

## **Why Financiers Are the Foundation of EU Corporate Accountability: The Role of Sustainable Finance Rules in Motivating Firms' Environmental Impact Disclosure**

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**Abstract:** This paper analyses the role of European Union (EU) sustainable finance rules in enacting the EU corporate accountability regime, in the context of revised corporate environmental disclosure rules. The EU portfolio of financial and corporate accountability policies includes the Sustainable Finance Disclosure Regulation (SFDR) and the Corporate Sustainability Reporting Directive (CSRD). These rules are extra-territorial, applying to entities marketing products in the EU, regardless of domicile. Although the EU Omnibus package is poised to reduce corporate environmental disclosure mandates, proposed updates to the SFDR indicate a continuation of financial accountability requirements. Using interviews and data from a survey of EU-operating corporations and investment firms, and building on prior research, the authors examine the influence of the SFDR and sustainable finance rules in motivating environmental disclosures among firms selling products and services in the EU. Céline Idil provides the view from within the European Commission legislative apparatus, while Lisa Chase offers insights from outside the EU into the Commission's corporate accountability policies. The authors argue that, in line with the Commission's prioritisation of financial accountability to drive corporate environmental performance, financiers' SFDR and sustainable finance compliance will be an increasingly important motivator of corporate accountability.

**Keywords:** non-financial reporting, ESG, SFDR, sustainable finance

**JEL Classification codes:** K2, F2, F3

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### **INTRODUCTION**

In February 2025, the European Commission released a proposal to simplify corporate environmental disclosure rules, with a stated goal of increasing EU competitiveness and economic growth. These changes in disclosure mandates, termed the "Omnibus" proposal, reduced certain corporate accountability policies, including the Corporate Sustainability Reporting Directive (CSRD), as a purported strategy to increase the global competitiveness of EU businesses (European Commission, 2025a; European Commission, 2025b). The CSRD reporting amendments, which will significantly reduce the number of EU firms subject to the CSRD, are scheduled to come into effect in the first quarter of 2026. The Omnibus also proposed certain SFDR disclosure changes, focused on modifying requirements for entity-level reporting and simplifying product reporting, and expanding specificity of sustainable fund categories. The SFDR proposals, potentially taking effect at the end of 2027, did not include

reducing the scope nor the number of subject financial institutions. Until then, banks and financial institutions subject to the SFDR would need to continue reporting under the regulation in force. SFDR compliance would prove more difficult for financial firms whose investee firms stopped reporting environmental impacts, after being exempted from CSRD compliance. The CSRD and the SFDR are extra-territorial and apply to global firms doing business in the EU, which ensures that EU headquartered enterprises are not disadvantaged by competing with foreign unregulated firms. Contrary to the Omnibus stated goal, reducing regulatory oversight could benefit foreign companies operating in the EU and potentially disadvantage EU companies which have already implemented systems to comply with the CSRD and applicable EU member state laws.

The Commission structured its corporate accountability regime on the primacy of finance as the basis for a more environmentally sustainable business system. The SFDR forms the system's sustainable finance foundation, depending on investees' CSRD disclosures to in turn meet SFDR compliance mandates. Because the CSRD and the SFDR underpin the EU Climate Law (Regulation (EU) 2018/1999, 2018; Regulation (EU) 2021/1119, 2021) and integrate with a comprehensive portfolio of environmental protection law, weakening these policies could also diminish the effectiveness of the Commission's climate and environmental conservation goals. Reducing the scope or application of EU law governing corporate and financial accountability would therefore be significant and potentially disruptive to EU firms. Echoing this assertion, a consortium of EU financial institutions and corporations urged the Commission, Council and Parliament to forgo any erosion of corporate and financial accountability mandates. Financial firms underscored the anticipated difficulty of SFDR compliance without mandated CSRD reporting, and the challenge for EU corporations that have already adopted environmental impact measurement and disclosure systems (European Commission, 2025a; Eurosif, 2025a; Eurosif, 2025b; European Parliament, 2021).

This paper addresses a principal research question: what is the SFDR's role in motivating corporate environmental accountability, now that the Omnibus revisions have weakened CSRD disclosure mandates? For companies that are no longer obligated to comply with the CSRD, will banks and SFDR-compliant investors motivate environmental accountability? Supported by primary research, the authors assert that maintaining a robust EU corporate accountability regime is essential to EU business performance and to supporting environmental conservation goals. The authors further assert the strength of sustainable finance rules and the SFDR to continue motivating improved environmental performance among beneficiaries of private-sector or ECB-governed financing, irrespective of changes to the CSRD or CSDDD. With complementary perspectives on EU corporate accountability policy, the authors examine the Commission's stated motivations to realign EU corporate environmental performance through the financial systems and to ensure a globally competitive EU business sector. Céline Idil provides the view from within the Commission legislative apparatus, while Lisa Chase offers insights from outside the EU into how sustainable finance rules influence business practice. The authors argue that, in line with the Commission's prioritisation of sustainable finance to drive corporate environmental performance, financiers' SFDR and sustainable finance compliance will play an increasingly important role in improving corporate accountability and climate impacts.

## **1 LITERATURE REVIEW**

### **Financial and Corporate Accountability and Reporting Policy**

In 2021 the EU began enacting comprehensive rules for business of all types and sizes to transparently report their non-financial impacts, including the Sustainable Finance Disclosure Regulation (SFDR) and the Corporate Sustainability Reporting Directive (CSRD). These policies

were based on the premise that requiring investors and corporations to transparently account for their environmental and social impacts would motivate environmentally responsible investing and business operations. The corporate accountability rules therefore complemented the portfolio of EU law on environmental protection, waste management and climate change and could be instrumental to their effectiveness. These financial and corporate disclosure rules extend beyond EU borders and effectively mandate reporting of environmental, social and governmental (ESG) impacts for an extensive array of companies, regardless of domicile. The policies therefore had the potential to significantly alter global businesses' environmental accountability, including US entities marketing products and services in EU member states.

### **Sustainable Finance Disclosure Regulation (SFDR)**

In March 2021, the Commission put into force the SFDR as the basis of its accountability regime. The SFDR obligates all large (over 500 employees) entities offering financial products that manage client funds, financial advisers in all investment processes, and financial products with a sustainable investment objective to disclose sustainability risks and impacts. It applies to financial asset managers raising money in the EU, regardless of where they are based, and investment managers outside of the EU who market their products to EU clients. The SFDR requires impact assessment and reporting at the product level, which is relevant for real estate and building projects within and outside of the EU. Whether or not an investment pursues a sustainability objective, investment entities are required to assess how their investments may be negatively impacting the natural environment, such as by polluting water, damaging biodiversity or contributing to global climate change. Beginning in January 2023, firms were required to report the discrete environmental impacts of their investments. This meant, for example, that financial services firms with real estate investments in non-EU or EU candidate states needed to assess the environmental impacts of those holdings outside of the EU (Regulation (EU) 2020/852, 2020; Regulation (EU) 2019/2088). The Commission's proposed SFDR updates responded to financial firms' request for greater clarity on sustainable investment portfolio definitions and simplification of product-level reporting for portfolio assets (European Commission, 2025c).

### **Corporate Sustainability Reporting Directive (CSRD) and Directive on Corporate Due Diligence and Corporate Accountability (CSDDD)**

In December 2022, the European Parliament adopted the Corporate Sustainability Reporting Directive (CSRD) to amend the Directive on Non-Financial Reporting's (NFRD) reporting requirements (European Commission, 2021; Directive 2022/2464/EU, 2022). The NFRD required publicly listed large corporations (over 500 employees) operating in the EU to report on their comprehensive environmental and social impacts, in addition to their financial disclosures (Directive 2013/34/EU, 2013; Directive 2014/95/EU, 2014). The Parliament incorporated supply chain reporting requirements from the proposed Directive on Corporate Due Diligence and Corporate Accountability (Due Diligence Directive/CSDDD) (Resolution (EU) 2020/2129) into the CSRD. The CSRD required companies subject to the directive to measure and report on their entire value chains, including their own "operations, workforce, investments, assets, products and services, its business relationships and... supply chain" to transparently reveal a company's sustainability impacts and risks. Publicly listed companies with more than 500 employees, regardless of domicile, were required to comply with the CSRD beginning in the fiscal year 2024. In January 2025 the directive applied to any private company operating in the EU, regardless of where it was headquartered, with 250 or more employees and more than 40 million euro in annual revenues. The CSRD applied to small and medium sized EU headquartered entities (SME) beginning in January 2025 and to privately held companies operating in the EU, but domiciled outside of the EU, in fiscal year 2026. Because the CSRD is a directive, it does not impose a mandatory penalty for non-compliance, although EU member states can impose non-compliance penalties in their CSRD adoption. The CSRD

and the SFDR are pillars of the EU's "sustainable finance" objectives of increasing money flows toward sustainable business and technologies to help fulfill the Climate Law's targets. They are complementary policies, with the CSRD providing product-level sustainability and environmental impact data that investors can use to make investment decisions that will enable their SFDR compliance. The Commission describes this portfolio broadly as environmental social and governance (ESG) policies, which are the central focus of the Omnibus package.

### **EU Taxonomy Regulation and the ESRS**

Released in June 2021 and updated in February 2022, the Taxonomy Regulation for sustainable activities established a classification system for environmentally sustainable economic activities, applying to the SFDR and potentially the CSRD (Regulation (EU) 2021/2139, Regulation (EU) 2023/2485). Because the Taxonomy requires detailed environmental impact reporting, including factors such as operational energy use and greenhouse gas emissions for manufacturing, it supports a range of EU environmental conservation policies. In March 2026, the Commission proposed and enacted revisions to the Taxonomy Regulation as part of its Omnibus package, including certain changes to the reporting criteria (European Commission, 2026; Regulation (EU) 2026/73).

In November 2021 the International Financial Reporting Standards (IFRS) Foundation Trustees established the International Sustainability Standards Board (ISSB). In June 2023 the ISSB's delivered a global baseline of sustainability-related disclosure standards, IFRS S2, to provide investors and other capital market participants with information on companies' sustainability-related risks and opportunities (ISSB, 2023). The ISSB's most recent IFRS S2 amendments include updates to the greenhouse gas emissions disclosure specifications. The ISSB standards complement the Taxonomy to provide a robust framework for private and central bank lenders to assess environmental and climate impacts (IFRS, 2023; ISSB, 2025).

In July 2023 the Commission adopted the European Sustainability Reporting Standards (ESRS), (EFRAG, 2023), a framework for companies subject to the CSRD to report on sustainability-related impacts and business risks. While the ESRS bore some similarities to the Taxonomy specifications, it diverged on certain factors, including a corporation's climate materiality assessment. For example, the ESRS required firms to assess and disclose whether climate exposure was "material" to their business activities. However, the ESRS also allowed a company to not report on climate impact factors, if the firm asserted that climate impacts were not material to its operations. A consortium of financial institutions objected to the ESRS allowance, asserting that it would complicate investors' and banks' ability to collect SFDR-mandated environmental and climate data (Eurosif, 2023). In November 2025, the European Financial Reporting Advisory Group (EFRAG) released the revised ESRS, aligning with the revised CSRD to reduce data collection and reporting requirements (EFRAG, 2025). The European Central Bank (ECB) responded by noting that the reduced ESRS would increase the difficulty for investors of obtaining SFDR compliance data (ECB, 2026b).

### **European Central Bank and European Investment Bank SFDR alignment**

An assessment of the European Investment Bank's (EIB) and the European Central Bank's sustainability-related lending criteria reveals the SFDR's influence beyond financial institutions directly subject to its mandates. The EIB is the EU's lending bank, focused on enabling economic development, social cohesion, and supporting the EU's climate initiatives of the European Union. The EIB finances projects in infrastructure, innovation, climate and environment, and small and medium-sized enterprises (SMEs). EIB Global is the arm of the EIB that works beyond the European Union borders, including EU candidate states in the EU enlargement zone. Launched in January 2022, EIB Global finances projects for climate action, economic growth, and development (EIB, 2023). The European Central Bank is the EU's supervisory bank for those EU states using the euro and supervises monetary policy for their banks (ECB, 2023). The ECB also has cooperation agreements with banks outside of the EU,

in order to assist those institutions with their banking practices. While the ECB's supervised institutions and the EIB lend directly to private enterprises, they are not required to comply with the SFDR. Following the 2021 SFDR implementation, the EIB and the ECB announced that they would voluntarily align their lending requirements with the SFDR sustainable finance and climate impact assessment requirements and with the Taxonomy framework (EIB, 2025), pledging to make financing and investment decisions contingent on potential investees' environmental, social and governance impacts. This policy alignment means that national banks under ECB supervision or with which the ECB has a cooperation agreement must align with the ECB assessment and Taxonomy reporting criteria (ECB, 2023).

In 2022 the EIB published Environmental and Social Standards (ESS) for lending criteria. For investees, this includes measuring and disclosing environmental impact factors, such as building energy performance, as a condition of financing eligibility. Environmentally related disclosures, for example, include identifying climate risks and reporting on GHG emissions and other climate-specific factors, disclosing water pollution and hazardous waste production, and demonstrating adherence to EU waste management rules. Social sustainability factors include demonstrating the right to collective bargaining and zero tolerance for forced and child labour. In October 2022 the EIB released its framework methodology for assessing companies' climate risk and environmental impacts, as a condition for lending (EIB, 2022). The ESS effectively requires investee companies to comply with CSRD-aligned environmental impact measurement requirements.

In January 2023 the ECB published draft climate-related indicators for banks and financial institutions (ECB, 2023), including guidance for using the statistical indicators to assess material climate factors for institutional lending and investments. The ECB considered this climate impact assessment a necessary component of lending risk assessment. For example, a lending institution would need to assess the carbon intensity of an investee company by measuring its total greenhouse gas (GHG) emissions against its production value. This required companies seeking ECB loans or equity investment, regardless of domicile, to demonstrate discrete GHG measurement for all business activities. Like the EIB ESS rules, companies receiving financing from ECB institutions must comply with environmental accountability mandates regardless of whether they are directly subject to the CSRD.

The ECB has continued to fine-tune its indicator methodology and detail, most recently in November 2025. It has also begun enforcing requirements for banks to perform portfolio climate risk assessments and identify any climate risks to which the banks are exposed. In February 2026 the ECB imposed a fine of more than 7 million euro on Crédit Agricole for failing to perform a required climate and environmental risk assessment. This followed the ECB's issuance of a 187 thousand euro fine to Spanish bank ABANCA for the same infraction (ECB 2025, 2026a).

### **European Commission Omnibus Simplification Package**

In February 2025 the Commission presented two "Omnibus" packages designed to simplify existing legislation in the fields of sustainability and investment. The first, Omnibus I, introduced proposals to ease sustainability reporting obligations for companies. The European Union's "simplification" agenda became a defining policy theme of 2025, as the Commission sought to reconcile its ambitious sustainability goals with concerns over competitiveness and regulatory burden. The Commission's Omnibus I proposal marked the first major legislative test of this agenda, revisiting key sustainability laws in light of calls from EU leaders to make Europe's regulatory framework more streamlined and growth-oriented.

The Commission's proposal attracted immediate and diverse reactions from both civil society and the business community, even before its formal adoption. In the weeks leading up to the release of Omnibus I, a coalition of companies and industry associations urged the Commission to focus on practical adjustments rather than reopening existing legislation or lowering the

EU's overall sustainability ambition. They warned that such moves could create uncertainty for companies already adapting to new requirements. Several major multinationals, including Nestlé, Unilever, and L'Oréal, voiced strong concerns, arguing that weakening sustainability rules could undermine the level playing field in the EU Single Market. Nestlé, for instance, highlighted the extensive voluntary work it had undertaken to assess environmental and human rights impacts across its supply chain, stressing that harmonised EU rules are essential for fair competition. Similar positions were echoed by Unilever and Primark, both of which have made substantial investments to comply with the current framework. In July 2025, these concerns were endorsed by leading investor associations, including Eurosif, IIGCC, and the PRI, representing over 200 investors and financial sector actors. They argued that EU sustainability legislation fosters transparency, responsible conduct, and long-term competitiveness, and that a stable and predictable regulatory environment is crucial for investment, growth, and decarbonization (Abiona et al., 2025).

The Omnibus notably sought to remove around 80 percent of firms from the scope of the CSRD and to limit the sustainability information that large companies and banks may request from smaller suppliers. Beyond the CSRD, the package proposed significant simplifications and scope reductions across key EU sustainability frameworks, including the CSDDD and the EU Taxonomy Regulation. The Omnibus amendments were debated and, despite business and financial sector objections, approved by the Parliament and European Council in late 2025). The Omnibus Directive entered into force on 18 March 2026 and the deadline for EU Member States to transpose the CSRD amendments is the first quarter of 2027 (Directive 2026/470/EU, 2026).

Under the Omnibus revisions, only companies with more than 1,000 employees (instead of 500 under the current CSRD) and more than €450 million in net turnover would remain within the CSRD's scope. The entry into force of the second wave of CSRD reporting, for foreign firms operating in the EU, would also be delayed by two years. Importantly, the Commission decided to retain the double materiality principle, requiring disclosure both on how sustainability issues affect companies and on how companies affect the environment and society. For the CSDDD, the Omnibus imposes a one-year delay in application for large EU-operating companies (to July 2028), limiting full due diligence to direct business partners unless there is credible evidence of adverse impacts deeper in the value chain, and extending the monitoring period from annual reviews to once every five years. Only companies with 5,000 employees and at least €1.5 billion in revenue would be required to comply with the CSDDD (European Commission, 2025a; Directive (EU) 2026/470).

Changes to the EU Taxonomy include materiality thresholds, which allow financial firms and nonfinancial entities (investment assets, for example) to exclude from their reporting any activities that they consider "non-material" to business operations. Considering that the concept of expanding the scope of business and investment materiality was central to the Taxonomy and the entire ESG policy regime, this revision seems significant. The amended Taxonomy will also reduce the number of data points on which firms must report, potentially affecting SFDR disclosures. However, the updated Taxonomy does not modify or reduce the technical screening criteria for substantial contribution to climate change mitigation or climate change adaptation (European Council of the European Union, 2026). This supports and aligns with the ECB's continued focus on climate risk assessment and disclosure.

### **Energy Performance of Buildings Directive (EPBD)**

Adopted in 2002 and recast in 2010, the EPBD was intended to improve the energy efficiency of buildings and consequently reduce carbon emissions (Directive 2010/31/EU, 2010). The recast EPBD (Directive 2018/844/EU, 2018), released in 2018, introduced standards for assessing building energy performance and using the energy measurements to improve building systems and energy performance. The EPBD established requirements for calculating

the energy performance of buildings and setting minimum energy performance requirements for new buildings and major renovations of existing buildings. The EPBD mandates Member States (States) to set minimum requirements for building renovation and technical system upgrades, focusing on the building elements that significantly impact the building's energy performance. The EPBD includes specific methodology for calculating cost-optimal energy performance requirements, accounting for climate factors, building systems and maintenance. The EPBD also required that by the end of 2020 all new buildings, and by the end of 2019 all public buildings, would need to be nearly zero energy. All EU member states were required to create plans to implement the EPBD and increase the number of zero energy buildings, with the option to set more aggressive energy efficiency targets than the EPBD. The most recently revised Energy Performance of Buildings Directive (EPBD) entered into force on 28 May, 2024, aiming for a zero-emission building stock by 2050 (European Parliament, 2024).

### **Academic literature**

Beerbaum and Puaschunder (2018) have closely examined the development of the EU sustainability classification and measurement model, or taxonomy, which applies to the financial sector and to EU corporate accountability and reporting requirements. Backenroth and Lindqvist (2021) have analysed how the EU real estate and financial sectors are collaborating to influence the development of the EU sustainability taxonomy. Literature has emerged on the topic of non-financial and sustainability measurement and reporting, particularly related to real estate and finance. Monciardini (2016) has written in depth about the "unlikely coalition" of interests that has collaborated on EU policies to limit corporate power and achieve greater corporate transparency and accountability. Busch (2021) and Busch et al. (2025) have analysed the potential for the Sustainable Financial Disclosure Regulation to harmonise sustainability measurement and reporting. Ahlström and Monciardini (2021) have analysed the scepticism regarding the "financialisation of sustainability." More recently, Martinez Meyers et al. (2024) has examined the SFDR's influence on investment funds' environmental, social and governance (ESG) performance "scores," while acknowledging the potential disconnect between scoring and measurable environmental impact. Ngo (2025) has analysed the effect of the SFDR on investment portfolios' sustainability performance, finding that SFDR disclosure mandates seemed to motivate investments in less environmentally damaging assets. Taking a similar approach, Fornasari and Traversi (2024) have studied enhanced corporate sustainable practices in response to CSRD mandates.

## **2 METHODOLOGY**

This paper analyses EU corporate and financial accountability policies, through a review of the academic literature, quantitative and qualitative research. To examine the role of the SFDR in motivating corporate accounting and disclosure of environmental impacts, the authors conducted primary research via an online survey between January and February 2026. This survey built upon 2021 research by one of the authors, which determined a convergence between corporate accountability mandates and European real estate owners and managers measurement and reporting of energy performance. That research identified a convergence between the Energy Performance of Buildings Directive (EPBD), which does not require buildings to measure and report operational environmental performance, and EU corporate accountability policies. That research included a survey of real estate entities in 27 EU member states and the UK, conducted after the adoption of the SFDR and before the release of the CSRD. Responses to survey questions and interviews indicated that the SFDR, as well as pending policies mandating corporate accountability and supply chain disclosure, were important motivators for building energy efficiency measurement and reporting. While the ESG rules were being written, survey respondents reported that real estate companies and investors were compelled to measure and report operational energy use throughout their

portfolios, in anticipation of the SFDR reporting requirements. The research concluded that EU sustainable finance policies were influencing global real estate operational energy performance and measurement, in the absence of any EPBD requirement for measured energy use.

Since the author's 2021 research, limited quantitative data has emerged to assess how the SFDR or the CSRD are influencing corporate environmental performance, nor how these policies work in tandem. The available research has analysed how the CSRD and the SFDR disclosure requirements affect reported corporate sustainability practices, but has not generally extended to the quantifiable impacts on business operations or complementary relationship between the two policies. The academic research tends to analyse CSRD and SFDR disclosures individually, absent the SFDR's dependence on CSRD or Taxonomy-aligned disclosures. This paper attempts to address this research gap by analysing what motivates EU corporate environmental measurement and disclosure, in the context of the Omnibus weakening of the CSRD and the continuation in force of the SFDR.

To assess the influence of the SFDR on corporate environmental performance and measurement, the authors conducted primary research, including an updated version of the 2021 survey. This new online survey was amended to add questions specific to the CSRD changes and the proposed SFDR updates. With a goal of comparing 2021 and 2026 responses from the same cohort, the authors distributed the survey via email to the 75 respondents from 2021 survey, as well as 25 additional financial institutions and EU firms. At the time of writing, the survey had received less than 20 responses (survey deployment continued after paper submission). This was partly a result of numerous 2021 respondents' email addresses no longer being in service. Additionally, survey recipients may have been reluctant to respond to a survey sent by a Commission member, considering that financial institutions are under scrutiny by EU institutions. This reluctance could also indicate that financial firms are responding to Commission oversight by carefully considering their SFDR compliance requirements. To expand the research cohort, the authors also conducted interviews with a group of 16 architects, real estate developers, investors and "green" building certification advisors. This cohort had expertise in "green" building certification and environmentally sustainable investment and development. The interview subjects were queried about their motivations for measuring and reporting the environmental performance of their construction or investee projects. For example, real estate investors were questioned about their reasons for mandating environmentally sustainable building certifications from investee projects. Architects and developers were asked about their motivations for designing and building for environmental and energy efficiency. Along with the certification advisors, they were also questioned about their drivers for seeking "green" building certification, and for assessing projects' environmental impacts and performance

### **3 RESULTS AND DISCUSSION**

#### **3.1 Influence of the SFDR and associated policies on environmental performance and disclosure**

Although survey responses were not numerous enough for rigorous data analysis, they did align, at least in a limited fashion, with the findings from the 2021 survey. Six of the respondents were subject to the SFDR and reported complying with the regulation by collecting environmental data from investees. The financial institutions subject to the SFDR reported compliance with the regulation and were motivated to report environmental impacts through annual SFDR reports, environmental performance and ESG reports. One privately held French financial firm was subject to, and reported complying with, both the CSRD and the SFDR. This French firm and a Brussels-based bank also reported requiring investees to measure and disclose environmental factors, to meet SFDR compliance. All of the respondents subject to

the SFDR reported that the Omnibus changes to the CSRD would complicate their SFDR compliance potentially increase their cost of doing business.

Five companies subject to the CSRD reported that they complied with the directive and issued an annual CSRD report, motivated by the disclosure requirement. Two of these respondents, representing multinational construction material companies, also commented that complying with the CSRD had necessitated changing their business operations to be more environmentally efficient. They underscored that, even if they were no longer subject to the CSRD, they would continue to operate with higher environmental performance. Except for one respondent, the 7 firms that were not subject to the original or the revised CSRD did not report an intention to voluntarily measure and report environmental impacts. However, 6 of these respondents, who did not fall within the scope of the CSRD, reported being motivated to measure and report environmental data because of funder requirements. Although these firms did not produce CSRD reports, they collected and disclosed data to investors or banks, on a range of building construction and operations factor. Firms that disclosed environmental impacts reported being motivated to assess environmental performance specifically because of policy compliance (including funder mandates), but not primarily for reputational advantage or marketing purposes.

The authors' interviews with EU real estate professionals were informative, demonstrating that this cohort was motivated to finance and build environmentally efficient buildings to comply with EU and local law. Notably, architects and developers consistently reported that the EPBD was a primary motivator for designing and constructing buildings for maximum energy performance, including assessing and reducing total embodied GHGs. "Green" building certifications provide a method for architects and developers to demonstrate EPBD compliance and environmental impact assessment to funders or investors, but do not motivate this measurement (Whole Building Design Guide, 2025). Since the EPBD does not require comprehensive energy or environmental reporting, interviewees underscored that an investor or bank is a strong motivator for demonstrating adherence to the EPBD, and for analysing and disclosing real estate projects' energy performance and environmental impacts. These interviewees also noted that, because banks aligned with the EU Taxonomy also require a climate risk assessment from their assets, real estate projects must perform a more rigorous environmental and climate analysis than the EPBD may require. A pre-construction climate analysis may result in modifications to improve environmental performance. The building certification advisors reported that their guidance for designers and developers focused on complying with funder or investor requirements, including employing the certification standard that satisfies financing conditions.

Interviews with real estate investors underscored that SFDR compliance is a strong driver for financial firms to mandate assets' environmental disclosures. Members of a mid-size Dutch real estate investment firm, for example, reported that their primary motivators for choosing investments was financial returns and adherence to their SFDR compliance requirements. Therefore, assessing a potential asset's CSRD disclosure or building certification served two purposes: determining how efficiently a building or large real estate project operated, and therefore how profitable it might be; and confirming that the project could produce the required data for the Dutch firm to comply with its SFDR disclosures. If an investee was not subject to the CSRD and required to disclose environmental performance, the firm required a "green" building certification that included data on environmental and climate impact analysis. This latter requirement was particularly relevant for any potential investments outside of the EU, which would not be subject to the EPBD's energy performance analysis. Similarly, an Italian real estate development and investment firm reported requiring prospective US investments to provide a building certification demonstrating embodied GHG measurement, climate impact and energy performance assessment. This requirement was motivated by the Italian firm's SFDR compliance mandates. Investing in a real estate project that could not disclose this

necessary data was untenable, because of compliance and financial performance risk. A German bank, under the supervision of the ECB and subject to EU Taxonomy reporting, reported an absolute requirement for any real estate asset to demonstrate its ability to measure and report environmental performance data, as a condition for investment. These interviews emphasized that, in line with the 2021 research, the SFDR continues to be a primary motivator, independent of the CSRD, for EU real estate projects to demonstrate quantifiable environmental efficiency as a condition for receiving financing.

### **3.2 The anticipated effect of proposed Omnibus policy changes**

Additional research will be required, following the adoption of the revised CSRD, to assess the effects of the Omnibus changes on EU corporations' environmental performance and disclosure. To that end, the authors have organised a workshop at the end of May, 2026 in Brussels, Belgium, to solicit feedback from EU financial firms and corporations on how the CSRD revisions are affecting their business operations. The authors seek to expand on their limited survey responses by engaging companies, particularly financial institutions, in an environment where they may be more willing to share this information. The authors plan to share the anonymized workshop findings with the Commission to inform their policy planning.

Based on the authors' research to date, it seems likely that the CSRD revisions will complicate financial firms' ability to collect the required data to satisfy ECB Taxonomy or SFDR reporting mandates. Since the Omnibus did not simply scale back the scale of CSRD reporting obligations, but removed the majority of EU businesses from its scope, financial institutions will surely find it challenging to collect investee data. A fundamental challenge for banks and investors would seem to be that, even with the reduced scope of Taxonomy-aligned reporting, climate risk and climate impact disclosure is still required. Yet even if companies are no longer required to comply with CSRD disclosures, banks and investors will necessarily continue to demand environmental and climate impact data from investment assets and loan recipients. The ECB fines against ABANCA and Crédit Agricole underscore the compulsion for banks to remain vigilant in ensuring they can comply with climate risk assessment mandates.

The authors' research indicates that sustainable finance disclosure mandates are a critical motivator, independent of the CSRD, for real estate projects to quantify environmental performance as a condition for receiving financing. Possibly a more significant effect of the Omnibus weakening of the CSRD will be the inability of the public to gain a transparent accounting of corporations environmental and climate impacts. Additionally, considering survey certain respondents' assertion that CSRD compliance resulted in improved operational environmental efficiency, the Omnibus changes could also impede companies' environmental progress. Considering that improving energy efficiency and environmental performance increases profitability, the result could be reduced business growth and competitiveness, rather than the Commission's stated Omnibus objective. Additionally, EU firms receiving EU investor or ECB-supervised bank financing would need to continue collecting and reporting climate impact data, putting them at a competitive disadvantage against foreign firms who are not subject to regulated environmental disclosure requirements.

## **CONCLUSION**

Since the 2021 research study, the Commission's strategy and policies on corporate and financial accountability have come full circle. The Commission originated its corporate accountability regime with a mandate to shift the business ecosystem within and outside of the EU away from a singular focus on short-term profits, toward a more holistic treatment of firms' global environmental and social impacts. Holding businesses accountable for their environmental as well as financial results, according to the Commission's premise, would engage them more directly in furthering the Commission's climate and environmental

objectives. The goal was ambitious, and yet five years later the Commission has seemingly decided that their original accountability objectives are detrimental to EU global economic competitiveness. According to the response from large EU corporations and financial institutions to the Omnibus changes, the majority of firms do not agree. One might conclude that the Commission, the Parliament and the Council devised and approved the Omnibus changes without considering the viewpoint of the very businesses they profess to support with a “competitiveness agenda.”

However, the Commission did not entirely retreat from its founding accountability premise, which asserted that the financial system should be a primary factor pushing businesses to actively support EU climate and environmental policies. The SFDR remains in force and unmodified, the ECB and the banks under its jurisdiction continue to mandate climate risk assessment from investees, and EU firms still need to measure and report environmental impacts to secure financing. The weakening of the CSRD will complicate, but not reverse, banks’ and investors’ compulsion to comply with sustainable finance mandates. Indeed, in keeping with the Commission’s foundational corporate and financial accountability framework, EU financiers and the SFDR will play an increasingly critical role in promoting corporate holistic environmental accountability, efficiency and long-term economic performance. Engaging directly with EU firms and with the authors’ research, to understand the practical implications of the Omnibus revisions, will be critically important for the Commission as it supervises the CSRD implementation and drafts its proposed SFDR changes.

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