Delivering on Sustainability: Evidence from the First Year of CSRD Implementation

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

October 2025

Supported by:

Federal Ministry for Economic Affairs and Climate Action

on the basis of a decision by the German Bundestag

European Climate Initiative EUKI

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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 evaluation 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 first year in the implementation of the Corporate Sustainability Reporting Directive (CSRD).

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 it intends 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 Louis Establet (louis.establet@frankbold.org), 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.

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Executive Summary

This study evaluates the first year of implementation of the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS) among 100 large companies operating in high-impact sectors. **The sample includes 55 companies based in Central and Eastern Europe (CEE) and 45 from Western Europe,** covering industries such as finance, energy, textiles, food and beverages, and manufacturing. The research focuses on four strategic areas: climate transition plans, greenhouse gas (GHG) emissions accounting, double materiality and sustainability due diligence, and governance.

A central insight from the research is that, from a general user perspective, **the CSRD has enhanced both the completeness and comparability of sustainability disclosures** across companies – regardless of their prior experience with sustainability reporting standards. The ESRS has successfully addressed content and comparability gaps that were common in reporting under the Non-Financial Reporting Directive. Reports now follow a more consistent, ESRS-aligned structure, improving both readability and cross-company comparability.

However, in areas such as **double materiality assessments, where ESRS guidance remains less prescriptive, companies frequently rely on generic templates**. This practice tends to obscure company-specific insights and limits the informational value of disclosures.

Climate Transition Plans

Companies are **increasingly disclosing structured and ambitious climate transition plans,** with 54% presenting a plan and 40% committing to net-zero targets. Whilst the disclosures of climate transition plans increased compared to previous research, companies are more cautious to claim that their targets meet net-zero standards. The CSRD and ESRS have clearly acted as catalysts for this progress. However, many of these disclosures lack key elements required by the ESRS, such as:

- Defined **decarbonisation levers**
- Explanation of **alignment with the 1.5°C target**
- Robust information on **investment strategies**
- Assessment of **locked-in emissions and external factors** that may compromise achievement of targets and drive transition risk

These **gaps undermine both the credibility and practical value of these disclosures.** Financial institutions face structural challenges, relying heavily on intensity-based metrics and lacking sector-specific strategies.

54 companies present climate transition plans

Net-zero commitment

GHG Emissions Accounting

Reporting across **all emission scopes has become standard practice**. Comparability of Scope 3 disclosures has improved. However, 13% of companies omit categories typical for their sector without corresponding explanations. Disclosures on carbon removals and offsets remain limited and often lack methodological clarity.

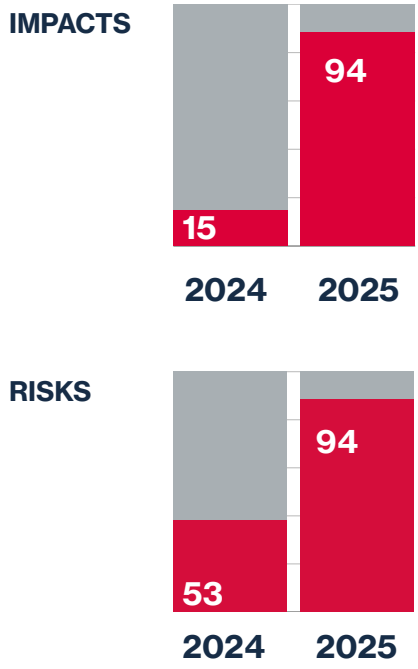
Double Materiality and Sustainability Due Diligence

The quality of double materiality assessment (DMA) disclosures has improved significantly. All companies now describe their DMA process, though most fail to explain the tools or methodologies used to identify impacts, risks, and opportunities (IROs). Where disclosed, tools are typically environment-related (e.g. WWF Biodiversity Risk Filter, ENCORE, LEAP), with few referencing internal impact screening systems.

While most companies cover value chain in their materiality assessment, few prioritise high-risk areas or explain their screening approach. This suggests uncertainty on how to operationalise ESRS expectations, leading to difficult but shallow processes and reduced usefulness of DMA outcomes for users and preparers alike.

Companies claiming implementation of due diligence and its integration with double materiality have doubled since our research last year. While this does not guarantee higher-quality information, it signals that **EU legislation is driving meaningful improvements** – especially notable as this year's sample includes more CEE companies than Western European peers.

Description of DMA outcome (IROs)



*Note: The methodology was updated between 2024 and 2025 to align more closely with the ESRS.

Due diligence link to DMA

74

Claim of **established sustainability due diligence process**

34

Claim of **link between sustainability due diligence and double materiality**

12

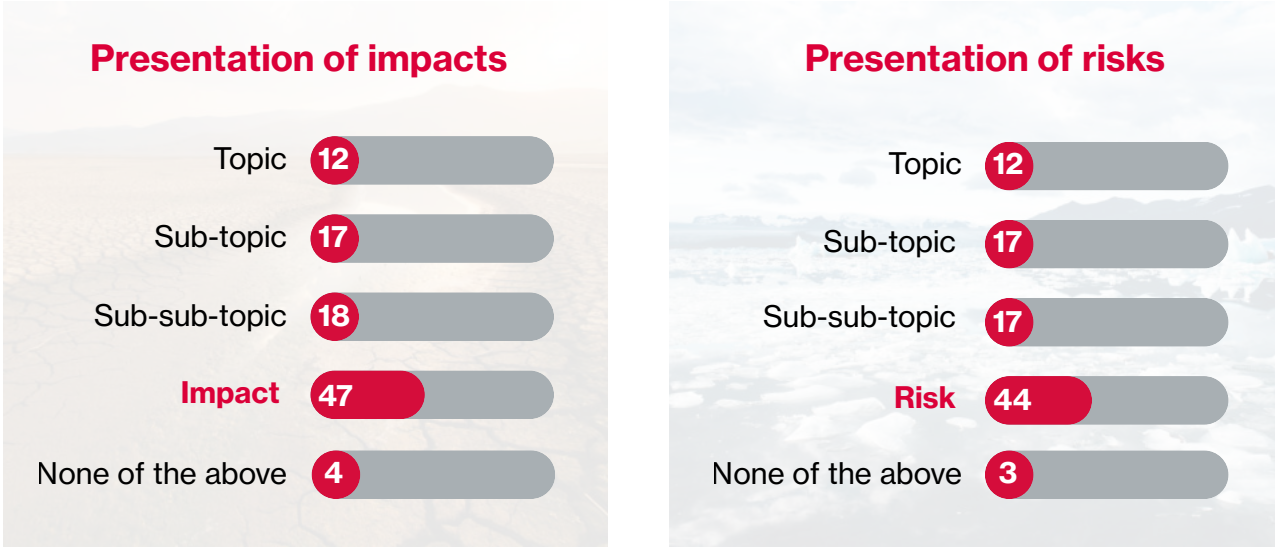
Explanation of **how due diligence informs double materiality**

Materiality Thresholds and Specificity of IROs

Materiality thresholds are rarely explained. Most companies cite severity and likelihood but offer little detail on scoring inputs or the meaning of materiality thresholds for specific topics, or why particular impacts were considered material. Disclosures often rely on boilerplate language with limited company-specific insight.

Most companies now describe their IROs, marking clear progress. Nearly half provide specific insights into their impacts, risks, and opportunities. However, many disclosures remain limited to generic topics and **lack clarity on where IROs are concentrated** within companies' operations or their value chain. **The link between IROs and business strategy is underdeveloped**, reflecting early-stage integration of sustainability into strategic decision-making.

Specificity IROs disclosure



* "None of the above" refers to cases where companies identified a topic as material but did not specify whether it was from an impact or financial perspective, and/or used their own categorisation differing from the ESRS.

Anticipated Financial Effects

In the first year of CSRD implementation, companies may omit disclosures on anticipated financial effects, with quantitative data remaining optional for three years. **Most companies disclosed such effects qualitatively,** typically citing increased costs, higher raw material prices, lost opportunities, or revenue disruptions – usually tied to mismanagement of specific risks or, less often, broader sub-topics. With few exceptions, **these qualitative disclosures tend to be very general** providing limited value to users of sustainability data.

A few **companies have begun cautiously quantifying anticipated financial effects,** mainly related to climate risks and other environmental topics such as water resources. These developments indicate a tentative but growing willingness and capability among companies to deepen their understanding of how material sustainability issues affect their business models and strategies – an essential step in assessing corporate resilience and developing meaningful climate transition plans.

Biodiversity

Biodiversity assessments remain challenging due to limited knowledge and tools. **Disclosures on sites near biodiversity-sensitive areas are often limited to a list,** with only a minority of companies providing detailed information on observed impacts and dependencies. Nonetheless, **a significant number of companies acknowledge biodiversity as a material issue.** A small subset plan to review their DMA processes to better assess nature-related dependencies and impact. This suggests that **the market is still at an early stage of maturity on this topic**, and that the quality of disclosures is likely to improve as companies strengthen their capacity and resources to manage biodiversity-related impacts and dependencies.

Governance

Nearly all companies included a dedicated section on sustainability governance. **The disclosures indicate that most governance bodies are informed about DMA outcomes, but fewer receive updates on mitigation effectiveness, stakeholder views, or due diligence implementation.** Governance disclosures offer valuable insight into the maturity of oversight and the priority given to sustainability at senior levels. Notably, **follow-up on the actual management of identified IROs** and the involvement of governance bodies in specific sustainability issues **remains limited.**

95% disclose a sustainability governance section

Governance bodies are informed of

The results of the DMA process

The effectiveness of mitigation measures

Stakeholders' views and interests

Implementation of due diligence

Conclusions and Recommendations

The findings of this research **indicate a noticeable improvement compared to pre-CSRD reports.** There is significant progress in the readability, comparability and accessibility of information, and with the quality of disclosures of climate transition targets, GHG emissions and material impacts, risks and opportunities.

However, **the study highlights persistent limitations** in areas for which the ESRS do not offer clear requirements, methodologies or sector-specific guidance. This concerns supply chain transparency, quantification of financial effects, biodiversity impacts and dependencies.

In the context of the present debates around simplification in the EU and changes to the ESRS, companies' efforts and best practice should not be undermined.

On the basis of our research, **we present key recommendations for regulators and practitioners to inform the ongoing revision process aimed at simplifying the ESRS.**

For businesses	For policymakers
• **Deepen understanding of sustainability risks and strengthen climate transition planning:** Companies should prepare actionable and credible plans that incorporate all key elements, including locked-in emissions and financial planning, to support long-term resilience. • **Embed sustainability due diligence into the DMA process:** Leverage existing due diligence practices to enhance impact identification and value chain mapping, ensuring a more integrated and effective approach. • **Prioritise high-risk areas in value chain assessments:** Move beyond generic assessment of common sectoral topics to focus on segments of the value chain where impacts and risks are most likely to occur, enabling more targeted and meaningful disclosures.	• **Sustain momentum on financial effects quantification:** Advancing towards quantified estimations is critical for strategic planning and resilience. While qualitative disclosures provide useful context, quantification enables companies to meaningfully integrate sustainability into decision-making. • **Clarify distinction between topics and IROs:** To ensure disclosures are meaningful and avoid generic reporting, companies should clearly differentiate between broad sustainability topics and entity-specific impacts, risks, and opportunities (IROs). Although all companies reported on their DMA, only half of them disclosed information on the outcome in terms of impacts and risks that provided company-specific insights. • **Provide sector-specific guidance:** This is particularly needed for areas such as value chain workers and biodiversity, where companies acknowledge materiality, but current practices and disclosure vary significantly or remain very generic.

Evidence from this research shows that **the current framework supports progress,** establishing the foundation for the development of reporting practices and by extension, climate risk assessment, transition planning and sustainability due diligence.

However, **this progress remains fragile and could be reversed if the stability and predictability of sustainability rules in the EU market is compromised** by changes to the legal framework.

Introduction

Many companies had already been reporting sustainability information since 2018 under the EU Non-Financial Reporting Directive. However, for their 2024 reports published in 2025, they applied the new European Sustainability Reporting Standards (ESRS) for the first time.

As markets and information demand evolved, empirical evidence from research studies and EU impact assessment highlighted the need for clearer rules to enhance the quality and comparability of information. This prompted the creation of the ESRS, which define what companies must disclose regarding their environmental, social, and governance (ESG) risks and impacts.

While this is the first year that the legislation and standards apply, there is increased uncertainty among businesses due to changes proposed to the CSRD under the Omnibus I Simplification Package. As part of this process, the European Commission also requested the revision and significant reduction of datapoints in the ESRS.

Despite ongoing regulatory and political debates, the fundamentals of the framework remain intact. At its core, the legislation and standards guide companies in implementing a double materiality assessment. This helps business leaders generate actionable insights for strategic development and to address major sustainability risks. Growing uncertainty and geopolitical upheaval further underscore the importance of understanding climate risks and scenarios, their implications for business, and the need for robust climate transition planning.

The research analyses sustainability information disclosed in the consolidated annual reports of 100 large EU companies. The sample places particular focus on Central and Eastern Europe (CEE), which accounts for just over half of the companies assessed and faces comparatively greater implementation challenges. It focuses on four strategic areas: climate transition plans, greenhouse gas (GHG) emissions accounting, double materiality and sustainability due diligence, and sustainability governance.

The study contributes to a better understanding of how businesses are adapting to the EU legislation and implementing the ESRS. The results illustrate companies' efforts and progress while revealing both new and persistent challenges that hinder the availability and quality of disclosed information.

The findings of this report are intended to provide actionable insights for companies seeking to enhance their practices and implement sustainability reporting in an effective and meaningful way.

The research further aims to inform the EU's simplification efforts and evaluate the state of corporate sustainability reporting by providing evidence-based recommendations to businesses and regulators.

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, with the aim of identifying emerging good practices. This report builds on last year's study, 'Preparation for implementation of the EU Sustainability Reporting Standards ', which evaluated companies' readiness to report in line with the EU framework.

The research covered sustainability statements published in 2025 by 100 large EU companies from the first wave of entities subject to CSRD obligations, i.e. those reporting on the 2024 financial year.

Of the companies assessed, 55 are based in Central and Eastern Europe (CEE) and 45 in Western Europe.

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. In the first year of CSRD application, these included large publicly traded companies, credit institutions, and insurance undertakings – of which there are relatively few in the CEE region. Western European companies were selected to mirror the composition of the CEE sample.

Broadly speaking, companies in the CEE region have less experience with sustainability reporting, as shown by our previous research 'An analysis of the sustainability reports of 1000 companies pursuant to the EU Non-Financial Reporting Directive'. Focusing on both regions allows us to identify good practices while also examining how the CSRD and ESRS affect companies that are still developing ESG management and sustainability reporting systems.

Geographic distribution

In terms of sectoral scope, the research covers the financial, textile, energy, food and beverage, and transportation sectors, along with smaller representations from the pharmaceutical, chemical, metal, mining, manufacturing, and technology/telecommunications sectors. Companies in these industries face significant climate and environmental risks and impacts, making adequate climate transition planning and GHG accounting systems essential.

The analysis covers four key sustainability areas: Climate Transition Plans, GHG Emissions Accounting, Double Materiality and Due Diligence, and Sustainability Governance. Specific biodiversity elements were assessed within the Double Materiality section.

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.

The following disclosures were assessed:

Climate transition plans

Criteria for evaluating companies' decarbonisation targets and implementation plans

- Existence of targets and levers to achieve them
- Covered emissions scopes and Paris Agreement alignment
- Net-zero and/or carbon neutrality claims
- Existence of a climate transition plan or key constitutive elements thereof; alternatively, whether the company envisions to adopt such a plan by a determined timeframe

GHG emissions accounting

Criteria included to assess the completeness and transparency of GHG emissions reporting

- Reporting on scope 1, 2 and 3 in tonnes of CO2eq
- Disclosure on both gross and net emissions
- Disclosures on emissions from regulated trading schemes
- For Scope 3:
  - Whether companies include a full catalogue of relevant categories and justify omissions
  - Whether they disclose calculation methodologies
  - Inclusion of non-consolidated entities
- Disclosure on the use of carbon offsets and/or claims of carbon removals

Double materialiity and sustainability due diligence

Criteria for evaluating how companies assess and report material sustainability impacts and risks	• Double materiality assessment process: quality of description
	• Methodologies and tools to screen and identify impacts, risks and opportunities
	• Interaction between double materiality and sustainability due diligence processes
	• Stakeholder engagement in the context of the double materiality assessment
	• Double materiality assessment outcomes: quality of information on identified material impacts, risks and opportunities
	• Information on companies' value chain and business model and strategy
	• Biodiversity-related disclosures:
	  ◦ Mapping of sites on or near biodiversity-sensitive areas
	  ◦ Impact assessment on biodiversity-sensitive areas
	  ◦ Biodiversity as a material topic

Governance

Criteria to examine how sustainability is governed within the company	• Existence of sustainability governance section in the report • Information flow to governance bodies on sustainability issues and effectiveness of measures adopted to address them • Information flow on implementation of due diligence

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.

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.

List of Acronyms and Glossary

CTP	**Climate Transition Plan** – A strategic framework outlining how a company plans to reduce its greenhouse gas emissions and align its business model and strategy with climate goals such as the Paris Agreement.
CSRD	**Corporate Sustainability Reporting Directive** – Directive (EU) 2022/2464 requires large companies to disclose information on social and environmental impacts.
DMA	**Double Materiality Assessment** – A process to identify sustainability impacts, risks and opportunities that are material for reporting purposes, and determine material information to be reported.
ENCORE	**Exploring Natural Capital Opportunities, Risks and Exposure** – A tool used to assess environmental risks and dependencies.
ESG	**Environment, Social and Governance** – A framework of sustainability topics used to evaluate corporate behaviour and sustainability performance.
ESRS	**European Sustainability Reporting Standards** – Delegated Regulation (EU) 2023/2772, which sets the standards developed under the CSRD to guide companies in preparing their sustainability disclosures.
GHG	**Greenhouse Gas** – Gases that trap heat in the atmosphere, contributing to climate change (e.g., CO_2, methane).
IBAT	**Integrated Biodiversity Assessment Tool** – A tool used to assess biodiversity risks and dependencies developed by four global leading conservation organisations.
IEA	**International Energy Agency** – An intergovernmental organisation providing data and policy advice on energy.
IPCC	**Intergovernmental Panel on Climate Change** – United Nations' body for assessing the science related to climate change.
IROs	**Impacts, Risks and Opportunities** – Impacts refer to the effect the company has or could have on the environment and people, connected with its own operations and value chain. Risks and opportunities generate financial effects arising from sustainability matters that may affect the company's financial position, financial performance, cash flows, access to finance or cost of capital.
KPI	**Key Performance Indicator** – A measurable value that indicates how effectively a company is achieving key objectives.
LEAP	**Locate, Evaluate, Assess and Prepare** – TNFD's integrated assessment approach designed for organisations to locate interface with nature, evaluate dependencies and impacts on nature, assess nature-related risks and opportunities and prepare to respond to and report on material nature-related issues
NZ	**Net Zero** – A state where total greenhouse gas emissions are reduced to minimal residual levels and balanced by equivalent removal and long-term storage through natural and technological means.
PCAF	**Partnership for Carbon Accounting Financials** – A methodology for financial institutions to measure and disclose financed emissions.
SFDR	**Sustainable Finance Disclosure Regulation** – EU regulation requiring financial market participants to disclose sustainability risks.
SSQ	**Sector-Specific Question** – Tailored questions used in the report to assess sustainability disclosures in specific sectors.
UNEP-WCMC	**UN Environment Programme World Conservation Monitoring Centre** – A biodiversity-focused research centre.
VC	**Value Chain** – the full range of activities, resources and relationships related to the undertaking's business model and the external environment in which it operates. A value chain encompasses the activities, resources and relationships the undertaking uses and relies on to create its products or services from conception to delivery, consumption and end-of-life. It includes actors both upstream and downstream of the undertaking.
WBA	**World Benchmarking Alliance** – A non-profit organisation that assesses, ranks and benchmarks companies on their contribution to the UN Sustainable Development Goals.
WWF	**World-Wide Fund for Nature** – An international NGO focused on environmental conservation.
EFRAG	**European Financial Reporting Advisory Group** – Advises the European Commission on financial and sustainability reporting standards.
FTAO	**Fair Trade Advocacy Office** – A joint initiative of Fairtrade International, the World Fair Trade Organization and the World Fair Trade Organization-Europe. The FTAO leads the Fair-Trade Movement political advocacy at European Union level.
SOMO	**Centre for Research on Multinational Corporations** – A Dutch NGO investigating corporate social responsibility.
BSR	**Business for Social Responsibility** – A global non-profit organisation working with companies on sustainable business strategies.
OECD	**Organisation for Economic Co-operation and Development** – An intergovernmental organisation promoting policies to improve economic and social well-being.

Research results

General observations on the effect of the ESRS

The study revealed several trends in sustainability reporting that can be clearly attributed to the application of the ESRS, while also highlighting the limitations of general, sector-agnostic standards.

1. Enhanced completeness and comparability of sustainability disclosures across all companies: The research sample predominantly comprised companies previously subject to the Non-Financial Reporting Directive (NFRD). As shown by earlier studies, the absence of mandatory standards under the NFRD resulted in highly divergent reporting practices between frontrunners and less experienced companies.

Under the CSRD, however, the quality of disclosures has improved across all companies. Further, it does not significantly differ between those that had already voluntarily adopted internationally recognised standards in previous reporting cycles and those that established robust reporting processes as part of their CSRD and ESRS implementation. The ESRS has therefore proven to be effective in closing the gap in the content and comparability of sustainability disclosures on the market.

2. Improved structure and clarity, yet company-specific insights remain limited: There has been notable progress in the clarity and organisation of sustainability disclosures compared to the pre-CSRD period. Many reports now adopt a consistent format aligned with the ESRS structure, which enhances readability and facilitates comparability across companies. Even where companies deviated from the default ESRS format, the information remained accessible and easy to locate.

However, despite increased standardisation, the quality of disclosures remains inconsistent – particularly in areas where the ESRS does not prescribe specific structures or detail requirements, such as double materiality assessments. The study found that for such disclosures companies often rely on boilerplate templates, which tend to obscure company-specific insights.

Climate Transition Plans

Under the CSRD, companies must disclose their strategies and plans to ensure compatibility with the Paris Agreement objective of limiting global warming to 1.5°C, and the European Union's goal to achieve climate neutrality by 2050.

The ESRS provide a disclosure requirement on Climate Transition Plans (CTPs) to ensure comparability of companies' disclosures in this area and enable understanding of their efforts.

Following the EU legislation and standards, companies are asked to provide a "brief description" of their Climate Transition Plan (CTP), outlining how their business model and strategy are being adapted to address climate-related challenges, or indicate that they have not adopted such a plan.

For the purposes of this study, we examined the following elements:

- **Disclosures of decarbonisation targets**, including their scope, nature, and level of ambition.
- **Presentation of climate strategy or transition plans** based on those targets and located in a dedicated section of the report. All transition plans were included in the results, regardless of their alignment with ESRS datapoints or broader qualitative expectations. However, a mere listing of policies or isolated actions was not considered sufficient to qualify as a transition plan.
- **Inclusion of key constitutive elements of climate transition plans corresponding to ESRS datapoints** – such as decarbonisation levers, company investments supporting implementation, and information on how their targets are compatible with the limiting of global warming to 1.5°C in line with the Paris Agreement.

It is important to note that this study does not – and cannot – offer a detailed evaluation of the credibility of climate transition plans, beyond assessing their existence and the presence of critical elements.

The research shows **increasingly structured and ambitious commitments**, including a **growing number of net-zero pledges.**

Although most net-zero commitments appear to cover all relevant scopes of emissions, **details on the treatment of residual emissions and the timing for initiating offsetting remain limited.** The research recognised this lack of information but accepted net-zero commitments at face value.

73 companies disclose decarbonisation targets

Indicate clear timeframe for reduction targets

65

Targets cover scope 1, 2 and 3 emissions

56

40 companies claimed net-zero commitment

36

cover all relevant scopes

16

disclose management of residual emissions

While the IPCC does not differentiate between net-zero and carbon neutrality, a nuanced distinction has emerged in political and economic discourse. **Carbon neutrality** refers to a company's commitment to balance its GHG emissions with an equivalent amount of removed emissions, often achieved through carbon credits or offsetting mechanisms. In contrast, **net-zero** requires a substantial reduction in GHG emissions (typically around 90% depending on the sector) with carbon offsets or removals used only for residual emissions. It represents a more rigorous commitment, aligning with the Paris Agreement by prioritising deep decarbonisation. While companies pursuing net-zero may still use offsets, these are limited to addressing residual emissions that are technically or economically unfeasible to eliminate.

In addition to the companies that expressed net-zero commitments, **16 others reported a commitment to general carbon neutrality.** Of these, three respected the residual emissions principle, making their commitments comparable to those making net-zero claims in this respect. However, **most companies reporting carbon neutrality lacked evidence of substantial absolute emissions reductions**, relying instead on offsetting mechanisms. Hence, their commitments could not be classified as net-zero within this analysis.

A report was considered to include a CTP if it featured a clearly identifiable section – labelled as such or using a similar terminology – that could reasonably be understood as a transition plan, and if it included any form of decarbonisation target.

Subsequent research questions assessed the completeness of disclosures in relation to the relevant ESRS datapoints.

The findings point to a growing trend of companies disclosing climate transition plans.

Markedly, even without formal climate targets or a full-fledged transition plan, **more companies are signalling their intention to adopt such plans.** However, this information was notably absent in the reports of one third of the companies examined despite an explicit requirement to do so under the ESRS.

Although the **ESRS specify several datapoints** for disclosure within climate transition plans, **many companies failed to provide the full scope of information required by the standards.** This would indicate that auditors may be applying a relatively permissive interpretation of the standards.

16 companies claimed carbon neutrality commitment

- **11** Carbon neutrality accompanied by reduction targets
- **1** Use of carbon credits does not undermine emissions reduction
- **3** Credibility and integrity of the carbon credits used incl. reliance on recognised standards
- **3** Management of residual emissions
- **7** Carbon neutrality on all relevant scopes

54 companies present climate transition plans

14

indicate whether and when CTP will be adopted

The results point to three main findings:

- Out of 54 companies that disclosed a climate transition plan, 9 did not provide sufficient information to understand key elements such as decarbonisation levers.
- Decarbonisation levers are clearly explained in the climate transition plans of 45 companies. Most of these also fulfil additional qualitative criteria, including the provision of a complete decarbonisation timeline and coverage of all emission scopes.
- Among the 45 CTPs, between one-third (15) and two-third (31) include further key elements listed in the ESRS, such as alignment with business strategy and financial planning, compatibility with the 1.5°C goal, quantification of related investments and funding, and assessment of locked-in emissions.

Notably, **the least frequently disclosed** elements are the **alignment of targets with the 1.5°C objective** and **assessment of locked-in emissions.**

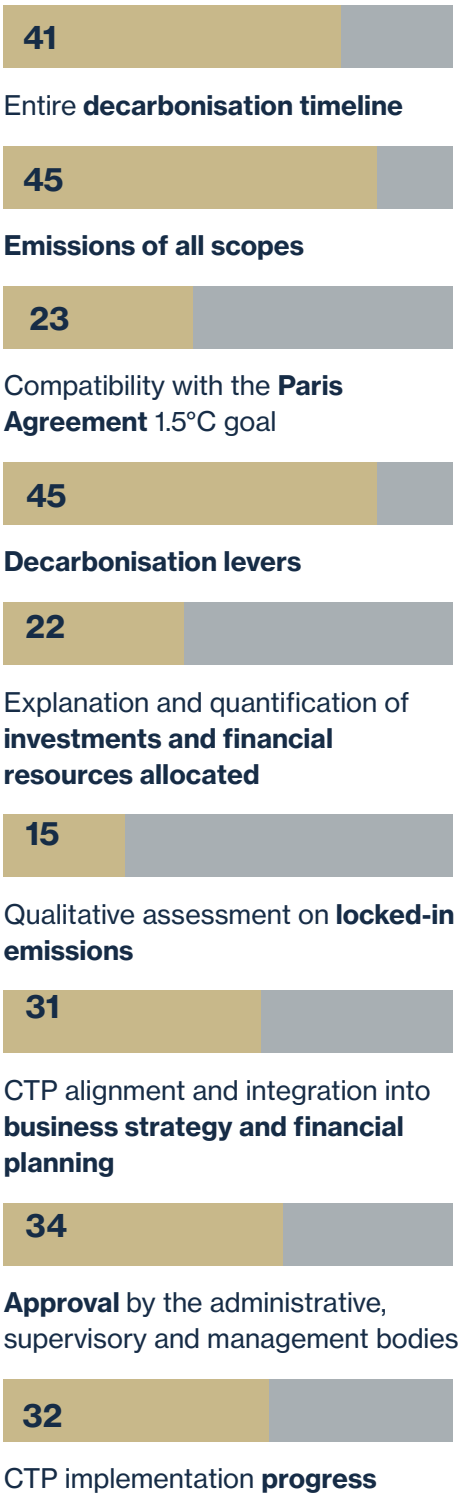
Both are mandatory under the ESRS and serve as **critical indicators of the maturity and credibility of companies' planning.** From a practical perspective, these disclosures are essential for evaluating a company's resilience and adaptability to climate-related transition risks.

In particular, **assessing locked-in emissions is vital to understanding a company's exposure to such risks**. It provides insight into whether and how the climate transition plan may be compromised, the external dependencies influencing climate targets, and the strategic responses adopted to mitigate these vulnerabilities.

It is important to note that around half of the companies disclosing a CTP include information on target alignment, while one-third provide an assessment of locked-in emissions.

These examples represent an important source of good practice for peer companies.

Companies disclosing key CTP elements



Financial Institutions

The financial sector is instrumental in achieving climate neutrality and ensuring alignment with the Paris Agreement's goal due to its role in allocating capital and influencing all real economy sectors.

This research assessed the climate targets and transition plans of financial institutions. The CSRD/ESRS prioritise absolute emissions, requiring targets to be expressed in absolute terms. This approach ensures a reduction of real-world emissions. For financial institutions, however, the picture is more complex.

The decarbonisation strategies of **financial institutions mostly rely on intensity-based targets**, which pose two main challenges.

First, emission intensity targets do not equal real-world (absolute) emissions reduction. A financial institution with such targets may demonstrate progress in reducing its emissions intensity, appearing to show good progress on their CTP implementation, while in reality not contributing to an overall reduction in absolute emissions, or even registering an increase.

Second, financial institutions are connected to all sectors in the real economy, each of which may require a **distinct approach** to align with the Paris Agreement goals. Some sectors must transition toward more sustainable production processes and products. In such instances, emission intensity targets, based on physical data, are adequate.

By contrast, other sectors or specific activities, such as those related to fossil fuels, require a complete phase-out. In those sectors with high and persistent emissions, absolute emissions targets are better suited to ensure real reductions.

Our study does not distinguish between absolute and intensity-based emissions targets and therefore does not assess the overall adequacy of the plans.

However, it examines whether financial institutions tailor their climate transition plans to specific sectors, disclose financing policies addressing high-impact sectors and activities, and quantify their climate-related risks.

Disclose decarbonisation targets

11 YES 4 NO

11 Clear timeframe for reduction targets

10 Targets cover scope 1, 2 and 3 emissions

7 Net-zero commitment

Present a climate transition plan

8 YES 7 NO

3

Climate transition plans are tailored for each sector in the financial institution financing portfolios

The research highlights the emergence of good practices, while also noting that climate transition plans often lack sufficient detail. A particularly **concerning gap is the failure to address approaches for high-impact, high-risk sectors linked to fossil fuels and deforestation.**

The absence of disclosures may reflect either a **lack of transparency** – where policies exist but are not reported – **or an actual absence of such policies**, indicating that the sector may not yet be mature enough to fully support the climate transition.

Most financial institutions also do not yet disclose quantified outcomes of climate risk assessments. This may be due to unavailability of data or other undisclosed reasons.

Financial institutions often **frame their material impacts, risks, and opportunities optimistically,** focusing the presentation on new financing opportunities with potential societal and environmental benefits. However, this framing often appears to **downplay associated risks and negative impacts in the real economy.** In conclusion, the study found that this optimism is rarely backed by concrete financing policies or strategies.

Sustainable Financing Policies and Climate Risk Analysis

5 YES **10 NO**

Financing policies related to high-impact sectors and activities

2 YES **13 NO**

Quantification of the results of climate risk analysis

GHG emissions Accounting

The CSRD and ESRS require disclosures of GHG emissions of Scope 1 (from direct combustion), Scope 2 (purchased energy) and Scope 3 (value chain) in line with the methodology set by the GHG Protocol. Whereas Scope 1 and Scope 2 emissions must be fully calculated and disclosed, both the ESRS and the GHG Protocol allow companies to determine which of the 15 Scope 3 categories are most significant for their footprint and to focus reporting on those.

The ESRS require companies to disclose the share of their GHG emissions that are regulated under emission trading schemes (ETS), which address Scope 1 emissions from specific large installations.

Reporting of Scope 1, Scope 2, and Scope 3 emissions has now become standard practice. One financial institution did not report its Scope 1 and Scope 2 emission, citing the outcomes of its double materiality assessment, which concluded that its own operations were not deemed material.

The results on emission transparency under regulated emission trading schemes reflect the share of companies in the research sample that are subject to those schemes.

While all remaining companies disclosed their Scope 2 emissions (i.e. emissions from purchased energy), one did not provide separate figures for location-based and market-based calculations. One company omitted market-based Scope 2 emissions claiming that the necessary emission factors were unavailable. Another omitted location-based data, asserting that the market-based method better reflected the company's commitments. These outlying practices are likely to be corrected in future reporting cycles.

Of the four companies that did not disclose Scope 3 emissions, two relied on the phase-in provision for companies with fewer than 750 employees. The other two reported that data collection was still in progress at the time of reporting. Notably, none of these companies concluded that Scope 3 emissions were immaterial.

Concerning Scope 3, 85 companies disclosed categories that are typically material for their sector. Among the 15 companies that did not provide such disclosures, **only two offered clear justifications for their omissions.** The number of relevant Scope 3 disclosures represents a notable improvement compared to pre-CSRD practices. However, the remaining **13% gap is significant.** While some omissions may be justified, they must be clearly explained to avoid undermining the comparability of market data. This underscores the **importance of developing sector-specific standards or guidance** to support consistent and transparent reporting.

99 companies report Scope 1 GHG emissions

69 GHG from regulated emissions trading schemes

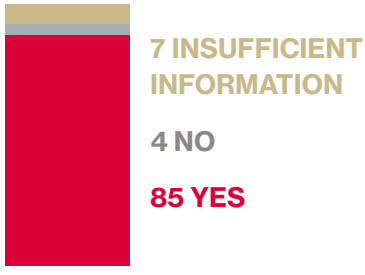
99 companies report Scope 2 GHG emissions

97 location-based gross scope in metric tonnes CO2-eq

97 market-based gross scope in metric tonnes CO2-eq

96 companies report Scope 3 GHG emissions

Expected categories for Scope 3 emissions



Defining precise **Scope 3 organisational boundaries remains challenging.** The results suggest that companies are uncertain about how to report on unconsolidated subsidiaries, associates, and joint ventures.

Less than one-third clearly disclose whether such entities are included in their Scope 3 calculations, leaving many companies' reporting ambiguous and open to interpretation.

It is important to note that disclosure of this information may not be relevant for all companies, as some may not hold such investments or operate through this type of structures. Nevertheless, the low figures point to a broader issue that should be addressed through clearer articulation of the applicable rules in the ESRS.

72
Indirect Scope 3 GHG emissions from the consolidated accounting group

70
Clear indication of database/ emissions factors used for calculation

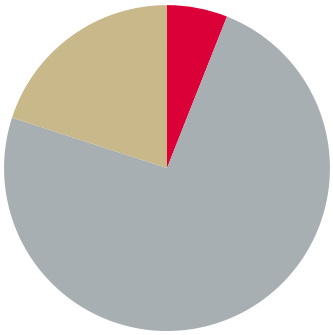
49
Explanation of estimations used in its calculation methodology

39
Scope 3 emissions from associates and joint ventures under operational control

We further examined disclosures on carbon removals developed through projects within companies' own activities. The six cases reporting quantified results largely involved small-scale initiatives. Four of these referred to biogenic sinks but provided little detail on the specific actions undertaken.

Carbon removals beyond companies' own operations remain marginal. Among those companies that reported such activities, only a minority provided information on the type, quantity, and calculation methodology of the offsets or carbon credits applied.

Quantified carbon removals in own activities



6 YES **74 NO** **20 The number reported is 0**

Carbon credits

2 Projects financed by carbon credits in the value chain

8 Projects financed by carbon credits outside of the value chain

0 Calculation methods

3 Insurance that any offsets purchased are additional and represent permanent removals

8 Type and quantity of offsets

10 Data on the certifying agencies and identifiers

2 Assurance that offsets are not double counted

Double Materiality and Sustainability Due Diligence

The CSRD and ESRS require businesses to carry out and disclose their double materiality assessment (DMA), which serves as the core principle of their sustainability disclosures. The purpose of this process is to identify material impacts, risks and opportunities (IROs) connected to their activities and operations or value chains. Impacts refer to how a company affects people and the planet. In contrast, sustainability-related risks and opportunities concern the current and anticipated financial effects of sustainability matters on the company over short, medium and long-term horizons.

These material IROs should delimitate the content of sustainability statements. It's important to note that the ESRS require companies to report only on material matters and apply disclosure requirements related to metrics and KPIs where relevant.

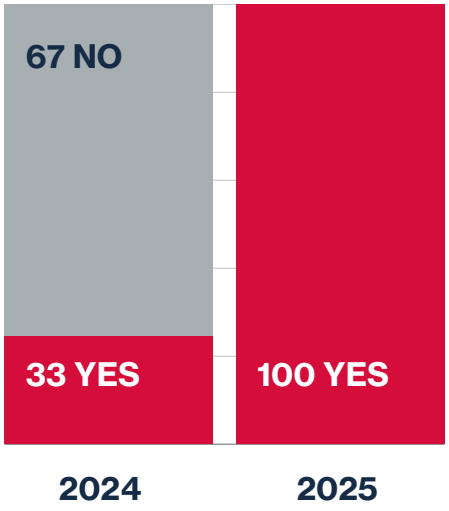
The research confirms the positive effects of the EU legal framework, showing a significant increase in the quality of DMA-related disclosures. This is particularly important with respect to the outcomes of their DMA – namely the description of impacts, risks and opportunities. Previous studies carried out by Frank Bold, show that only a minority of companies were providing such information beyond listing generic topics.

The research shows that companies are beginning to disclose their DMA processes more comprehensively – covering both impacts, and risks and opportunities across their own operations as well as their downstream and upstream value chain.

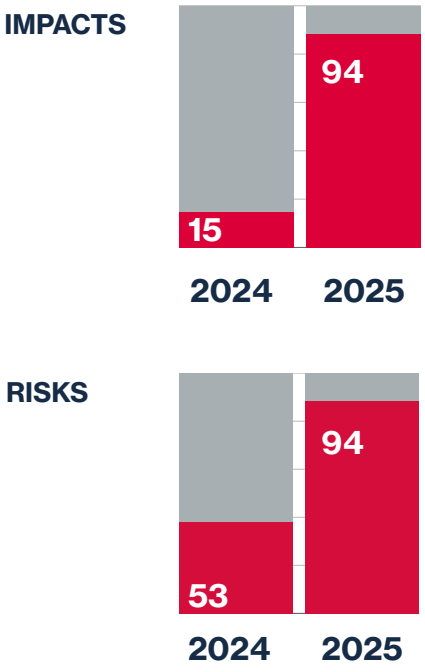
Of the 100 companies assessed, only one failed to provide clear disclosures on financial materiality – that is, the assessment of material risks and opportunities. However, in the topical sections of its report, this company explained that it had conducted a qualitative scenario analysis to identify climate-related risks, using the Task Force on Climate-related Financial Disclosures (TCFD) framework. As this company's report was audited in accordance with CSRD requirements, the example demonstrates that disclosures on double materiality assessment (DMA) – and arguably the DMA process itself – can be implemented with a degree of flexibility. This stands in contrast to the widely held perception among practitioners and auditors that the ESRS requirements in this area are overly challenging.

Companies often do not provide details on the specific methods and tools they used to screen IROs. In most cases, companies only provide general information on the process. Among the few companies that disclosed the methods or impact screening tools used, most did so in relation to environmental and biodiversity.

Description of DMA process



Description of DMA outcome (IROs)



*Note: the methodology used between 2024 and 2025 was updated to ensure closer alignment with the ESRS.

The most commonly referenced tools include: the WWF Biodiversity Risk Filter, ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure), the LEAP methodology (Locate, Evaluate, Assess, and Prepare), Integrated Biodiversity Assessment tool (IBAT), the Critical Habitat tool developed by the UN Environment Programme World Conservation Monitoring Centre (UNEP-WCMC), and the WWF Water Risk Filter. A limited number of companies also reported using internal tools.

94% of companies included descriptions of the outcome of the DMA, i.e. of the identified material IROs. This included disclosures of individual impacts, risks and opportunities, as well as aggregated results at the level of subtopics. At this stage, the analysis focused only on whether any information was disclosed, regardless of detail of descriptions. However, generic materiality matrices or lists of ESRS topics with no specification were not considered sufficient.

While the research did not assess individual IROs, many exhibited clear shortcomings in their design – particularly those addressing value chain impacts. Systemic issues, well-documented in specific sectors, were frequently described as 'risks of impacts' or 'potential impacts', despite strong evidence of their ongoing occurrence.

We then conducted a more in-depth assessment of the disclosures provided in these overviews – examining their specificity (i.e. topic, sub-topic, sub-sub-topic, impact/risk) and the presence of key elements such as links to the business model and strategy, involvement through own operations or the value chain, effects on people or the planet, and time horizons (see page 33).

Double Materiality Assessment: Process Description

Scope of the assessment and screening methods

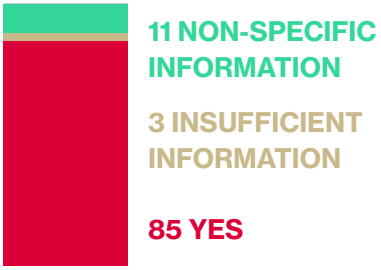
The research confirms that companies are uncertain on how to approach identification of impacts in their downstream and upstream value chain. **Whilst most of the disclosures confirm that the value chain was considered in the process, very few companies explain whether – and how – the DMA focuses on specific activities, geographies or other factors,** giving rise to a heightened risk of adverse impacts.

The ESRS encourage such prioritisation and require an explanation. **Their absence suggests that many companies apply broad, generic screening at the value chain level** – an approach that is difficult to implement due to limited data and offers limited insight.

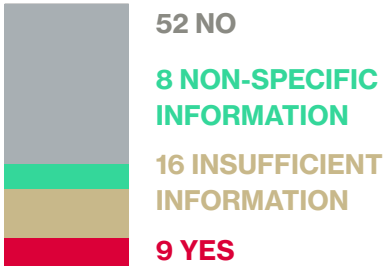
Impact assessment in own operations

cover own operations in their impact assessment in own operations

Impact assessment in value chains



Prioritised areas of heightened risk



Sustainability due diligence

Sustainability due diligence is an ongoing process aimed at identifying, addressing and remediating adverse impacts on the environment and people. The DMA may rely on the company's existing and ongoing sustainability due diligence – for instance by relying on the areas already covered without the need to take further action to identify impacts. It may also rely on existing prioritisation connected to its sustainability due diligence when setting materiality thresholds for reporting.

74 companies claim established sustainability due diligence process

Claim of link between sustainability due diligence and double materiality

Explain how due diligence informs double materiality

This research investigated whether companies claim to have established a sustainability due diligence process and, if so, if they used their sustainability due diligence results to inform their DMA. A statement on due diligence under the ESRS requirement GOV-4 was not considered as sufficiently specific to establish such a connection. Instead, the study focused on explicit claims that the DMA was informed by the company's sustainability due diligence process and examined whether an adequate explanation was provided to support such claims.

While **a significant number of companies claim to have an established sustainability due diligence process, far fewer appear to leverage them effectively in their DMA assessments** and related disclosures.

There are two possible explanations. First, existing due diligence processes may still be underdeveloped or primarily compliance-driven, limiting their usefulness for double materiality assessment. Second, companies may not yet realise that the ESRS explicitly allow them to leverage sustainability due diligence to identify material impacts for reporting purposes.

There is clear progress among companies claiming to implement due diligence and integrate it into their double materiality process, with such cases doubling compared to 2024. This does not mean a direct correlation with the quality or usefulness of information but it's **a clear sign that EU legislation is promoting significant improvements in corporate practice.** This finding is particularly relevant given that this year's sample includes a higher proportion of CEE companies, which have historically lagged behind their Western European counterparts.

Below, we provide examples of companies that described how they leveraged sustainability due diligence in their DMA, particularly for mapping and prioritising focus areas in the value chain. This correlation is supported by the presence of better value chain information, as observed in subsequent research questions.

Examples from corporate reports*

France

Transportation

The report provides a comprehensive explanation of the company's sustainability due diligence process (the level of detail is not required under the ESRS, but under the French Duty of Vigilance Law). With respect to the DMA, it explains how sustainability due diligence has been used to map the company's activities, geographies and business relations that increase the risk of negative impacts on people and the environment. The company was able to divide their value chain, identify stakeholders and gather more specific information.

Germany

Textile

The report outlines how sustainability due diligence was used to prioritise the company's impacts, risks and opportunities. Sustainability due diligence served as a screening tool across the company's own operations and value chain, business relationships, and operating, sourcing and selling contexts. The identification of impacts in the value chain has been based on the outcomes of existing sustainability due diligence.

Slovenia

Chemicals

This is an example of an emerging practice. In 2024, the company implemented both double materiality and sustainability due diligence processes for the first time.

At this initial step, due diligence was used to map their value chain as well as to identify IROs in relation to water, pollution, and resources and circular economy. The company made a first attempt at screening areas of heightened risks, identifying its riskier segment. The report transparently acknowledges limitations in scope and depth, and notes plans to expand sustainability due diligence assessments across the value chain in 2025 to better identify risk hotspots.

*Frank Bold is preparing to publish a database with more specific examples and case studies.

Assessment Criteria and Thresholds

According to the ESRS, the materiality of impacts should be assessed based on their severity and likelihood, while the risks and opportunities should be determined based on the magnitude and likelihood of their potential financial effects on the company.

The ESRS also require that companies disclose the qualitative or quantitative thresholds – or any other criteria – used to determine materiality. These disclosures should enhance understanding on how companies assessed and identified their impacts, risks, and opportunities (IROs).

Despite the clear requirements set out in the ESRS, most companies do not provide any information on the thresholds applied in their materiality assessments.

While our research did not assess the quality of threshold-setting, we did not consider references to scoring systems or abstract scores – without an explanation of their underlying logic – as sufficiently meaningful. In most cases, thresholds were disclosed without adequate context or explanation.

The research also examined how companies explained the application of their materiality criteria.

Few companies indicated criteria beyond severity and likelihood. Where other criteria were mentioned, they included importance to stakeholders, time horizons and internal governance practices.

Nearly all companies stated that they applied the mandatory ESRS criteria for impact materiality. However, **most provided limited meaningful detail.** Disclosures typically consisted of boilerplate language, simply noting that impacts were assessed by severity and likelihood.

Few companies explained the scoring inputs used, the meaning of materiality thresholds applied to specific ESG topics, or the rationale for considering particular impacts as material.

Similarly, **few companies explained their input parameters or how these were applied to specific cases.** The table on the right outlines the main types of input parameters used to determine severity measurements and materiality thresholds in the 14 cases where such information was disclosed.

In the assessment of risks and opportunities, gaps similar to the information disclosed on impact identification criteria were identified.

Explanation of materiality thresholds

Impact materiality assessment criteria

99 companies stated following severity and likelihood criteria

Explain severity and likelihood measurements

7	Quantitative data
3	Scientific consensus
6	External reports
7	Affected stakeholders

Other criteria to measure severity beyond severity and likelihood

Financial materiality assessment criteria

94 companies stated magnitude and likelihood criteria

While companies often apply the same approach to sustainability-related risk assessments as they do in their broader business risk processes, **the research found limited detail on specific methodologies used for assessing sustainability risks.**

Stakeholder Engagement

Stakeholder engagement is a key element of the DMA process, helping companies better understand their impacts and the information needs of key user groups.

Consultation with affected stakeholders or external experts is particularly important when the nature or extent of impacts is unclear. Ideally, companies should rely on insights from ongoing engagement with affected stakeholders rather than conducting consultations solely for the DMA. However, groups with a close relationship to the company – such as workers' representatives – can play a valuable role in validating interim DMA outcomes.

By contrast, general stakeholder surveys often yield limited useful information.

In the context of the DMA, the ESRS specifically instruct companies to disclose whether – and how – they consulted affected stakeholders and external experts.

Indication of consultations with affected stakeholders or external experts or proxies is commonly found in DMA disclosures.

However, **most companies provide insufficient or non-specific information,** raising doubts about the relevance and adequacy of their consultations.

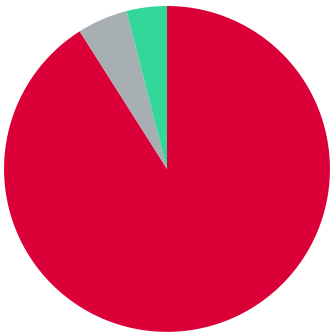
Some companies, however, disclosed more detailed information on their stakeholder engagement procedures, providing clearer insights into the relevance of the stakeholder groups consulted. The table below offers a few illustrative examples.

19

Explain magnitude and likelihood measurements

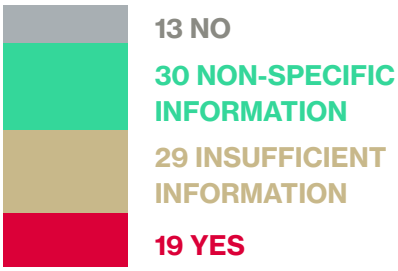
14 measurements based on objective inputs beyond personal judgement

Consultation with affected stakeholders or their proxies/ experts during the DMA process



91 YES **5 NO** **4 NON-SPECIFIC INFORMATION**

Relevance of consultations (tailored consultations per affected stakeholder category)



Examples from corporate reports*

PUMA

Germany

Textile

Participants in stakeholder consultations were selected based on criteria such as dependency, responsibility, influence, outreach and ability to provide diverse perspectives. Companies engaged both internal stakeholders (e.g. specialised company departments) and external stakeholders (e.g. topic experts, NGOs, business partners and suppliers). The dialogue focused on specific themes, including human rights, climate, circularity and traceability. Engagement and consultation channels were tailored to the specific stakeholder group or representative.

Mercedes-Benz

Germany

Transportation

Preliminary consultations were conducted with internal and external experts on sustainability-related impacts, organised through topic-specific focus groups. The design of the stakeholder engagement process was tailored based on the stakeholder group, key topics, stages of the value chain, and the company's most important markets and regions. Insights from the focus group dialogues were integrated into the individual assessments of impacts, risks and opportunities.

DANONE

France

Food and Beverages

The final list of gross impacts, risks, and opportunities for each sustainability topic was consolidated and shared with relevant stakeholders to gather their feedback. A more detailed description of stakeholder engagement was presented at the topical level, where the company outlined information on the types of stakeholders consulted (e.g. academic partners, NGOs, local authorities, suppliers, and local communities), along with the consultation procedures used. In some cases, engagement was described in terms of ongoing collaboration or existing dialogue channels that were leveraged for the purpose of the DMA.

*Frank Bold is preparing to publish a database with more specific examples and case studies.

Double Materiality and Biodiversity

Biodiversity and ecosystems are critical from both an impact and financial materiality perspective.

All companies depend on nature – whether through raw material sourcing, land and water use, or the location of their operations. Financial institutions are also exposed, as their investments may contribute to biodiversity loss and ecosystem degradation.

However, reporting practices on biodiversity remain less developed compared to other topics.

This research reviewed company disclosures related to sites located in or near biodiversity-sensitive areas, as required by the ESRS, as well as how this topic was addressed in the assessment of impacts, risks, and opportunities (IROs).

The data shows that companies are making considerable progress in mapping sites within their own operations that are located in or near biodiversity-sensitive areas. Our research captures both instances where companies:

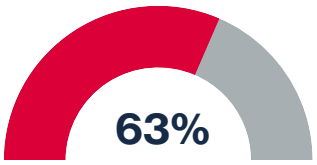
- a) disclose the presence of such sites, or
- b) explicitly state that none of their sites are located in proximity to biodiversity-sensitive areas.

In both instances, **the disclosure indicates that the screening of sites was conducted.** However, **only half of those companies** that indicated whether their sites are located in or near biodiversity-sensitive areas **also provided information on how they assessed the potential negative impacts of their activities** on surrounding biodiversity and ecosystems.

The format and level of detail of information presented differs between the actual sites. Of the 25 companies that identified specific sites, many provided only general information – such as the number of sites near biodiversity-sensitive areas, the site name, or the geographic area.

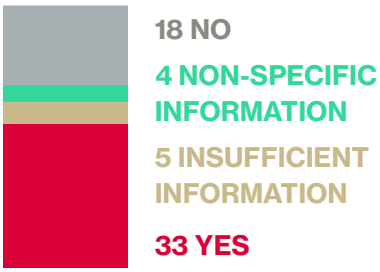
Only **a minority of companies provide detailed information on their sites,** including qualification and size of the affected area, the specific impacts and dependencies on the identified area, and/or which activities negatively affect the area.

Biodiversity and site-specific information



Assessment of **sites near** biodiversity-sensitive areas

Assessment of **negative impacts in identified** biodiversity-sensitive sites



List of biodiversity-sensitive sites

9	Number and size of the area of sites owned, leased or managed
9	Specifications of negative impact on biodiversity and ecosystem
4	Specifications of dependencies identified and ecological status of area(s)
5	Biodiversity-sensitive areas identified by location and responsible authority

Companies that considered biodiversity as material included those that identified activities at their own sites as negatively affecting biodiversity-sensitive areas, as well as those that identified IROs elsewhere in the value chain.

The majority of companies that assessed biodiversity as financially material operate in the energy and mining, textiles, or food and beverages sectors – industries with a more direct connection between their activities and biodiversity.

A few companies presented plans to review their DMA processes to gain a better understanding of their nature dependencies and to address biodiversity. This reflects **growing awareness of the topic, while also highlighting challenges** related to evolving methodologies.

Biodiversity materiality

Companies that identified material IROs

36 Impact perspective

1 Financial perspective

25 Both impact and financial perspective

Double Materiality Assessment: Outcomes

Companies are making **considerable progress in describing their IROs.** However, persistent **limitations remain, making it difficult to understand how those IROs manifest** in each company's specific context.

The first challenge lies in evaluating disclosures about **whether IROs are concentrated in the company's own operations and value chain.** While most companies provide this information nominally, it often remains too general to provide meaningful insight.

Under the ESRS, companies may use supportive graphical or textual representation of their business model and value chain. These representations often lack sufficient detail to help users understand the IROs

Value chain coverage and information

4 NO

4 NON-SPECIFIC INFORMATION

7 INSUFFICIENT INFORMATION

73 YES

Explanation of **where in the company's own operations, upstream and/or downstream value chain** material impacts and risks are concentrated

Depiction (visual or textual) of value chain

Another area where disclosures often fall short is the **explanation of how material IROs affect a company's business model and strategy** – one of the core pillars of sustainability reporting.

The research shows that a substantial number of companies provide some information on how material sustainability topics interact with their business model and strategy – typically through qualitative analysis related to climate or environmental resilience. A few companies also report how identified material IROs have informed their strategic decisions.

However, **many companies fail to explicitly disclose this interaction or rely on boilerplate language that lacks the detail to understand the connection.** In some cases, the information presented is inconsistent, resulting in ambiguity and uncertainty.

While the findings show meaningful progress, they also highlight that sustainability reporting is still maturing as a core business function. In many cases, its integration into strategic business decision-making remains limited.

Compared to pre-CSRD studies, **disclosures on IROs show improvement.** Almost half of the companies assessed describe their specific impacts and risks, offering better insights into how sustainability matters manifest in their own context. Disclosures of "IROs" may be aggregated, so a high level of detail does not necessarily correspond to a large number of IROs.

In contrast, disclosures that were provided by companies in form of "topic", "sub-topic", or "sub-sub-topic" often described IROs in generic, non-company-specific terms. This generally applies also to the "None of the above" category.

Elements of value chain overview

44	Resources
76	Value chain stages
14	Geographies

Interaction of IROs with business model and strategy

39 NO

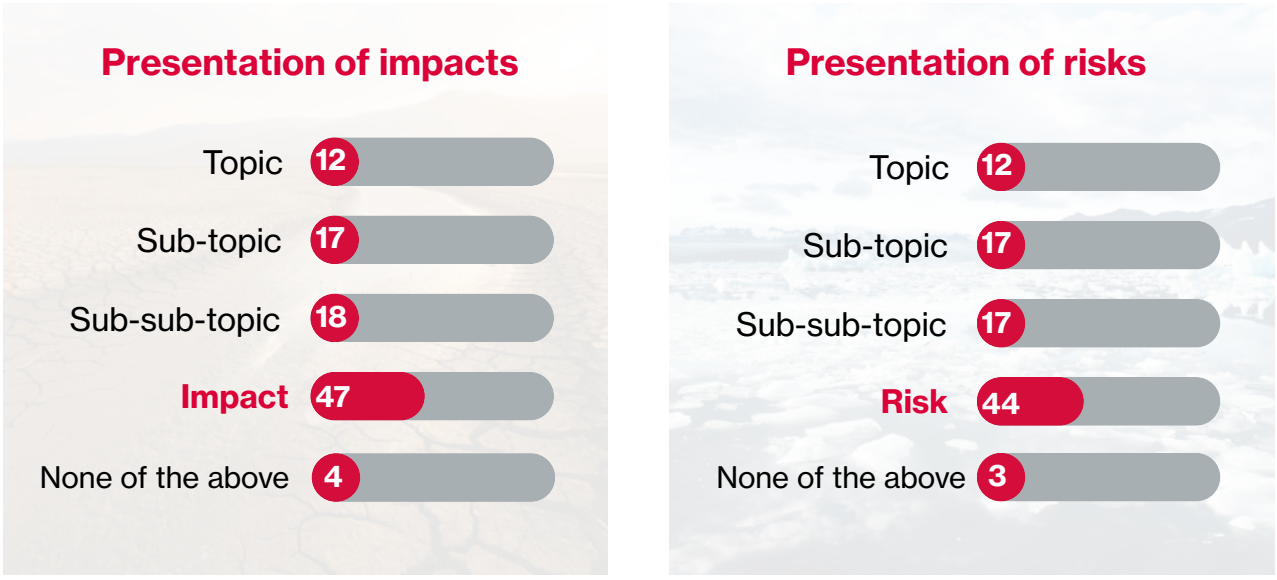
13 NON-SPECIFIC INFORMATION

6 INSUFFICIENT INFORMATION

42 YES

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

Specificity IROs disclosure



* "None of the above" refers to cases where companies identified a topic as material but did not specify whether it was from an impact or financial perspective, and/or used their own categorisation differing from the ESRS.

For impacts, their effects on people or the environment were generally evident when described at the "impact" level. For those defined as generic topics, sub-topics and sub-sub-topics, the level of specificity depended on the accompanying descriptions provided.

Regarding financial effects, the ESRS require companies to assess risks over the short, medium, and long term. This forward-looking perspective is essential for evaluating business resilience. Under the ESRS, companies benefit from a one-year phase-in period and may provide only qualitative information on anticipated financial effects during the first three years of reporting.

Our research shows that **over half of companies voluntarily reported anticipated financial effects in the first year.** However, most of these **disclosures remain qualitative,** making use of the second phase-in provision.

Commonly reported financial effects included higher production costs, increased raw material prices, loss of business opportunities, and operational disruptions leading to revenue loss. In most cases, disclosures on anticipated financial effects relate to specific identified risks, although not all companies that disclosed specific risks provided an explanation of financial effects. Vice versa, in some instances, companies disclosed effects in relation to risks identified at a broader level (sub-topic or sub-sub-topic level).

Nevertheless, in both scenarios such qualitative information was very general – typically a mere indication of categories of effects, such as increased costs or revenue losses resulting from mismanagement of material sustainability issues. This suggests that a qualitative approach to anticipated financial effects inherently limits the usefulness of such disclosures for users of sustainability information. Nonetheless, **a few companies have begun to tentatively quantify anticipated financial effects**, primarily in relation to climate risks and other environmental topics such as water resources.

These findings suggest a **cautious but growing willingness among companies to deepen their understanding of how material sustainability issues affect their business model and strategy** – an essential step in assessing corporate resilience.

In addition, twenty-four companies provided unclear information on financial effects, both current and anticipated. In these cases, companies mostly relied on vague, boilerplate disclosures. Some failed to specify whether they referred to current or anticipated effects. Other companies mentioned effects of reputational risks connected to their material IROs without further explanation. While reputational risks can have financial relevance, they are, in most cases, hypothetical rather than "anticipated" financial effects.

Elements included in impact description*

- **65** Effects on people and the environment
- **37** Origin or connection to business model and strategy
- **63** Time horizons
- **84** Involvement through own operations or business relations

Elements included in risk description*

- **11** Current financial effects
- **55** Anticipated financial effects
- **24** Unclear

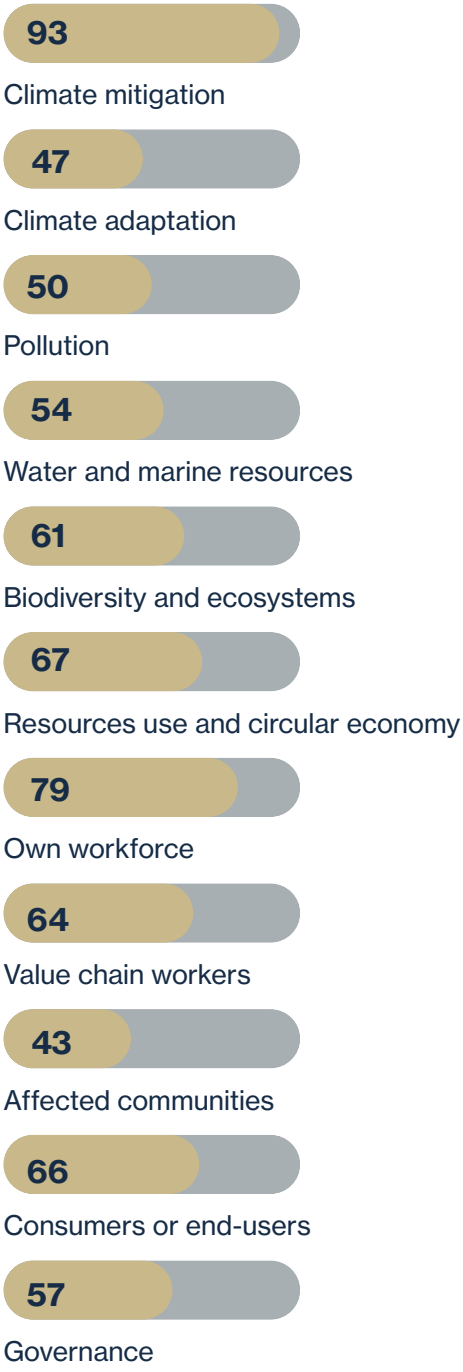
*These results show information on specific elements explicitly required by the ESRS

The research highlights the **topics most frequently cited in companies' impact materiality assessments,** with a focus on their ability to detect actual or potential areas of negative impacts on the people and the planet.

Compared to pre-CSRD reports, **there is a notable increase in the number of topics where companies identify financially material risks.** Climate change emerges as the most frequently reported risk, likely due to companies' participation in previous climate initiatives such as the TCFD and the universal relevance of climate risks.

Sustainability topics: material risks

Sustainability topics: negative impacts



Sustainability Governance

The ESRS include a dedicated section on sustainability governance, designed to ensure alignment with the international standards developed by the by ISSB (IFRS S1 and S2). In addition, the ESRS introduce several transparency requirements regarding board engagement with stakeholders and the company's due diligence processes.

Consistent with the structure of ESRS requirements, **most companies include these disclosures in a clearly designated section on sustainability governance.**

Most – but not all - companies indicate that top management is informed about the outcomes of the double materiality assessment.

Significantly **fewer report on board-level awareness of the effectiveness of measures** to address material impacts, the **implementation of due diligence,** or the perspectives of affected stakeholders.

Governance disclosures offer valuable insight into the maturity of oversight and the priority given to sustainability at senior levels.

Notably, **disclosures on the follow-up and actual management of identified IROs** – as well as the involvement of governance bodies in specific sustainability issues – **remain limited.**

95% discloses a sustainability governance section

Governance bodies are informed of

Regional breakdown and trends

Central and Eastern Europe vs Western Europe

Below is a summary of key differences identified in the disclosures of companies in Central and Eastern Europe (CEE, 55 companies) and Western Europe (45 companies).

The CEE sample is predominantly composed of Polish companies (22), reflecting Poland's relatively higher representation in the first wave of CSRD implementation. This is largely due to the strength of the Warsaw Stock Exchange compared with other CEE markets.

We provide specific insights for Polish companies, as they also stand out from their regional peers in several areas.

Climate Transition Plans and GHG emissions

- **While 95% of Western European companies disclosed GHG emission reduction targets, only 54% CEE companies reported such targets**. Some CEE companies with no climate targets clearly stated that they are currently in the process of developing them and intend to disclose these in the next reporting period.

- **Climate commitments were more ambitious among Western European companies, with 69% of them disclosing net-zero claims compared to 33% in the CEE**. In practice, net-zero commitments were frequently linked to verification by the Science Based Targets initiative (SBTi). Furthermore, CEE companies were less likely than Western companies to set climate targets that addressed all three scopes of emissions. Among CEE companies that disclosed climate targets, 40% did not claim alignment with either net-zero or carbon neutrality. In the case of Western European companies, this number drops to 11%. It is important to note that among those companies with science-based, SBTi verified and complete targets, performance was comparable across both regions. Companies across the entire sample tended to prioritise net-zero commitments over carbon neutrality.

- **While 82% of Western companies disclosed key elements of climate transition plans, only 30% of CEE companies did so** (% are derived from the number of companies that do disclose CTP). Among Polish companies in particular, the research revealed that even when climate transition plans (CTPs) were disclosed, they often lacked clear details or implementation timelines. This highlights a **critical delay in addressing climate change, leaving CEE companies vulnerable to growing uncertainty** and at risk of underestimating the true costs of transition, including rising energy insecurity and expenses.

- **Regarding disclosures on GHG emissions, our findings did not reveal any major regional divergence**, with companies from both regions reporting their Scope 1, 2 and 3 emissions in tCO2e. However, Polish companies were less likely report on Scope 3 emissions (86.4% did so, compared to 98.7% of non-Polish companies).

- **Polish companies stood out for their stronger methodological transparency in GHG emissions calculations**: 78.9% disclosed estimates used in calculations (compared to 44.2% of their peers from other countries), and 89.5% disclosed data sources and emission factors (compared to 68.8% of their peers from other countries).

Double Materiality Assessment (DMA): Process and Outcomes

- **Information on the coverage of the value chain in DMA was less commonly disclosed by companies in CEE countries, with only 78% explaining how they extended their materiality assessment to the value chain compared to 93% of Western European companies.** However, across both regions, disclosures often lacked detail on value chain mapping and on the specific areas or factors of heightened risk that were prioritised.

- **While 84% of Western European companies reported having due diligence processes in place, only 65% of CEE companies made the same claim.** However, among those reporting established processes, the proportion linking due diligence to their double materiality assessments was similar – 47% for Western European companies and 44% for those in CEE.

The study found similar levels of detail in disclosures across regions regarding the outcomes of companies' double materiality assessments, i.e the quality of IRO descriptions. Polish companies, however, provided more detailed disclosures on sustainability risks than their peers in the CEE: 19% of the assessed Polish companies reported on their current financial effects compared to just 9.7% of companies in the rest of the geographical sample. Similarly, 76.2% of Polish companies reported their anticipated financial effects – at least qualitatively – versus 54.2% of companies from other countries.

The regional comparison points to three main conclusions about the increased vulnerabilities of CEE companies, and by extension, their national economies:

1. **Western companies are ahead in disclosing climate transition plans.** They are more likely to report on key CTP elements, while CEE companies show less maturity in understanding and addressing climate-related risks. **This gap highlights greater vulnerability of CEE companies to the growing uncertainties triggered by climate change.**

2. **Fewer CEE companies extend their double materiality assessments beyond their own operations to cover the full value chain.** As a result, they risk overlooking or underestimating the full scope of their material impacts, risks and opportunities – potentially leaving them **less prepared to address key impacts and risks linked to the resilience of their value chains.**

3. While Western European companies have historically outperformed their CEE counterparts in sustainability reporting, **the implementation of the ESRS is helping to level the playing field**. This effect is particularly evident in disclosures of metrics and KPIs such as GHG emissions, as well as in the assessment of the financial effects of sustainability-related risks. Such data are important not only for users of sustainability information, but also for companies' own climate transition planning and for addressing impacts and risks within their value chains.

Nordic Countries

Our sample includes 10 companies from the Nordic countries (Denmark, Finland, Norway and Sweden). Previous studies show that companies in this region generally perform better than their peers in other parts of Europe.

Given the relevance of this market, the research outlines key trends and insights from the first year of CSRD implementation. Please note that the overview below highlights only the main differences and does not address results that were similar in both samples.

Climate Transition Plans and GHG emissions

- **Nordic companies demonstrate a stronger commitment to decarbonisation, with 90% having established targets compared to 71% across the rest of the sample.** Furthermore, 88.9% of these companies disclose emission reduction targets covering all three scopes, compared to 75% of their peers.

- **Nordic companies also tend to adopt more ambitious climate commitments, with 88.9% of companies committing to net-zero targets** (compared to 50% of other companies) and none pledging carbon neutrality.

- Among companies with decarbonisation targets, **Nordic companies most frequently provide CTPs explaining how their targets and plans align with the 1.5°C** pathway: 44.4% compared to 29.7% across the rest of the sample.

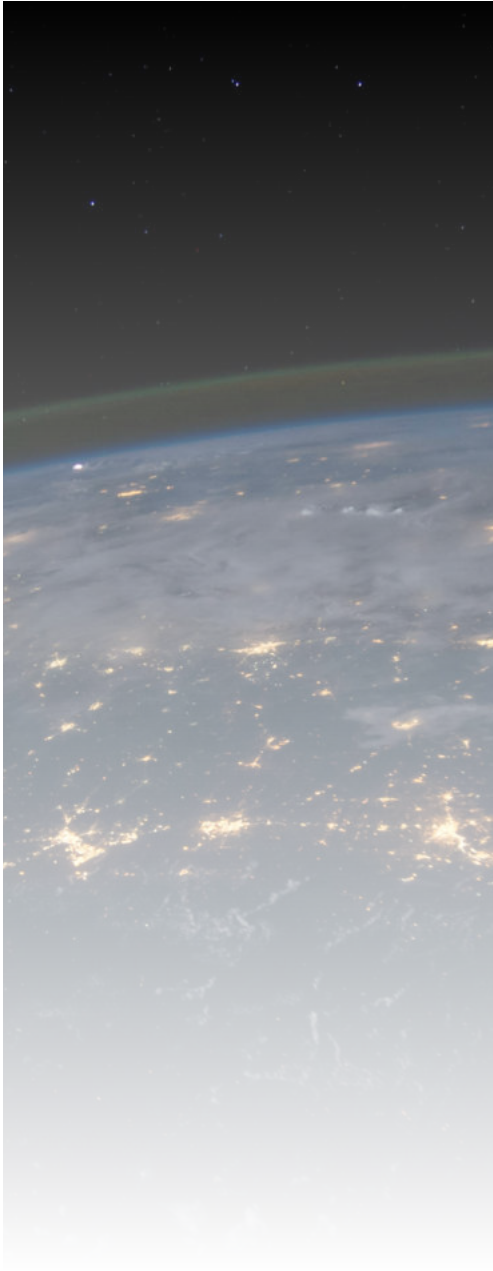
- With respect to GHG emissions, **all Nordic companies (100%) disclose relevant scope 3 categories,** compared to 87.2% for the rest of the sample.

Double Materiality Assessment: Process and Outcomes

- **A higher percentage of Nordic companies disclose an assessment of sites located in or near biodiversity sensitive areas (80%)** compared to 61.1% of other companies. Similarly, Nordic companies more often identified biodiversity-related risks (44.4%) compared to companies from other countries (27.8%).

- **For negative impacts on social matters**, Nordic companies disclose more consistently IROs across key topics: own workforce (100%), value chain workers (100%), and governance (88.9%). Among companies from other regions, IROs in these areas were identified by 79.75%, 63.3% and 54.4% companies, respectively.

Conclusions and recommendations



The research provides key insights into the first year of the CSRD/ESRS application, showing noticeable improvements compared to previous studies conducted by Frank Bold.

Notably, **progress has been made in the readability, comparability and accessibility of sustainability information.** Similarly, the quality of disclosures has significantly improved, particularly regarding **climate transition targets, GHG emissions and material impacts, risks and opportunities.**

At the same time, the study highlights **persistent limitations in areas where the ESRS do not yet provide clear requirements, methodologies or sector-specific guidance**. These limitations concern disclosure of **details of impacts and risks, quantification of financial effects, and biodiversity matters in general.**

Despite these shortcomings, the findings suggest that the **CSRD and the ESRS have had a profound positive effect on sustainability reporting.** The research indicates that such gaps and **challenges are not insurmountable hurdles but rather opportunities for policymakers and standard setters** to focus on critical issues requiring further attention.

A considerable number of companies also report taking steps to improve disclosures, especially in the areas of due diligence, double materiality, and biodiversity.

To support this progress, Frank Bold is preparing to launch a database of good practices in sustainability reporting this autumn. It will feature case studies showcasing strong disclosures and providing practical guidance for companies in the same sector.

Amid current political discussions on the **Omnibus simplification** package and the revised ESRS, **it is essential that companies' efforts and best practices are not undermined.**

Based on our research, we put forward the following key recommendations for regulators and practitioners as part of the ongoing ESRS revision process.

Recommendations for policymakers

- **Sustain momentum on financial effects quantification:** This disclosure requirement is vital for strategic planning and resilience, as it compels companies to assess how material IROs may affect their business model and strategy. While qualitative assessments provide useful context, quantification is essential – not only for users of sustainability information, but also for companies seeking to integrate sustainability into strategic decision-making. Introducing IFRS-aligned relief would offer appropriate flexibility while preserving the ambition of the ESRS framework.

- **Clarify the distinction between topics and impacts, risks and opportunities (IROs):** The ESRS should maintain a clear conceptual separation between broad sustainability topics and requirements to disclose entity-specific IROs. Conflating these categories risks producing generic disclosures, as evidenced by certain reporting practices. Crucially, many companies already report their specific impacts and risks, which serves as a necessary foundation for meaningful disclosures.

- **Offer sector-specific guidance, particularly on disclosures concerning workers in the value chain and biodiversity:** Research highlights divergent reporting practices in these areas, despite near-universal recognition of their materiality. Given the complexity of materiality assessments and the prevailing uncertainty around appropriate impact measurement, more guidance – not less – is essential. It would help alleviate reporting burdens and support companies in identifying meaningful approaches and material information.

Recommendations for businesses

- **Deepen understanding of sustainability risks and financial effects and build credible climate transition planning:** Assessing locked-in emissions, market and technological barriers, and financial planning is just as critical as setting decarbonisation targets. Yet, many sustainability reports present transition plans that omit these elements. This not only exposes companies to reputational risks but also results in plans that lack credibility and are not actionable. Effective transition planning requires a strong understanding of underlying climate risks, including quantified assessments of their financial implications. This opens the door to integrating climate considerations into strategic decision-making.

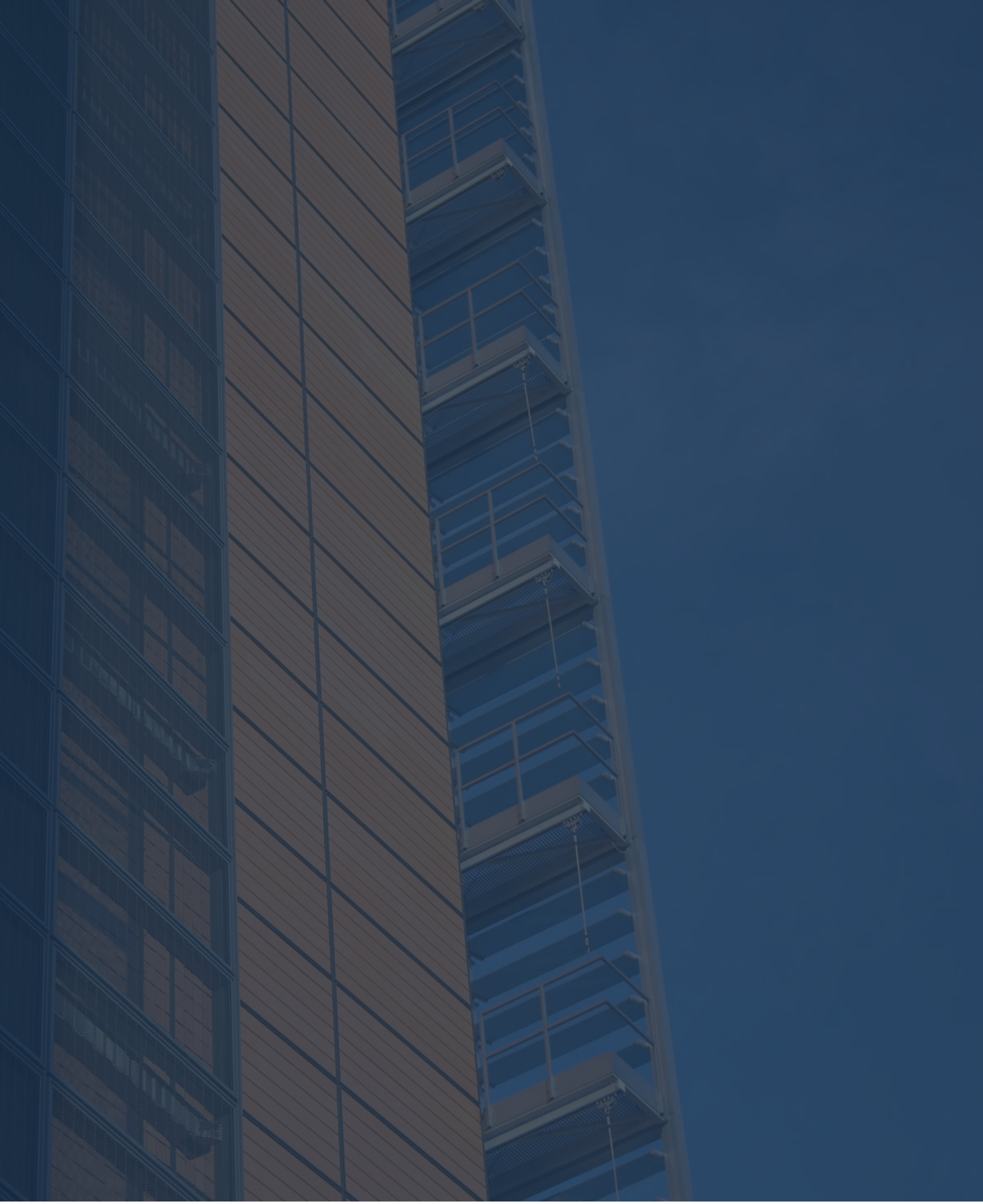
- **Embed sustainability due diligence into the double materiality assessment process:** Sustainability due diligence is not only a legal or normative requirement but a practical tool for identifying and managing impacts. It supports value chain mapping and enhances DMA quality. A well-developed ongoing due diligence process can substantially streamline and strengthen the materiality assessment, making it more focused, evidence-based, and actionable, but also far less complex.

- **Prioritise high-risk areas in value chain assessments:** A comprehensive mapping of all impacts, risks, and opportunities across the entire value chain is neither realistic nor required. In practice, such an approach often results in generic assessments of common sectoral topics, offering limited value and weak prioritisation. Instead, companies in real economy sectors should focus on segments of the value chain where impacts and risks are most likely to occur. This results in more targeted, meaningful, and decision-useful disclosures, and the correct implementation of the materiality filter.

Based on these findings, **the first year of CSRD and ESRS** implementation has resulted in **measurable improvements** in the quality and comparability of sustainability disclosures across sectors and regions. These developments have **established a foundation for the long-term development of reporting practices, and by extension climate risk assessment, transition planning, and sustainability due diligence.**

Proposals to significantly reduce the scope of reporting obligations, restrict the exchange of key information, or introduce alternative voluntary frameworks for large entities risk increasing legal uncertainty, fragmenting reporting practices, and undermining confidence among both reporting companies and users of sustainability data.

Evidence from this year indicates that maintaining the current framework supports progress. The research suggests that future efforts should prioritise clearer guidance, capacity building, and targeted support to facilitate effective implementation of existing requirements. **Stability and predictability remain important factors for EU markets and integration of sustainability in business strategic decision making.**



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