Navigating CSRD reporting requirements under uncertainty

Successfully implementing sustainability initiatives beyond regulatory compliance

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May 2025

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Management Summary

The sustainable transformation and reporting obligations such as the Corporate Sustainability Reporting Directive (CSRD) pose major challenges to many companies in the petrochemical industry. As part of the EPCA Talents of Today, Leaders of Tomorrow (TTLT) Committee's ongoing commitment to fostering impactful leadership through ESG[1], EPCA together with d-fine launched a webinar series on the effective implementation of sustainability initiatives. With a dedicated focus on sustainability reporting, the series explored the basics of CSRD including the recently proposed changes through the EU's Omnibus simplification initiative as well as sector-specific challenges and best practices to take actionable steps in a company's sustainability journey. This whitepaper summarises the insights gathered from the webinar series to offer strategic recommendations for successfully navigating CSRD reporting requirements and driving sustainability initiatives amidst the evolving regulatory landscape.

The European Commission's recent Omnibus initiative which led to an already adopted postponement of reporting requirements for some companies and furthermore proposes extensive simplifications of various sustainability-related obligations, including CSRD, is causing uncertainty among affected companies, since many proposed amendments are expected to be subject to controversial discussions during the course of the legislative process. At the same time, the proposed amendments, if adopted, will allow companies to focus on strategically relevant sustainability initiatives beyond mere compliance with reporting requirements. While the preferred course of action needs be determined by each company on a case-by-case basis, several focus areas should be considered in any case.

Effective sustainability leadership and governance play a crucial role in steering companies through the process of sustainable transformation. Developing the right leadership profiles capable of managing diverse challenges is essential for driving sustainability initiatives forward. By establishing robust governance structures that integrate sustainability into core business practices, companies can ensure that they are not just meeting regulatory requirements but actively contributing to their long-term strategic goals.

Strategic drivers for sustainability must align closely with corporate objectives to add real business value. By utilizing frameworks such as the CSRD's double materiality assessment, companies can identify and prioritize key sustainability aspects that are most relevant to their business and stakeholders. Furthermore, ESG data management is fundamental to ensuring the efficiency and reliability of sustainability reporting and steering. With a focus on strategically relevant KPIs, companies should constantly work on improving their ESG-related data basis by setting up a robust data governance framework and streamlining data collection processes.

By concentrating on these critical areas — sustainability leadership and governance, alignment with business strategy, ESG data management, and pragmatic operationalisation — companies in the petrochemical industry can not only meet their reporting obligations, but also the growing demands from stakeholders for transparent, accountable, and strategic sustainability actions.

1 Environmental, Social, and Governance

01. CSRD in a nutshell

The Corporate Sustainability Reporting Directive (CSRD) in its current version imposes broad sustainability reporting requirements on about 50,000 companies across Europe. However, on February 26, 2025, the European Commission released legislative proposals referred to as the Omnibus package designed to simplify and streamline regulatory frameworks related to sustainability (Omnibus I[2]) and investment (Omnibus II). The sustainability package, which includes proposals for CSRD amendments, primarily aims to ease reporting requirements, reduce regulatory burdens, and boost the EU's competitiveness. The following section summarises the main principles and proposed amendments to the CSRD.

1.1 CSRD basics

The first CSRD reports will be due for fiscal years starting between 2024 and 2028, and will need to be prepared on a consolidated level that includes EU and non-EU subsidiaries. Since the sustainability report will become part of a company's annual report, it will be audited and published. The first application of CSRD depends on several company characteristics and is shown in Figure 1.

FY[1] 2024	FY 2025	FY 2026

■ Companies having at least 500 employees…
■ …and having more than 50m EUR turnover or 25m EUR balance sheet sum …
■ …and being public-interest entities (PIE), i.e.:
  ▪ Banks and insurances
  ▪ Publicly listed companies
  ▪ Companies designated as PIE by a member state
	Large companies, i.e. companies fulfilling at least two of three criteria:
	■ Having more than 250 employees and/or
	■ …having more than 50m EUR turnover and/or
	■ …having a balance sheet sum greater than 25m EUR
		■ SME PIEs that are not micro-undertakings[2]
		■ Further non-complex credit / insurance institutions and captive (re)insurance undertakings[3]
		■ Possibility to defer sustainability reporting for fiscal years starting before 2028 for SME PIEs

MISC	

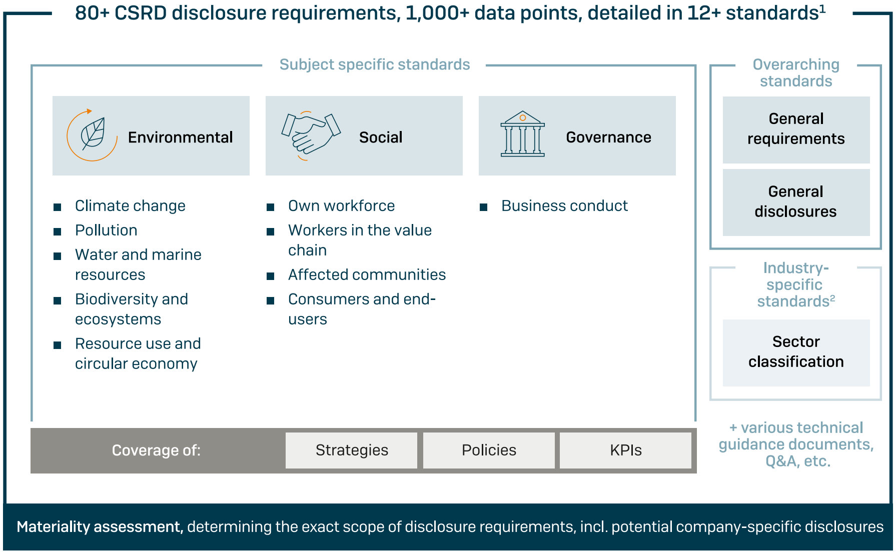
	■ Ultimate parent companies in third countries with an EU turnover > 150m EUR having subsidiaries or branches in countries covered by CSRD from FY 2028[4]
	■ Possibility for disclosure according to Voluntary SME (VSME) standard:
	  ▪ Any company willing to disclose standardized sustainability information
	  ▪ Alignment with key CSRD requirements

1 Fiscal year
2 Micro undertakings do not exceed the limits of at least two of three criteria: balance sheet total 350 kEUR, net turnover 700 kEUR, 10 employees
3 For details, please cf. Directive (EU) 2022/2464 of the European Parliament and of the Council and the final text of the Solvency II review soon published in the OJ
4 For details, please cf. Directive (EU) 2022/2464 of the European Parliament and of the Council

Figure 1: Fiscal year of first CSRD application depending on company characteristics, not considering the proposed changes through the Omnibus draft (simplified).

The coverage of sustainability disclosures is broad and includes ESG topics as well as qualitative and quantitative data points. As depicted in Figure 2, the CSRD comprises two overarching standards and ten subject-specific disclosure standards (ESRS - European sustainability reporting standards) that cover numerous topics including climate change, pollution, workforce, affected communities and business conduct. The standards typically impose disclosures on governance, strategy, the management of sustainability impacts, risks and opportunities, and quantitative metrics. While the CSRD imposes minimum disclosure requirements that apply to all companies, other disclosure requirements might not be relevant for a particular company's business model. Therefore, the CSRD prescribes a double materiality assessment that determines the exact scope of disclosures.

2 https://finance.ec.europa.eu/publications/commission-simplifies-rules-sustainability-and-eu-investments-delivering-over-eu6-billion_en



1 As part of the Omnibus proposal, future reductions in disclosure requirements and data points are anticipated.
2 Currently only preliminary standards on sector classification and selected sectors such as oil & gas available. As part of the Omnibus proposal, the development of sector specific standards is no longer planned.

Figure 2: Basic structure of the CSRD and individual European sustainability reporting standards (ESRS).

The double materiality assessment illustrated in Figure 3 adopts two perspectives on sustainability matters. Firstly, it imposes an inside-out perspective that considers a company's positive and negative impacts on the environment and society. This view is supplemented by an outside-in view considering the financial effect of sustainability topics on the company. Similar to impacts from the inside-out view, the effects can be positive opportunities or negative risks. Collectively, impacts, risks and opportunities are referred to as IROs.

After the company identifies their IROs, they need to be scored – typically according to a semi-quantitative score card. A company-set threshold determines if an IRO is material, leading to a reporting obligation for the underlying sustainability matter. Disclosures on non-material sustainability matters do not need to be included in the sustainability report. Material IROs are actively managed through a framework that covers IRO identification, the setting of strategies and targets, their operationalization through policies and concrete actions as well as quantitative measurements.

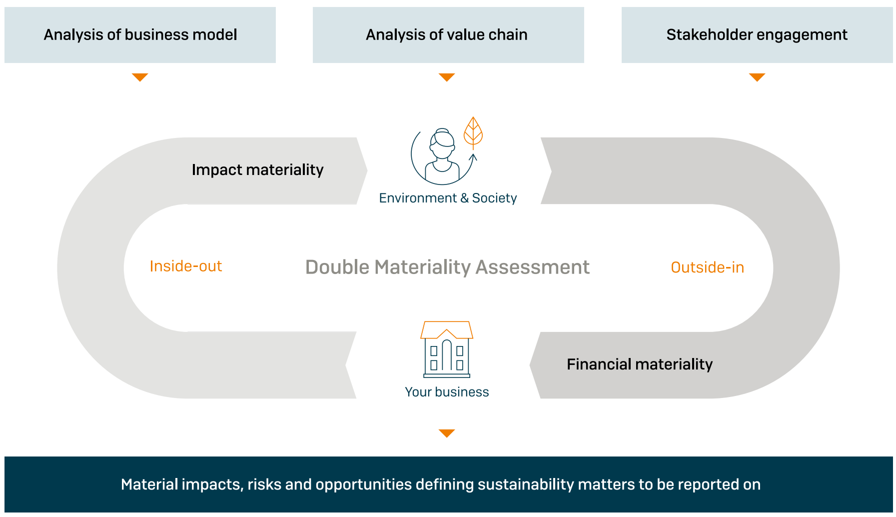


Figure 3: Basic principle of the double materiality assessment.

These comprehensive disclosure requirements are particularly challenging for companies that have not yet prepared a sustainability report. This typically applies to companies from the so-called second and third waves which, according to the currently applicable version of the CSRD, must prepare their first report for financial years 2025 and 2026, respectively. However, the due dates will most likely be postponed because of the Omnibus I proposal.

1.2 Omnibus I – Expected changes

The proposed amendments to CSRD are separated into two proposals. The first proposal, also referred to as "stop-the-clock" proposal, establishes a 2-year postponement of reporting obligations for the second and third wave of reporting entities. Companies that were previously required to report under the CSRD as of financial years 2025 and 2026 will need to report for the first time for the financial years 2027 and 2028, respectively. To provide legal certainty on the matter, the European Parliament has agreed to fast-track this file under the urgent legislative procedure, which significantly accelerated formal adoption and led to publication of the final text in the Official Journal of the EU[3] already by April 14, 2025. The EU member states are obliged to transpose the directive into national law by 31 December 2025.

The drafts of the second proposal, which primarily relate to content adjustments and simplifications, are expected to follow the standard legislative procedure with extensive negotiations. What is particularly relevant for wave 2 and 3 companies is the scope reduction, restricting reporting obligations to companies with more than 1,000 employees. This is estimated to reduce the overall scope of affected companies by 80%. Additionally, there are plans to overhaul the ESRS standards to significantly reduce reporting data points and to better align the requirements with the overall EU sustainability framework. While the details of these simplifications are not yet known, the concept of double materiality is expected to be preserved. The development of sector-specific standards, however, is no longer planned. Instead, a voluntary reporting standard, likely based on the VSME[4] standard, will be established as a "value chain cap" to limit information requests to entities outside the scope of the CSRD. Furthermore, auditing requirements will remain at a limited assurance level.[5]

3 https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ%3AL_202500794

4 The voluntary sustainability reporting standard for non-listed micro, small and medium enterprises (VSME) was originally developed by EFRAG as a simple reporting tool for SMEs to meet the increasing sustainability data requests from their business partners. Unlike what was originally planned, it is now proposed to be used as basis for the development of a legally binding Delegated Act.

5 According to the pre-Omnibus version the European Commission is mandated to analyse the potential for reasonable assurance incl. delivering respective Delegated Acts by October 1, 2028.

02. Successful implementation of sustainability initiatives and reporting requirements

Despite the remaining uncertainties introduced by the Omnibus amendments, both, the postponement and expected simplification of reporting requirements can be seen as an opportunity to allow companies to focus on high-impact sustainability initiatives that add business value. EPCA's webinar series has gathered insights from EPCA member companies and industry best practices that can help organisations successfully drive sustainability initiatives and leverage components of the CSRD for their sustainability journey beyond mere compliance. These recommendations cover four essential areas:

- Sustainability leadership and governance
- Alignment with business strategy
- ESG data management and IT
- Pragmatic operationalisation

2.1 Sustainability leadership and governance

A clear governance structure and sustainability leadership are pivotal in driving effective sustainability and reporting initiatives. Companies should therefore address this deliberately, recognizing that its implementation is not straightforward. It requires a range of different measures, including formal and informal components.

To address the broad range of sustainability-related topics, companies should focus on cultivating sustainability leadership profiles, characterized by specific skills and personal attributes. Although the required characteristics and competencies are highly context-dependent and vary between different industries, companies and geographies, research[6] shows that a mix of different characteristics and competencies boosts the effectiveness of the sustainability organisation.

As illustrated in Figure 4 on the left, personal characteristics such as intrinsic motivation, moral courage, trustworthiness, emotional intelligence, and creativity form the foundation of sustainability leadership. These qualities typically develop over time and anchor a leader's authentic commitment to sustainability. Moral courage empowers leaders to uphold ethical and sustainability principles even when facing resistance, allowing them to make decisions that prioritise long-term value over short-term gain. Trustworthiness, rooted in integrity and accountability, fosters credibility and confidence among both internal and external stakeholders, which is essential for navigating complex change processes. Emotional intelligence plays a vital role to create psychologically safe environments that support innovation, dialogue, and collaboration within diverse teams.

These attributes are complemented by key competencies — depicted in Figure 4 on the right — that can be developed more deliberately through training, mentorship, and experience. These include visionary engagement, sustainability literacy, open communication, business understanding, and a holistic systems view. For example, visionary engagement refers to a leader's ability to articulate a compelling, future-oriented vision that links sustainability objectives to business strategy, inspiring collective commitment and action. Business understanding and a holistic view allows leaders to understand and navigate the interconnectedness of environmental, social, and economic dynamics, helping them to anticipate unintended consequences, and identify leverage points for transformative change.

6 For details, cf. study "Individual Sustainability Leadership" by EPCA and Antwerp Management School, 2020.

Together, these personal and professional capabilities empower leaders to embed sustainability into core decision-making, influence a broad range of stakeholders, and drive systemic impact. Moreover, interdisciplinary teams composed of leaders with varied strengths across this spectrum often prove more effective, as they bring diverse perspectives and complementary approaches to complex sustainability challenges.

Figure 4: Important personal characteristics (left) and competencies (right) for sustainability leadership. Adapted from "Individual Sustainability Leadership" by EPCA and Antwerp Management School, 2020.

Sustainability leadership should be embedded in a sustainability governance structure. This requires a certain degree of central orchestration and consistency while also reflecting the specifics of different business models. While a variety of different setups is feasible in principle, companies often appoint a central sustainability function reporting to the CEO or CFO and coordinating sustainability endeavours across business units. This function is often responsible for reporting requirements, such as the CSRD, coordinating the compilation of the overall report and requesting the necessary input from decentralised sustainability experts within the different business units.

To put sustainability initiatives intro practice, a sustainability management framework as illustrated in Figure 5 is required which is driven by sustainability leadership. The CSRD requirements provide a viable blueprint structure:

- **Strategies and Policies** – Companies shall explain how they plan to prevent harm, manage risks, and take advantage of sustainability opportunities. Good leadership means thinking long-term and ensuring sustainability to be a core business priority.

- **Targets** – To effectively guide sustainability efforts, it is essential to set measurable, outcome-oriented targets that encompass short, medium, and long-term objectives. Leadership should create awareness of the targets among employees and external stakeholders.

- **Actions and resources** – To achieve the targets, companies need to take action and allocate the required resources. Good leadership ensures sufficient resource allocation and fosters staff involvement for the effective implementation of actions.

- **Key performance indicators (KPIs)** track the effectiveness of policies, actions and target achievement. Effective leadership ensures continuous KPI monitoring and transparency on the achievement of set targets.

Figure 5: Key components of sustainability management frameworks.

Lastly, effective sustainability governance typically incorporates sustainability criteria into incentive schemes. This includes formal target agreements that may also consider long-term effects, e.g. through deferred bonuses. Sustainability performance can also play a role in promotion decisions. In addition, recognition of successful sustainability leadership, e.g. though publicity or awards, can drive sustainability change.

2.2 Alignment with business strategy

Sustainability initiatives that go beyond compliance with regulations such as CSRD can create real business value if they are effectively aligned with the corporate strategy. The CSRD methodology, and in particular the double materiality assessment, can be instrumental in identifying strategic drivers for the company. A structured approach identifies sustainability matters material to the company, taking into account its value chain, relevant stakeholders and short- to long-term time horizons.

Recognising the importance of ESG performance is critical, as stakeholders such as clients and investors increasingly prioritise companies with robust sustainability ratings and transparent sustainability efforts. Apart from information provided by CSRD and EU Taxonomy reporting, they also base their decisions on a variety of rating schemes. These include ESG ratings from established rating agencies and financial institutions and primarily focus on listed companies. Additionally, several institutions, companies and initiatives provide specialized ESG ratings – e.g. EcoVadis or CDP. Hence, companies should identify and prioritise the ratings most relevant to their stakeholders. Potential areas for improvement can be identified by benchmarking against industry peer groups.

To ensure the implementation of strategically important sustainability aspects, ESG objectives should be integrated into business-relevant KPIs and incentive schemes. This helps to avoid potential trade-offs between the sustainable transformation and other, often shorter-term, business issues. Combined with the use of techniques such as scenario analyses and vulnerability assessments, companies can anticipate and respond to future sustainability challenges and opportunities at an early stage.

2.3 ESG data management and IT

Effective ESG data management is critical to the successful implementation of sustainability initiatives and reporting requirements. However, organisations aiming to measure and assess their sustainability performance often face significant challenges in terms of availability, quality and management of ESG data. The required information, e.g. concerning carbon accounting, is typically dispersed across various tools and systems, ranging from Excel spreadsheets to MES[7] and ERP[8] systems. Consequently, the collection of this data is often a manual, time-consuming and error-prone process, typically leading to the lack of a consistent and up-to-date overview.

To address this issue, it is essential to streamline and integrate data collection throughout existing systems and processes to the extent possible and sensible. A robust data governance framework with clear roles and responsibilities should be defined to improve data quality. Additionally, the implementation of a centralised ESG data management system can create a reliable basis that acts as a single source of truth, facilitating consistent usage of ESG data for numerous reporting requirements and internal purposes. Reporting software ranging from CSRD processing to BI[9] dashboards for internal steering can then be based on this centralised data source.

Developing an integrated data management solution encompassing all relevant data sources is complex and costly. Therefore, a phased approach, prioritising strategically and business-relevant KPIs is advisable. When connecting source systems and automating data collection, it is crucial to carefully assess the benefits and to take the volume, complexity and frequency of data updates into account. Regular updates and the ability to conduct "drilldowns", for example, to identify decarbonisation levers in the corporate carbon footprint, are typically more desirable for business-relevant KPIs than those needed only for annual reporting. Hence, a structured requirements analysis should be conducted.

2.4 Pragmatic operationalisation

When navigating the complexities of CSRD, early preparation is crucial, especially for companies who are new to sustainability reporting. This preparation can include writing test chapters, conducting trial runs for data collection, and continuously aligning key results and assumptions with the auditor. Given the extent of data required, establishing clear processes and responsibilities for data collection is essential. Management buy-in and sufficient resource allocation are therefore essential for a successful CSRD implementation.

However, in light of the Omnibus package, the way forward for CSRD implementation projects should be carefully considered. Depending on the CSRD implementation progress and reporting wave, distinct approaches to the Omnibus package may be favourable. As a first step, companies should assess how the proposed changes of the reporting scope will likely affect their regulatory exposure. Subsequently, different options for action can be evaluated. In any case, it is important to bear in mind that these proposals are highly likely to be subject to changes induced by the politically driven legislative process. Still, the Commission's central motive of relieving undertakings of regulatory burden, to streamline and simplify requirements will certainly prevail.

7 Manufacturing Execution System

8 Enterprise Resource Planning

9 Business Intelligence

Figure 6 provides some recommendations for companies from different waves and at different stages of CSRD implementation. The preferred course of action should be determined on a case-by-case basis, considering a company's regulatory risk appetite. Irrespective of the specific decision, companies should focus on important core topics that are likely to remain relevant and that generally support business steering and their sustainable transformation beyond mere reporting requirements.

Wave 1	
Companies with reporting obligation for FY 2024[1]	■ Continue reporting according to CSRD standards unless rollback to NFRD rules desired, feasible and more cost-effective ■ Consider automation of steering-relevant KPIs and data management ■ Maintain flexibility for future ESRS & Taxonomy adaptations
Wave 2/3 companies with original reporting obligation for FY 2025/ 2026 that …	
… potentially no longer fall within reporting scope	■ Consider stopping current CSRD activities, due consideration of risk w.r.t. changes to Omnibus proposal ■ Diligently document all assumptions, methods, contact persons, etc. ■ Focus on VSME standard, steering-relevant KPIs and sustainability management structures
… have not yet started or took only minor steps	■ Consider conduction of double materiality assessment to identify material impacts, risks and opportunities ■ Focus implementation effort on sustainability management structures, ESG data management, VSME data set and KPIs relevant for steering
… already made significant progress	■ Continue driving ESG management frameworks, data management, steering-relevant KPIs and VSME disclosures ■ Find reasonable break-points for current work packages beyond the above scope ■ Diligently document all assumptions, methods, contact persons, etc.
… (almost) finished their CSRD journey	■ Consider continuation of reporting processes "as is" only if report is considered useful ■ Consider automation of data management, steering-relevant KPIs and VSME data set ■ Maintain flexibility for future ESRS & Taxonomy adaptations
+ Consider potential ESG-related disclosure requirements beyond CSRD/Taxonomy, e.g. for refinancing purposes, other (regulatory) requirements, etc.	

1 Options under assumption that national implementation of CSRD is still pending

Figure 6: Possible reactions depending on the company's reporting wave and CSRD implementation progress.

03. Outlook

In light of the first Omnibus package and further expected amendments, uncertainties on regulatory sustainability reporting, and the CSRD in particular, will prevail. Despite these uncertainties, progress with the sustainability transformation remains critical to achieving the ambitious sustainability goals set by companies and policymakers. The postponement of reporting requirements can thus be seen as an opportunity to allow companies to focus on high-impact sustainability initiatives that create business value and support strategic decision-making – e.g. by fostering sustainability leadership, establishing effective sustainability governance structures and advancing fit-for-purpose ESG data management.

Access the individual webinar content and accompanying articles through the following links:

- CSRD basics: https://epca.eu/csrd-basics
- Pragmatic approach for mid-sized companies: https://epca.eu/csrd-pragmatic-approaches-sme
- Sustainability leadership: https://epca.eu/csrd-leadership
- CSRD Omnibus and wrap-up: https://epca.eu/csrd-best-practices

Additionally, EPCA members can request access to the recordings of the webinars, at ttlt.committee@epca.eu.

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