



EU: Proposal to consolidate ESG reporting requirements

November 25, 2024

Global

Why should I read this?

Earlier this month (8 November 2024) the European Commission President Ursula von der Leyen indicated in a speech that the Corporate Sustainability Reporting Directive (CSRD), EU Taxonomy Regulation, and Corporate Sustainability Due Diligence Directive (CSDDD) would be combined into an omnibus law, a single legal act combining all three frameworks into one. This is set to be published in 2025.

The aim is to reduce companies' regulatory burden by limiting “often redundant, often overlapping” requirements.

This development is aligned with the recently published Budapest Declaration. The Declaration sets out 12 points, among which is a point to launch “a simplification revolution”. On this, the European Council called for the introduction of a proposal to reduce reporting requirements by “at least 25%” in the first half of 2025.

While official proposals to meet this tentative target are yet to be published, the President of the European Commission confirmed that

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the intention is to maintain “the content of the law” with the focus on changing overlapping or incoherent requirements and removing redundant data points that do not support compliance with the framework’s objectives.

What does this mean?

Although the legislation in force has been drafted intending to complement and acknowledge each other’s requirements, this exercise will require a strategic overview of all reporting requirements to ensure there is an aligned set of questions prompting a simplified data submission process. This is no mean feat and it is difficult to assess at this stage how quick or successful this undertaking will be!

The clear message, at this stage, is that the European Commission’s objective is to maintain the law and focus on changing how compliance with its requirements can be demonstrated. Whilst the reporting regimes are seeing businesses giving more weight to sustainability in business decisions, there have been voices of concern over the implementation of the reporting regime with organizations navigating obstacles of data availability, capacity and the need to invest in technology. This is coupled with the continued need to be competitive in the global economy and the EU supporting this drive. The aim of this proposed omnibus is to reduce the administrative burdens of reporting and auditing and focus on the key data sets which will demonstrate compliance.

What might happen?

Whilst the debates on the original legislation proved divisive in some areas with compromise being necessary between the parties, it is hoped that this consolidation of law will be welcomed by the law makers. The Commission will need to take the proposals to the Council of the EU and Parliament for approval and the speed of this process will depend upon whether any party also wants to debate a change to the regulatory requirements to address any issues arising as a result of implementation of the current laws to date. It is therefore difficult to assess likely timescales for adoption.

What should you do?

At this stage, affected organizations will be complying with the Taxonomy Regulation and CSRD, whilst preparing for the due diligence requirements of CSDDD. There should be no change in compliance with these (and other) ESG laws but companies are advised to consider how to address ESG in a holistic and sustainable way so that the policies developed are capable of easy adaptation to future changes in law and practice.

Co-authored by Marta Gajos, Angela Kindness and Nathan Handoll

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Key contacts

EVERSHEDS
SUTHERLAND



Diane Gilhooley
Partner
United Kingdom



Dominique Strieder, LL.M. (Georgetown)
Partner
Frankfurt, Germany



EVERSHEDS
SUTHERLAND



Phil Spyropoulos

Partner

United Kingdom



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