

CSRD - 1ST YEAR OF REPORTING BY ISSUERS

RESULTS OF A REVIEW OF CORPORATE
PRACTICES

August 2025

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Summary

Key findings and recommendations

The CSSF's review of 2024 sustainability reports reveals an initial positive adoption of the requirements of the Corporate Sustainability Reporting Directive (CSRD) and hence voluntary compliance in Luxembourg. Almost 60% of the issuers voluntarily prepare their 2024 sustainability reports following full European Sustainability Reporting Standards (ESRS) requirements, with 63% of these issuers receiving limited assurance. Our review also shows that sustainability reports improved significantly compared to previous years.

There is no doubt that the transition to CSRD and the introduction of the ESRS framework have improved the structure and accessibility of reports. Despite their increased length, the 2024 sustainability statements are better structured than the 2023 reports, making it easier for users to find relevant information.

The Double Materiality Assessment (DMA) represents CSRD's cornerstone, with investors expecting transparency in how companies identify and prioritise sustainability-related risks and opportunities. Approximately half of the issuers in the sample reviewed used materiality matrices to present dual materiality results, which significantly improve readability. The CSSF encourages comprehensive presentations that include non-material topics for full transparency in the DMA, with intuitive visualisations clearly showing threshold levels and stakeholder importance gradations where possible.

All issuers describe their DMA process, though quality varies significantly. While 84% provide explanations for determining Impacts, Risks, and Opportunities (IRO), some struggle with scaling judgments and lack entity-specific disclosure.

All issuers include stakeholder consultation, primarily with employees, customers, shareholders, and suppliers. However, ESRS methodological flexibility results in varied practices, creating comparability challenges. Key improvement areas include better topic-IRO linkage, comprehensive financial effects disclosure, clearer time horizons, and enhanced gross versus net impact explanations.

However, issuers may still face several challenges for their first reports under CSRD:

- Almost half of all issuers disclose entity-specific material topics beyond the requirements of the ESRS. While in some cases the CSSF considers this to be appropriate, in many other cases there is room for doubt. The CSSF suggests issuers strengthen their materiality assessment processes, perhaps by more clearly defining what constitutes 'entity-specific' versus topics already covered by ESRS, applying stricter materiality thresholds and better documenting why additional topics are truly material and distinct.
- Linking material topics to corresponding IROs proves to be difficult, with some reports showing gaps in logical flow.
- Most reports lack clarity on whether impacts are assessed on gross or net basis, with disclosure of full magnitude before mitigation actions being almost entirely absent. This undermines CSRD's transparency principles.
- Possible confusion between positive impacts and mitigation actions also contributes to reporting inconsistencies.

Background

Regulatory context

The CSRD marks a significant evolution in the European Union’s approach to sustainability disclosure. It aims to address persistent gaps in the quality, comparability, and reliability of the information disclosed by companies.

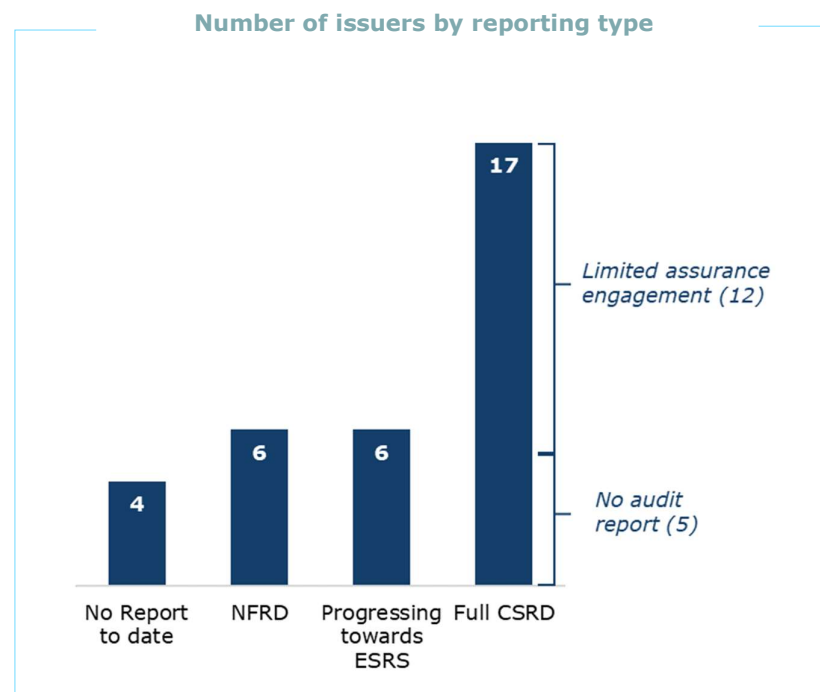
The introduction of the ESRS, applicable under the CSRD, establishes a harmonised framework for reporting on ESG matters, in which the principle of double materiality assessment plays a crucial role. This includes how sustainability issues affect businesses (Financial materiality) as well as how business impacts society and the environment (Impact materiality).

Directive (EU) 2025/794 of 14 June 2025 (Stop-the-Clock Directive) notably postpones the deadlines for member states to apply certain corporate sustainability reporting. This directive endorses some of the proposals for reducing the administrative burden envisaged by the Omnibus Package of February 2025.

In Luxembourg, the CSRD has not yet been transposed. Therefore, issuers are still subject to the requirements arising from the transposition of the Non-Financial Reporting Directive (NFRD) but can choose to voluntarily apply the requirements of the CSRD. Bill No. 8370, which transposes the CSRD into national law, is still under review following its amendment on 6 May 2025 to align with the Stop-the-Clock Directive.

Population

The following figure represents the number of issuers subject to the NFRD in 2024 and under supervision of the CSSF by reporting type.



At the time of our review, 17 issuers prepare on a voluntary basis their sustainability report in accordance with ESRS. 6 issuers follow certain ESRS requirements but are not fully compliant with those. Another 6 issuers publish their sustainability statement under currently applicable NFRD requirements, and another 4 issuers has not yet published their sustainability report, mainly due to a later year-end.

We welcome that, for their 2024 sustainability statement, a large number of issuers decided to report on a voluntary basis in accordance with ESRS requirements.

Objective

The CSSF has carried out an analysis of the current state of voluntary CSRD reporting among a sample of issuers under its supervision. This report includes the summary of the main findings of this review for the reporting year 2024. In the analysis, particular emphasis is placed on how issuers have implemented the ESRS requirements for double materiality assessment and disclosure of material Impacts, Risks, and Opportunities (IROs).

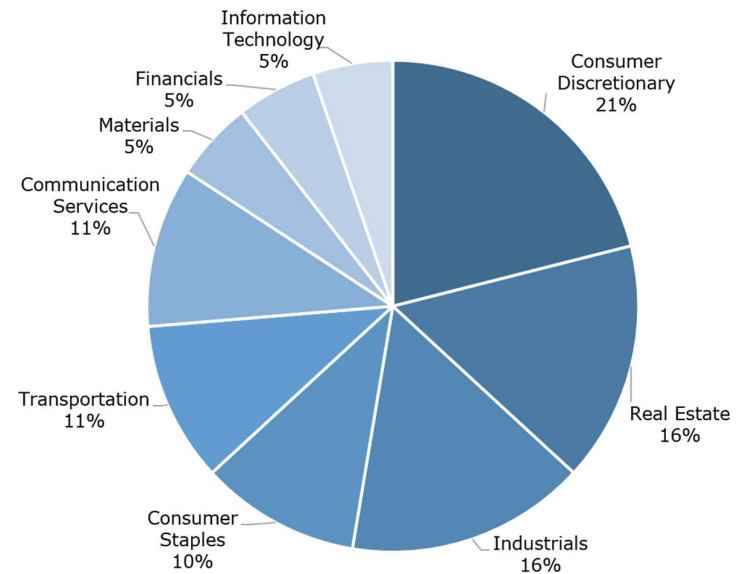
This report is intended to inform stakeholders about the maturity, clarity, and comparability of these first-wave CSRD reporting, highlighting good practices and areas for improvement.

This review is part of the ongoing initiative that the CSSF has launched in recent years to progressively improve the quality of non-financial information, particularly through the publication of dedicated reports aimed at guiding issuers under its supervision towards better transparency and comparability of their sustainability disclosures.

Scope of the review

For our report, we have analysed a sample of 19 sustainability reports prepared in accordance with the CSRD, either fully or partially. The population includes issuers from a broad range of sectors, reflecting the diversity of the first CSRD reporters.

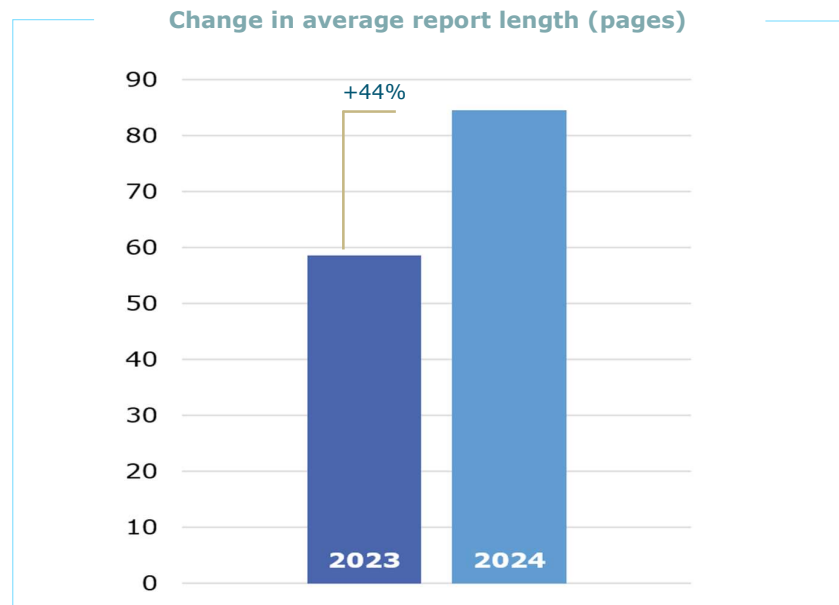
CSRD-reporting issuers by sector



General information

Structure of the reports

The sustainable reports submitted by the issuers in our sample have become significantly longer, measured by the number of pages.



When compared to 2023 reports, we find that 2024 sustainability statements, although lengthier, are better structured and therefore generally allow users to find relevant information more easily.

Location of the reports

The CSRD mandates that sustainability information be included within the management report, rather than being presented in a separate document. Nevertheless, we note that several issuers still disclose their sustainability statements separately.

Audit

63% of sustainability reports reviewed have received limited assurance, while the rest remains unaudited for 2024. One additional report has received limited assurance for certain selected information.

As there is no obligation to report under ESRS for issuers in Luxembourg, we find that this is a positive sign and shows the commitment of these issuers to meet the ESRS requirements from the first year.

Double Materiality Assessment

A cornerstone of CSRD and ESRS reporting is the DMA, as set out in ESRS 1 Chapter 3. This assessment, from both an impact (inside-out) and a financial (outside-in) perspective, is necessary to identify impacts, risks and opportunities.

The DMA involves amongst others:

- Consultation of affected stakeholders to capture a comprehensive view of relevant topics across the value chain;
- The use of qualitative and/or quantitative thresholds to determine materiality, with companies required to explain how these thresholds are set and applied.

ESRS 2 IRO-1 requires certain disclosures:

Disclosure of the process

It demands notably the disclosure of the process implemented for the DMA and the methodologies used. Despite the structured guidance, the CSRD and ESRS allow for some judgement and methodological flexibility, resulting in a wide range of practices among the reporting entities.

This assessment process is described by all issuers in the sample, though we regret that for a few of them, the disclosure remains boilerplate and does not provide a true understanding of the process through which they identify IROs and assess their materiality.

Consultation of stakeholders

All issuers, at various levels, included consultation with stakeholders in their process to identify, assess and prioritise their potential and actual impacts on people and the environment. All but one list the categories of stakeholders involved.

The following internal and external stakeholders are the most consulted in our sample, the largest groups being employees, customers, shareholders and suppliers. The least frequently mentioned stakeholders are excluded from this chart.



Engagement with stakeholders in relation to the DMA:

Examples taken from reports reviewed

D'Amico International Shipping describes how the views of affected stakeholders and external experts are considered in the DMA.

B&S Group discloses the methodology of consultation with stakeholders.

1. **Set-up of the long list of IROs** (Impacts, Risks and Opportunities) that could be relevant for DIS, considering business operations and VCs (Value Chains), relying on climate scenarios, peer publications, international organizations reports, and ESRS topic-specific standards. Furthermore, **industry-specific literature** and **external professionals** were consulted, too, and the process was informed by the Group's continuous and ongoing Due Diligence, which prompts organizational departments and the corporate governance to continuously assess and monitor the Group operations' impacts on people and the environment.
2. **Internal engagement:** Sharing the longlist with the Steering Group⁽⁸⁾ and organizing workshops with various Departments to refine and complete the mapping of topics and IROs.
3. **External engagement:** External stakeholders' mapping and distribution of digital questionnaires to share the tentative list of topics and IROs with external stakeholders to collect feedback on accuracy and completeness. Integration proposals were assessed by the Steering Group and, when relevant, were incorporated in the IRO longlist.
4. **Internal stakeholders' evaluation:** Engaging internal stakeholders through a digital questionnaire to assess the materiality of each IRO.

Source: d'Amico International Shipping, Annual Report 2024, p. 68

Step 3 – Validation with stakeholders

We engaged our own workforce, customers, suppliers, investors, authorities and Not-for-Gain Organisations (NGO's) through a survey questionnaire in 2022, facilitated by our third-party consultant. Stakeholders were required to select and rank the five topics that according to them are most relevant and significant in the context of B&S Group's impacts. The results of the survey were used to validate the outcome of Step 2 and ensure that the list of material topics identified is complete.

Source: B&S Group S.A., Annual Report 2024, p. 92

Use of thresholds

Companies shall provide an explanation of whether and how the DMA process determines which sustainability matters are material for reporting purposes, including the qualitative or quantitative thresholds and other criteria used. To do so, companies should explain notably:

- what standards or benchmarks are used;
- whether the assessment is based on numbers (quantitative) or descriptions (qualitative);
- any specific thresholds (e.g., financial impact above a certain amount) that trigger reporting.

We analysed the issuers' explanations on whether and how they have used qualitative or quantitative thresholds for the determination of their material IROs. While 84% provide some explanation, there is still room for improvement as some issuers struggle to describe the judgements involved in the scaling and to provide entity-specific disclosure.

Those issuers explaining the use of thresholds mostly also disclose the thresholds themselves. We want to reiterate that the goal is to provide transparency on how companies identify and prioritize sustainability-related risks and opportunities, helping stakeholders to understand companies' approach and decision-making process.

Results of the DMA

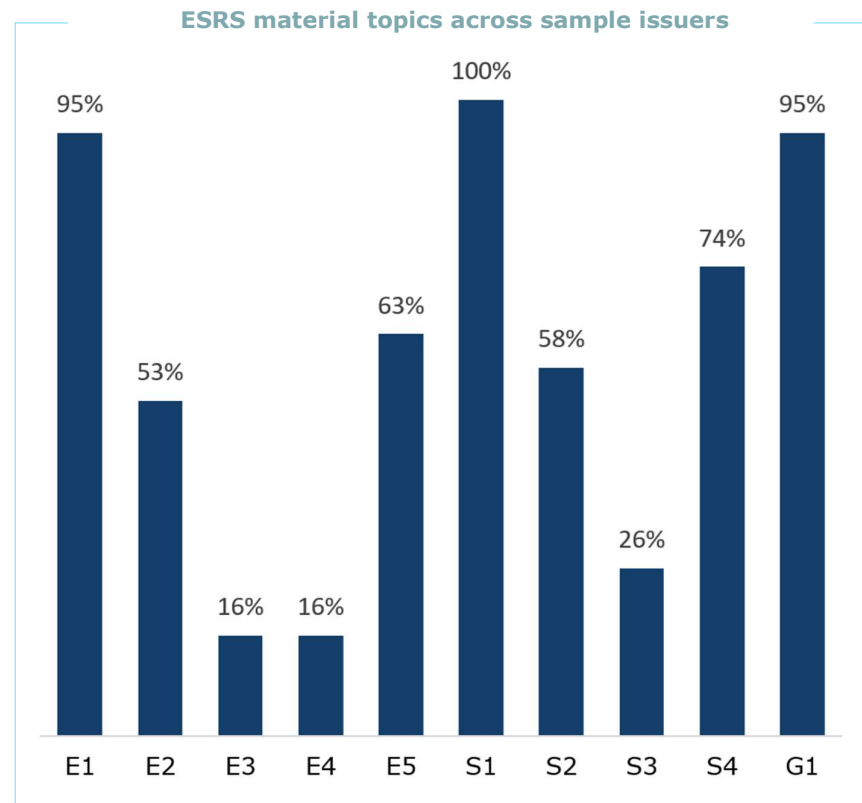
Material topics

Identification of material topics

ESRS 1 AR 16 provides a detailed list of sustainability matters that companies shall consider during their materiality assessment, spanning environmental (E1-E5), social (S1-S4), and governance (G1) topics. The issuers in our sample identified between four and nine topical ESRS as material, with climate change (E1), own workforce (S1), and business conduct (G1) being the most frequently reported. A clear identification of material topics is possible in all but two cases.

- E1: Climate change*
- E2: Pollution*
- E3: Water and marine resources*
- E4: Biodiversity and ecosystems*
- E5: Circular economy*

- S1: Own workforce*
- S2: Workers in the value chain*
- S3: Affected communities*
- S4: Consumers and end-users*
- G1: Business conduct*



Entity-specific topics

47% of issuers disclose at least one entity-specific material topic not explicitly listed in ESRS 1 AR 16, as allowed by the standard.

Examples of entity-specific topics

- Investor relations and Transparency
- Cybersecurity
- Customer experience and satisfaction
- Regulatory compliance
- Innovation and technologies

When it is possible to link these entity-specific topics to topical ESRS, most of them relate to governance (G1) or consumer (S4) matters. However, for some of them, one may wonder if those matters should really be addressed in the sustainability statement.

Sub-topics

Unsurprisingly, the high relevance of climate change, own workforce, and business conduct is also reflected in the reported sub-topics. For instance, all issuers identified working conditions within their own workforce as a material aspect.

Top 5 reported sub-topics

1	Working conditions (S1)	100%
2	Corporate culture (G1)	95%
3	Climate change mitigation (E1)	89%
3	Equal treatment and opportunities for all (S1)	89%
5	Energy (E1)	79%

Presentation of material topics

The type of presentation varied: about half of issuers use materiality matrices – at least partially – to present their double materiality results, improving readability for report users.

The type of matrix and level of detail differ, with around one third of issuers providing visuals including all topics identified (either material or non-material), while the others show only the material matters they have selected or provide a table of topics identified, classified into four sections according to their financial and impact materiality.

The CSSF encourages issuers to provide a full picture which also includes topics classified as non-material, as it provides a clear and comprehensive view of the results of the DMA.

Results of the DMA:

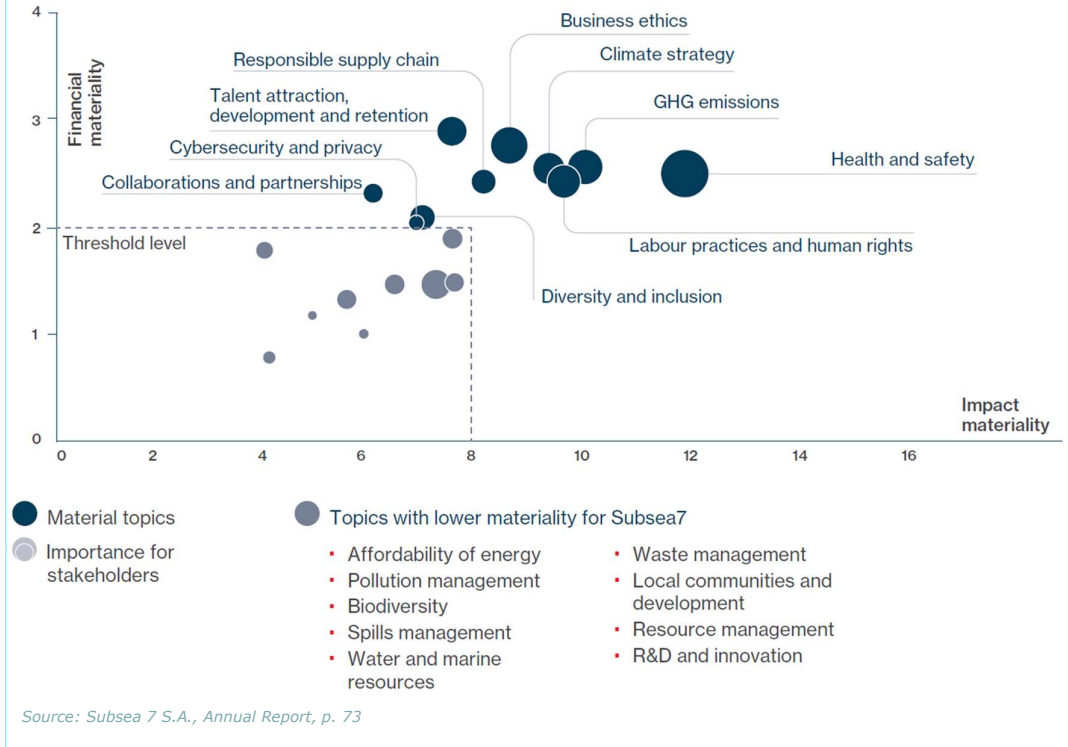
Examples taken from reports reviewed

In this presentation, Subsea 7 S.A. enables viewers to visualise at a single glance the material topics intelligently distinguished from non-material topics through the clear materialisation of both financial and impact threshold levels.

The spherical graduation system representing stakeholder importance adds another valuable dimension to this illustration, allowing readers to quickly assess not only where topics fall on the materiality spectrum but also the relative weight that stakeholders assign to each concern.

This graduated sizing provides crucial context for understanding the stakeholder perspective on various ESG topics, from highly prioritised issues like Health and Safety and Business Ethics to those receiving comparatively less stakeholder emphasis.

Subsea7 double materiality matrix



Description of material IROs

The ESRS require companies to disclose information about significant impacts, risks, and opportunities related to environmental, social, and governance issues. If a topic is assessed as not material, no disclosure is needed.

Impacts are defined in ESRS as the effects a company has or could have—directly or through its value chain—on the environment and people, including human rights. These impacts may be positive or negative, actual or potential, intended or unintended, and can occur in the short, medium, or long term. Examples of impacts include greenhouse gas emissions, contribution to climate change and pollution, product safety and consumer protection, business ethics and anti-corruption practices... They reflect the company's overall contribution to sustainable development.

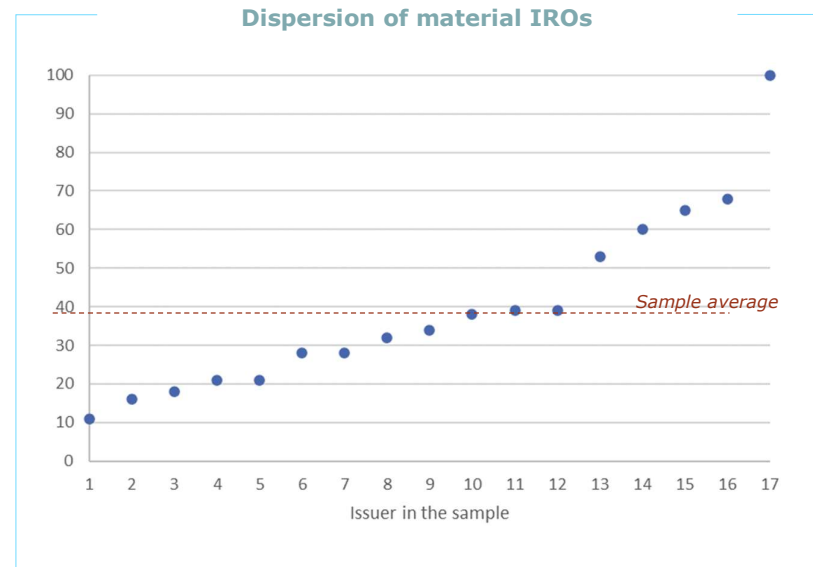
A company may face several risks, which as per ESRS, refer to sustainability-related factors that could negatively affect a company's finance, such as its financial position, performance, cash flows, or access to capital. These risks may include, amongst others, regulatory, reputational, physical, market and transition, legal and supply chain risks.

Opportunities, which a company may have, are sustainability-related factors that could have a positive financial impact, e.g. transition to low-carbon business models, circular economy initiatives, sustainable product innovation, access to sustainable finance, enhanced employee attraction and retention, strengthened stakeholder relationships and regulatory incentives.

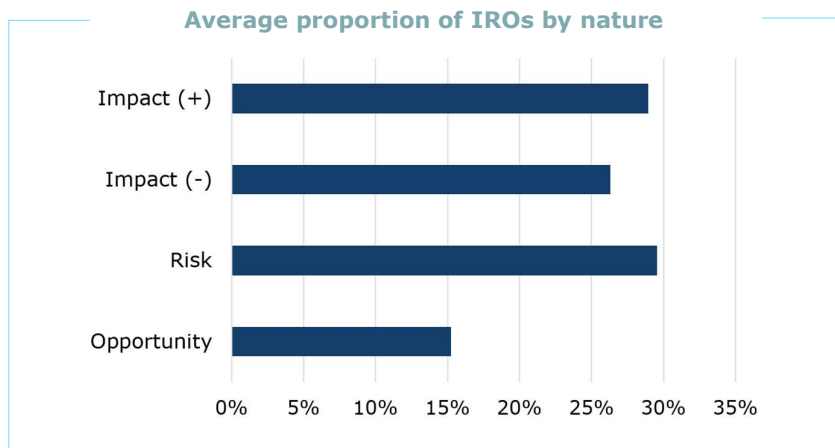
Number and nature of material IROs

The average number of material IROs reported per issuer is 39, with significant variance (11 to 100), highlighting differences in scope and maturity of assessments. It appears sometimes difficult to link the IROs with the material topics identified, or conversely for some material matters we cannot find the resulting IROs.

Two issuers are excluded from the subsequent analyses due to inability to clearly identify the IROs.



The material impacts (positive and negative), risks, and opportunities were distributed across the subtypes as follows:

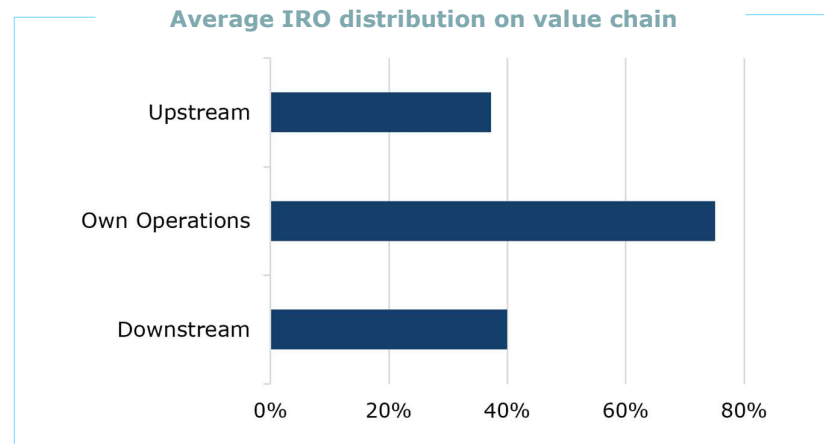


Reading the description of material impacts, it appears that, for some issuers, the disclosure of positive impacts may be confused with mitigation actions related to negative impacts or risks, partly explaining the high volume of positive impacts disclosed.

Distribution along the value chain

Companies should describe where in their business model, their own operations and their upstream and downstream value chain these material impacts, risks and opportunities are concentrated. Most issuers in our sample (82%) include such information when describing their material IROs.

Analysing where in the value chain the reported material IROs lie, we find that on average, the issuers in the sample locate 75% of their IROs in their own operations. Up- and Downstream IROs had an approximately equally large proportion. Note that overlap exists as IROs were regularly located in multiple value chain positions.



Financial effects

Almost 40% of issuers in the sample disclose at least some information on the financial effects of material risks and opportunities in their reports. This information is sometimes provided via a qualitative note (not material / medium / high ...) or through buckets.

Most issuers do not disclose the anticipated financial effects of material risks and opportunities. This limited disclosure (26%) may be attributable to the phased-in nature of the provision, allowing issuers additional time to develop robust methodologies for quantifying and reporting anticipated financial effects.

As a result, stakeholders currently have restricted insight into how identified sustainability matters may affect the companies' future financial position, performance, and cash flows.

Time horizon

Only 58% of the issuers reviewed disclose the reasonably expected time horizons of their material IROs. Where given, these disclosures typically distinguish between short-, medium-, and long-term.

The inclusion of time horizon information enhances the comparability and relevance of sustainability disclosures, enabling users to better assess the potential timing of material impacts, risks, and opportunities.

Gross or net approach

Companies should provide a description of the impacts before considering remediation, prevention or mitigation actions. As such, stakeholders obtain an understanding of the unmitigated impacts connected to the company, i.e. the full extent of the company's negative impacts.

We note that, for most sustainability reports reviewed, it is unclear whether the assessment and the related disclosures of the impacts and risks have been made on a gross or a net approach – meaning the user of these reports cannot clearly understand the unmitigated impacts connected to the issuer and how it is addressing those.

These disclosures are designed to ensure transparency about the scale of a company's adverse impacts before any mitigation efforts are considered, supporting the CSRD's goal of robust, comparable, and meaningful sustainability reporting. However, unclear or absent disclosure whether gross or net impacts have been considered, undermines that this principle proves to be very difficult to be apprehended by issuers.

Description of material IROs:

Example

tonies Group provides a summary table of its material climate change-related IROs with information about the materiality, value chain and time horizon.

Source: tonies Group, Sustainability Report

Table 9: Material climate change-related IROs

Impact materiality							
Sub-topic	Impact	Nature	Cause	Severity	Likelihood	Time horizon	Value chain stage
Climate change adaptation	Path dependencies in resource utilization and production processes	Negative	Contributed	4 = Major	5 = Actual	n/a	Upstream
Climate change mitigation	GHG emission reductions not (yet) in line with 1.5 degree target	Negative	Directly caused	4 = Major	5 = Actual	n/a	Overarching
Financial materiality							
Sub-topic	Financial effect	Nature	Magnitude	Likelihood	Time horizon	Value chain stage	
Climate change adaptation	Physical climate risks, e.g. extreme weather events, temperature extremes	Risk		3 = Moderate	3 = Likely (> 50%)	Medium-term (1 to 5 years)	Upstream
Climate change mitigation	Cost of GHG emission reduction measures	Risk		4 = High	4 = Very likely (> 75%)	Medium-term (1 to 5 years)	Overarching

Looking ahead

The CSSF reminds issuers that the Omnibus Directive, actually discussed by co-legislators, includes proposals to limit the scope of the CSRD and amend the ESRS. Currently, a revised version of ESRS is being prepared by EFRAG.

Companies should closely monitor the evolving legislative process, update their compliance planning to reflect the new timelines, and anticipate further changes to scope and requirements. Those already reporting under NFRD should continue preparations as scheduled, while others may have additional time but should remain proactive and engaged with developments at both the EU and national levels.

The CSSF will continue to monitor sustainability reports prepared in accordance with the CSRD. The first-time application of ESRS is a learning curve for all stakeholders and hence, application of the CSSF's supervision actions will be proportionate and realistic.