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To:	Ms Thérèse BLANCHET, Secretary-General of the Council of the European Union
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Subject:	Proposal for a DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Directives 2006/43/EC, 2013/34/EU, (EU) 2022/2464 and (EU) 2024/1760 as regards certain corporate sustainability reporting and due diligence requirements - Opinion of the European Central Bank on proposals for amendments to corporate sustainability reporting and due diligence requirements (CON/2025/10)

Delegations will find attached the above-mentioned opinion.

EUROPEAN CENTRAL BANK

EUROSYSTEM

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OPINION OF THE EUROPEAN CENTRAL BANK

of 8 May 2025

on proposals for amendments to corporate sustainability reporting and due diligence requirements

(CON/2025/10)

Introduction and legal basis

On 26 February 2025, the European Commission published a proposal for a Directive of the European Parliament and of the Council amending Directives (EU) 2022/2464 and (EU) 2024/1760 as regards the dates from which Member States are to apply certain corporate sustainability reporting and due diligence requirements[1] (hereinafter the 'proposed postponement of the CSRD and CSDDD') and a proposal for a Directive of the European Parliament and of the Council amending Directives 2006/43/EC, 2013/34/EU, (EU) 2022/2464 and (EU) 2024/1760 as regards certain corporate sustainability reporting and due diligence requirements[2] (hereinafter the 'proposed amendments to the CSRD and CSDDD' and, together with the proposed postponement of the CSRD and the CSDDD, the 'proposed directives').

The European Central Bank (ECB) has decided to deliver an own initiative opinion on the proposed directives. The ECB's competence to deliver an opinion is based on Articles 127(4) and 282(5) of the Treaty on the Functioning of the European Union, since the proposed directives contain provisions falling within the ECB's fields of competence, including, in particular, the implementation of monetary policy pursuant to Article 127(2), first indent, and Article 282(1) of the Treaty, the prudential supervision of credit institutions pursuant to Article 127(6) of the Treaty, the contribution to the smooth conduct of policies pursued by competent authorities relating to the stability of the financial system pursuant to Article 127(5) of the Treaty, and the collection of statistical information pursuant to Article 5 of the Statute of the European System of Central Banks and of the European Central Bank (hereinafter the 'Statute of the ESCB'). In accordance with Article 17.5, first sentence, of the Rules of Procedure of the European Central Bank, the Governing Council has adopted this opinion.

1. General observations

1.1 The ECB supports the Commission's goal of enhancing the European economy's long-term competitiveness, whilst maintaining the objectives of the European Green Deal[3] and Sustainable Finance Action Plan[4]. Sustainable, long-term economic growth and resilience supports price stability

1 COM(2025) 80 final of 26 February 2025.

2 COM(2025) 81 final of 26 February 2025.

3 Communication from the Commission, 'The European Green Deal', COM(2019) 640 final of 11 December 2019.

4 Communication from the Commission, 'Strategy for Financing the Transition to a Sustainable Economy', COM/2021/390 final of 6 July 2021.

and the effectiveness of the ECB's monetary policy. To that end, the ECB supports the Commission's efforts to streamline and simplify sustainability reporting and due diligence requirements, and thereby ensure that compliance costs for companies are proportionate.

1.2 The ECB also supports the Commission's holistic approach to enhancing European competitiveness. Building on the Letta[5] and Draghi[6] reports, the Commission's Communication on a Competitiveness Compass for the EU[7] sets out a concrete roadmap to support European innovation, decarbonisation and economic security. Progress in key areas, such as developing a Savings and Investment Union[8] (SIU) and lowering barriers to the Single Market, is essential to achieve these objectives and foster competitiveness. Simplifying the regulatory environment can also play an important role, provided that the fundamental objectives of the relevant legislation are preserved.

1.3 In simplifying sustainability legislation, it is important to strike the right balance to ensure that the benefits of sustainability reporting for the European economy and for the financial system are retained while ensuring that the framework is proportionate. Well-calibrated sustainability reporting requirements can support the Union's priorities, including those set out in the Competitiveness Compass. In particular, the availability of harmonised, standardised and reliable sustainability information contributes to the SIU's objectives by ensuring that investors have access to sound data to inform their investment decisions[9]. This is essential to facilitate the allocation of capital to the most rewarding projects across the Union. The Clean Industrial Deal[10] will require substantial investments in clean technologies, renewable energy and energy-efficient infrastructures, as well as designing incentives to support energy-intensive industries in their climate transition pathway. The sustainability reporting framework, in particular the reporting standards on climate change, offers valuable metrics to inform investments in low-carbon industries, renewable energy projects, transition finance and other clean and green initiatives, thereby supporting both competitiveness and the achievement of the Union's climate targets. Harmonised reporting, rather than fragmented individual data collection, and interoperability with international standards, serve to avoid unnecessary compliance costs for both reporting companies and users of the data. A harmonised approach enables a comprehensive understanding of potential risks and opportunities for the benefit of companies, market participants and policymakers, thus facilitating informed and strategic decision-making.

5 Enrico Letta, 'Much more than a market', April 2024, available on the Council's website at www.consilium.europa.eu.

6 Mario Draghi, 'The future of European competitiveness', September 2024, available on the Commission's website at www.commission.europa.eu.

7 Communication from the Commission, 'A Competitiveness Compass for the EU', COM(2025) 30 final of 29 January 2025.

8 Communication from the Commission, 'Savings and Investment Union: A Strategy to foster citizens' wealth and economic competitiveness in the EU', COM(2025) 124 final of 19 March 2025.

9 See paragraph 1.4 of Opinion CON/2021/27 of the European Central Bank of 7 September 2021 on a proposal for a directive amending Directive 2013/34/EU, Directive 2004/109/EC, Directive 2006/43/EC and Regulation (EU) No 537/2014, as regards corporate sustainability reporting (OJ C 446, 3.11.2021, p. 2). All ECB opinions are published on EUR-Lex.

10 Communication from the Commission, 'The Clean Industrial Deal: A joint roadmap for competitiveness and decarbonisation', COM(2025) 85 final of 26 February 2025.

1.4 In addition to supporting competitiveness, a well-calibrated sustainability reporting framework is essential for market participants to understand and price sustainability-related financial risks. By ensuring an appropriate quality and quantity of corporate-level sustainability information, the reporting framework can ensure that meaningful, reliable and comparable information is available to investors, credit institutions, other financial market participants and public authorities, including central banks and prudential supervisors. Moreover, such a framework can help to prevent investment decisions being taken on the basis of incomplete information, thus ensuring that such decisions adequately take into account sustainability-related risks. The absence of sustainability information, on the other hand, could give rise to systemic risks that threaten financial stability. Issues with the availability, quality and granularity of environmental, social and governance (ESG) data, as well as the lack of comparability and transparency of such data, remain a major challenge, not only for investors but also for credit and financial institutions and public authorities[11]. Therefore, the ECB considers that a well-calibrated sustainability reporting framework is essential to address data gaps in sustainability policy, risk assessment and risk monitoring frameworks for the financial sector, in line with the objectives of the Union's sustainable finance framework[12]. In that respect, it is essential that where the proposed amendments to Directive (EU) 2022/2464 of the European Parliament and of the Council[13] (hereinafter the 'Corporate Sustainability Reporting Directive' (CSRD)) seek to reduce reporting costs for companies, including through the value chain, they continue to support the application of policies and actions related to the identification and management of risks to the financial sector.

1.5 To support the achievement of the Commission's objectives and to ensure that the sustainability reporting framework is calibrated appropriately and proportionately, the ECB offers some specific technical observations and suggestions on the proposed amendments to the CSRD and CSDDD, with a view to further enhancing the revised framework.

1.6 Moreover, the ECB supports the Commission's further efforts to streamline and simplify the sustainable finance framework, in order to reduce the reporting costs for companies, increase its usefulness for investors and end-users, and support green investment[14]. First, the forthcoming review of Regulation (EU) 2019/2088 of the European Parliament and of the Council[15] and of Commission Delegated Regulation (EU) 2021/2178[16] will offer important opportunities for

11 See also European Banking Authority, 'Report on data availability and feasibility of common methodology for ESG exposures', EBA/REP/2025/06, 24 February 2024, available on the European Banking Authority's website at www.eba.europa.eu.

12 See paragraph 1.3 of Opinion CON/2021/27.

13 Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting (OJ L 322, 16.12.2022, p. 15, ELI: https://data.europa.eu/eli/dir/2022/2464/oj).

14 ECB, 'Investing in Europe's green future, Green investment needs, outlook and obstacles to funding the gap', Occasional Paper No 367, 5 February 2025, available on the ECB's website at www.ecb.europa.eu.

15 Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (OJ L 317, 9.12.2019, p. 1, ELI: https://data.europa.eu/eli/reg/2019/2088/oj).

16 Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by

streamlining. Second, the integration of sustainability information into the European Single Access Point (ESAP) offers opportunities to significantly reduce barriers to access and ultimately lower the cost of collecting and analysing sustainability information[17]. Third, the ECB recalls that it supports the requirement that data must be reported in accordance with the single electronic reporting format[18]. This will support the processing of the data and facilitate standardisation within corporate IT software, which will help reduce companies' reporting costs. To fully reap the benefits of the single electronic reporting format, the ECB recommends that the Commission should explore options to make the complete dataset accessible to end-users for analysis in a suitable format, in particular to facilitate both bulk data exchange and direct access via a suitable database portal. This could be achieved, for example, by further enhancing the features of the ESAP.

1.7 The ECB encourages the Union legislators to reach an agreement on the proposals as soon as possible, and by the end of 2025 at the latest. Moreover, the ECB calls on Member States to transpose the CSRD in a timely manner and supports the Commission's intention to prepare and adopt the necessary delegated acts in good time prior to the entry into force of the proposed directives. These actions are critical to provide legal certainty for companies as regards sustainability reporting, and to ensure that companies subject to Directive (EU) 2024/1760 of the European Parliament and of the Council[19] (hereinafter the 'Corporate Sustainability Due Diligence Directive' (CSDDD)) have sufficient time to prepare for sustainability due diligence and to put in place transition plans under the CSDDD in a timely manner.

2. Relevance of the proposed directives for the objectives and tasks of the ECB and the Eurosystem

2.1 Sustainability-related issues, and the climate and nature crises in particular, can affect how central banks discharge their mandates, especially in the fields of banking supervision, financial stability, monetary policy and the collection of statistical information[20].

2.2 *Relevance for banking supervision*

2.2.1 In the context of its prudential supervisory tasks and its contribution to financial stability, the ECB has been a strong supporter of Union policy efforts aimed at improving the identification and

undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation (OJ L 443, 10.12.2021, p. 9, ELI: https://data.europa.eu/eli/reg_del/2021/2178/oj).

17 See also paragraph 1.3 of Opinion CON/2022/20 of the European Central Bank of 7 June 2022 on the establishment and functioning of the European Single Access Point (ESAP) (OJ C 307, 12.8.2022, p. 3).

18 Article 2, point (9), of the proposed amendments to the CSRD and CSDDD, replacing Article 29d of Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (OJ L 182, 29.6.2013, p. 19, ELI: https://data.europa.eu/eli/dir/2013/34/oj).

19 Directive (EU) 2024/1760 of the European Parliament and of the Council of 13 June 2024 on corporate sustainability due diligence and amending Directive (EU) 2019/1937 and Regulation (EU) 2023/2859 (OJ L, 2024/1760, 5.7.2024, ELI: https://data.europa.eu/eli/dir/2024/1760/oj).

20 See paragraph 2.4 of Opinion CON/2021/12 and paragraph 2 of Opinion CON/2021/27.

management of financial risks related to sustainability, with a view to enhancing the safety and soundness of credit institutions and the stability of the financial system[21].

2.2.2 To that end, the ECB has strongly supported legislative initiatives to enhance the requirements with respect to ESG risks for credit institutions and the respective mandate for competent authorities[22]. In particular, competent authorities, including the ECB, are required to ensure that credit institutions have robust governance and risk management arrangements to identify, measure, manage and monitor ESG risks over the short, medium and long term, and that credit institutions test their resilience to long-term negative impacts of ESG factors[23]. This includes understanding and managing the financial risk implications of a broad range of environmental factors, including biodiversity loss and nature degradation[24]. Furthermore, competent authorities must assess and monitor credit institutions' plans to address the financial risks arising from the process of adjustment, and transition, in accordance with relevant Union, Member State, and if applicable, third-country regulatory objectives, in particular the objective of achieving climate neutrality[25].

2.2.3 In this context, the availability of high-quality sustainability-related information, at both granular and aggregated levels, is essential in order to adequately identify, assess and manage ESG-related financial risks. Moreover, the availability of such information will also facilitate market pricing of such risks in line with the principle of an open market economy. It is critical that any simplification of sustainability reporting and due diligence requirements do not restrict data collection by credit institutions related to their risk management activities and processes or impede prudential supervisors' activities.

2.3 *Relevance for financial stability*

As noted by the ECB and the European Systemic Risk Board (ESRB) in several reports, reliable, consistent and comparable information, from a sufficiently broad set of firms, on the exposure of firms across different sectors to sustainability-related risks is a prerequisite for accurately assessing the financial risks arising from the climate and nature crises, and firms' adjustment towards a more sustainable economy[26]. Such information is essential to enhance the capability of the ECB and

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21 See paragraph 2 of Opinion CON/2021/27, paragraph 1.1 of Opinion CON/2022/16 of the European Central Bank of 27 April 2022 on the proposal for a Directive of the European Parliament and of the Council amending Directive 2013/36/EU as regards supervisory powers, sanctions, third-country branches, environmental, social and governance risk (OJ C 248, 30.6.2022, p. 87) and paragraph 1.2 of Opinion CON/2023/2 of the European Central Bank of 16 January 2023 on a proposal for a Directive on the energy performance of buildings (OJ C 89, 10.3.2023, p. 1).

22 Paragraph 1.1 of Opinion CON/2022/16.

23 See Article 87a(1) to (3) of Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (OJ L 176, 27.6.2013, p. 338, ELI: https://data.europa.eu/eli/dir/2013/36/oj).

24 See Article 4(1), points (52d) to (52g), of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and amending Regulation (EU) No 648/2012 (OJ L 176, 27.6.2013, p. 1, ELI: https://data.europa.eu/eli/reg/2013/575/oj). See also 'Climate and nature plan 2024-2025 at a glance', available on the ECB's website at www.ecb.europa.eu.

25 See Article 87a(4) of Directive 2013/36/EU.

26 See the following reports: 'Positively green: measuring climate change risks to financial stability', June 2020, 'Climate-related risk and financial stability', July 2021, 'The macroprudential challenge of climate change', July 2022, and 'Towards macroprudential frameworks for managing climate risk', December 2023, available on the ESRB's website at www.esrb.europa.eu.

financial stability authorities to monitor and address the impact of sustainability-related risks, especially the risks posed by the climate and nature crises, on financial stability[27]. To fully benefit from the sustainability reporting framework, it is beneficial to ensure both that information is reported by a sufficiently broad set of firms and that the reporting standard is simple and properly focused. This approach can support the effectiveness of the framework and help to prevent key information from being obscured, thereby ensuring that reporting is appropriately targeted and the framework is not overly complex.

2.4 *Relevance for monetary policy*

2.4.1 Physical and transition risks related to the climate and nature crises have profound implications for both price and financial stability through their impacts on the structure and cyclical dynamics of the economy and the financial system. The ECB accordingly needs to take into account the implications of these crises to determine the appropriate monetary policy stance and deliver on its price stability mandate[28]. The availability of sustainability information is a minimum requirement to enable it to do so[29].

2.4.2 Following the ECB's 2021 monetary policy strategy review, the ECB, in July 2022, announced several measures aimed at incorporating climate-related considerations into its monetary policy operations[30]. In addition, in March 2024, the ECB further announced that the design of the operational framework will aim to incorporate climate-related considerations into future structural monetary policy operations[31]. The sustainability reporting framework is relevant to the design of these monetary policy measures, as it can provide information on, inter alia, greenhouse gas (GHG) emissions, transition plans and decarbonisation targets, green investment, and the use of green financing instruments at the firm level. The planned measures announced by the ECB may therefore be impacted by the proposed amendments to the CSRD. In particular, the reduction in the scope of undertakings subject to sustainability reporting requirements under the CSRD would limit the availability of firm-level data, thereby weakening the Eurosystem's ability to perform a granular assessment of climate-related financial risks in its monetary policy operations. Moreover, the Eurosystem's ability to implement the measures it has previously announced may be adversely affected by delays in the transposition of the CSRD into the national laws of euro area Member States, and by the proposed postponement of the CSRD and CSDDD.

2.4.3 Finally, as part of the ECB's climate and nature plan[32], the ECB has committed to assessing the implications of nature degradation – and its interplay with climate – on the economy and financial

27 See Financial Stability Board, 'Assessment of Climate-related Vulnerabilities: Analytical framework and toolkit', 16 January 2025, available on the website of the Financial Stability Board (FSB) at www.fsb.org.

28 See 'An overview of the ECB's monetary policy strategy', 8 July 2021, available on the ECB's website at www.ecb.europa.eu.

29 See paragraph 2 of Opinion CON/2021/27 and paragraph 2.1 of Opinion CON/2023/30 of the European Central Bank of 4 October 2023 on the transparency and integrity of Environmental, Social and Governance (ESG) rating activities (OJ C, C/2023/1354, 1.12.2023, p. 1, ELI: https://data.europa.eu/eli/C/2023/1354/oj).

30 See press release of 4 July 2022, 'ECB takes further steps to incorporate climate change into its monetary policy operations', available on the ECB's website at www.ecb.europa.eu.

31 See the statement by the Governing Council of 13 March 2024, 'Changes to the operational framework for implementing monetary policy', available on the ECB's website at www.ecb.europa.eu.

32 See ECB, 'Climate and nature plan 2024-2025 at a glance', available on the ECB's website at www.ecb.europa.eu.

system and to assessing the ECB's own exposure to related risks through its portfolio holdings on its balance sheet. To be able to do so, the ECB needs access to robust data, more specifically including sustainability reporting requirements under the CSRD pertaining to biodiversity and ecosystems. While still nascent, data pertaining to other environmental factors, such as pollution, water and marine resources, resource use and the circular economy, could also be factored into the ECB's assessments.

2.5 *Relevance for the collection of statistical information*

In order to carry out its tasks and activities, the ECB relies as far as possible on existing official data to limit the burden placed on reporting agents. In this context, the availability of highly standardised sustainability-related information from a sufficiently broad set of firms would enable the ECB to better fulfil its functions by compiling statistical indicators of higher coverage and quality relating to sustainable finance, carbon emissions and physical risks.

3. Corporate sustainability reporting

3.1 *Scope of the reporting obligation*

3.1.1 Under the proposed amendments to the CSRD, the scope of the sustainability reporting obligation will be reduced to large undertakings, and parent undertakings of large groups, with an average of more than 1 000 employees during the financial year[33].

3.1.2 The ECB sees benefits in some elements of the change in scope. From the perspective of the SIU, removing the distinction between listed and non-listed undertakings could have positive effects. It is important that undertakings have access to adequate financing at different phases in their lifecycles, and public listing can play an important role, especially in later stages of growth.[34]. It should therefore be ensured that the cost of complying with the CSRD requirements does not act as a disincentive for companies that are considering public listing.

3.1.3 However, the ECB observes that the proposed reduction in scope is a significant change to the CSRD. As noted in the proposal, the number of undertakings subject to sustainability reporting requirements would be reduced by about 80 %. This amendment could significantly limit stakeholders' access to important information and potentially lead to the following unwanted outcomes.

3.1.4 First, the proposed reduction in scope would reduce the overall availability of sustainability-related information, including information on GHG emissions produced by undertakings. For instance, the current scope of the CSRD is estimated to cover only around 37 % of CO_2 emissions produced by undertakings in the Union[35]. The proposed reduction in scope will further reduce that percentage considerably and may even result in certain significant emitters – including fossil fuel companies –

33 Article 2, points (2) and (4), of the proposed amendments to the CSRD and CSDDD, amending Articles 19a(1) and 29a(1) of Directive 2013/34/EU.

34 See ECB, 'Capital markets union: a deep dive', Occasional Paper No 369, 10 March 2025, available on the ECB's website at www.ecb.europa.eu.

35 SMEs collectively contribute to approximately 63 % of all CO_2 and GHG emissions by enterprises. See Commission, 'Statement by the Chair of the Platform on Sustainable Finance: Facilitating Access to Sustainable Finance for SMEs', 27 May 2024 and 'Eurobarometer: EU SMEs working towards sustainability', 28 March 2022, available on the Commission's website at www.commission.europa.eu.

falling outside the scope of the reporting obligation. The resulting lack of data may mask climate-related financial risk. More generally, it can reduce the role played by sustainability information in supporting the Union's priorities, including those set out in the Competitiveness Compass, as outlined in paragraph 1.3.

3.1.5 Second, the proposed amendments to the CSRD will result in some undertakings that currently report under Directive 2014/95/EU of the European Parliament and of the Council[36] (hereinafter the 'Non-Financial Reporting Directive' (NFRD)) no longer being subject to sustainability reporting requirements. The NFRD set out sustainability reporting requirements for large undertakings which are public interest entities with an average of more than 500 employees during the financial year. These undertakings account for a significant part of the overall turnover of large undertakings in the Union, estimated at 77 %. This is the case even though such undertakings represent only a minority of the universe of large undertakings, estimated at 33 %[37].

3.1.6 Third, the reduction in the scope of the reporting obligation will impact the scope of credit institutions subject to sustainability reporting requirements. Under the current CSRD, all credit institutions are subject to sustainability reporting requirements[38]. However, the ECB estimates that the proposed reduction in the scope of the CSRD would lead to approximately one in eight significant institutions and the vast majority of less significant institutions no longer being subject to sustainability reporting requirements. This would lead to an incomplete set of publicly available ESG information from the banking sector, thus impeding the objective of the Union's sustainable finance framework of guaranteeing comprehensive transparency to the financial markets. Moreover, to properly assess the ESG risks faced by credit institutions and financial markets, supervisory authorities need to obtain adequate and sufficiently granular data from all institutions exposed to such risks. In that respect, it is worth noting that ESG risks are not necessarily proportionate to an institution's size. In this regard, sustainability reporting by significant institutions would provide additional information compared with disclosures under Pillar 3 of the prudential framework[39], notably on ESG risks beyond climate. For these reasons, the ECB recommends that at least all significant institutions, regardless of the number of employees, should remain subject to sustainability reporting requirements.

3.1.7 In view of these drawbacks, the ECB invites the Union legislators to give further consideration to the scope of sustainability reporting, in order to ensure that it remains well calibrated. There may be further options that could support the Commission's goal of simplification, while retaining more of the

36 Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups (OJ L 330, 15.11.2014, p. 1, ELI: https://data.europa.eu/eli/dir/2014/95/oj).

37 European Commission, Study on the Non-Financial Reporting Directive: Final Report, April 2021, available at https://op.europa.eu/en.

38 Credit institutions may fall within the definition of large undertakings which are 'public interest entities' under Articles 1(3) and 2(1) of Directive 2013/34/EU and Article 5(2) of Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting (OJ L 322, 16.12.2022, p. 15, ELI: https://data.europa.eu/eli/dir/2022/2464/oj). In addition, credit institutions may fall within the definition of small and non-complex institutions, under Article 4(1), point (145), of Regulation (EU) No 575/2013. Small and non-complex institutions are subject to sustainability reporting requirements for SMEs under Article 19a(6) of Directive 2013/34/EU.

39 See Article 449a of Regulation (EU) No 575/2013.

benefits of sustainability reporting for competitiveness and for managing climate and nature-related risks. The inclusion in the proposed amendments to the CSRD of a reporting obligation for large undertakings, and parent undertakings of large groups, with an average number of employees that is more than 500 but fewer than 1 000 during the financial year (hereinafter 'medium-large undertakings'[40]) would be one possibility. Medium-large undertakings could be subject to a reporting requirement in accordance with dedicated simplified sustainability reporting standards that are proportionate and relevant to the capacities and the characteristics of such undertakings and to the scale and complexity of their activities. Furthermore, as noted in paragraph 3.1.6, the ECB suggests that at least all significant institutions are subject to sustainability reporting requirements. This includes significant institutions with fewer than 500 employees, which should be subject to the same requirements as medium-large undertakings.

3.1.8 This option would have the benefit of combining a broad scope of undertakings subject to reporting requirements with simplified and proportionate sustainability reporting standards. In doing so, it has the potential to considerably improve the availability and reliability of information, while reducing the reporting effort for undertakings. Moreover, the proposed amendments to the CSRD introduce a 'cliff effect' for sustainability reporting. This gives rise to a risk that large undertakings and parent undertakings of large groups with an average of more than 1 000 employees during the financial year may outsource work, and thereby artificially reduce employee numbers below that threshold, to avoid sustainability reporting. By offering a more staggered approach to the reporting obligation, the introduction of simplified reporting standards for medium-large undertakings could effectively limit incentives for undertakings to artificially reduce the reported number of employees.

3.1.9 Finally, the ECB notes that the scope of the sustainability reporting obligation has also been reduced in respect of third-country undertakings, by substantially increasing the net turnover thresholds for sustainability reporting[41]. These amendments would mean that a larger number of third-country undertakings with activities in the Union would not be required to comply with sustainability reporting requirements than is the case under the current CSRD. This would increase the gap in data availability between Union and third-country undertakings, with negative consequences for financial institutions' risk management. In the short term, it may also create a competitive disadvantage for large undertakings that are headquartered in the Union. Therefore, the ECB recommends that the turnover thresholds in respect of third-country undertakings should not be amended.

3.2 *Voluntary reporting standards*

3.2.1 The ECB welcomes that the proposed amendments to the CSRD establish voluntary reporting standards for undertakings that are not subject to sustainability reporting under the CSRD[42]. Such voluntary standards should be designed to help undertakings to provide the most important

40 This would be consistent with the initiative announced in the Competitiveness Compass to establish a small mid-cap category of enterprises, considered by the European Investment Bank (EIB) to be 'crucial to the economic transition'. See EIB, 'Hidden champions, missed opportunities: Mid-caps' crucial role in Europe's economic transition', 10 January 2024, available on the EIB's website at www.eib.org.

41 Article 2, point (12), of the proposed amendments to the CSRD and CSDDD, amending Article 40a of Directive 2013/34/EU.

42 Article 2, point (8), of the proposed amendments to the CSRD and CSDDD, inserting Article 29ca into Directive 2013/34/EU.

sustainability information in a structured and harmonised form. However, there are significant drawbacks to voluntary reporting if the population of undertakings making use of voluntary standards is too large and diverse in terms of size and complexity.

3.2.2 These drawbacks are likely to negatively impact the quality, availability and reliability of sustainability data, at both individual and aggregate levels. First, voluntary reporting may result in a self-selection bias where undertakings that perform well regarding sustainability matters will report voluntarily, while those that do not perform well will refrain from reporting. Second, to the extent that the voluntary standard allows for optional reporting, there is a risk of greenwashing: undertakings may selectively disclose information and thereby convey a misleading picture of their sustainability performance. Third, it should be emphasised that voluntary reporting will not be subject to any form of verification, such as a limited assurance by auditors. Fourth, limited quality and comparability of data can expose companies to increased legal risks. These issues can lead to systematic and unquantifiable bias in the computation of aggregate sustainability information by data users, including undertakings, investors, credit institutions and public authorities. For example, undertakings that are subject to sustainability reporting requirements under the CSRD may need to rely on proxies, which must be conservative, to address data gaps. It is important that such proxies are calculated in a robust manner, since if they are based on biased and unreliable sector averages the reported data will be of low quality, thus impeding the undertaking's ability to understand its sustainability risks, impacts and opportunities. Over-reliance on voluntary reporting could thus lead to a system-wide lack of sound and comparable data. This may create difficulties for central banks and supervisors to obtain accurate aggregate data, which is crucial for the fulfilment of their mandates. Moreover, a lack of sound and comparable data may limit credit institutions' ability to effectively manage sustainability risks, leading to risks to financial stability and to the wider economy.

3.2.3 For these reasons, the ECB recommends better calibration of the scope of mandatory sustainability reporting in order to capture a sufficiently large reporting population, as proposed in section 3.1.

3.3 *Value chain cap*

3.3.1 The ECB acknowledges the objective of the value chain cap introduced by the proposed amendments to the CSRD[43]. The value chain cap specifies that, for the reporting of sustainability information as required by the CSRD, Member States must ensure that undertakings do not seek to obtain from undertakings in their value chain any information that exceeds the information specified in the voluntary standards, except for information commonly shared within that sector. It is designed to reduce the trickle-down effect of the sustainability reporting requirements on smaller undertakings.

3.3.2 It is essential that financial market participants are able to make informed lending and investment decisions and carry out appropriate risk management activities and processes. For that reason, the ECB welcomes that the drafting of the value chain cap does not appear to prevent undertakings from requesting sustainability information for purposes other than sustainability reporting under the CSRD. It would seem that undertakings may continue to request such information, particularly for the

43 Article 2, point (2)(b), and point (4)(b), of the proposed amendments to the CSRD and CSDDD, amending Articles 19a(3) and 29a(3) of Directive 2013/34/EU respectively.

effective assessment and management of sustainability risks. The ECB recommends some drafting suggestions to further clarify this point.

3.4 *Sustainability reporting standards*

3.4.1 The ECB welcomes the Commission's intention to adopt a delegated act to revise and streamline the first set of European Sustainability Reporting Standards (ESRS)[44]. Reporting in accordance with the ESRS may be challenging for some undertakings, especially in the first years of implementation and particularly for entities not previously subject to sustainability reporting requirements[45]. Given the novelty and complexity of the ESRS and the rapid evolution of the regulatory landscape and reporting practices, targeted improvements of the standards are useful to address any shortcomings that become apparent over time as undertakings, auditors and users gain more experience. The ECB supports a comprehensive effort to simplify and streamline the architecture of the ESRS to improve usability and reduce redundancies[46]. These efforts should be subject to a careful review and consultation process. To that end, the ECB stands ready to provide input to the Commission's work in revising the ESRS, in developing a simplified reporting standard for medium-large undertakings as recommended in paragraph 3.1.7, and in developing voluntary standards under the proposed amendments to the CSRD.

3.4.2 It is important that efforts to streamline and simplify the ESRS retain data points that are relevant from the prudential and monetary policy perspectives. To that end, the ECB recommends that most data points under ESRS E1 (climate change) should be retained, along with the most important data points under ESRS E4 (biodiversity and ecosystems). The data points under these ESRS are important to assess and manage physical and transition risks to which companies and financial institutions are exposed, and to develop risk management techniques to address climate and nature-related risks. First, information provided in sustainability reporting, such as geolocation data in respect of corporate assets, can help to identify assets and revenues exposed to physical risks, and to estimate losses caused by extreme weather events. Second, with respect to transition risks, it is essential to have information on, inter alia, the anticipated financial effects of transition policies, along with data on emissions, emission reduction targets, energy efficiency, and stranded assets. Moreover, information on corporate transition plans, including on decarbonisation levers and on investments and resources allocated to the plan, is crucial for managing transition risks. This also includes the requirement that disclosed transition plans must ensure that the undertaking's business model and strategy are compatible with the transition to a sustainable economy and with the objectives of limiting global warming to 1,5 °C in line with the Paris Agreement and achieving climate

44 Commission Delegated Regulation (EU) 2023/2772 of 31 July 2023 supplementing Directive 2013/34/EU of the European Parliament and of the Council as regards sustainability reporting standards (OJ L, 2023/2772, 22.12.2023, ELI: https://data..europa.eu/eli/reg_del/2023/2772/oj).

45 ECB, 'ECB staff opinion on the first set of European Sustainability Reporting Standards', January 2023, available on the ECB's website at www.ecb.europa.eu.

46 ECB, 'ECB response to the EFRAG's public consultation on the first set of draft European Sustainability Reporting Standards', 22 July 2022, available on the ECB's website at www.ecb.europa.eu.

neutrality in the Union by 2050, as established in the European Climate Law[47]. That said, the ECB recommends a review of other parts of the ESRS to improve the focus, relevance and usability of the standards. Moreover, the ECB welcomes that the revisions aim to provide further guidance on the application of the materiality principle and further clarify the distinction between mandatory and voluntary data points under the ESRS[48].

3.4.3 The ECB strongly welcomes the work already done to ensure interoperability between the ESRS and international standards and frameworks for sustainability reporting[49]. A high level of interoperability makes it easier to integrate and compare frameworks and reporting systems and tangibly reduces the costs of reporting for undertakings, especially those that operate in multiple jurisdictions. The ECB recommends that any simplification of the Union sustainability reporting framework should not lead to a reduced level of interoperability. Any review of the ESRS should aim to preserve or improve the level of interoperability between Union and international standards, without prejudice to the objectives of the European Green Deal and Sustainable Finance Action Plan.

3.5 *Limited assurance engagement*

3.5.1 The proposed amendments to the CSRD remove the time limit for the Commission to adopt standards for limited assurance engagement by October 2026 and delete the provision empowering the Commission to adopt standards for reasonable assurance[50]. Instead, the Commission will issue guidelines on limited assurance engagement by 2026.

3.5.2 The ECB underlines the importance of a robust and harmonised verification process in respect of undertakings' sustainability reporting, including audit requirements[51]. Audit requirements are essential to provide certainty to all stakeholders and ensure the credibility and reliability of the information reported by undertakings. The increased reliability of the information will support the development and subsequent deepening of financial markets, not only with respect to the financing of the transition but also for the management, by undertakings and credit institutions, of their sustainability-related risks.

3.5.3 For that reason, the ECB recommends that the Commission's guidelines on limited assurance engagement should be adopted and published as soon as possible. Ideally, these guidelines should be followed promptly by binding standards for limited assurance engagement. Moreover, the ECB recommends the retention of the possibility for the Commission to further enhance the verification process, by adopting standards for reasonable assurance engagement. The Commission should

47 Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 ('European Climate Law') (OJ L 243, 9.7.2021, p. 1, ELI: http://data.europa.eu/eli/reg/2021/1119/oj).

48 ECB, 'ECB staff opinion on the first set of European Sustainability Reporting Standards', January 2023, available on the ECB's website at www.ecb.europa.eu.

49 International Financial Reporting Standards Foundation and European Financial Reporting Advisory Group, 'ESRS-ISSB Standards: Interoperability Guidance', 2 May 2024, available on IFRS's website at www.ifrs.org; TNFD and EFRAG, 'Correspondence Mapping', 20 June 2024, available on EFRAG's website at www.efrag.org.

50 Article 1 of the proposed amendments to the CSRD and CSDDD, amending Article 26a of Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC (OJ L 157, 9.6.2006, p. 87, ELI: https://data..europa.eu/eli/dir/2006/43/oj).

51 See paragraph 8 of Opinion CON/2021/27.

consider doing so once sufficient time has elapsed following the first years of reporting under the CSRD.

3.6 *Sector-specific standards*

3.6.1 The proposed amendments to the CSRD remove the Commission's empowerment to adopt sector-specific standards[52].

3.6.2 The design of the sustainability reporting framework under the CSRD comprises three layers: sector-agnostic standards, sector-specific standards and entity-specific disclosures. This design sought to ensure that reporting can be harmonised and comparable, while also ensuring the reporting can capture common aspects of the risks, opportunities and impacts faced by undertakings in specific sectors. The role of sector-specific standards was to create comparability of reporting by undertakings in the same sector, which is valuable for investors, public authorities and other users of sustainability information. Comparability of reporting limits the scope for different interpretations of the same ESRS data point by undertakings belonging to the same sector, and thereby supports a level playing field for undertakings, along with the possibility for users and public authorities to generate meaningful aggregate ESG data and statistical indicators. The benefits of sector-specific standards would be particularly relevant for financial institutions, as aggregators of information from multiple economic sectors. First, sector-specific standards would enable financial institutions to perform intra-sectoral ESG risk differentiation, i.e. to assess and compare undertakings in a given sector, and thereby channel investments to those undertakings best prepared for the transition. Second, sector-specific standards for the financial sector would mitigate the risk of divergent interpretations and approaches being developed and applied by individual financial institutions when preparing their own disclosures. In turn, these benefits would support effective and efficient prudential supervision by competent authorities.

3.6.3 Given the benefits of sector-specific standards, the ECB would, in the event of the removal of the Commission's empowerment to adopt sector-specific standards, nevertheless encourage the Commission to consider adopting sector-specific guidelines in order to foster a common approach to implementing the ESRS within individual sectors.

4. Corporate sustainability due diligence

4.1 *Transition plans*

4.1.1 The ECB welcomes the retention of the obligation under the CSDDD for undertakings to adopt and implement clear, high-quality transition plans for climate change mitigation. Robust transition planning is an important tool not only for undertakings to structure, articulate and monitor their overall strategy to adjust their business to the low-carbon transition, but also to establish the necessary risk-management practices to manage the related financial risks. The availability of forward-looking information from non-financial companies' transition plans can enable the ECB to understand the actions that individual companies commit to taking on their path to decarbonisation, as well as the

52 Article 2, point (6), of the proposed amendments to the CSRD and CSDDD, amending Article 29b of Directive 2013/34/EU.

transition risks faced by companies and by the economy as a whole. Thus, such information may constitute relevant input for the design of monetary policy measures. Moreover, such information is relevant for the business development and risk management processes of financial institutions. Having such information allows financial institutions to understand the transition needs and risks of their clients and help them adapt their product offering. In addition, transition plans enable financial institutions, investors, central banks and prudential supervisors to assess potential financial risks arising from the misalignment of their portfolios with relevant Union regulatory objectives. Finally, transition plans are an essential source of information for authorities in the exercise of their competences in the fields of prudential supervision[53] and financial stability[54].

4.1.2 The ECB is concerned that the proposed amendments to the CSDDD that adjust the relevant provision on transition plans may lead to ambiguity[55]. There is a risk that the revised drafting may be misinterpreted as meaning that undertakings are obliged to adopt transition plans but not to implement them. This could undermine the purpose of the requirement, increase the risk of greenwashing and reduce the usefulness of transition plans for investors and financial institutions as a means of channelling investment to those undertakings that are preparing for the transition. Consequently, the ECB recommends that the drafting of the relevant provision should be clarified in the proposed amendments to the CSDDD to ensure that transition plans are put into effect.

4.2 *Review clause for the financial sector*

4.2.1 The proposed amendments to the CSDDD delete the review clause requiring the Commission to submit, no later than 26 July 2026, a report to the European Parliament and the Council on the necessity of laying down additional sustainability due diligence requirements tailored to regulated financial undertakings[56]. The ECB agrees that the timeline for the preparation of the report does not allow sufficient time for review.

4.2.2 That said, the ECB considers that regulated financial undertakings should not be treated differently from undertakings in other sectors, including in the context of the CSDDD. For private finance to effectively manage risks and support the green transition of the real economy, it is crucial that regulatory and legislative requirements are consistent across sectors. In particular, the CSDDD's due diligence requirements can help to ensure that financial institutions systematically integrate sustainability matters into their decision-making and risk management practices. This will also help

53 See Network for Greening the Financial System, 'Stocktake on Financial Institutions' Transition Plans and their Relevance to Micro-prudential Authorities', 3 January 2025, available on the Network for Greening the Financial System's website at www.ngfs.net.

54 See Financial Stability Board, 'The Relevance of Transition Plans for Financial Stability', 14 January 2025, available on the FSB's website at www.fsb.org.

55 Article 4, point (10), of the proposed amendments to the CSRD and CSDDD, amending Article 22(1) of Directive (EU) 2024/1760.

56 Article 4, point (13), of the proposed amendments to the CSRD and CSDDD, amending Article 36 of Directive (EU) 2024/1760.

to create greater certainty around financial institutions' obligations in this area and around climate and environment-related litigation risks for the financial sector[57].

4.2.3 For these reasons, the ECB recommends the retention of the review clause in the CSDDD but proposes that it should set out a longer timeline for the preparation of the report by the Commission.

Where the ECB recommends that the proposals are amended, specific drafting proposals are set out in a separate technical working document accompanied by an explanatory text to this effect. The technical working document is available in English on EUR-Lex.

Done at Frankfurt am Main, 8 May 2025.

The President of the ECB

Christine LAGARDE

57 Frank Elderson, 'Making finance fit for Paris: achieving "negative splits"', Keynote speech at the conference on 'The decade of sustainable finance: half-time evaluation' organised by S&D and QED, Brussels, 14 November 2023, available on the ECB's website at www.ecb.europa.eu.