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Investing in a Sustainable Future

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Editor’s Nest

ESG Disclosure in Focus: How EU and UK Regulations Are Raising the Bar

As sustainability moves from the sidelines to the core of corporate strategy, 2025 marks a pivotal year in the evolution of ESG reporting across Europe. With research support from ***Pushkar Joshi*** - *Climate reporting Actuary;* this edition focuses on the rapidly evolving ESG regulatory landscape in the EU and UK, where new frameworks are transforming corporate disclosure practices.

The EU is leading the ESG reporting shift with the rollout of the Corporate Sustainability Reporting Directive (CSRD) and Carbon Border Adjustment Mechanism (CBAM) regulations that go beyond compliance to reshape investor expectations, supply chains, and trade dynamics. The UK is formulating its own ESG reporting framework UK Sustainability Reporting Standards (UK SRS), which aligns with the global IFRS Sustainability Disclosure Standards (IFRS S1 and S2) developed by the International Sustainability Standards Board (ISSB), while being tailored to the UK’s specific regulatory and market context.

Understanding CSRD: The EU’s ESG Reporting Framework The CSRD is the new EU directive that will take effect for large and listed companies, obligating them to share information on how they monitor a wide range of ESG issues and their impact on our planet. The main aim of the CSRD is to drive accountability and transparency, while promoting sustainable practices and investments. Companies will need to report on a variety of ESG metrics, giving customers and investors an all-access view of their sustainability agenda.

A key feature of CSRD is the double materiality approach where organisations must disclose:

- How sustainability risks and opportunities affect their business, and
- How their operations impact society and the environment.

This dual perspective transforms ESG reporting into a strategic tool for deeper insight and long-term value creation.

Behind the Reforms: CSRD June 2025

The European Commission unveiled its Omnibus Regulation proposals, a major step toward simplifying the EU’s sustainability reporting landscape.

The proposed changes aim to:

- Narrow the scope of the CSRD by removing around 80% of companies, focusing instead on the largest firms.
- Postpone the reporting timeline by two years, pushing initial disclosure requirements to 2027.
- Reduce the burden of EU Taxonomy reporting obligations.

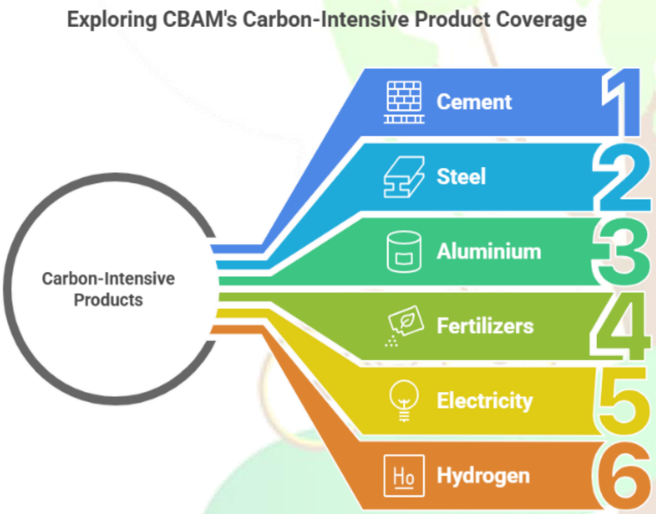
These reforms are designed to ease compliance, particularly for smaller companies, while preserving the integrity of ESG disclosures at scale.

▼ *See the table below for a comparison between CSRD’s original scope and the proposed Omnibus simplifications.*

Category	Original CSRD Remit	Simplified CSRD (June 2025)
Scope	Broad coverage; Large companies + listed SMEs	Narrowed scope; listed SMEs may be excluded
Employee Threshold	250 employees	1,000 employees
Turnover Threshold	€40 million	€450 million
Listed SMEs	Included	Excluded
European Sustainability Reporting Standards (ESRS)	Comprehensive ESRS with extensive mandatory data points	50%+ reduction in mandatory data points
Materiality Focus	Bottom-up materiality approach	Top-down materiality focus
Value Chain Data	Full data required	Reliefs for small suppliers and minor operations
Timeline	Initial implementation from 2024 onwards	Final advice by October 31, 2025; law expected by mid-2026

Understanding CBAM: The EU’s Carbon Border Strategy The CBAM is a key climate policy tool introduced by the EU to ensure that imported goods are subject to the same carbon costs as those produced within the EU. It aims to prevent carbon leakage a situation where companies move production to countries with lenient climate regulations, undermining EU climate goals.

What does CBAM cover?



How does it work?

- Importers must purchase CBAM certificates, mirroring the carbon costs under the EU Emissions Trading System (EU ETS).
- They must report the embedded emissions in imported goods.
- If carbon costs were already paid in the country of origin, they can be deducted.

June 2025 Update: What’s New?

To reduce compliance complexity especially for SMEs the EU has proposed updates to simplify CBAM reporting, without compromising on environmental goals. These refinements aim to make the mechanism more efficient and accessible, while preserving its climate integrity.

UK Sustainability Reporting: TCFD and Beyond

The Task Force on Climate-related Financial Disclosures (TCFD) provides a global framework for consistent, transparent climate-related financial reporting. The UK mandated TCFD-aligned disclosures for large companies in 2022, and its principles underpin several frameworks, including the UK SRS and the ISSB Standards. The UK SRS align with ISSB Standards but may include UK-specific modifications to meet local regulatory needs.

*The ISSB, established by the IFRS Foundation at COP26, aims to provide a global baseline for sustainability reporting. As of 2025, 36 jurisdictions have adopted, are using, or are taking steps to implement the IFRS Sustainability Disclosure Standards; *IFRS S1: General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2: Climate-related Disclosures*, with 17 having finalized their approach, and 30 were in moving towards using the standards as reported in November 2024. To support transparency, the IFRS Foundation released 17 jurisdictional profiles and 16 snapshots, outlining progress across countries. Most jurisdictions are either fully adopting the standards, applying only IFRS S2, or partially aligning. Additional profiles will follow as jurisdictions finalize their positions. **Credits – ESG today.***

CSRD vs ISSB

Description	CSRD (EU)	ISSB (Global)
Jurisdiction	European Union	Global (IFRS Foundation)
Scope	Large EU companies, listed SMEs, and non-EU companies with EU presence	Public and private companies globally (voluntary unless locally adopted)
Reporting Focus	Comprehensive ESG reporting using (ESRS)	Investor-focused sustainability disclosures via IFRS S1 & S2
Materiality Approach	Double materiality (business impact & impact on environment/society)	Single materiality (financial materiality for investors)
Assurance Requirement	Mandatory limited assurance (reasonable assurance in future)	No global mandate: assurance depends on local adoption
Timeline	Phased from 2024 to 2028	IFRS S1 & S2 effective from January 2024

Contact us for a detailed presentation on the subject of ESG & BRSR Reporting at prajitgandhi@cnkindia.com | +91 22 6250 7600