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From Disclosure to the Cost of Capital

How EU Sustainability Regulation Is
Reshaping Board Oversight

ESG GOVERNANCE | REGULATORY REFORM | EU SUSTAINABILITY



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1.

The Development of EU Sustainability Regulation

European sustainability regulation has evolved over the past ten to fifteen years into one of the most comprehensive regulatory systems worldwide. The starting point was the recognition that sustainable development, climate protection, and social responsibility cannot be achieved through voluntary initiatives alone but must increasingly be supported by binding legal frameworks. At the core of this approach lies the European Union's objective of directing capital flows toward sustainable economic activities, enhancing transparency regarding sustainability-related risks, and holding companies more accountable for their impacts on the environment and society. This development is closely linked to the political strategy of the *European Green Deal*, which was presented by the European Commission in 2019 and aims to make the EU climate-neutral by 2050.¹





The first major step toward mandatory sustainability reporting was Directive 2014/95/EU on the disclosure of non-financial information, commonly referred to as the Non-Financial Reporting Directive (NFRD). Adopted in 2014, the directive required large public-interest entities—such as listed companies, banks, and insurance undertakings with more than 500 employees—to disclose certain non-financial information beginning with the 2017 financial year.² These disclosures included information relating to environmental matters, employee-related issues, human rights, anti-corruption and anti-bribery matters, as well as diversity policies in management and supervisory bodies.³ The objective was to provide investors and other stakeholders with greater insight into companies' sustainability-related risks and strategies.⁴

However, practical experience soon demonstrated that the directive left considerable room for interpretation. Companies were allowed to apply different reporting frameworks, resulting in limited comparability of the information disclosed.⁵ Moreover, many disclosures remained relatively general in nature.⁶ These shortcomings ultimately led the European Union to strengthen the regulatory framework significantly.

In response, the EU adopted the Corporate Sustainability Reporting Directive (CSRD) in 2022, which entered into force on January 5, 2023. The CSRD fully replaces the NFRD and substantially expands both the scope of application and the extent of reporting obligations. Whereas approximately 11,000 companies were previously subject to the NFRD, the new directive was originally expected to apply to around 50,000 companies within the EU.⁷

Implementation occurs in phases. Companies already subject to the NFRD began reporting under the CSRD from the 2024 financial year onward. From 2025, the directive applies to large companies exceeding at least two of the following thresholds: more than 250 employees, more than €50 million in annual turnover, or more than €25 million in total assets. These updated thresholds reflect the adjustments made since the CSRD's initial adoption.⁸ Under the original CSRD framework, listed small and medium-sized enterprises were to be included from 2026, subject to certain transitional provisions, and large third-country companies with substantial operations in the EU from 2028 onward. However, the European Commission's Omnibus package of February 2025 introduced significant amendments to these timelines and scope.



The Omnibus I Directive (EU) 2026/470 was published in the Official Journal on February 26, 2026, and entered into force on March 18, 2026. It significantly narrows the CSRD's scope: only large undertakings with more than 1,000 employees and a net annual turnover exceeding €450 million are now required to report. Listed SMEs are fully exempt, marking a substantial shift from the original framework. The amended CSRD provisions will apply to financial years starting on or after January 1, 2027, with first reports due in 2028. Member States have until March 2027 to transpose the directive into national law.⁹

A central element of the CSRD is the concept of double materiality.¹⁰ Companies must report not only on how sustainability factors affect their financial position but also on the impact their business activities have on the environment and society.¹¹ In addition, sustainability information must form part of the management report, be subject to external assurance, and be published in a digital format designed to enhance the comparability and accessibility of the data.¹²

The detailed content of these reporting obligations is defined by the European Sustainability Reporting Standards (ESRS).¹³ These standards were developed by the European Financial Reporting Advisory Group (EFRAG), an organization that advises the European Commission on accounting and reporting matters.¹⁴ The ESRS were adopted by the Commission in 2023 as delegated acts and apply to reports covering the 2024 financial year onward.¹⁵ However, as part of the Omnibus package, the ESRS are currently undergoing a significant revision. EFRAG submitted draft simplified standards to the European Commission in December 2025 following a public consultation. The Commission is expected to adopt the revised standards as a delegated act by mid-2026, following a four-week consultation period.¹⁶

The standards constitute the technical core of the CSRD and specify in detail the information that companies must disclose. They are structured into general and thematic standards covering environmental, social, and governance matters. The environmental standards address topics such as climate change, biodiversity, water resources, and the transition to a circular economy. The social standards relate to employees, supply chains, and affected communities, while the governance standards address corporate governance structures, risk management processes, and anti-corruption measures.



Prior to the adoption of the CSRD, the EU had already established a foundational instrument for the classification of sustainable economic activities: The EU Taxonomy Regulation (Regulation (EU) 2020/852). The Taxonomy thus forms part of the broader regulatory framework within which the CSRD reporting obligations were subsequently developed. The regulation entered into force in July 2020 and aims to establish a uniform classification system defining which economic activities qualify as environmentally sustainable.¹⁷

The taxonomy identifies six environmental objectives: climate change mitigation, climate change adaptation, the sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control, and the protection and restoration of biodiversity and ecosystems.¹⁸ Companies and financial market participants must disclose the proportion of their turnover, capital expenditure (CapEx), and operating expenditure (OpEx) associated with taxonomy-aligned activities.¹⁹ The objective is to prevent investments from being misleadingly marketed as sustainable (greenwashing) while simultaneously directing capital flows toward genuinely sustainable projects.²⁰ The Taxonomy Regulation is further specified through delegated acts adopted by the European Commission, which establish the technical screening criteria—including the “Do No Significant Harm” (DNSH) criteria—for each of the six environmental objectives.²¹ Several of these delegated acts are currently under revision as part of the Omnibus simplification package, with the European Commission having launched calls for evidence in late 2025 and final revised acts expected in the second quarter of 2026.





Beyond transparency requirements, both the EU and its Member States have developed regulatory instruments that directly address corporate responsibility in global supply chains. One example is the German Supply Chain Due Diligence Act (Lieferkettensorgfaltspflichtengesetz—LkSG), which entered into force on January 1, 2023.²² The law requires companies with more than 3,000 employees—reduced to more than 1,000 employees from 2024—to identify human rights and certain environmental risks within their supply chains, implement preventive measures, and establish complaint mechanisms.²³ While companies were originally also required to submit annual compliance reports to BAFA, this reporting obligation was abolished with retroactive effect following a cabinet decision of September 3, 2025. The underlying due diligence obligations, however, remain fully in force. Compliance with the Act continues to be overseen by the German Federal Office for Economic Affairs and Export Control (BAFA).²⁴

At the European level, this approach is further developed through the Corporate Sustainability Due Diligence Directive (CSDDD).²⁵ Politically agreed upon in 2024, the directive requires large companies to systematically identify, prevent, and, where necessary, remedy human rights and environmental risks throughout their value chains.²⁶ While the CSRD primarily focuses on transparency, the CSDDD places greater emphasis on substantive due diligence obligations and potential liability risks.²⁷ The directive will be implemented gradually, initially applying to very large companies before extending to additional market participants.²⁸

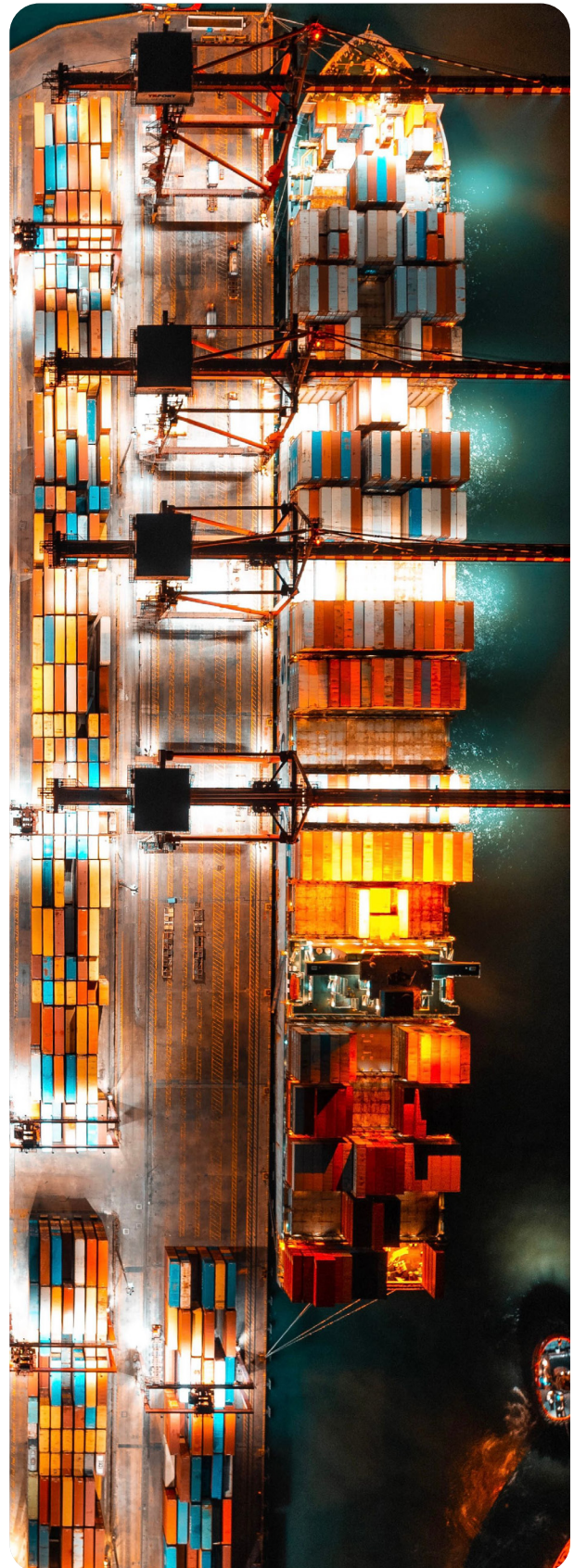
Another regulatory instrument in this context is the EU Regulation on Deforestation-Free Products (EU Deforestation Regulation, EUDR).²⁹ The regulation entered into force on June 29, 2023, although its substantive obligations will only apply after a transitional period.³⁰ Under the most recently adopted adjustments, large and medium-sized companies must comply with the regulation's requirements from December 30, 2026, while small and micro-enterprises benefit from an additional transitional period until June 30, 2027.³¹

The EUDR forms part of the EU's strategy to protect global forests and combat imported deforestation.³² The regulation requires companies that place certain commodities or derived products—such as soy, beef, palm oil, timber, cocoa, or coffee—on the EU market, or export them from the EU, to demonstrate that these products are not linked to deforestation or forest degradation.³³



To this end, companies must conduct comprehensive due diligence procedures, analyze their supply chains, collect geographical origin data, and document corresponding risk assessments.³⁴

Taken together, these regulatory instruments form a multilayered system of European sustainability regulation. The EU Taxonomy Regulation defines which economic activities qualify as sustainable. The CSRD requires companies to provide comprehensive transparency regarding their sustainability strategies and performance. The ESRS, developed by EFRAG, technically specifies these reporting obligations. The CSDDD, together with national supply chain legislation, obliges companies to implement active risk management measures along their value chains while thematic regulations such as the EUDR directly address environmental risks within global supply chains.





2.

Current Developments: Deregulation with Side Effects

In recent years, an intense political debate has emerged regarding the complexity and administrative burden associated with the expanding body of sustainability regulation.³⁵ Against this background, the European Commission is currently working on so-called Omnibus reforms aimed at simplifying certain reporting obligations and, in some cases, postponing their application.³⁶ The objective of these reforms is to safeguard the competitiveness of European companies without abandoning the fundamental goals of sustainability policy.³⁷





With the presentation of the Omnibus Package on February 26, 2025, the European Commission initiated a significant adjustment of its existing sustainability regulatory framework.³⁸ The initiative aims to reduce regulatory complexity that has emerged in recent years, simplify reporting obligations, and directly alleviate the burden on small- and medium-sized companies in particular.³⁹ The package is situated within a broader political debate concerning the competitiveness of the European economy and the administrative effort associated with the growing number of sustainability-related regulations.⁴⁰

In pursuing this initiative, the Commission does not fundamentally question the existing regulatory architecture. Rather, it seeks to consolidate existing rules, adjust implementation timelines, and reduce overlaps between different regulatory instruments.

Against this background, the Omnibus Package presented in February 2025 aims to amend several key sustainability regulations simultaneously.⁴¹ One central element concerns the Corporate Sustainability Reporting Directive (CSRD).⁴² The Omnibus I Directive significantly reduced the group of companies subject to reporting obligations, limiting the scope to large undertakings with more than 1,000 employees and a net annual turnover of €450 million.⁴³ This represents a reduction of approximately 80 percent in the number of companies previously within scope, primarily by excluding smaller companies from the directive's direct scope of application.⁴⁴ At the same time, certain reporting obligations were simplified and transitional periods extended.⁴⁵ These measures are intended to ensure that the administrative requirements associated with sustainability reporting remain manageable for companies.⁴⁶

The Omnibus I Directive also introduced significant adjustments in the area of supply chain regulation. The Corporate Sustainability Due Diligence Directive (CSDDD) was amended to narrow its scope significantly, raising the thresholds to companies with more than 5,000 employees and a net worldwide turnover exceeding €1.5 billion.⁴⁷ These amendments, published in the Official Journal of the European Union on February 26, 2026, are now final.⁴⁸



Furthermore, the Omnibus package introduced amendments to several additional key instruments of European sustainability policy.⁴⁹ This applies in particular to the Carbon Border Adjustment Mechanism (CBAM)⁵⁰ and the EU Deforestation Regulation (EUDR).⁵¹ Regarding CBAM, the CBAM Omnibus Regulation (Regulation [EU] 2025/2083), which entered into force on October 20, 2025, introduced targeted simplifications, including a new 50-tonne annual threshold exempting smaller importers and postponing the start of certificate sales to February 1, 2027. The CBAM definitive phase commenced on January 1, 2026, with the first annual declaration and certificate surrender deadline set for September 30, 2027. Regarding the EUDR, the application deadline for large operators was extended to December 30, 2026, and for micro and small enterprises to June 30, 2027. Following a mandatory simplification review published on May 4, 2026, the European Commission confirmed that the core text of the EUDR would not be reopened and that these compliance deadlines would remain unchanged.





3.

Progress of the European Green Deal

The assessment of Green Deal targets published by the European Commission's Joint Research Centre (JRC) in February 2025 paints a clear, albeit concerning, picture of the implementation of the European Green Deal. Of the 154 quantified targets assessed, only 32 were classified as on track.⁵² A further 64 targets were found to require acceleration, 15 were not progressing or were moving in the wrong direction, and 43 could not be assessed owing to insufficient data. In other words, fewer than one in four targets was on course, and for more than a quarter of them, the EU lacked the data even to measure progress. The implementation gap is therefore not only a question of political ambition but also one of monitoring capacity, which underlines why reliable and comparable sustainability data remain indispensable even as reporting obligations are being simplified. This discrepancy between political ambitions and actual implementation is particularly visible in key areas such as the expansion of renewable energy, improvements in energy efficiency, and the integration of energy systems across electricity, transport, and industrial sectors.⁵³

As a consequence, the EU's ambitious climate targets—most notably the reduction of greenhouse gas emissions by 55 percent by 2030 compared to 1990 levels—may be at risk of not being achieved.⁵⁴ The latest projections of the European Environment Agency (EEA) quantify this risk: with the policies and measures currently in place, net greenhouse gas emissions are projected to fall by 47 percent by 2030 compared with 1990 levels.



Even if all additional measures currently planned by Member States are implemented, the reduction would reach approximately 54 percent—still just short of the legally binding target. The remaining gap is therefore less a matter of ambition than of delivery: the 2030 target remains within reach only if planned measures are actually adopted and implemented on time. At the same time, the EU has raised its long-term ambition. The amended European Climate Law establishes a binding target of a 90 percent reduction in net greenhouse gas emissions by 2040, of which up to five percentage points may be met through high-quality international credits from 2036 onward.⁵⁵ Any regulatory relief granted in the short term must therefore be reconciled with a considerably steeper decarbonization path in the medium term—a tension that companies and their boards will have to manage in their own transition planning.

This concern is echoed in several scientific and policy analyses. The European Environment Agency (EEA) estimates that worsening climate impacts could reduce EU gross domestic product (GDP) by up to 7 percent by the end of the century and that, if global warming exceeds 1.5°C, cumulative additional GDP losses could reach approximately €2.4 trillion between 2031 and 2050.⁵⁶ These economic impacts are expected to be unevenly distributed, with southern Member States likely to be disproportionately affected.⁵⁷ These costs are no longer hypothetical. Weather- and climate-related extremes caused more than €738 billion in economic losses in the EU between 1980 and 2023, over €162 billion of which was incurred in the last three years of that period alone.⁵⁸ These figures reframe the cost-benefit debate underlying the Omnibus reforms: the administrative cost of sustainability reporting must be weighed not only against corporate competitiveness but also against the far greater macroeconomic cost of an insufficiently managed transition—costs that ultimately materialize on corporate balance sheets through physical damage, supply chain disruption, and rising insurance and financing costs.

Against this backdrop, the European Commission has reaffirmed its commitment to the core pillars of the Green Deal. The overall policy direction therefore remains unchanged: a finance-driven transformation, supported by a strengthened regulatory framework, is intended to address implementation gaps while simultaneously creating rational incentives for targeted capital allocation.⁵⁹



4.

ESG Risks as a Financial Factor

The preceding sections have focused on the obligations that sustainability regulation imposes directly on companies—what they must disclose and which due diligence they must perform. An equally consequential development is taking place in the financial sector, where sustainability is treated less as a matter of transparency or corporate responsibility than as a source of financial risk that must be identified, measured, and managed. This shift is particularly relevant after the Omnibus reforms: even where companies have been removed from the direct scope of the CSRD, banks remain required to assess the ESG risks of their borrowers. Many companies that no longer have to publish a sustainability report will therefore continue to receive sustainability-related information requests from their lenders. The regulatory pressure does not disappear; it is transmitted through the financing channel.





One notable example of this shift from disclosure to risk management is the tightening of ESG risk management requirements by the European Banking Authority (EBA).⁶⁰ Through its *Guidelines on the Management of ESG Risks and related disclosures* (EBA/GL/2023/02), credit institutions within the EU are required to systematically integrate climate-related, environmental, and social risks into their governance structures, risk management frameworks, and lending decisions.⁶¹

Specifically, the EBA guidelines require banks to⁶²

- integrate ESG risks into their overall risk strategy and regularly assess its adequacy;
- identify, measure, monitor, and manage ESG risks insofar as these risks may materially affect the institution's risk exposure;
- incorporate ESG considerations into credit risk assessments, including climate-related scenario analyses and stress testing; and
- provide comprehensive disclosures on ESG risks and their impact on financing decisions.

These requirements are reshaping how banks identify, assess, and manage financial risk. ESG risks are increasingly treated—within the framework of the Capital Requirements Directive (CRD V)⁶³ and the Capital Requirements Regulation (CRR II)—as genuine financial risk factors capable of influencing capital requirements, lending conditions, and capital allocation decisions.⁶⁴

Emission-intensive production processes are likely to face higher financing costs, and the implications are significant. Carbon-intensive sectors that remain heavily dependent on fossil fuels may face more restrictive lending conditions.⁶⁵ This development reflects a broader transformation in the financial sector's understanding of risk and sustainability, in which environmental externalities are no longer treated as exogenous factors but are instead incorporated directly into the internal risk assessments of financial institutions.⁶⁶



Conversely, companies with ambitious decarbonization strategies and robust sustainability profiles may benefit from more favorable lending conditions and improved access to capital, as they are perceived by financial institutions as presenting lower climate-related risks.⁶⁷ This emerging differentiation between “green” and “brown” business models has not only regulatory implications but is increasingly reflected in actual financial differentiation in capital markets.⁶⁸

Overall, it can therefore be observed that the EU regulatory framework—from the EU Taxonomy to the Corporate Sustainability Reporting Directive (CSRD), the European Sustainability Reporting Standards (ESRS), and the EBA’s ESG banking guidelines—is designed to establish sustainability not merely as a political objective but as a central economic and financial determinant. Sustainability thus becomes a factor that influences not only corporate reputation but also liquidity, credit ratings, and the cost of capital. Companies operating with high-risk, emission-intensive business models must therefore expect increasing financing costs while sustainability leaders may benefit from more favorable financial conditions.





5.

Regulatory Framework and Responsibilities of Supervisory Boards

In the context of the reforms introduced through the EU Omnibus Package, supervisory boards of large corporations are increasingly confronted with expanded responsibilities that are both regulatory and strategic in nature. These reforms seek to improve the transparency, comparability, and quality of non-financial reporting by further developing the Corporate Sustainability Reporting Directive (CSRD) and the associated European Sustainability Reporting Standards (ESRS) within a consolidated regulatory framework. Together, these instruments require companies to disclose detailed and verifiable information on sustainability-related risks, opportunities, and impacts, significantly expanding existing reporting and disclosure obligations.

Against this background, supervisory boards are responsible for overseeing the implementation of a viable ESG strategy that extends beyond regulatory compliance and embeds sustainability considerations within the broader framework of corporate governance and management. This includes ensuring that internal systems for sustainability reporting are operational, substantively consistent, and aligned with the requirements of the ESRS. Supervisory boards must also verify the reliability, consistency, and auditability of the underlying data.



From a financial perspective, it must also be considered that, within the framework of the Capital Requirements Directive (CRD V) and the Capital Requirements Regulation (CRR II), sustainability-related risks are increasingly incorporated into banks' internal risk models. This development may lead to higher financing and capital costs for carbon-intensive business models, thereby reinforcing the economic significance of sustainability considerations.

Another key area of supervisory oversight concerns the integration of ESG risks into enterprise-wide risk management systems. This includes assessing how environmental, social, and governance factors affect corporate strategy, investment decisions, and operational processes. In this context, monitoring compliance with the EU Taxonomy Regulation and preparing for future obligations—particularly those arising from the Corporate Sustainability Due Diligence Directive (CSDDD)—constitute essential elements of the supervisory board's oversight of the company's risk profile.

In the medium term, supervisory boards face the challenge of adapting internal control and reporting systems in order to comply with the evolving requirements introduced by the Omnibus reforms. This includes ensuring the quality and reliability of ESG data, maintaining consistency between sustainability reporting and financial reporting, and improving comparability across reporting periods and between group companies. At the same time, supervisory boards must anticipate the impact of these reporting obligations on capital market evaluations, credit ratings, and financing conditions, and incorporate these considerations into their governance decisions.

In the long term, the role of supervisory boards acquires a deeper strategic dimension. Sustainability objectives must not only be implemented in response to regulatory requirements but must also be embedded as a core element of corporate strategy. This includes the development of long-term climate strategies, the adaptation of business models to emerging environmental and social trends, and the early identification and management of reputational and transformation risks. While the simplification and harmonization measures introduced through the Omnibus Package may reduce certain administrative burdens in the short term, they simultaneously increase the responsibility of supervisory boards to treat ESG considerations not merely as reporting obligations but as structural determinants of corporate risk, value creation, and financing conditions.



Conclusion

Overall, the European Union has developed a comprehensive and increasingly integrated regulatory framework that firmly embeds sustainability within corporate governance and economic decision-making. Earlier approaches that relied heavily on voluntary disclosure have gradually been replaced by a dense network of binding regulations linking transparency requirements, classification systems, and due diligence obligations. Instruments such as the Corporate Sustainability Reporting Directive (CSRD), the European Sustainability Reporting Standards (ESRS), the EU Taxonomy Regulation, and the forthcoming requirements under the Corporate Sustainability Due Diligence Directive (CSDDD) together form a coherent regulatory architecture that systematically integrates environmental and social considerations into corporate decision-making processes.

Within this framework, companies and their supervisory bodies face significant challenges alongside new strategic opportunities. Compliance with expanding reporting obligations, assurance of high-quality sustainability data, and integration of ESG risks into corporate governance structures require considerable organizational and strategic adjustments. At the same time, these regulatory developments offer companies the opportunity to treat sustainability not merely as a regulatory requirement but as a strategic competitive factor. Firms that proactively implement sustainable business models may benefit from improved financing conditions, enhanced investor confidence, and stronger market positioning.





From a governance perspective, supervisory boards have an important role in this transition. In the medium term, they must ensure the consistency and reliability of ESG-related information, improve the comparability of sustainability disclosures across time and companies, and integrate sustainability considerations into risk management and capital market communication. Over the longer term, the systematic integration of sustainability into corporate strategy may help companies identify transformation risks at an early stage, strengthen the resilience of their business models, and contribute to the achievement of the European Union's climate objectives.

In assessing these opportunities, however, it is important to distinguish between what the regulatory framework requires and what companies may gain from responding to it strategically. The framework mandates transparency, due diligence, and—within the financial sector—the integration of ESG risks into credit and capital decisions; it does not in itself guarantee economic returns. Whether sustainability becomes a source of value depends on how credibly companies respond. There is, nevertheless, growing empirical evidence that such a response is rewarded: research based on euro-area credit register data shows that banks charge higher interest rates to firms with greater carbon emissions and lower rates to firms that commit to reducing them, even after controlling for default risk.⁶⁹ Seen in this light, the Omnibus reforms reduce the formal reporting burden but leave the underlying economic logic intact. For supervisory boards, the decisive question is therefore not merely whether their company falls within the scope of a particular regulation but whether its business model remains financeable, insurable, and competitive along a decarbonization pathway.

Despite the complexity and administrative effort associated with the evolving regulatory framework, the European sustainability regime can offer substantial opportunities to companies that respond to it strategically. It enables companies to embed sustainability as a value-creating component of corporate strategy, unlock innovation potential, and strengthen their position in increasingly ESG-oriented capital markets. In this sense, the European regulatory approach seeks not only to advance environmental and social objectives but also to promote a model of economic development capable of generating both ecological and long-term economic value.



Evolution of EU Sustainability Regulation, 2014–2028



Figure 1. Evolution of EU Sustainability Regulation (2014–2028)



Endnotes

1. Regulation (EU) 2021/1119 of the European Parliament and of the Council of June 30, 2021, establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 ("European Climate Law"); (2) The Commission has, in its communication of December 11, 2019, entitled "The European Green Deal" (the "European Green Deal"), set out a new growth strategy that aims to transform the Union into a fair and prosperous society, with a modern, resource-efficient and competitive economy, where there are no net emissions of greenhouse gases in 2050 and where economic growth is decoupled from resource use. The European Green Deal also aims to protect, conserve and enhance the Union's natural capital, and protect the health and well-being of citizens from environment-related risks and impacts. At the same time, this transition must be just and inclusive, leaving no one behind.
2. Directive 2014/95/EU of the European Parliament and of the Council of October 22, 2014, amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and group: (14) The scope of those non-financial disclosure requirements should be defined by reference to the average number of employees, balance sheet total and net turnover. SMEs should be exempted from additional requirements, and the obligation to disclose a non-financial statement should apply only to those large undertakings which are public-interest entities and to those public-interest entities which are parent undertakings of a large group, in each case having an average number of employees in excess of 500, in the case of a group on a consolidated basis. This should not prevent Member States from requiring disclosure of non-financial information from undertakings and groups other than undertakings which are subject to this Directive.



3. Directive 2014/95/EU of the European Parliament and of the Council of October 22, 2014, amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and group: (6) In order to enhance the consistency and comparability of non-financial information disclosed throughout the Union, certain large undertakings should prepare a non-financial statement containing information relating to at least environmental matters, social and employee-related matters, respect for human rights, anti-corruption and bribery matters. Such statement should include a description of the policies, outcomes and risks related to those matters and should be included in the management report of the undertaking concerned. The non-financial statement should also include information on the due diligence processes implemented by the undertaking, also regarding, where relevant and proportionate, its supply and subcontracting chains, in order to identify, prevent and mitigate existing and potential adverse impacts. It should be possible for Member States to exempt undertakings which are subject to this Directive from the obligation to prepare a non-financial statement when a separate report corresponding to the same financial year and covering the same content is provided.
4. Directive 2014/95/EU of the European Parliament and of the Council of October 22, 2014, amending Directive 2013/34/EU: (3) In its resolutions of February 6, 2013, on, respectively, “Corporate Social Responsibility: accountable, transparent and responsible business behavior and sustainable growth” and “Corporate Social Responsibility: promoting society’s interests and a route to sustainable and inclusive recovery,” the European Parliament acknowledged the importance of businesses divulging information on sustainability such as social and environmental factors, with a view to identifying sustainability risks and increasing investor and consumer trust.
5. Commission Staff Working Document Impact Assessment: Accompanying the document Proposal for a Directive of the European Parliament and of the Council amending Directive 2013/34/EU, Directive 2004/109/EC, Directive 2006/43/EC and Regulation (EU) No 537/2014, as regards corporate sustainability reporting, 2021, pp. 12 and 13: Enforcement: the provisions of the NFRD are difficult to enforce. This is mainly because the disclosure requirements are high level, principles-based and flexible. Additionally, the non-financial statement falls outside the scope of supervision of some national competent authorities due to the lack of coordination between the provisions of the NFRD and the Transparency Directive. The difficulty of enforcing the NFRD contributes to many of the problems experienced by users, in particular the limited comparability and reliability of reported information and the fact that much information considered relevant by users is not reported.



6. Commission Staff Working Document Impact Assessment: Accompanying the document Proposal for a Directive of the European Parliament and of the Council amending Directive 2013/34/EU, Directive 2004/109/EC, Directive 2006/43/EC and Regulation (EU) No 537/2014, as regards corporate sustainability reporting, 2021, p. 23: The standards would comprise a number of different normative documents built on a modular structure. For example, different standards might address general disclosure requirements applicable to all enterprises (e.g., description of the business model, risk management system, or due diligence) and thematic disclosure requirements (e.g., on particular environmental or social matters).
7. News European Parliament: Newsletter November 9–10, 2022—Brussels plenary session 08-11-2022 – 14:37: New EU sustainability reporting rules for multinationals, p. 9.
8. Directive 2013/34/EU of the European Parliament and of the Council of June 26, 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, art. 3, 4. Large undertakings shall be undertakings which on their balance sheet dates exceed at least two of the three following criteria: (a) balance sheet total: EUR 20 million (b) net turnover: EUR 40 million (c) average number of employees during the financial year: 250. These thresholds were subsequently updated by Directive (EU) 2026/470 (Omnibus I Directive) to: (a) balance sheet total: €25 million; (b) net turnover: €50 million; (c) average number of employees: 250.
9. Directive (EU) 2026/470 of the European Parliament and of the Council of February 24, 2026, amending Directive 2013/34/EU, Directive 2004/109/EC, Directive 2006/43/EC and Regulation (EU) No 537/2014 as regards corporate sustainability reporting and amending Directive (EU) 2022/2464 (Omnibus I Directive), published in the Official Journal of the European Union on February 26, 2026, entered into force on March 18, 2026. The amended CSRD provisions apply to financial years starting on or after January 1, 2027. Member states are required to transpose the directive by March 19, 2027.
10. EU finalizes ESG Reporting Rules with International Impacts, in Harvard Law School Forum on Corporate Governance, Thibault Meynier, Matthew Triggs, Sarah H. Mishkin, p. 3, 2023: Disclosures will be required to follow what the EU calls a “double materiality” perspective. Under this approach, companies will be required to report both (i) the impacts of their activities on people and the environment, and (ii) how various sustainability matters affect the company. The disclosures will be required to take into account short-, medium- and long-term time horizons and contain information about a company’s value chain, including its own operations, its products and services, its business relationships and its supply chain, where applicable.



11. *See note 10 above.*
12. Directive (EU) 2022/2464 of the European Parliament and of the Council of December 14, 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, Arts. 19a, 29d, 34.
13. See Article 29b(1) of Directive 2013/34/EU, as amended by Directive (EU) 2022/2464 (Corporate Sustainability Reporting Directive—CSRD), which empowers the European Commission to adopt delegated acts establishing sustainability reporting standards. The standards are set out in Commission Delegated Regulation (EU) 2023/2772 of July 31, 2023, supplementing Directive 2013/34/EU as regards sustainability reporting standards (ESRS).
14. The European Financial Reporting Advisory Group (EFRAG) was mandated under the CSRD legislative framework to provide technical advice to the European Commission in developing draft European Sustainability Reporting Standards (ESRS). See Article 49(3b) of Directive 2013/34/EU, as amended by Directive (EU) 2022/2464, and the European Commission mandate to EFRAG for drafting ESRS.
15. The first set of ESRS was adopted by the European Commission on July 31, 2023, through Commission Delegated Regulation (EU) 2023/2772, published in the Official Journal of the European Union on December 22, 2023. These standards operationalize the reporting obligations introduced by the CSRD and apply to sustainability reports for financial years beginning on or after January 1, 2024, depending on the phased implementation schedule of the CSRD.
16. As part of the Omnibus package, the European Commission committed to revising the first set of ESRS adopted in 2023. Following a public consultation, the European Financial Reporting Advisory Group (EFRAG) submitted draft simplified European Sustainability Reporting Standards to the European Commission in December 2025. Pursuant to Article 19b of Directive 2013/34/EU, as amended by Directive (EU) 2026/470 (Omnibus I Directive), the European Commission is required to adopt the revised standards by means of a delegated act within six months of the entry into force of the Omnibus I Directive, i.e. by September 18, 2026. Prior to adoption, the delegated act will be subject to a four-week public consultation period.
17. The Regulation establishes a classification system (“taxonomy”) for environmentally sustainable economic activities, further specifying environmental objectives and technical screening criteria under Articles 9–15.
18. See Article 9 of Regulation (EU) 2020/852 of the European Parliament and of the Council of June 18, 2020, on the establishment of a framework to facilitate sustainable investment (EU Taxonomy Regulation), which defines six



environmental objectives: (a) climate change mitigation; (b) climate change adaptation; (c) sustainable use and protection of water and marine resources; (d) transition to a circular economy; (e) pollution prevention and control; and (f) protection and restoration of biodiversity and ecosystems.

19. See Article 8(1)–(2) of Regulation (EU) 2020/852, which requires undertakings subject to the Non-Financial Reporting Directive and subsequently the Corporate Sustainability Reporting Directive to disclose information on how and to what extent their activities are associated with environmentally sustainable economic activities, including indicators relating to turnover, capital expenditure (CapEx), and operating expenditure (OpEx).
20. Recitals 11 and 12 of Regulation (EU) 2020/852 emphasize that the taxonomy aims to create a common classification system for sustainable economic activities in order to improve transparency, prevent misleading sustainability claims (greenwashing), and enable investors to direct capital towards environmentally sustainable investments.
21. The technical screening criteria for the six environmental objectives established under Article 9 of Regulation (EU) 2020/852 are set out in two principal delegated acts: Commission Delegated Regulation (EU) 2021/2139 of June 4, 2021, supplementing Regulation (EU) 2020/852 by establishing the technical screening criteria for climate change mitigation and climate change adaptation (Climate Delegated Act), and Commission Delegated Regulation (EU) 2023/2486 of June 27, 2023, supplementing Regulation (EU) 2020/852 by establishing the technical screening criteria for the remaining four environmental objectives (Environmental Delegated Act). Both acts define the conditions under which economic activities qualify as environmentally sustainable, including the “Do No Significant Harm” (DNSH) criteria pursuant to Article 17 of Regulation (EU) 2020/852.
22. Lieferkettensorgfaltspflichtengesetz (LkSG) of July 16, 2021 (Federal Law Gazette I 2021, p. 2959), which establishes due diligence obligations for companies regarding human rights and environmental risks in their supply chains; the Act entered into force on 1 January 2023 pursuant to § 24 LkSG.
23. See § 1(1)–(2) LkSG, which defines the scope of application: companies with at least 3,000 employees in Germany from January 1, 2023, and at least 1,000 employees from January 1, 2024. Core due diligence obligations include risk management (§ 4), risk analysis (§ 5), preventive measures (§ 6), remedial actions (§ 7), and the establishment of a complaints procedure (§ 8).
24. Pursuant to § 10(2) LkSG, companies were originally required to prepare and publish an annual report on the fulfilment of their due diligence obligations, with enforcement overseen by BAFA under §§ 12–14 LkSG. The reporting obligation



was abolished with retroactive effect by the amendment to the LkSG approved by the Federal Cabinet on 3 September 2025, with BAFA ceasing its review of company reports with immediate effect from October 1, 2025. The remaining due diligence obligations under the LkSG continue to apply.

25. Corporate Sustainability Due Diligence Directive (CSDDD), European Parliament legislative resolution of 24 April 2024 on the proposal for a directive on corporate sustainability due diligence (COM(2022)0071). Available at <https://eur-lex.europa.eu>.
26. CSDDD (EU) 2024/1760, Arts. 6–8.
27. While the Corporate Sustainability Reporting Directive (CSRD) establishes a framework for standardized disclosure and transparency of sustainability information, the Corporate Sustainability Due Diligence Directive (CSDDD) imposes substantive obligations on companies to identify, prevent, mitigate, and remedy adverse impacts, complemented by enforcement mechanisms and potential civil liability.
28. Corporate Sustainability Due Diligence Directive (CSDDD) (EU) 2024/1760, provides for a phased application: the directive first applies to very large EU companies with more than 5,000 employees and a net worldwide turnover exceeding EUR 1.5 billion, followed (after one year) by companies with more than 3,000 employees and EUR 900 million turnover, and subsequently (after another year) to companies with more than 1,000 employees and EUR 450 million turnover, including non-EU companies reaching equivalent turnover thresholds within the EU; see Arts. 37–38 CSDDD (entry into force and transposition) and the provisions on scope and phased application.
29. Regulation (EU) 2023/1115 (EU Deforestation Regulation) of the European Parliament and of the Council of May 31, 2023, on the making available on the Union market and the export from the Union of certain commodities and products associated with deforestation and forest degradation.
30. Regulation (EU) 2023/1115 (EU Deforestation Regulation), Art. 38 (entry into force and application), providing that the Regulation entered into force on June 29, 2023, and applies following a transitional period.
31. European Commission, “EU Deforestation Regulation: timeline and implementation updates,” confirming the postponed application dates: obligations apply from 30 December 2026 for large and medium-sized companies and from June 30, 2027, for micro- and small enterprises; based on the most recent legislative adjustments to the implementation timeline of the Regulation (EU) 2023/1115 (EU Deforestation Regulation).
32. Regulation (EU) 2023/1115 on the making available on the Union market and the export from the Union of certain commodities and products associated with



deforestation and forest degradation (EUDR), Official Journal of the European Union, 2023, Recitals 1–15 (objectives of reducing the EU’s contribution to global deforestation).

33. Regulation (EU) 2023/1115, Art. 2(1) and Annex I (listing covered commodities and derived products); Art. 3(1)–(2) (prohibition of placing or exporting products linked to deforestation).
34. Regulation (EU) 2023/1115, Arts. 8–12 (obligations regarding due diligence, including risk assessment, supply chain traceability, and geolocation data); European Commission, Questions and Answers on the EU Deforestation Regulation, 2023, section “Due diligence obligations.”
35. Independent economic and compliance press detail the February 2025 Omnibus packages presented by the European Commission with the explicit aim of reducing administrative burden and complexity associated with sustainability reporting and due diligence legislation, to address concerns that the existing rules could hamper competitiveness (Baker McKenzie Blog by Eva-Maria S. Cabanac, Agnieszka Skorupinska, Gebrielle Galdino-Glaeser, Klaudia Cholewa and Karina Krzoska), January 2026, https://www.globalcompliancenews.com/2026/01/02/https-insightplus-bakermckenzie-com-bm-environment-climate-change_1-european-union-eu-institutions-give-businesses-the-gift-of-legal-certainty-on-sustainability-rules_12192025/?utm_.
36. Additional reporting explains that MEPs and EU co-legislators have backed changes within the Omnibus framework intended to streamline sustainability reporting and due diligence requirements, explicitly framing them as simplification and postponement measures (Sustainability Magazine: ESG Reporting: What the EU’s New Omnibus Draft Means), October 2025, https://www.globalcompliancenews.com/2026/01/02/https-insightplus-bakermckenzie-com-bm-environment-climate-change_1-european-union-eu-institutions-give-businesses-the-gift-of-legal-certainty-on-sustainability-rules_12192025/?utm_.
37. Council and Parliament press releases describe the Omnibus I simplification agreement as designed to boost EU competitiveness by reducing reporting burdens while retaining core sustainability requirements, explicitly linking competitiveness to sustained environmental and social policy goals (European Council of the European Union, https://www.consilium.europa.eu/en/press/press-releases/2025/12/09/council-and-parliament-strike-a-deal-to-simplify-sustainability-reporting-and-due-diligence-requirements-and-boost-eu-competitiveness/?utm_).
38. PwC, *The ESG Omnibus* (describing the Omnibus Simplification Package presented by the Commission on 26 February 2025 as a major step to reduce complexity in overlapping sustainability requirements, including CSRD and



CSDDD). E. Vitálosova: https://www.pwc.com/sk/en/environmental-social-and-corporate-governance-esg/the-esg-omnibus.html?utm_.

39. European Commission press release (February 26, 2025) stating the Omnibus proposals seek to reduce administrative and compliance burdens (including targets to cut red tape by 25 percent for all companies and 35 percent for SMEs) and make sustainability reporting more efficient and accessible. https://commission.europa.eu/news-and-media/news/commission-proposes-cut-red-tape-and-simplify-business-environment-2025-02-26_en?utm_.
40. Council of the EU press statements highlight that the Omnibus simplification efforts were launched in response to political calls (e.g., the Budapest declaration) for reducing regulatory and reporting burdens to improve EU competitiveness, particularly for SMEs. https://www.consilium.europa.eu/en/press/press-releases/2025/09/24/simplification-council-agrees-positions-on-digitalisation-and-common-specifications-as-well-as-on-small-mid-caps-to-boost-eu-competitiveness/pdf/?utm_.
41. European Commission, *Omnibus Package* (February 26, 2025), describing a set of proposals to amend the Corporate Sustainability Reporting Directive (CSRD), Corporate Sustainability Due Diligence Directive (CSDDD), Taxonomy Regulation and CBAM to reduce compliance complexity and streamline sustainability reporting requirements. https://finance.ec.europa.eu/news/omnibus-package-2025-04-01_en?utm_.
42. European Commission, *Omnibus Package* (February 26, 2025), indicating that one of the main components of the omnibus proposals is a substantive revision of the CSRD's scope and reporting obligations to focus on larger companies and streamline sustainability reporting.
43. European Commission, *Omnibus Package*, February 26, 2025 (COM(2025) 80 final); see also European Commission, *Omnibus package* (2025) (stating that the proposal would “remove around 80 percent of companies from the scope of the CSRD”).
44. European Commission, *Omnibus Package* (February 26, 2025), outlining the proposal to limit CSRD sustainability reporting obligations to large companies (more than 1,000 employees and defined financial thresholds), which the Commission estimates would decrease the number of in-scope companies by about 80 percent.
45. European Parliamentary “Legislative Train” summary, stating that the Omnibus I proposals also include postponements of CSRD application and transposition deadlines (e.g., via the “stop-the-clock” mechanism), providing companies additional time before reporting becomes mandatory, https://www.europarl.europa.eu/legislative-train/carriage/first-omnibus-package-on-sustainability-proposal-amending-csrd-and-csddd/report?sid=9801&utm_.



46. European Council press releases and legislative summaries describe the simplification package as designed to *boost EU competitiveness and reduce reporting burdens*, particularly through targeted adjustments and extended transitional periods, to ensure that sustainability reporting remains manageable for reporting companies, https://www.consilium.europa.eu/en/press/press-releases/2025/12/09/council-and-parliament-strike-a-deal-to-simplify-sustainability-reporting-and-due-diligence-requirements-and-boost-eu-competitiveness/?utm_.
47. Directive (EU) 2024/1760 of the European Parliament and of the Council of June 13, 2024, on corporate sustainability due diligence (CSDDD), OJ L, 2024/1760, July 5, 2024, as amended by Directive (EU) 2026/470 of the European Parliament and of the Council of February 24, 2026 (Omnibus I Directive). The Omnibus I Directive raised the scope thresholds to undertakings with more than 5,000 employees and a net worldwide turnover exceeding €1.5 billion, significantly narrowing the number of companies subject to direct due diligence obligations under the CSDDD.
48. Directive (EU) 2026/470 of the European Parliament and of the Council of 24 February 2026 (Omnibus I Directive), published in the Official Journal of the European Union on February 26, 2026, entered into force on March 18, 2026. The amended CSDDD provisions must be transposed into national law by July 26, 2028, with in-scope companies required to comply from July 26, 2029.
49. European Commission and legislative “Omnibus I” simplification proposals include amendments not only to reporting and due diligence instruments but also to key sustainability policy tools such as the Carbon Border Adjustment Mechanism (CBAM) and the EU Deforestation Regulation (EUDR), aiming to adjust timelines to reduce regulatory burden, https://www.deutscher-nachhaltigkeitskodex.de/en/reporting-obligations/omnibus-regulation/?utm_.
50. The Carbon Border Adjustment Mechanism (CBAM) is a regulatory instrument designed to impose a carbon price on imports of goods covered under the EU Emissions Trading System (ETS)—currently cement, iron and steel, aluminum, fertilizers, electricity and hydrogen in order to prevent carbon leakage, and is included in the Omnibus simplification discussions, https://europeanshippers.eu/updates-on-cbam-as-part-of-the-omnibus-simplification-package/?utm_.
51. The EU Deforestation Regulation (EUDR), established by Regulation (EU) 2023/1115 of the European Parliament and of the Council of May 31, 2023, is a key European sustainability law that prohibits products linked to deforestation or forest degradation from being placed on the EU market, and has been subject to proposed postponements and timeline changes under broader regulatory reform discussions, https://www.consilium.europa.eu/en/press/press-releases/2025/11/19/deforestation-council-ready-to-start-talks-with-parliament-on-a-targeted-revision-of-the-regulation/?utm_.



52. European Commission Joint Research Centre (JRC), Delivering the EU Green Deal—Progress toward targets (2025), showing that out of 154 quantified Green Deal targets, only 32 are currently “on track” while many others require acceleration or show limited progress, https://projects.research-and-innovation.ec.europa.eu/en/strategy/strategy-2020-2024/environment-and-climate/european-green-deal/green-deal-projects-support/green-deal-news-archive/news/jrc-report-released-delivering-eu-green-deal-progress-towards-targets?utm_source=chatgpt.com.
53. EU climate and energy mitigation trajectory reports from the European Environment Agency (EEA) show that while renewable energy shares are rising, sectors such as transport and buildings still lag behind decarbonization benchmarks, underscoring implementation gaps, https://www.eea.europa.eu/en/topics/in-depth/climate-change-mitigation-reducing-emissions/trends-and-projections-in-europe-reports?utm_source=chatgpt.com.
54. Data from EEA emissions projections indicate that current national policies and measures put the EU close to but not fully on track to achieve the 55 percent reduction, highlighting risks to meeting this legally binding target without accelerated action. https://www.eea.europa.eu/en/analysis/indicators/total-greenhouse-gas-emission-trends?utm_.
55. Council of the European Union, “2040 Climate Target: Council Gives Final Green Light,” press release, March 5, 2026 (amending Regulation (EU) 2021/1119 to set a binding 90 percent net reduction target for 2040 compared with 1990, with high-quality international credits of up to 5 percent of 1990 net emissions permitted from 2036 and at least 85 percent of reductions to be achieved within the EU), <https://www.consilium.europa.eu/en/press/press-releases/2026/03/05/2040-climate-target-council-gives-final-green-light/>.
56. European Environment Agency (EEA) thematic briefings on climate risks note that worsening climate change, including heat extremes, floods, and other impacts — poses significant economic risks, potentially cutting EU GDP by several percentage points if stronger policy action is not taken. https://www.eea.europa.eu/en/europe-environment-2025/thematic-briefings/climate-change/climate-risks-to-the-economy?utm_.
57. Observed extreme weather events and economic loss data underscore that climate impacts are uneven across the EU, with agriculture and tourism sectors in southern states particularly exposed to rising temperatures and water stress, https://www.eea.europa.eu/en/analysis/indicators/economic-losses-from-climate-related?utm_.
58. European Environment Agency (EEA), Europe’s Environment 2025, thematic briefing “Climate Risks to the Economy” (reporting over €738 billion in losses



from weather- and climate-related extremes in the EU between 1980 and 2023, of which over €162 billion occurred in the last three years), <https://www.eea.europa.eu/en/europe-environment-2025/thematic-briefings/climate-change/climate-risks-to-the-economy>.

59. The European Commission's strategic documents and communications consistently reaffirm the European Green Deal's core pillars, including the emission reduction targets and sustained regulatory efforts to mobilize investment for the green transition, https://commission.europa.eu/topics/climate-action/delivering-european-green-deal_en.
60. European Banking Authority, Guidelines on the management of ESG risks (EBA/GL/2023/02), 2023, establishing a comprehensive framework for the identification, measurement and management of environmental, social and governance (ESG) risks within EU credit institutions. Further, European Banking Authority press release (2023) accompanying the Guidelines, emphasizing the need to strengthen ESG risk management in response to growing financial stability risks stemming from climate change and environmental factors, <https://www.eba.europa.eu/publications-and-media/press-releases/eba-publishes-its-final-guidelines-management-esg-isks#:~:text=The%20Guidelines%20are%20based%20on,of%20the%20EU%20banking%20package>.
61. European Banking Authority, EBA/GL/2023/02, paras. 16–32 (governance requirements), requiring institutions to embed ESG risks into internal governance arrangements, including roles of management bodies and risk committees. Ibid., paras. 33–57 (risk management framework), requiring the identification, measurement and monitoring of ESG risks across all traditional risk categories (e.g. credit, market, operational risks). Ibid., paras. 58–79 (strategy and business model), requiring institutions to incorporate ESG risks into business strategies, lending policies and decision-making processes, including credit risk assessments. Ibid., paras. 80–92 (disclosures and transparency), requiring institutions to disclose relevant ESG risk exposures and management approaches to enhance market discipline and transparency.
62. European Banking Authority, *Guidelines on the management of ESG risks and related disclosures* (EBA/GL/2023/02), 2023, paras. 16–92 (requiring institutions to integrate ESG risks into their risk strategy, ensure ongoing assessment of adequacy, identify, measure, monitor and manage ESG risks across all risk categories, incorporate ESG factors into credit risk assessments including scenario analysis and stress testing, and provide transparent disclosures on ESG risks and their impact on business and financing decisions).
63. Directive (EU) 2019/878 (CRD V), amending Directive 2013/36/EU, Arts. 74 and 97 (requiring institutions and competent authorities to integrate environmental,



social and governance (ESG) risks into governance arrangements and the supervisory review and evaluation process (SREP), thereby recognizing ESG risks as relevant financial risk factors).

64. Regulation (EU) No 575/2013 (CRR II, as amended by Regulation (EU) 2019/876), Art. 449a (requiring disclosure of ESG risks, including transition and physical climate risks, thereby embedding ESG considerations within the prudential framework and supporting their treatment as material financial risks affecting capital allocation and market discipline).
65. European Central Bank, Climate-related risk and financial stability, Occasional Paper No. 35, 2021, pp. 12–15 (highlighting that transition risks and exposure to carbon-intensive sectors result in higher credit costs and more restrictive lending terms).
66. Bank for International Settlements, The green swan: Central banking and financial stability in the age of climate change, 2020, pp. 38–45 (explaining that financial institutions now internalize environmental and climate risks as part of standard risk management frameworks, rather than treating them as externalities).
67. European Investment Bank, EIB Investment Report: Financing the green transition, 2023, pp. 24–27 (noting that firms with strong ESG and decarbonization performance typically access lower-cost financing and better lending conditions).
68. European Central Bank, Climate change and financial stability review, 2022, pp. 15–18 (documenting that financial markets are increasingly pricing climate risks, creating observable divergence in capital costs between high- and low-emission firms).
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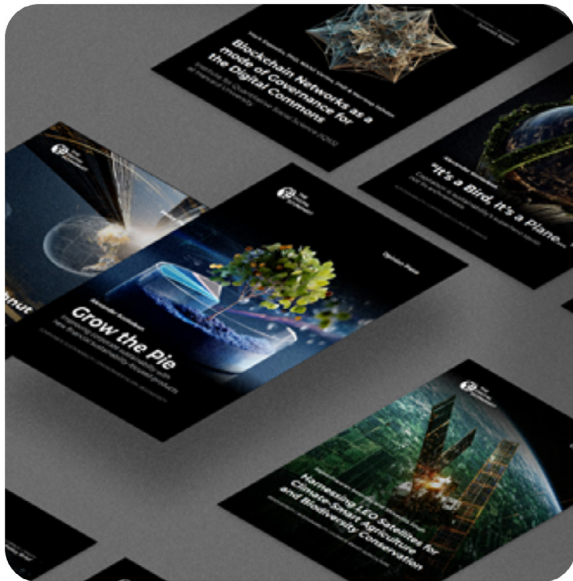
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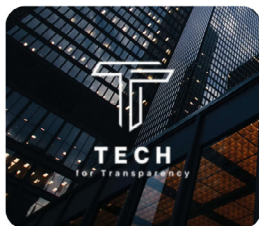
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