THE IMPACT OF REGULATION ON CSR: AN ASSESSMENT OF CSRD COMPLIANCE AND THE IMPLICATIONS OF THE OMNIBUS REGULATION

DOI
https://doi.org/
10.18690/um.epf.5.2025.13

ISBN
978-961-286-984-7

MATIC ČUFAR, ANDREJA PRIMEC, JERNEJ BELAK
University of Maribor, Faculty of Economics and Business, Maribor, Slovenia
matic.cufar@student.um.si, andreja.primec@um.si, jernej.belak@um.si

Aim: The research paper focuses on the analysis of sustainability regulation and its impact on corporate sustainability reporting in practice. In particular, it examines in detail the extent to which the CSRD influences corporate sustainability reporting in practice and the impact that the upcoming Omnibus regulation will have on corporate sustainability reporting. **Methodology:** To analyze the level of sustainability reporting in practice, multiple case studies will be conducted based on selected companies, using the content analysis method. **Findings:** The research results indicate that companies report sustainability information in line with the requirements set by the CSRD. It is observable that the most detailed reporting is found in the social domain. Based on the research findings, it can be concluded that the existing NFRD and CSRD have influenced the level of sustainability reporting in practice. With the upcoming Omnibus regulation, which is expected to ease reporting requirements in practice, an impact on sustainability reporting is anticipated. **Value:** The main value of this research paper lies in the investigation of the impact of sustainability reporting legislation on sustainability reporting in practice. More specifically, the research examines the upcoming CSRD and the Omnibus regulation, analyzing how legislation influence is reported.

Keywords:
CSR,
CSRD,
omnibus regulation,
sustainability reporting,
NFRD

JEL:
M14,
G34,
Q56

University of Maribor Press

1 Introduction

In recent months, a significant need has emerged in the field of sustainability reporting for the assessment of the existing CSRD ruling which defined and standardized the reporting of corporate sustainability information. Since 2017, considerable efforts have been observed to establish harmonized and comprehensive sustainability reporting. This has been reflected in the implementation of the Non-financial Reporting Directive (hereinafter NFRD) and afterward the Corporate Sustainability Reporting Directive (hereinafter CSRD). CSRD also introduced the reporting standards ESRS, which define in greater detail the format and types of information that companies must report. These standards provide companies with guidelines and definitions on the direction they should take and the information they must disclose. In this respect, a significant step has been taken towards ensuring standardized sustainability information re-porting. However considering the current development of global events, these changes have been identified as a potential cause of uncompetitive business in the EU. Therefore, the EU has witnessed initial efforts related to the so-called Omnibus regulation, which foresees legislative changes and a partial easing of existing CSRD requirements. This paper aims to assess the extent to which selected companies report CSRD information in their annual reporting (based on a predefined research model) and to reassess to what extent the upcoming Omnibus regulation could change corporate governance and the reporting of sustainable information practice (Čufar & Primec, 2022; Papathanassiou & Nieto, 2025; Saam & Rosenstein, 2024).

2 Theoretical Background/Literature review

The CSRD is designed to enhance the transparency and quality of sustainability reporting. Compared to its predecessor, the NFRD, it introduces stricter measures, standardized reporting, and the disclosure of additional sustainability-related information, such as business models, strategies, risks, and opportunities. The CSRD implements standardized reporting and the audit of reported data while also introducing the double materiality concept and other improvements. The double materiality concept requires companies to report both on how sustainability factors impact their financial performance and on how their business activities affect the environment and society. The CSRD came into effect on January 5, 2023, and EU Member States were required to transpose it into national legislation by July 6, 2024.

The main objective of the directive is to improve transparency and comparability in sustainability data reporting. It enhances and addresses the shortcomings identified in the NFRD directive. The disclosures that companies must report relate to ESG information following the ESRS reporting standards. The standards are divided into 12 standards, categorized into three ESG areas. Additionally, detailed sector-specific standards will be prepared for global consolidated reporting of companies outside the EU, as well as simplified standards for SMEs and smaller, less complex institutions. Economic entities will also be required to report on their entire value chain, including both indirect and direct business relationships within the supply chain and distribution network. The main purpose of the directive relates to the high-quality collection of data (Čufar et al., 2024; Primec & Belak, 2022).

The EU has initiated a debate on simplifying sustainability reporting regulations with the Omnibus regulation. The proposals are based on reasons arising from geopolitical pressures and the enhancement of the competitiveness of European companies. It assumes and proposes that the mandatory reporting required by the standardized reporting framework under the CSRD should be reduced, introducing a transition to voluntary disclosure of information. The Omnibus regulation suggests postponing reporting obligations and introduces new rules where companies would be required to report only if they have more than 1,000 employees, annual revenue exceeding EUR 50 million, or a balance sheet total above EUR 25 million. This would significantly reduce the number of companies subject to mandatory reporting under the CSRD. The Omnibus regulation further proposes that, alongside the mandatory ESRS standards, VSME standards be introduced, which would provide voluntary reporting standards that are less detailed than the ESRS. Such measures are intended to reduce the burden on companies while, at the same time, increasing their competitiveness. The Omnibus regulation represents a new legislative framework that introduces amendments to several different legislative acts. The main objective of the new Omnibus regulation is to enhance competitiveness and mobilize new financial capacities. It aims to implement changes in areas, such as sustainable finance reporting, due diligence processes, the EU taxonomy, the carbon border adjustment mechanism, and EU investment programs.

The Omnibus regulation comprises multiple documents and legal acts. Among the proposed legal acts included in the Omnibus regulation is the *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. Another is the *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*.
(Pasqua, 2025).

Past research highlights that CSR is based on two methodological approaches. The first approach, descriptive studies, focuses on the nature of disclosure while the second approach focuses on explanatory studies of factors influencing sustainability reporting. Research reveals that corporate reporting differs between countries and confirms that the quality of sustainability reporting following CSRD requirements is influenced by corporate characteristics, governance mechanisms, and external factors (Khan et al., 2013; Primec & Belak, 2022).

Legislation and corporate governance play an integral role in the implementation of CSR in companies and information disclosure. Past research suggests that legislation and governance structure influence CSR engagement (Webb, 2004; Jo & Harjoto, 2012) and that the size and independence of the board of directors are often associated positively with sustainability reporting (Kaymak & Bektas, 2017; Cucari et al., 2018). Previous research indicates that legislation impacts the quality of sustainability disclosures. With the implementation of legislation, companies are assigned responsibility for reporting information while also providing key stakeholders with additional information on risks and opportunities for decision-making. Past research shows that countries implementing stricter measures in auditing reported data and financial disclosures would increase transparency and the reporting of disclosed data (Brammer & Pavelin, 2006). In countries where the CSRD and, previously, the NFRD have been implemented, the level of reporting is often higher than in countries where such legislation has not been introduced (Anlesinya & Abugre, 2021; Čufar et al., 2024). Sustainability reporting in the EU has improved over the years with the implementation of the NFRD and later the CSRD. This indicates the impact of sustainability reporting legislation on corporate governance, leading to the gradual integration of sustainability measures within companies' management and governance processes (Čufar et al., 2024).

3 Methodology

The research will be conducted using the multiple case study method. This method was applied to analyze corporate sustainability reporting in practice and to further analyze the impact of legislation on reporting in practice. It was selected because it enables a detailed analysis, understanding, and examination of the studied phenomenon. It allows for the analysis of the phenomenon based on a specific company, which facilitates a better understanding of the subject and the factors influencing it. With this method, it is possible to analyze various aspects using data and analytical approaches. The research analyzed sustainability reports and annual reports (Breijer & Orij, 2022; Maqbool et al., 2022).

For data collection and analysis, the content analysis method was used. The content analysis method has previously been applied in similar studies. This method is suitable for this type of research because it allows for the comparison and examination of qualitative data obtained from sustainability reports of selected companies. The selected method is suitable for the present analysis because it allows for the examination of qualitative reporting by companies and its interpretation. The sample on which the research was conducted includes nine companies from Slovenia, Germany, and France operating in the sectors of insurance. The analysis was conducted based on the annual report or a separate sustainability report published by the selected business entities for the chosen reporting year (Breijer & Orij, 2022; Krippendorff, 1989; Shieh & Shannon, 2005).

The study examined the level at which companies report sustainability information following CSRD requirements. For the study, a research model was developed based on the requirements of the NFRD, CSRD, and ESRS.

4 Results

The research results showed how companies reported in various areas. Based on these results, it can be concluded that the level of reporting was highest for social information, followed by governance information and, afterward, environmental information. In the environmental area, companies reported information related to climate change, pollution, water and marine resources, biodiversity and ecosystems, and circular economy. In these areas, companies reported on more than half of the requirements set by the CSRD. The most detailed disclosures were related to climate change, followed by pollution, water and marine resources, biodiversity, and circular economy. In the social area, companies achieved the highest level of reporting on information related to their workforce, followed by reporting on stakeholders and employees within the supply chain, local communities, and information related to customers and end consumers. On average, the analyzed companies reported more than half of the required social information following the CSRD. At the management level, companies, on average, achieved the highest level of reporting by disclosing information about the business model and sustainability strategies of enterprises. This was followed by data on the management board and supervisory board, followed by information on managing business partners, internal risk management, and fair business practices.

Based on the research results, companies reported on average more than half of the information required by the CSRD across all three examined areas: environmental, social, and governance. However, these disclosures were not always comprehensive, and many companies did not report on all factors and criteria prescribed by the CSRD. Nevertheless, the results indicate a clear trend toward sustainability reporting and a more comprehensive overview of corporate management from a sustainability perspective.

5 Discussion

Based on the research results, it is evident that companies report data required by the CSRD in their annual reports and sustainability reports. It can be observed that greater emphasis is placed on factors within the social domain, particularly concerning their own workforce and supply chain due diligence. This was followed by reporting at the governance level where companies primarily disclosed information about their business model concerning sustainability, as well as strategies and plans for sustainable development and management. A high level of reporting was also observed in disclosures related to the management and supervisory boards of companies. In the environmental domain, companies achieved the highest level of reporting in the areas of pollution and climate change. The research results indicate that companies are committed to and progressing toward full compliance with CSRD reporting requirements.

The research results also indicate that companies do not report all the information required by the CSRD. Consequently, the findings suggest that there is still significant room for improvement and more comprehensive reporting. Enhancing reporting would not only increase the scope of disclosed information but also better integrate sustainability into corporate governance and management processes. Previous studies have demonstrated that legislation on sustainability reporting influences the disclosure of information by companies in practice (Čufar et al., 2024). Due to regulatory changes in this direction, sustainability reporting has improved over time, showing that legislation has had a positive impact on sustainability reporting in practice.

With the EU proposal and Omnibus regulation, the question arises as to the future direction of sustainability reporting and sustainable corporate governance in practice. Due to the reduction of reporting requirements and the increase in the reporting threshold for companies, it is expected that the level of sustainability reporting may decline slightly or may not progress as significantly as in previous years. Legislative measures serve as incentives for companies to comply with sustainability measures and report sustainability-related information. However, with the relaxation of such measures and a more lenient reporting framework, the question arises as to how this will impact sustainability in practice. On one hand, it is expected that companies will experience greater flexibility due to more lenient reporting requirements. On the other hand, there is a risk that, as a result of reduced reporting obligations and voluntary reporting, companies may not implement sustainability measures proactively within their management and governance processes but instead limit them to the minimum required level. In the long run, this would likely mean gradually moving away from achieving the sustainability goals set by the EU.

6 Conclusions

Based on the research results, it is evident that in practice, companies report information as required by the CSRD legislation. Such legislative measures impact sustainability within companies positively and contribute to the pursuit of the EU's sustainability goals. This represents a significant step toward a circular economy and sustainable management of companies, ensuring that, in the long run, businesses operate efficiently without causing harm or exploiting their environment or other stakeholders. With the evolution of the economy and global trends, the Omnibus regulation proposal has been introduced at the EU level. This proposal would soften the sustainability reporting requirements set by the CSRD and narrow the scope of companies subject to mandatory reporting. If such legislation is implemented, many open questions and areas of uncertainty will arise regarding the future development of sustainability within companies. Nevertheless, these open questions present an open opportunity for future research. In future research, it would be recommended to analyze the level of sustainability reporting after the potential adoption of the Omnibus regulation and compare it with the sustainability reporting results under the existing NFRD and CSRD frameworks.

References

Ananzeh, H. (2022). Corporate governance and the quality of CSR disclosure: lessons from an emerging economy. *Society and Business Review*, *17*(2), 280-306.

Anlesinya, A., & Abugre, J. B. (2022). Strategic CSR practices, strategic orientation and business value creation among multinational subsidiaries in Ghana. *Society and Business Review*, *17*(2), 257-279.

Brammer, S., & Pavelin, S. (2008). Factors influencing the quality of corporate environmental disclosure. *Business strategy and the environment*, *17*(2), 120-136.

Breijer, R., & Orij, R. P. (2022). The comparability of non-financial information: An exploration of the impact of the non-financial reporting directive (NFRD, 2014/95/EU). *Accounting in Europe*, *19*(2), 332-361.

Cucari, N., Esposito De Falco, S., & Orlando, B. (2018). Diversity of board of directors and environmental social governance: Evidence from Italian listed companies. *Corporate social responsibility and environmental management*, *25*(3), 250-266.

Čufar, M., & Primec, A. (2022). Key stakeholder identification and channels of dialogue used for their engagement. In *The 17th IRDO International Scientific Conference Social Responsibility and Current Challenges.: Green, Digital and Inclusive Transition: How to Make it Happen?: 2-3 June 2022, Slovenia: Maribor, European Union, online performance.*

Čufar, M., Belak, J., & Primec, A. (2024). Beyond Compliance: Leveraging NFRD and CSRD for Transformative CSR Reporting and Stakeholder Empowerment in Corporate Governance. In *Corporate Governance and CSR Strategies for Sustainability* (pp. 233-261). IGI Global.

Hsieh, Hsiu-Fang, and Sarah E. Shannon. "Three approaches to qualitative content analysis." *Qualitative health research* 15, no. 9 (2005): 1277-1288.

Jo, H., & Harjoto, M. A. (2012). The causal effect of corporate governance on corporate social responsibility. *Journal of Business Ethics*, *106*, 53-72.

Kaymak, T., & Bektas, E. (2017). Corporate social responsibility and governance: Information disclosure in multinational corporations. *Corporate Social Responsibility and Environmental Management*, *24*(6), 555-569.

Khan, A., Muttakin, M. B., & Siddiqui, J. (2013). Corporate governance and corporate social responsibility disclosures: Evidence from an emerging economy. *Journal of Business Ethics*, *114*, 207-223.

Krippendorff, K., Barnouw, E., Gerbner, G., Schramm, W., Worth, T. L., & Gross, L. (1989). International encyclopedia of communication. *Content analysis: An introduction to its methodology*, *1*, 403-407.

Maqbool, S., Mitra, N., & Chaudhury, A. (2022). Corporate social responsibility reporting in the post-mandate period: an in-depth content analysis of Indian top-listed companies. In *Emerging Economic Models for Sustainable Businesses: A Practical Approach* (pp. 9-24). Singapore: Springer Nature Singapore.

Papathanassiou, C., & Nieto, M. J. (2025). Different Shades of Green: EU Corporate Disclosure Rules and Their Effectiveness in Limiting "Greenwashing". *ECB Occasional Paper*, (2025/370).

Pasqua, M. (2025). European Commission Work Programme 2025: A Bolder, Simpler, Faster Union.

Primec, A., & Belak, J. (2018). Towards socially responsible corporate governance with authorities' interventions. *Management: Journal of Contemporary Management Issues*, *23*(1), 203-219.

Primec, A., & Belak, J. (2022). Sustainable CSR: Legal and managerial demands of the new EU legislation (CSRD) for the future corporate governance practices. *Sustainability*, *14*(24), 16648.

Saam, J. S., & Rosenstein, A. (2024). Reshaped ESG Reporting Challenges of Scandinavian Organizations: The Transformation from the NFRD to the CSRD.

Webb, E. (2004). An examination of socially responsible firms' board structure. *Journal of management and governance*, *8*, 255-277.