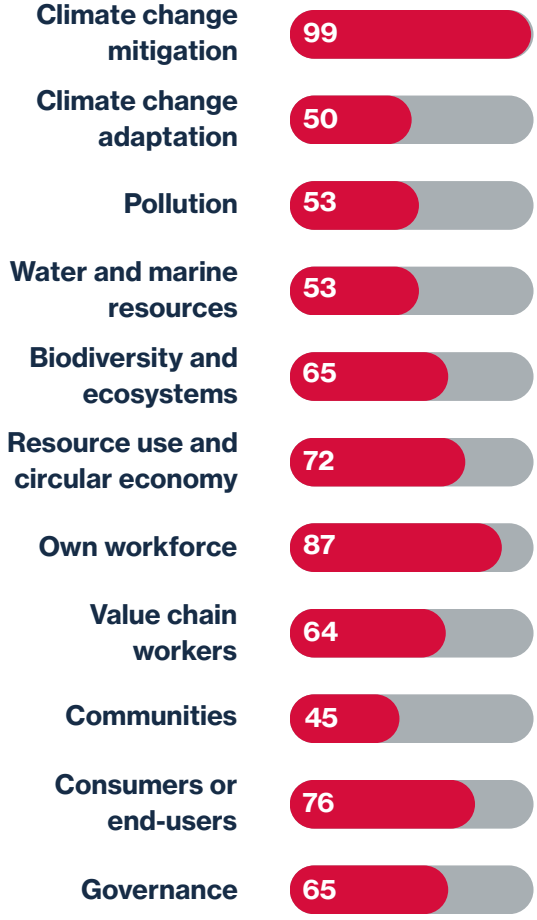
Sustainability topics

The fact that 50% of companies identified an impact on climate change adaptation is surprising. Adaptation refers to the ability of companies, people, or the environment to adjust to a changing climate. While all companies have an impact on climate change mitigation – since all contribute to it through their greenhouse gas emissions – the same is not generally true for adaptation. Most companies may face risks related to adaptation, but do not necessarily produce impacts that affect people or the environment in this respect. This high figure may signal a misunderstanding of what adaptation means and/or an overly zealous, tick-box approach to the materiality assessment.

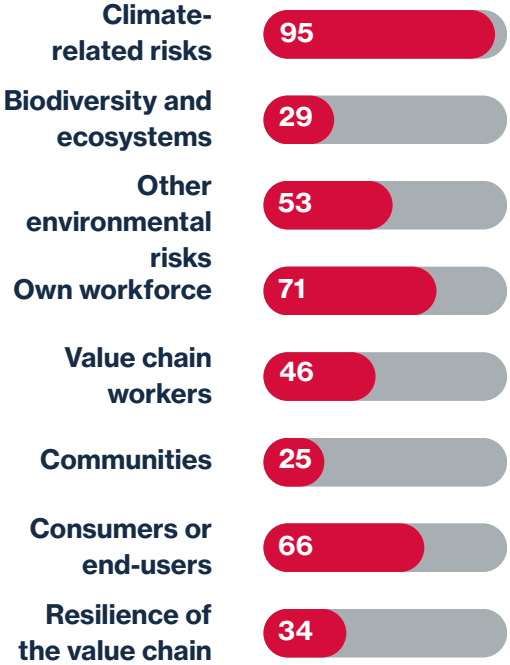
Surprisingly, just 1 financial institution out of 17 identified material impacts related to value chain workers. This reflects an implausible premise that their clients carry no actual or potential material labour-related impacts within their own operations or value chains.

Not all impacts necessarily result in material risks to companies. It is worth noting, however, that for certain topics, companies are less likely than for others to identify a material risk despite having identified a material impact. This is particularly the case for biodiversity and ecosystems (in less than half of cases) and affected communities (slightly over half). This pattern could result from a combination of factors: under-recognition of material risks, over-reporting of material impacts (including positive impacts), or lower levels of accountability for these topics.

Areas of negative material impacts



Areas of material risks



Specificity IROs disclosure

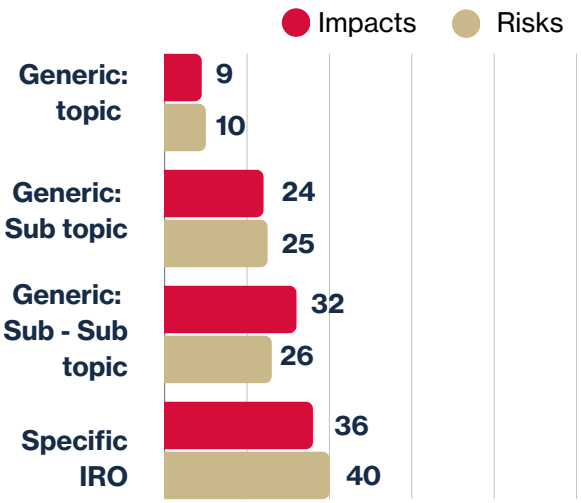
For the purposes of our assessment, specific impacts and risks identify the concrete company-, activity- or value-chain-specific source or mechanism through which the IRO arises, rather than simply restating the sustainability matter or ESRS sub-sub-topic. The research methodology classified descriptions as Generic where they only restated the broader sustainability matter or sub-sub-topic with limited modifications, and could apply to any company. This approach reflects the ESRS emphasis on considering the undertaking's specific circumstances and the context in which IROs arise. The research methodology set the bar low; for example "environmental impacts from resource sourcing" was considered generic, whereas "environmental impacts resulting from the steel value chain" would already be classified as specific.

Presentation of the outcomes of materiality assessment at the sub-topic or sub-sub-topic level makes sense as an appropriate level of summary. In general, however, it is expected that within some of the topics, a company will have specific impacts to report, rather than only generic information. The fact that many companies do not provide such specific information may be explained by several factors:

> (a) the company is subject to strict regulation in the area and presents the topic as material because it perceives it as an important compliance issue; potential impacts could arise mainly in the event of non-compliance and are therefore not described in detail;

> (b) the impacts are not well understood, as is often the case in the value chain;

These two explanations can be legitimate on a topic-by-topic basis: for a large company in a given sector, certain topics may be material almost by default, without there necessarily being a specific, escalated impact worth disaggregating. The problem arises, however, when a company follows this pattern consistently across its entire materiality assessment, providing no specific impact information for any topic. This is the case for most companies in the sample, which suggests a broader lack of maturity in the management of sustainability impacts and risks.



Description of impacts include

83	Effects on people or the environment
81	Origin or connection to SBM
79	Time horizons
94	Involvement through own activities or through business relationships
3	No

Description of risks include

5	Current financial effects
10	Qualitative anticipated financial effects
4	Quantitative anticipated financial effects
1	Both quantitative and qualitative AFE
68	Generic reference to expected higher costs
10	Dependencies
19	No
2	Unclear

> (c) the company deliberately chooses to provide only aggregated information, potentially obscuring material information.

This is concerning for more fundamental reasons: it represents a failure to provide a faithful representation of impacts, as required by the ESRS's qualitative characteristics of information.

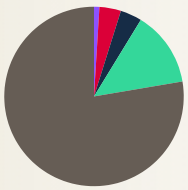
The new ESRS provide clearer guidance on these issues, including on aggregation and disaggregation. These requirements remain principle-based, however, and the underlying practice of companies disclosing general or boilerplate information appears entrenched.

The level of reporting on the quantification of anticipated financial effects remains quite low. This provides an important window into the robustness of companies' systems to predict and evaluate risks. It confirms the findings on the granularity of risk disclosures (see above), which suggest that many risks are assessed through a high-level qualitative method. The lack of specificity in how risks are described likely signals a lack of clarity on how these risks may materialise in terms of shape, form, timing, and magnitude.

Interestingly, very few companies report on current financial effects at all, despite this being a mandatory datapoint - as opposed to anticipated financial effects whose disclosure is subject to a phase-in period. This raises further questions about the quality of both companies' internal processes and of the audit.

Additionally, it is possible that the qualitative materiality thresholds applied by companies are set too low, capturing a large array of well-managed, compliance-related risks that do not give rise to current financial effects. It could also signal that companies are not yet realising and/or tracking any material financial burden from the sustainability transition.

AI consideration: In its identified impacts, risks and opportunities, does the company mention in any way a responsible use of AI?



80 No
14 Yes, but in other section, not in DMA results
4 Yes, in its risks
4 Yes, in its impacts
1 Yes, in its opportunities

As the development and deployment of AI becomes increasingly connected to major impacts and risks, we examined whether and how companies are beginning to reflect AI-specific impacts, risks, and opportunities (IROs) in their disclosures. Since the results relate to the 2025 financial year, it is important to note that the findings do not reflect companies' current level of understanding of AI-related IROs, which may have evolved since.

The fact that only 6 companies mentioned AI in their IRO description (with partial overlap between those which recognised it in impacts and risks respectively) suggests that companies' double materiality assessments, and perhaps their broader internal risk-identification processes, have so far failed to anticipate the significance of the changes AI is bringing.

Double materiality and biodiversity

Biodiversity impacts are primarily location-specific, particularly so for own operations. There is, however, a significant drop between the number of companies that identified material biodiversity impacts in their own operations (42) and those that disclose the locations of these impacts (25), despite the fact that an ESRS datapoint on material sites is expected to be reported in such cases.

This gap raises the question of whether the underlying IROs are genuinely material, whether they are instead reported as general compliance topics, or in terms of positive impacts from local projects, without engaging with the specific disclosures on locations that follow from a genuine materiality finding.

This pattern of shrinking detail recurs across this section. This funnel effect is similar to the disclosures on climate transition plans, but it is aggravated by a less clear set of datapoints and, arguably, by the fact that biodiversity (and what constitutes relevant and meaningful disclosures) remains comparatively less understood by companies.

Availability of information on specific locations or high-risk areas in the value chain is, understandably, more limited than for own operations. In this regard, disclosure of the methodologies and tools used to map exposure to IROs in the value chain is particularly relevant: among companies that identified material biodiversity impacts in the value chain, only 16 disclosed how they used such methodologies or tools, against 37 that did not – roughly a one-third to two-thirds split.

The new ESRS simplify biodiversity disclosures and provide greater flexibility, but they also clarify the expectation that locations be disclosed. This is an area requiring continued attention from practitioners, supervisors, and standard-setters alike.

Material IROs found in



Information on IRO locations



Own operations	Level of aggregation (locations)	Value chain
19	At site level	3
4	Above site level but below country-level (e.g., region, landscape, water basin)	0
2	Country level or higher	7

Own operations *(out of 42)*	Value chain *(out of 53)*
List biodiversity-sensitive areas relevant for their material IROs	**Provide any information regarding biodiversity-sensitive areas**
25 Yes	**7 Yes**
17 No	46 No
Describe activities with negative effect & explanation how specifically they cause negative impact	**Detail their systems and/or tools dedicated to monitoring and tracing the source of materials and related IROs**
24 Yes	**16 Yes**
18 No	37 No

Reporting on actions and metrics

A significant share of companies do not provide a description of actions taken (or planned) with respect to all key topics or their disclosed actions do not match the identified material IROs. This is a meaningful gap: either the IROs are not well defined, or companies do not implement the most meaningful actions. In practice, both explanations likely play a role.

Companies may find it difficult to identify key actions to disclose when their IROs are defined as generic compliance topics or remain poorly understood. This is a common issue particularly in the value chain, where management often does not go beyond Tier 1 compliance requirements (typically through supplier self-assessment questionnaires) and lacks appropriate disaggregation.

> This finding is worth examining further, particularly in relation to the management of severe impacts under companies' sustainability due diligence processes, which require that a company take appropriate and effective action. As shown above, there is a marked mismatch between the ubiquity of claims of having implemented due diligence and the sparseness of comprehensive information on companies' due diligence processes. This complicates understanding of which impacts – if any – a company considers severe for the purposes of its sustainability due diligence.

The figures shown here reflect situations where the disclosure of actions for at least one material topic included the relevant required elements.

The most likely explanation for the shortfall on these required elements is that many companies reported “actions” of a kind these datapoints were not designed to capture. The datapoints from the ESRS on key actions are meaningful for disclosures involving significant implementation effort and measurable outcomes; such information is far less relevant where the "actions" described are minor, procedural, or simply part of regular compliance processes.

Information on actions implemented (or planned)



60 Yes, all key topics

40 Yes, but partially (not all key topics or weak link to IROs)

Include the following elements:

78	expected outcomes and how the action contributes to achieving related policy objectives
58	scope and timeframe
1	not clear or not applicable for one or more options
12	amount of significant financial resources allocated to key actions in the reporting period
11	type of current and future significant financial resources allocated to the key actions
6	indicative range of future financial resources expected to be allocated for implementing the action
18	no information

This raises questions about whether the actions disclosed represent genuinely material information.

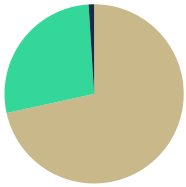
Two sets of datapoints apply here.

- Outcomes, scope, and timeframe are mandatory for any key action; where this information is missing, it should alert users to potential gaps in the completeness and materiality of what has been disclosed.

- Disclosure of financial resources allocated, by contrast, is conditional on whether the resources involved are significant. Some key actions may not require significant financial resources at all, in which case the absence of this datapoint is not itself a red flag.

Separately, we also examined the form in which information on actions is presented: whether via a summary table, narrative text, or a combination of both. From a user perspective, we found a combination of a summary table with complementary narrative information to be the most useful format, as it facilitates understanding of the actions taken while still allowing companies sufficient flexibility as to where and in what volume narrative information is provided.

Actions described in



73 Narrative form only
28 Narrative form and table
1 Table only

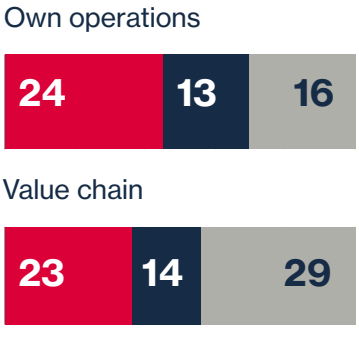
Metrics

Biodiversity and ecosystems

ESRS E4 Biodiversity and ecosystems is the only standard that does not provide standardised metrics for measuring impacts in own operations. Instead it requires companies to provide information on sites (locations) where their material impact negatively affects the environment, and to determine appropriate entity-specific metrics. The research examined how the companies approached this for material IROs in their own operations as well as in the value chain.

Of the 42 companies which identified material IROs in their operations, 24 explained how they measured the impacts and/or risks and opportunities (11 of the 13 companies which provided the information on risks also provided it for impacts). The base value for the value chain IROs was 53, of which 23 explained their measurement (13 of the 14 companies which provided the information on risks also provided it for impacts). General claims that the company carried out some form of measurement were not deemed sufficient; the research methodology demanded information on a specific metric and/or method and/or tool.

How it measures biodiversity impacts, risks and/or opportunities



Research results

The next research question examined whether these 24/23 companies also provided either quantitative or qualitative results of the measurement of their impacts or risk. This could be in the form of impact metrics in the strict sense (e.g. land-use change), or qualitative information, as long as it was specific and based on a precise method or tool. General scoring or DMA-style classification was not deemed sufficient. In the question regarding own operations, 5 provided such results both for impacts and risks. In the questions regarding value chains, 6 provided such results both for impacts and risks.

The base value for this question is 53 companies, i.e. those which identified material IROs in their value chain. 13 out of 14 companies which provided this information for risks and opportunities also provided it for impacts.

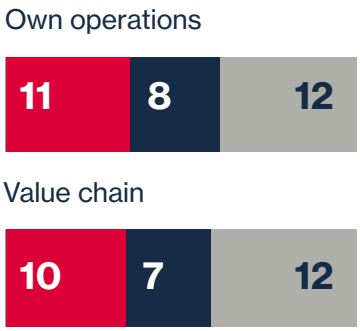
Social and other environmental issues

Topics such as pollution (E2), water resources (E3), workers in the value chain (S2), and affected communities (S3) may all include material IROs in the value chain but do not come with standardised metrics defined in the ESRS. Instead, companies are required to determine their own entity-specific (or, where available, sector-specific) approaches. When interpreting the results, it is important to bear in mind that value chain information is subject to a three-year transitional period. Specific findings on value chain impacts on biodiversity and ecosystems (E4) are provided above, reflecting the specificities of that standard.

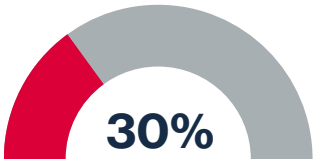
All 5 companies which provided metrics that genuinely measure the impacts of their value chain activities and the effectiveness of their management response were from the textile sector. This is likely explained by the sector's long-standing exposure to scrutiny over labour and environmental conditions in its supply chains, which has driven more advanced measurement practices. It is an important source of good practice for the sector itself, as well as more broadly for other high-impact sectors facing similar systemic impacts.

Living wage represents one of the most meaningful metrics for assessing working conditions, yet the use of living wage benchmarks is not explicitly required under the ESRS. The fact that a substantial share of companies use it regardless is an important signal of the metric's practical relevance and feasibility. Notably, the three companies reporting on living wages for value chain workers all come from the textile sector.

Results of biodiversity impacts, risks and/or opportunities measurement



Metrics to track effectiveness of its actions to address material value chain impacts in E2, E3, S2 and/or S3.



20	coverage of suppliers by audit (or similar, e.g. supplier evaluations or assessments)
12	other engagement with suppliers (e.g. support provided, industry dialogues)
13	engagement with affected communities/affected workers
5	impact metrics (e.g. tracked improvements of environmental conditions or environmental footprint)

Research results

Living wage represents one of the most meaningful metrics for assessing working conditions, yet the use of living wage benchmarks is not explicitly required under the ESRS. The fact that a substantial share of companies use it regardless is an important signal of the metric's practical relevance and feasibility.

Notably, the three companies reporting on living wages for value chain workers all come from the textile sector.

Information on the application of living wage benchmarks



Metrics

22 living wage metrics for own workforce

3 living wage metrics for value chain workers

78 none

Additional sector-specific information

Does the company comprehensively report on sourcing/origin of agricultural produce?



**Applicable to companies in Agriculture and Food and beverage sectors*

Does the company report on use of preferred materials?



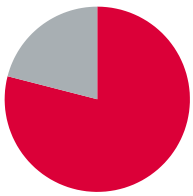
**Applicable to companies in Textile sector*

Governance

Governance disclosures under the ESRS fall into two main categories: disclosures on processes of oversight, and disclosures on particular considerations made during such oversight. It is also worth noting that these datapoints are mandatory.

The sharp decline in meaningful disclosures between the two suggests that while formal governance structures exist, their substantive engagement with material IROs is not evidenced in the disclosures. The most likely explanation, consistent with the pattern seen elsewhere in this research, is that only a minority of companies genuinely integrate sustainability into strategic decision-making at this level

How governance bodies manage or oversee IROs, and targets related to them



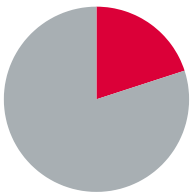
79 Yes

21 No

explicit information on how governance bodies are **informed about the views and interests of key stakeholders** regarding IROs



How material IROs are taken into consideration by governance bodies when managing or overseeing the company's strategy



20 Yes

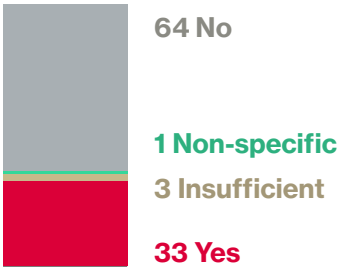
80 No

specific IROs that were addressed by the governance bodies (rather than decisions being delegated), including whether the bodies considered trade-offs associated with IROs)



Governance disclosures also include a requirement to signpost where, across the entire sustainability report, users can find the key elements of a company's sustainability due diligence system. Only a third of the 100 companies provided at least some form of a comprehensive summary of what their due diligence system entails. This finding correlates with the above-mentioned results showing that most companies claim to have implemented a sustainability due diligence process, but very few provide comprehensive information that would enable users to understand it.

Executive summary of key aspects of the diligence system



64 No

1 Non-specific

3 Insufficient

33 Yes



Looking forward

Conclusions

The research shows that the **CSRD succeeds in working as a transparency instrument**, enabling users to understand the companies' sustainability performance, ambition and strategic directions. But **it also reveals a very uneven approach among companies to reporting on more complex challenges** related to sustainability due diligence and biodiversity, especially in the value chains. This signals a **need to close the gap** in the standards and guidance or to organise bottom-up multistakeholder sectoral dialogue for issues where EU policymakers are unable to deliver solutions in the current geopolitical context. The research also reveals that, **in most companies, sustainability is not integrated in overall strategy** considerations and remains treated rather as a compliance add-on.

The objective of the CSRD is to help increase investments in sustainable and inclusive growth, manage financial risks stemming from climate change, resource depletion, environmental degradation and social issues, and foster transparency and long-termism in financial and economic activity. In this regard, the **research results show modest but limited progress in companies' reporting on climate transition.** This finding exposes a **deeper problem regarding the strategic transformation needed to secure EU industrial competitiveness**. While it was beyond the scope of the study to analyse the misalignment of incentives in the broader EU policy context, the research shows how the implementation of the CSRD can help expose risks for the European economy that should be analysed further.

The main conclusions derived from the findings of the research include the following:

1. The CSRD delivers a clearer and more level playing field for companies and comparability for users

Transparency and **usefulness of disclosures are greater where the standards provide clear metrics** and where they **require details on the level of ambition and integration in strategy**. This can be observed particularly in companies' reporting of climate transition plans, and more broadly disclosure of targets and key actions across all sustainability topics. The **standards ensure** that investors and other users such as civil society or business partners are able to **distinguish claims and aspirational commitments from reporting based on evidence,** and more generally frontrunners from laggards. This is particularly important given the CSRD's role in channeling and facilitating sustainable finance.

There are **limits to the CSRD's effect,** especially concerning the **differences in the level of detail** provided on **implementation of actions and plans.** In a significant number of reports, the information on climate transition plans was incomplete, yet framed as aligned with the ESRS data points. These data points provide safeguards to help users understand how substantial the company's climate plans are, but companies' presentation of this information is often questionable. **Given how widespread this practice is, it is worth noting that the auditors do not seem to question it.**

2. From formal compliance to a fair presentation of companies' risks and impacts

CSRD disclosures are meant to improve the accountability of companies for their sustainability impacts. The **ESRS require companies to apply judgement in deciding what is material information** and **provide principles that companies should follow** in doing so. This includes decisions on the **level of detail** to be provided, whether and how to **disaggregate disclosures,** and information on **local context.**

The research results show that **most disclosures tick the box on the required datapoints, but many fall short of providing information beyond generic disclosures that focus on compliance matters**. This is an area where there are significant differences among companies, particularly affecting the following three respects:

- **Disclosures on processes that are intended to provide insight into the robustness of a company's approach** and space for companies to explain difficult decisions, methodological choices and, more generally, where they stand in their journey. This concerns disclosures on governance, interactions of strategy and business model with sustainability, materiality assessment, climate risk analysis and screening of value chain.
- **Information on policies, actions, targets, and metrics** often does not provide insight into the actual progress and effectiveness of management of material impacts and risks. This stems from two intertwined problems:
  - a) reporting often focuses on common practices instead of key actions that address impacts and risks and/or implement strategic changes. Corporate reports describe processes rather than demonstrating how they shape actual decisions.
  - b) materiality assessments and due diligence findings are developed in parallel rather than integrated into company's strategy.

- **Reporting on impacts, dependencies and risks** that have a strong local dimension often lacks information on such local context, identified areas of heightened risk, or even information on how the local context has been considered.

The **result of these practices,** and the fact that they are **not challenged by auditors,** carries a risk of allowing general and arbitrary disclosures, **increasing the risk of greenwashing** and, overall, **preventing CSRD-disclosures from delivering the transparency needed for accountability.** Many reports **also suffer from an excessive amount of information** that is not meaningful, such as long descriptions of compliance policies and general claims and commitments **that tend to obscure material information on key actions** taken and their effectiveness.

These problems undermine the credibility of even well-intentioned reports. The **newly revised ESRS address this problem** by instructing companies to avoid boilerplate disclosure, **clarifying the fair presentation principle**, and including a proportionate focus on the most severe impacts and risks and opportunities that affect a company's strategy and business model.

The research findings show that current practice is entrenched and indicate that this transformation will be a major challenge.

3. Systemic gaps in standards and practice

The findings of the research show **several persistent blind spots that go beyond interpretation or misapplication of general principles** and rather indicate that the gaps in the current ESRS are too large for practice to overcome.

The three most important blind spots are the following:

- **Due diligence disclosures:** A majority of companies claim that they have implemented sustainability due diligence, but most do not provide insights into how the due diligence is embedded throughout the company and in its strategy. Most reports provide information on some elements of the process, often restricted to general policy commitments or documents such as suppliers' code of conduct, but fail to show how companies plan to address severe impacts identified in line with due diligence principles. This is most evident in how companies report on their engagement with affected people and with suppliers, the descriptions and categorisations of impacts and how companies define and track effectiveness of appropriate actions. Few companies provide a holistic overview of prevention and corrective plans that build on due diligence.
- **Value chain gaps:** The ESRS (as well as sustainability due diligence) expect companies to screen their value chains to identify where material impacts and risks are most likely and decide on further steps. The level of transparency on where companies are on this journey is generally very low. This is particularly important in sectors which rely on production in areas of heightened risk and which have inherently significant impacts, such as textile and food and beverage. The descriptions of material impacts in the value chain tend to be generic and interchangeable between companies, signalling that many companies have not started this work in earnest. The CSRD and ESRS provide a three-year transitional period for value chain information, but also expect transparency on the progress.
- **Sector-specific disclosures:** The ESRS are limited to a relatively small set of sector-agnostic metrics, largely concentrated around climate and own workforce. While they also require reporting on biodiversity and ecosystems, value chain workers and other social topics, they stop short of providing standardised metrics in these areas because impacts and best practice are different across sectors. This is important as certain industries are associated with significant sustainability impacts and risks beyond what can be accurately described through sector-agnostic metrics, such as mining when it comes to the pollution, water and workforce; or finance as regards how sector strategies are addressed in climate transition plans. The research results show that the companies' reporting on sector-specific issues is largely not comparable and often not existing below the level of policy commitments. In particular, quantified metrics are largely missing.

In all three areas, the **ESRS expect reporting, but do not provide specific guidance nor metrics**. For sustainability due diligence, the situation is further complicated by the disclosure requirement which asks companies to indicate where key elements of due diligence are described in the report, which amounts to a statement on compliance. Similarly, under the EU Taxonomy, companies are expected to have implemented minimum safeguards in line with sustainability due diligence standards. Companies obviously find it difficult to acknowledge that their sustainability due diligence is not (yet) fully developed.

While **promoting good practice among companies may help, it would be more effective to develop clear metrics and sectoral standards.** To illustrate this point, most companies now report on water consumption for water-stressed areas and identify locations in their own operations that negatively affect biodiversity-sensitive areas, because the current ESRS provide such specific datapoints. Many companies also follow up with entity-specific information on the situation in critical locations.

4. Frontrunners advance while a majority of laggards hold back

The research **shows progress in the quality of reporting** and transparency in general, however, the **improvements vary among topics and types of disclosures.** The research also shows that regardless of the area, not all companies seem to be going in that direction. Overall, the findings also indicate that many auditors do not seem to question the quality of strategic disclosures as long as the required data points are ticked off. This is alarming in light of credible feedback from many companies that auditors' demands are burdensome but not focused on what matters.

The **progress is most evident in climate disclosures** where the standards provide a robust framework of data points covering strategic, forward-looking information on transition and climate risk as well as for greenhouse gas emission metrics and reduction targets. On climate transition plans specifically, there has been a significant increase in both the number of companies disclosing the plans and the quality of such disclosures. Key elements of transition plans, such as full decarbonisation timeline, key levers and actions and progress against them, and investment plans are explained by between 40-60% of companies, on average 10% more than found in our research last year. 18% of companies use entity-specific metrics to track effectiveness of their plans, a strong albeit indirect indication of maturity and credibility of the plans. However, there remain about 15% of companies that declare that they have a climate transition plan, but fail to show the basic elements. This share is virtually unchanged from last year.

There has been **little improvement since last year in the quality of disclosures on material impacts, risks and opportunities, materiality assessments, and due diligence**. Only about 30–40% of companies included useful information beyond generic disclosures — for example, sufficiently concrete information on specific impacts and risks in the company's own context, transparency on how companies identified impacts in their value chain, or an executive summary of their sustainability due diligence. One area of noticeable improvement, in line with the ESRS revision's direction toward fair presentation, was the disclosure of how impacts, risks and opportunities interact with the company's strategy and business model: the research recorded an uptick from 42% to 66%. Similarly, 60% of companies describe key actions for all their material topics, indicating that they manage what they consider material. However, that still leaves a large share of companies that either do not manage what is material, or have been unable to define their impacts, risks and opportunities in a meaningful way for reporting purposes.

In the social area, the research examined reporting on living wage benchmarks. Living wage is one of the most meaningful metrics concerning working conditions. 24% of companies apply such benchmarks when reporting on their own workforce, despite the ESRS stopping short of explicitly requiring their application. Living wage is particularly relevant in the context of value chains concentrated in low-income industries and high-risk countries. There, the research identified 3 textile companies disclosing living wage KPIs.

In the environmental area, the research focused on biodiversity and ecosystems. Other environmental topics are supported by clear metrics, where the main question is one of appropriate aggregation and disaggregation of data, and of local context where material. For biodiversity, the standards require disclosure of locations in own operations where impacts materialise, and of entity-specific metrics. Our research shows that, of the 42 companies that identified material impacts, risks or opportunities (IROs) in their own operations, 25 disclosed those locations and 26 provided either quantitative or qualitative results of the measurement of their impacts or risk. In the value chain, where less information is generally available, the standards require disclosure of the methodologies and tools used to map such IROs. Our analysis showed that of the 53 companies that identified material impacts or risks in their value chain, 23 (i.e. less than half) provided this information.

5. The CSRD reports reveal systemic competitiveness risks for the EU

While the **quality of disclosures generally improved, the research reveals that ambition has stalled.** 41% of companies have net-zero commitments and a further 10% have declared some other form of carbon-neutrality commitment backed by a decarbonisation target. A particularly **worrying signal comes from financial institutions**, which as key providers of capital play a critical role in the climate transition: only 5 of 17 included milestones in their decarbonisation timelines, 14 disclosed investment policies related to high-impact sectors, but only 7 provided information on their decarbonisation plans for those sectors.

These gaps matter beyond the companies themselves. **The sustainability transition is fundamentally an innovation race, requiring a long-term perspective in investment and risk analysis.** The CSRD data shows that European companies' ability, or even willingness, to undertake such long-term investment remains limited in the current environment. The muted pace of strategic integration among most assessed companies is therefore a warning signal at the macroeconomic level. Part of the explanation lies outside individual companies' control: policy unpredictability is a genuine constraint on commiting to multi-year transition investment. This is of concern from the perspective of EU industrial competitiveness, as it indicates a g**eneral unpreparedness among companies to leverage, or even support, the EU's clean industrial policies, green procurement rules, and sustainable finance frameworks**. Without a genuine transition, the EU risks deepening its dependence on strategic resources and technologies controlled by China and the United States, while its industrial base becomes progressively less competitive. This is a structural economic risk as much as a social and environmental one.

Finally, as **AI development and deployment** become increasingly connected to significant impacts and risks, this year's research also examined whether and how companies are beginning to reflect AI-specific impacts, risks and opportunities in their disclosures. 6 companies identified AI among material impacts, risks or opportunities, while a further 14 mentioned AI elsewhere in disclosures in any form. Because the findings reflect the financial year 2025, they should be read as a snapshot of where companies stood at that point, not as a current assessment of corporate awareness. Even so, the results suggest that **companies have so far struggled to anticipate how significant a change AI represents.**

I. For companies:

Climate transition plans

The research reveals two sets of problems in practice. The first concerns incomplete disclosures. The second indicates that companies often present their targets and short-term actions as a climate transition plan, even where they have not adopted a credible plan. We recommend that companies:

1. Close the gap between targets and credible transition pathways

- Ensure that decarbonisation targets are accompanied by interim targets or milestones, not only a long-term (e.g. 2050) goal. Where a CTP is disclosed, ensure it covers the full timeline, including in particular mid-term milestones and strategies. Disclose the decarbonisation levers underpinning targets, and be specific about the mechanism, sequencing, and expected contribution of each lever.
- Where a company has not (yet) committed to a transition plan, it is better to declare this transparently, rather than putting a "CTP" label on something that it is not – such as short-term actions combined with a long-term commitment, or an analysis of what a climate transition would look like.

2. Include substantive, decision-useful content

- Disclose investment strategies associated with the transition plan, including how capital allocation decisions connect to decarbonisation levers.
- Disclose dependencies and locked-in emissions and their implications for long-term targets.
- Include entity-specific metrics and evidence of measurable progress on implementation, not only forward-looking commitments.

3. Financial institutions: align practice with the sector's systemic role

- Develop and disclose sector-specific financing and investment policies for high-impact sectors, backed by concrete criteria, levers, and transition timelines. This is a core lever specific to the financial institutions business model and should be treated as a priority area, particularly for CEE-based institutions.

Beyond disclosure practice, companies in all sectors struggle to maintain ambition in developing firm transition plans under competitive pressure and an uncertain (geo)political context. This challenge is most evident in the manufacturing sector.

We recommend that companies facing such a situation approach transition planning as a matter of competitive resilience, rather than compliance: exploring how the transition could address volatile energy prices, and where investment in long-term opportunities could help overcome business model challenges that are unlikely to disappear on their own.

Recommendations

Climate risk assessment

While disclosure of climate risk assessment has become standard practice, the quality and depth of these assessments often fall short of what would make them genuinely useful to users or to companies' own decision-making. We recommend that companies:

- **Move the focus from describing the climate risk assessment process to disclosing its actual results**. The material information is a detailed description of most significant risks, where they are concentrated, and how they are managed.
- **Critically assess the output of external service providers and automated tools;** these may serve as input, but should not substitute for the assessment process itself.
- **Prioritise at each step of the assessment, rather than building a broad but shallow database.** It is critical to understand where and how risks may affect the company most, and what factors drive the manifestation and magnitude of the risk.
- **Quantify financial effects where it is meaningful and feasible,** in order to better understand their magnitude and produce more useful data for investment and strategic decisions. It is neither necessary nor practical to attempt to quantify all types of risk; instead, start with the most significant ones.
- **Design the climate risk assessment so that the process and its outputs are genuinely useful to the company's own management** for decision-making or strategic considerations, not only sufficient to satisfy disclosure requirements.

Double materiality and fair presentation

The research supports anecdotal evidence that DMA processes are often burdensome and procedurally complex, without this complexity translating into meaningful outcomes. Companies more readily describe generic aspects of a problem than the entity-specific considerations behind it. As a result, critical IROs end up under-specified as the process and disclosures tend to be dominated by generic, compliance-driven topics, and their structure fails to reflect how sustainability management is actually organised. Since material IROs determine the substance of the rest of the report, this pattern undermines fair presentation: material information goes missing, or is buried under information that isn't material at all.

To avoid these pitfalls and produce genuinely meaningful reports, we recommend that companies:

- **In disclosures of the process, focus on explaining the specific considerations made during the DMA process:** how local context was factored in, whether impacts were assessed gross or net, how focus within the value chain was prioritised, and where the company stands in its journey to understand its IROs. Conversely, minimise generic descriptions of methodology that closely mirror EFRAG's Implementation Guidance and avoid presenting only generic scoring thresholds.
- **Carefully consider appropriate aggregation and disaggregation of IROs to ensure that material information is not obscured;** avoid excessive aggregation where disaggregated information is available and would be more decision-useful, as well as excessive disaggregation of generic compliance topics. One practical method is to assess the materiality of entire topics through a top-down approach, then consider for each topic whether there are escalations in particular contexts or areas that ought to be described. The new, streamlined formulation in ESRS 1 on considerations of geographical context in materiality, is particularly important in this respect.

Recommendations

- **Ensure that affected stakeholder consultation, where conducted, is tailored to the specific stakeholder, and conducted where it is genuinely helpful to understand the severity of the impact.** Relying on generic surveys is a practice carried over from voluntary reporting and it is unlikely to be particularly useful. Avoid confusing affected stakeholders with internal functions in the company.
- **Disclose the actions taken to manage IROs and their concrete outcomes, scope, and timeframe.** A material topic without a corresponding, substantive management response raises questions about whether it was genuinely material in the first place.
- **Demonstrate which material IROs receive attention in board-level strategic decision-making.** Reporting that describes the materiality assessment process without showing how the company views the strategic implications of its impacts, risks and opportunities is insufficient.
- **Begin considering AI-specific impacts, risks and opportunities within the materiality assessment.** AI was almost entirely absent from last year's DMA disclosures, despite its rapidly growing relevance to topics such as workforce, data governance, and business conduct. Failure to identify and assess AI-related matters creates a blind spot for the company, and sends the wrong signal to users.

Due diligence and value chain reporting

Claims on sustainability due diligence implementation are often not substantiated by comprehensive disclosure that would explain a company's due diligence system, or how it connects to its double materiality assessment. This gap not only raises questions about the quality of due diligence disclosures, but even more so about the substance of the underlying due diligence practice itself. To close this gap, we recommend that companies:

- **Provide a clear, standalone summary of how the company understands and has organised its due diligence process.** Use the sign-posting requirement under governance disclosures to guide users to a coherent executive summary of the due diligence system, rather than leaving relevant information fragmented across multiple sections of the report.
- **Make the connection between due diligence and the double materiality assessment explicit**, showing how the ongoing due diligence process informs the materiality assessment.
- **Clearly identify which risks and impacts the company considers severe for the purposes of its due diligence, and explain the basis for that assessment.** Severity determines the priority and intensity of the company's response. The absence of this information leaves users unable to assess whether the response is proportionate. Due diligence disclosure should go beyond describing the existence of a process to cover its concrete outputs: which risks or impacts were identified, what actions followed, and what changed as a result.
- **Approach the value chain data gap through targeted, risk-based assessment.** Companies should resist the assumption that comprehensiveness — for example, obtaining information from all Tier 1 suppliers regardless of risk — should be pursued at the expense of depth. A full mapping of all impacts, risks, and opportunities across the entire value chain is not meaningful if it results in missing severe risks and impacts beyond Tier 1 and leads to generic assessments of common sectoral topics, offering limited analytical value and weak prioritisation. Companies should instead prioritise the areas where severe impacts are most likely, based on available information, and gradually improve understanding of those impacts and the related parts of the value chain. Beyond reporting, this same prioritisation should guide the actual implementation of due diligence, allowing companies to develop effective preventive and corrective actions.

Recommendations

Financial institutions should follow the same underlying principle in relation to their clients, analysing where the greatest risk of severe impacts lies within their clients' operations and value chains. Financial institutions have less direct visibility into their clients' value chains, and the volume of client-level data involved is often far larger. These specifics will naturally affect the assessment approach as well as the information that is meaningful to report, even as the underlying principles of impact materiality remain the same.

Best practice and participation in sectoral dialogue

Several of the gaps identified in this research are not ones that individual companies can fully resolve on their own. Topics such as pollution, water resources, workers in the value chain, and affected communities lack standardised metrics, leaving companies to develop entity- or sector-specific approaches on their own. Reflecting the need for sector-level convergence on metrics, methodologies, and good practice, we recommend that companies:

- **Actively seek and follow sectoral best practices in areas where the ESRS do not provide datapoints or sufficient guidance** on their application to address well-known severe impacts in the sector. This includes, for example:
  - Reporting on living wage and working conditions more generally in the value chain.
  - For biodiversity impacts and dependencies, prioritisation and level of detail on the most significant locations, and metrics to measure impacts and track the effectiveness of the company's responses.
- **Participate actively in sector-level initiatives that aim to develop shared, meaningful metrics for material topics where standardised metrics are currently absent,** particularly where individual, entity-specific approaches are likely to produce inconsistent or non-comparable results. Engage with civil society and investor stakeholders in these processes, not only industry peers, to ensure that resulting metrics and benchmarks are designed to serve users' information needs and address genuinely severe impacts.
- **Financial institutions in particular should support and contribute to the debate on sector-specific standards for their industry**. The priority in this area should be disclosures on climate transition plans, reflecting the need for detail on transition strategies for high-impact sectors, and disclosures on social and environmental impacts in the value chain, given how underreported these remain.
- **Support EFRAG and the European Commission's prioritisation of sector-specific guidance** where a clear need and stakeholder support exist, including by contributing company-level experience on the practical gaps this research has identified.

From process to outcome

Across nearly every topic examined in this research, **the same pattern recurs: companies more readily disclose that a process exists than what it actually produced.** This is the single most consistent finding of this research, and suggests that sustainability reporting, and likely in some cases the underlying management systems, remain oriented toward procedural compliance rather than decision-useful outcomes.

We recommend that companies treat this as a standalone priority: **when reviewing disclosures, ask not only "does this describe our process?" but "does this tell the reader what we found, what we did, and what changed as a result?"**

Where outcome data is missing, this often points to a gap in the underlying management system, not only in how it is reported.

II. For EU public authorities and decision-makers:

Assurance and supervision

The current assurance practice contributes to overly formalistic “check-the-box” sustainability reports. At the same time, it enables disclosures that are incomplete and lack concreteness. It focuses on form, but not on the substance and quality of information.

Regulators and supervisors should address this problem. The European Commission and ESMA have an opportunity to do so through the limited assurance standard, set to be adopted no later than 1 July 2027, and ESMA’s annual enforcement priorities.

In particular, EU authorities should make it explicit that:

- **Climate transition plan disclosures must be understandable and provide the information outlined in the standards.** General commitments not backed by actual plans, or non-binding analytical documents, should not be presented as transition plans. It should be clear from disclosures what financial resources have been committed, and how the company plans to address locked-in emissions.
- **Fair presentation requires companies to ensure a level of detail that is proportionate to the severity of impacts and magnitude of risk or opportunity**, or their importance for the undertaking’s strategy and business model.
- **Standards**, including requirements set to secure quality of information, **expect companies to avoid** a) disclosure of **boilerplate information**, b) presentation of **common practice as positive impacts,** and c) **unsubstantiated claims** on sustainability performance and commitments. Targets, actions and KPIs should be derived from companies’ materiality assessment.
- There should be **evidence that local context was appropriately considered.**
- The reports shall **explain the efforts made** by the company to obtain the necessary information about its **value chain**, the reasons why not all of the necessary information could be obtained, and its plans to obtain the necessary information in the future.

Recommendations

Support for good implementation and addressing methodological gaps

The success of the CSRD hinges on the ability of users to compare companies within the same sector, and to obtain information that meaningfully addresses key risks and impacts affecting or prevalent in those sectors. The Omnibus halted the plans to develop sectoral standards, but this did not remove the challenges in this regard for both companies and users.

Key problems in practice are associated with areas where standards do not provide clear methodology and where practice is under development. Priority should be given not to compliance mechanics but to strategic planning.

In this regard, EFRAG should facilitate a dialogue among preparers, investors and civil society. This is needed to build a good understanding of the problems and gaps from a transparency and accountability perspective. These efforts should:

- **Focus on sectors with greatest impacts** on human rights, biodiversity and climate that require industry-wide **changes to business strategies**
- **Address severe impacts in the value chain** where agreement on metrics and/or tracking effectiveness is needed
- Genuinely **seek to to build stakeholder consensus**

Priority topics include:

- How to build a credible **climate risk assessment and climate transition plans**, including how to quantify anticipated financial effects
- What is expected in terms of **sustainability due diligence disclosures,** including in particular companies' progress on value chain mapping and prevention and mitigation plans
- How to **determine material information**, select meaningful metrics and track effectiveness of actions
- What is the emerging best practice on assessment of and reporting on **biodiversity and ecosystems impacts, dependencies and risks**

Improve the broader EU sustainable finance and industrial policies

The CSRD and ESRS were designed to support the objectives of the EU on sustainable finance: redirecting capital towards sustainable investment, managing climate-related financial risks, and embedding transparency and long-termism in economic decision-making. The review of disclosures made by companies under the EU reporting regime also provides a window to examine whether the EU's climate, resilience and industrial ambitions are being translated into corporate practice, and whether companies have the information they need to navigate that transition.

The CSRD can only serve the EU's sustainable finance and industrial policy objectives if the wider framework functions well. Reporting obligations and standards, on their own, do not redirect capital, build resilience or reduce strategic dependencies. They achieve this only when paired with effective regulatory, fiscal and market-based incentives that reward companies for genuine strategic transition.

Recommendations

In order to support the EU's twin ambitions to foster both a resilient, climate-adapted and digital economy and a strategically autonomous, sustainable industrial base, we recommend to strengthen incentives in access to public and private capital.

Frontrunners should be rewarded. Procurement rules, state aid eligibility, and access to EU funds should explicitly reward the quality and credibility of transition plans and sustainability integration, not merely the existence of a sustainability report. This creates a market signal that differentiates genuine strategy from defensive narration.

The **upcoming banking package expected for the end of 2026 should preserve and strengthen the prudential treatment of climate and environmental risk.** This means keeping robust transition-planning requirements and forward-looking supervision regardless of institution size, since these risks have direct, material implications for asset quality, collateral values and financial stability. The goal of the European Commission to improve liquidity and make credit cheaper should be pursued primarily in **support of the development, manufacturing and deployment of clean technologies.**

This is also relevant for the new Public Procurement Act proposed in September 2026, which moves from awarding contracts purely on the basis of the lowest upfront price and incorporates long-term quality and sustainability when assessing “best value” proposals. However, sustainability criteria are left optional and leave definition of more specific sectoral rules open-ended and undefined. The EU Commission has the opportunity to connect the above-mentioned sector-specific guidance and standards to **properly connect sustainability transparency incentives with public procurement opportunities.**

The **EU should condition access to sustainable finance instruments and green public procurement on the credibility of transition plans,** with forward-looking targets accompanied by quantified capital allocation plans and time-bound milestones. Without these anchors, transition plans remain aspirational narratives. Moreover, high quality information on transition is key for the financial sector and EU macro-prudential authorities to adequately analyse and appreciate sustainability-related risk.

In developing and implementing industrial policies, the **EU should promote data-sharing platforms** (modelled on existing initiatives in automotive and food supply chains. The CSDDD due diligence framework depends on this data being available; the CSRD and CSDDD communities of practice must work in tandem.



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