Is the sustainability reporting landscape becoming simpler?

The European Union's newly released Omnibus package promises a simplification of sustainability reporting. **Rebecca Pardon** explores

Amid growing concerns over regulatory burdens on businesses, planned reforms to laws enacted under the European Union's Green Deal have been eagerly anticipated. As companies have wrestled with the binds of red tape from what some describe as conflicting and overly complex regulatory frameworks, simplification was a welcome prospect. However, wrangling over the implications of the new legislation – stoked by a premature leak – has become a contentious topic, dividing spectators between those who believe stringent legislation enforces transparency, and those who think it stifles growth.

With a goal of reducing reporting requirements, the 'Omnibus Simplification Package' focuses on the EU Taxonomy, Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDD). When the final legislation was revealed, the European Commission announced its intention to exempt 80% of companies from mandatory sustainability disclosure requirements as part of the package. In the first of a planned series of red tape-slashing laws, the bill states that companies must still report on both their exposure to climate risk and the effects of their activities on the environment.

This concept, known as double materiality, remains a core principle of the CSRD and a paradigm-shifting approach to green reporting. The bill also proposes reducing the number of required data points by 50% and scrapping sector-specific reporting standards due in 2026. The Commission claims these changes will save businesses €6.3 billion (£5.3 billion, as of 8th March 2025) in administrative costs while mobilising €50 billion (£42.0 billion) in additional public and private investment. However, to some, the bill signals excessive deregulation.

Following the initial leak in February, Thomas Schweiller, co-founder of the Biopharma Sustainability Roundtable, described a widespread reporting fatigue within the sustainability sector. He fears that the reporting landscape will remain complex for some time. "The risk is that sustainability is being treated as a compliance function, creating a lot of reporting fatigue. There is also fatigue within organisations: teams constantly have to collect data on top of their existing workload. I'm afraid the complexity of sustainability reporting will persist for years."

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Schweiller adds that, while transparency will increase, the immediate focus on compliance may stall strategic sustainability initiatives. "Because of these compliance exercises, many companies are putting other projects on hold. Strategic planning, five-year sustainability objectives and improvement of key metrics, all of this has been deprioritised in the rush to comply with CSRD."

Schweiller believes the package does include some positive developments, however. One important measure announced is the expanded provision of

guarantees through the European Investment Bank, designed to de-risk investments in renewable energy and the manufacturing of electric grid components. “These changes can be an opportunity for sustainability professionals,” Schweiller says. “They can use mandatory disclosure as leverage, arguing that doing nothing is no longer an option.”

It's not certain that these changes will be implemented, however; they will still need to be approved by the European parliament and by member state governments. The commission may be right in believing the sustainability regulations have been a heavy burden on smaller EU companies and threatened business confidence at a time when the US has been loosening many of its regulatory binds. But the hasty slashing of laws, which have not yet even been properly implemented, can appear inconsistent.

Despite the EU’s talk of a shared focus on economic growth and sustainability, Olivier Jaeggi, managing director and chairman at consultancy ECOFACT AG in Zurich, says the EU is stepping back from its ambitious sustainability goals. “I think the problem is that, initially, Europe wanted to be a trailblazer in sustainability but has arrived at the realisation that this will not be so easy; there will likely be a softening of expectations.”

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Jaeggi argues that, for regulation to be truly effective, it must be directive rather than principle-based. “I assume that the people who created these policies underestimated the complexity of sustainability, which turned it into a bureaucratic monster because they wanted to get it right and make sure they cover everything. Now, they need to take a step back.”

Communications agency Emperor is already helping to prepare clients for the transition. Bayard Rezos, a sustainability consultant, emphasises the importance of consistency in communications with stakeholders. “It comes down to maintaining active engagement with stakeholders, understanding their concerns and aligning them with business priorities.”

Rezos also predicts a shift away from data-heavy reports, which will lead to more engaging, narrative-driven content. “We’re seeing companies create separate ‘data books’, essentially Excel sheets for investors, while the main sustainability reports focus on storytelling and fundamental issues.”

The bill must be approved by the European Parliament and the Council of the EU before it becomes law. Schweiller anticipates that the new legislation will need time to be implemented and that the period of unrest and speculation may be a welcome distraction for companies wishing to keep their sustainability reporting opaque. “I hope, once CSRD becomes routine in two to four years, the focus will shift back to actual performance: are companies reducing their carbon footprint, and are they living up to their promises?” ■