CSRD guidance for Wave 2 companies

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GUIDE

What's inside:

"EU regulations are shifting, but the goal is unchanged: companies that get ahead on CSRD reporting gain a clear competitive edge."

Julien Denormandie
Former French Government Minister and CIO of Sweep

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CSRD guidance for Wave 2 companies

Over the past few months, the Omnibus proposals have led the European Commission to reassess the scope and content of the CSRD.

While discussions are still ongoing, the two-year implementation delay, which has already been approved, means "Wave 2" companies will publish their CSRD reports in early 2028, covering the 2027 fiscal year. If you're among these companies, you should start preparing now.

01 Who is covered by Wave 2?

Under the CSRD's current rollout schedule, the so-called "wave 2 companies" were originally expected to publish their first sustainability report in early 2026, covering the **2025 financial year**. However, the latest **omnibus proposal introduces a two-year delay,** meaning these companies would now only need to report in **2028**, based on **2027 financial data**.

At the same time, the thresholds for inclusion are being revised. Under the proposal, wave 2 companies will be those with **more than 1,000 employees** and a **net turnover above €450 million**, provided they are not already covered as wave 1 companies.

Looking ahead, other businesses will also fall within the scope of the CSRD, including non-EU companies. For these, the first reports would be due in 2029, based on 2028 financial year data.

02 The February 2025 Omnibus proposals: what's new for CSRD reporting?

On 26 February 2025, the European Commission introduced two legislative proposals to amend the Corporate Sustainability Reporting Directive (CSRD): the so-called "stop-the-clock" directive and the "content" directive.

These proposals aim to simplify and clarify aspects of the CSRD while maintaining its core objectives of transparency and accountability in sustainability reporting across the European Union.

Together, the proposals adjust compliance timelines, reduce administrative burdens, and refine key obligations – particularly for companies newly subject to CSRD requirements. They also clarify the relationship between EU-level rules and national laws across member states, supporting more consistent implementation of sustainability reporting standards.

Importantly, the proposals reaffirm the emphasis on general disclosures related to climate change and companies' progress toward net zero emissions.

They align with the European Parliament's broader environmental agenda and reinforce the importance of robust sustainability reporting. Organizations preparing for CSRD compliance should monitor both proposals closely and update their reporting strategies as needed.

Key changes

Change	Details	Expected timeline
Narrowed scope	Only companies with **>1,000 employees** and meeting one of these 2 criteria: **€50m turnover** or **€25m balance sheet** (previous thresholds were lower). NB: At this stage, this is only a proposal. It has not been validated at EU level.	Not anticipated before 2026 fiscal year.
Implementation delay	**A two-year delay** has been introduced for the so-called "wave 2" and "wave 3" companies. The "stop-the-clock" directive has been approved at the EU level and must be transposed into national legislation by 31 December 2025. France has already completed this transposition.	Expected for 2025 fiscal year.
Sector-specific standards postponed	Industry-specific ESRS requirements have been abandoned.	Not anticipated before 2026 fiscal year.

Change	Details	Expected timeline
EU Taxonomy alignment optional	Voluntary reporting of the Green Taxonomy for companies subject to the CSRD with turnover below €450 million.	Not anticipated before 2026 fiscal year.
Third party verification level	The requirement for **reasonable assurance** would be eliminated, with only **a limited assurance** level expected instead.	Decision not anticipated before 2026 fiscal year. Reasonable assurance was expected from the 2028 fiscal year.

While these changes may ease the compliance burden, the core sustainability obligations remain – meaning companies still need to build strong reporting frameworks and governance systems.

"The sheer amount of data that you have to handle for CSRD compliance is huge, and we expect that Sweep will help us to do that in a very structured way. With a task this size, we could otherwise end up in a mess."

Res Witschi
Delegate for Sustainable Digitalization

swisscom

03 CSRD and ESRS: A quick recap

The CSRD was designed to expand and improve upon the Non-Financial Reporting Directive (NFRD), with the aim of enhancing corporate accountability and transparency. It requires companies to disclose environmental, social, and governance (ESG) information alongside their financial results.

To standardize how these disclosures are made, the European Sustainability Reporting Standards (ESRS) were created by EFRAG (European Financial Reporting Advisory Group). These standards form the foundation of CSRD compliance and ensure consistency across all sectors and member states.

A timeline of CSRD development

2014	NFRD is introduced for large public-interest entities.
2022	CSRD is adopted to replace and strengthen NFRD.
2024	First fiscal year of enforcement of the CSRD
2025	First publication of sustainability reports in compliance with the CSRD ("wave 1" companies)

04 Double materiality assessment: still at the core

The double materiality principle remains at the core of the CSRD. This means companies must evaluate and disclose:

- **Financial materiality** – How ESG issues impact the company's operations.
- **Impact materiality** – How the company's operations affect people and the planet.

This approach helps companies identify which sustainability matters are material, and should be included in the sustainability report. It ensures that sustainability reporting is both relevant for investors and stakeholders and reflective of real-world impacts.

05 What will companies need to report?

As of the end of July 2025, the proposed revisions to the ESRS include a 57% reduction in mandatory data points, a 68% cut in total disclosures, and the removal of all voluntary ("may") disclosures.

Despite this streamlining, companies reporting in 2027 will still be expected to provide clear, detailed, and verifiable sustainability data on their material topics, across three key ESG areas.

1. Environmental

- Greenhouse gas (GHG) emissions, including Scope 1, 2, and Scope 3.
- Energy use and efficiency measures.
- Water and waste management.
- Climate-related risks and adaptation strategies.

Note that the bullet points below are not exhaustive, and are subject to the given organization's double materiality analysis.

2. Social

- Workforce diversity, pay equity, and working conditions.
- Human rights policies and due diligence.
- Community engagement and social investment.
- Engagement with consumers and end users.

3. Governance

- Board structure and oversight of ESG matters.
- Ethical conduct and anti-corruption measures.
- Risk management frameworks and policy alignment.

In line with the Global Reporting Initiative (GRI) and the ISSB's IFRS S1/S2 standards, CSRD reporting is designed to harmonize with global frameworks, offering businesses a cohesive and integrated way to report across jurisdictions.

> "Sweep's AI-driven reporting is key to set us up for complex regulatory reporting requirements, such as CSRD."

Alisa Heimann
Group Sustainability Manager

Butternut Box

06 How to prepare for 2027 CSRD compliance

For companies beginning their sustainability journey, 2027 may feel like a distant milestone. However, the scale and complexity of the CSRD disclosure requirements mean that early preparation is essential – especially for businesses that have never produced formal ESG reporting or those unfamiliar with the European Sustainability Reporting Standards (ESRS).

Building a robust foundation now can help organizations avoid last-minute scrambles, ensure accurate reporting, and make the most of sustainability as a performance driver. Below are six practical steps to begin the journey to compliance.

1. Conduct a double materiality assessment
2. Conduct a gap analysis
3. Develop a data governance framework
4. Engage key stakeholders
5. Leverage ESG software
6. Prepare for assurance and verification
7. Align with broader global frameworks

1. Conduct a double materiality assessment

Double materiality is at the heart of the CSRD and ESRS. Companies must assess both financial materiality (how sustainability risks affect the business) and impact materiality (how the business affects people and the environment).

Conducting this assessment early helps determine which disclosure requirements apply to your company – filtering out irrelevant data points and focusing your reporting efforts where they matter most. It also informs the subsequent gap analysis, ensuring you're only evaluating what's necessary.

Start with value chain and risk mapping to identify where your company's operations directly or indirectly intersect with key sustainability topics.

2. Conduct a gap analysis

Once you've established what's material, assess your current policies, data systems, and sustainability disclosures against the relevant ESRS. A detailed gap analysis helps identify where improvements are needed – particularly in areas like value chain data, social and environmental metrics, and governance structures.

Early identification of these gaps allows for smarter prioritization, budgeting, and alignment with internal teams and external partners.

3. Develop a data governance framework

Sustainability reporting is only as strong as the data behind it. Companies must establish strong data governance practices to ensure the consistency, reliability, and auditability of their sustainability metrics. This includes centralizing carbon emissions data, workforce diversity indicators, energy consumption, and governance practices.

Since CSRD disclosure forms part of the annual report, the integrity of ESG data must match that of financial data. Companies must demonstrate that their information is complete, reliable, and aligned with ESRS expectations.

4. Engage key stakeholders

Complying with CSRD cannot be done in isolation. A successful approach involves cross-functional collaboration across departments such as finance, HR, legal, procurement, and operations, as well as engagement with other stakeholders . Externally, engagement with suppliers, auditors, and other value chain partners is critical.

Engaging these stakeholders early supports a more comprehensive understanding of risks posed by sustainability factors across the value chain. It also encourages ownership and accountability within teams, which is essential for collecting the sustainability information required and embedding ESG into day-to-day business operations.

5. Leverage ESG software

The technical and administrative burden of CSRD compliance can be significant. ESG software platforms are purpose-built to ease this load. The right tools can:

- Automate the collection and validation of ESG data from across your operations and supply chain.
- Map internal data against the ESRS to ensure reporting alignment.
- Facilitate stakeholder engagement through integrated survey and workflow tools.
- Enable digital tagging to meet CSRD's structured data requirements for regulatory submissions.
- Generate audit-ready reports for third-party assurance providers.

By embedding technology into your reporting processes early, you can improve accuracy, reduce manual effort, and scale as new disclosure requirements emerge.

6. Prepare for assurance and verification

One of the more significant additions under the CSRD is the requirement for external assurance of sustainability information.

Building a relationship with an assurance provider now will help you define clear validation processes and avoid delays as deadlines approach. This is especially important for areas where ESG data may be unstructured or spread across multiple business units or geographies.

7. Align with broader global frameworks

The CSRD doesn't exist in a vacuum. Many of its core principles, particularly around double materiality, reflect broader global shifts in ESG reporting. In fact, we anticipate significant overlap between the indicators required by CSRD, ISSB IFRS S1/S2, and GRI.

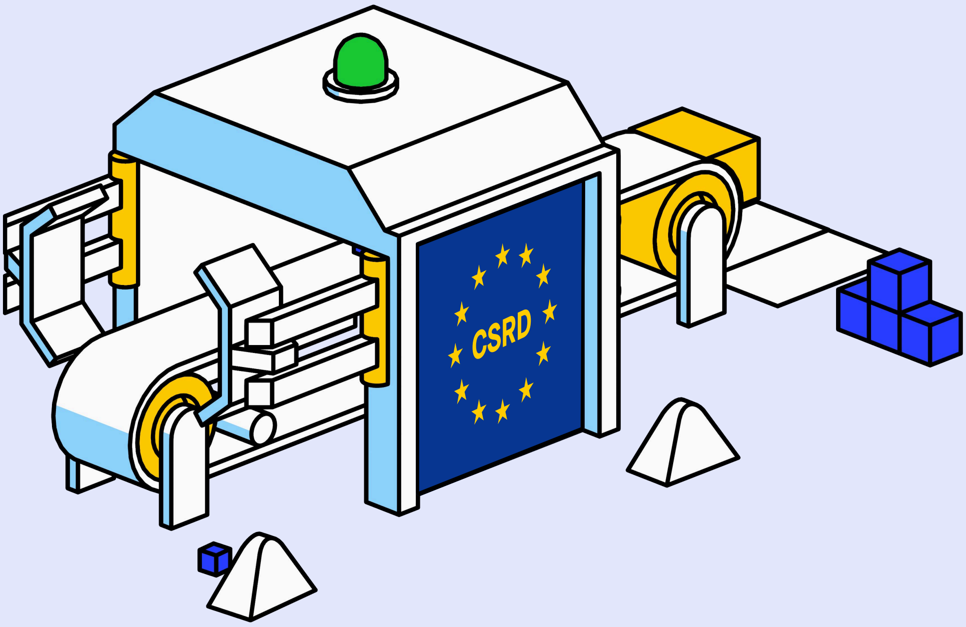
For companies operating internationally, this presents a strategic opportunity: using ESG software, they can create interoperable indicators from the outset, and in doing so, ensure that what's reported under one framework can be efficiently adapted for another. This alignment not only reduces duplication of effort but sets the foundation for a more streamlined, scalable, and consistent global reporting strategy.

Consider aligning your reporting with:

- **GRI:** For impact-focused disclosure and stakeholder-oriented communication on social and environmental issues.
- **ISSB/IFRS:** For investor-focused, financially material disclosures that align with international markets.
- **Sustainable Finance Disclosure Regulation (SFDR) and EU Taxonomy:** For financial market alignment and sustainable investment integration.

Using CSRD as a strategic anchor, companies can enhance their overall ESG reporting maturity and reduce the duplication of efforts across jurisdictions.

07 A note on reporting



In-scope businesses need to disclose the sustainability information in their management reports, which means that **financial and sustainability information** should be published at the same time.

What about non-EU companies?

CSRD compliance isn't limited to EU-based businesses. Non-EU companies may also fall within scope, starting with the **2028 fiscal year**. This means that their first reports would be published in 2029. This timeline is not under debate in the current Omnibus proposal; what is being discussed is which non-EU companies will be included.

According to the **Omnibus proposal**, the criteria for non-EU companies to fall under CSRD include:

- Generating **more than €450 million in net turnover within the EU**, and
- Operating either:
  - **an EU branch that already falls under CSRD scope**, or
  - **an EU subsidiary generating over €50 million in net turnover**.

Sustainability reporting is only as strong as the data behind it. Companies must establish strong data governance practices to ensure the consistency, reliability, and auditability of their sustainability metrics. This includes centralizing carbon emissions data, workforce diversity indicators, energy consumption, and governance practices.

Since CSRD disclosure forms part of the annual report, the integrity of ESG data must match that of financial data. Companies must demonstrate that their information is complete, reliable, and aligned with ESRS expectations.

Although these thresholds are still under discussion and not yet finalized, they signal a strong direction of travel. In parallel, the Commission has indicated plans to publish a separate set of ESRS tailored for non-EU companies, though no updates have been released since the omnibus proposal was announced.

For multinational organizations, this brings added complexity – particularly around **cross-border data collection, jurisdictional alignment**, and adapting global ESG frameworks to meet the **granular requirements of ESRS**.

If you're a European branch or subsidiary of a non-EU parent company that will fall into CSRD scope later, your own reporting preparation is critical.

Your disclosures can lay the groundwork and become a valuable reference point for the group's future compliance efforts.

08 Why CSRD compliance is the baseline for your sustainability strategy

While legal compliance is a core driver, forward-thinking businesses view sustainability reporting as a value-creation tool. High-quality CSRD disclosure enables companies to:

- Strengthen investor confidence by clearly communicating how they manage risks posed by environmental and social challenges.
- Build more resilient operations by understanding ESG risks across the value chain.
- Unlock access to green finance and sustainable investment funds.
- Improve internal decision-making by surfacing inefficiencies and sustainability opportunities.
- Enhance brand reputation through transparent communication of social and environmental issues.

Companies that integrate sustainability into core strategy will be better equipped to respond to evolving stakeholder expectations and shifting market dynamics.

09 Final thoughts: your roadmap to 2027

Although the Omnibus Proposal may delay compliance for some and reduce the scope for others, the core of the CSRD remains intact.

The requirements for double materiality assessment, external assurance, digital tagging, and the inclusion of sustainability information in the annual report are not going away.

Organizations set to report in 2027 must start building their internal architecture now.

This includes:

- Conducting detailed double materiality assessments.
- Establishing strong data governance.
- Engaging value chain partners.
- Investing in ESG software to monitor non-financial performance.
- Aligning with international frameworks.
- Preparing for assurance and audit requirements.
- Strengthening their ESG strategy by deploying ambitious policies and implementing action plans.

By taking these steps, companies can transform compliance from a regulatory burden into a strategic advantage – strengthening transparency, building trust, and advancing the transition to a more sustainable and responsible economy.

"Companies shouldn't wait until the last minute: they should anticipate which teams need to be involved, engage with external stakeholders and start seeking advice on compliance."

Julien Denormandie
Former French Government Minister and CIO of Sweep

With Sweep you can

Focus on what's material for CSRD right away

Run your double materiality assessment using workflows built for CSRD. Set your own thresholds, so your CSRD report highlights only the ESG topics that matter most to your business and stakeholders.

Sweep guides you through the process, making it simple to stay focused.

Spot data gaps and close them fast

Sweep maps out every required datapoint, flags what's missing, and helps you automate data collection across business units and value chain partners.

Our sustainability intelligence tools turn scattered inputs into one clean, CSRD-ready dataset.

Get every team and partner contributing to your CSRD report

Connect product-level changes directly to your corporate carbon targets.

Sweep gives you end-to-end traceability, so you can prove how each decision moves the needle for auditors, execs, and customers.

Track your readiness and disclosure progress, granularly

Monitor your data gathering progress in real time. Sweep's dashboards show who's contributed, where your ESRS coverage is strong, and what's left to do.

You always know your coverage status across all material topics and ESRS sections.

Make audits and assurance for CSRD simple

Built-in validation checks, approval flows, and a full audit trail mean you can prove your CSRD data is accurate and complete.

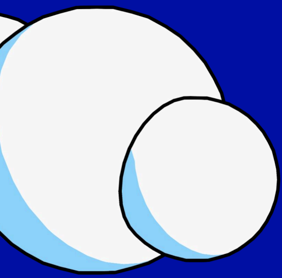
Use data snapshots to lock your disclosures for assurance and be ready for external review at any time.

Turn CSRD compliance into business value

Go beyond reporting. Use your CSRD indicators and ESRS data to set targets, model impact scenarios, and launch transition plans that move you closer to net zero.

Sweep's decision engine makes it easy to prioritise high-impact actions and show the ROI of your sustainability strategy.

Book a demo →



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