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SUSTAINABILITY REPORTING: THE NEW EUROPEAN SCOPE AND APPLICABLE STANDARDS

EDITED BY

ALAIN DEVALLE
FRANCESCO LIPARI

Introduction

Following a period characterised by postponements, amendments and simplification measures, the main elements of the European framework for sustainability reporting are now in place.
The reform implemented in 2026 significantly altered the approach originally envisaged by the Corporate Sustainability Reporting Directive ('CSRD'), reducing the number of companies subject to mandatory reporting whilst simultaneously simplifying the European Sustainability Reporting Standards ('ESRS').
At the same time, a voluntary European reporting standard was introduced, intended for companies not subject to the CSRD and also used to define the scope of information requirements along the value chain.

The new system can be understood by distinguishing between three categories:

1. European companies and groups subject to mandatory reporting;
2. European companies not subject to mandatory reporting;
3. groups with a parent company located outside the European Union.

For each category, the scope in terms of size, the applicable regime and the reference standard have now essentially been identified.

Summary of the framework:

Category	Scope	Regime	Standard	Effective date
EU companies and groups subject to the rules	an average of over 1,000 employees and net turnover of over €450 million	Mandatory	Simplified ESRS – comprehensive reporting based on dual materiality	New scope and new ESRS from 2027; transitional rules remain in place for companies already subject to the requirements.
Non-covered EU companies	companies that do not fall within the CSRD scope	Voluntary	VS – voluntary, modular and proportionate reporting	VS available from 24 September 2026; value chain cap from the 2027 financial year
Non-EU groups	over €450 million in revenue within the EU and a qualifying presence in the EU in accordance with the specified thresholds	Mandatory where the conditions apply	ESRS-40a; alternatively, ordinary ESRS or recognised equivalent standards	financial years from 2028

European companies and groups subject to mandatory reporting

Scope

The first group comprises European companies falling within the new scope of the CSRD.
The new scope applies, subject to the exemptions provided for in the regulations, to companies that collectively exceed:

- an average of 1,000 employees;
- €450 million in net revenue.

For groups, the same thresholds must be considered on a consolidated basis.
The scope of mandatory reporting is therefore significantly narrower than that originally outlined by the CSRD.

Applicable standards: the new simplified ESRS

For entities falling within the scope of the mandatory reporting requirements, reports will be prepared on the basis of the new simplified ESRS.
Delegated Regulation (EU) 2026/1563, published in the Official Journal of the European Union on 21 September 2026, has significantly simplified the previous set of ESRS. According to the European Commission's announcement on 3 July 2026, the number of mandatory data points has been reduced by over 60 per cent and the total number of data points by over 70 per cent.
However, this simplification does not alter the nature of the ESRS, which remain a comprehensive and structured sustainability reporting framework.
The starting point continues to be dual materiality, through which the company identifies relevant impacts, risks and opportunities and determines what information should be included in the sustainability statement.
Reporting therefore concerns not only individual ESG metrics, but also the way in which sustainability issues are integrated into corporate governance, strategy and business processes. The ESRS require information relating, amongst other matters, to:

- governance and the responsibilities of corporate bodies;
- strategy and business model;
- the value chain and stakeholders;
- the process for identifying and assessing impacts, risks and opportunities;
- policies adopted;
- actions taken and resources deployed;
- metrics and targets.

This cross-cutting framework is supplemented by thematic standards relating to environmental, social and corporate conduct issues identified as material. On the environmental front, the key issues are climate change, pollution, water and marine resources, biodiversity and ecosystems, and the circular

economy; on the social front, the organisation's own workforce, workers in the value chain, affected communities, and consumers and end-users; corporate conduct completes the picture.
The Regulation comes into force on 10 November 2026, and the new ESRS will be mandatory for financial years beginning on or after 1 January 2027.
For financial years beginning in 2026, companies already subject to reporting requirements may apply the previous ESRS, the new ESRS, or the previous ESRS with the specific concessions permitted under the transitional arrangements, indicating their choice in the statement.

For companies that remain within the scope of the CSRD, it will therefore be advisable to assess the impact of the new standards on existing reporting processes, the materiality assessment, the information collected, and the control and assurance systems.

European companies not subject to mandatory reporting

Scope
The second group comprises companies that do not fall within the new scope of the CSRD.
Under the new European scope, these companies will not be subject to the CSRD reporting obligation, subject to the relevant national transposition provisions and the applicable transitional regime.
This does not, however, mean that the need for ESG information ceases to exist: companies may, in fact, continue to receive requests for information from customers, banks, investors, parent companies and other parties within their value chain.

Applicable standards: the new European Voluntary Standard (VS)
For companies not subject to the CSRD, the European legislator has adopted a different approach. Delegated Regulation (EU) 2026/1560 introduced the new European Voluntary Sustainability Reporting Standard (VS), based on the previous VSME. The Regulation entered into force on 24 September 2026.
The VS is not a scaled-down version of the ESRS, but a standalone, simpler and more proportionate framework, designed to enable non-mandated companies to provide an essential set of ESG disclosures in their dealings with banks, investors, customers and other stakeholders.
Unlike the ESRS, the VS does not require a reporting process of the same scope and level of detail, but focuses disclosure on a limited number of standardised items of information. The standard is divided into two modules:

- *the Basic Module*, comprising 11 core disclosures, which includes, amongst other things, information on energy and emissions, water, biodiversity, the circular economy and waste, the workforce, health and safety, and business conduct;

- *Comprehensive Module*, which adds a further 9 disclosures and expands the reporting to include elements relating, amongst other things, to strategy, climate targets and risks, human rights and governance.

The structure is therefore significantly simpler than that of the ESRS and allows the level of disclosure to be tailored to the characteristics of the organisation and the actual information needs of stakeholders.

The voluntary standard also serves as the reference for the value chain cap, applicable to financial years beginning on or after 1 January 2027. It defines the scope of information required for CSRD reporting from companies in the value chain that did not exceed an average of 1,000 employees in the previous financial year. The cap applies to the data points identified in Annex II to Delegated Regulation (EU) 2026/1560. Companies covered by the cap may refuse to provide further information; any requests must specify the information going beyond the cap and refer to this right. The cap does not constitute a general limit on requests made for purposes other than CSRD reporting.

For non-mandated companies, the issue therefore becomes identifying the level of reporting most consistent with their own needs and with market demands.
A specific assessment also concerns companies that have already prepared sustainability reports using, for example, the GRI Standards. In such situations, the data collection systems, organisational responsibilities and metrics already developed may provide a significant basis for the new reporting. It will, however, be necessary to assess whether to maintain the previous approach, supplement it or initiate a gradual transition towards the new European standard.

Non-EU groups

Scope

The third group comprises companies with a parent company located outside the European Union that carry out significant economic activity in the European market.
In this case, determining whether reporting is mandatory is more complex, as it is necessary to consider both the scale of the business carried out within the Union and the structure through which the group operates there.
The rules generally apply to non-EU companies that:

- generate net turnover in the Union in excess of 450 million euros in each of the last two consecutive financial years;

- have a subsidiary in the EU with net revenue exceeding €200 million in the previous financial year or, in the absence of a subsidiary relevant for the purposes of the rules, a branch that exceeded the same revenue threshold in the previous financial year.

Presence through a European subsidiary

Where the group has a subsidiary in the EU, it must be ascertained whether that company exceeds the size thresholds set out above.

If the required conditions are met, the European subsidiary becomes the entity through which the sustainability report relating to the non-EU company or group is published and made accessible.

This assessment must be kept separate from any CSRD obligations that may apply independently to the European subsidiary.

It may therefore be the case that an EU company:

- be involved in the publication of the non-EU parent company's report without being subject to the CSRD in its own right;
- or also meet the thresholds set for obligated European companies.

Presence via a branch

A different situation applies to groups operating in the EU through a branch.

The branch becomes relevant when the conditions set out in the regulations are met and there is no European subsidiary that already triggers the application of the regime.

The group's corporate structure therefore plays a significant role in determining its obligations.

Several possible scenarios

For non-EU groups, there may be significantly different structures:

- a single European subsidiary;
- several subsidiaries located in different Member States;
- EU companies, some of which are independently subject to the CSRD and others excluded;
- a presence through branches;
- groups that already prepare consolidated sustainability reporting at a global level;
- groups intending to consider coordinated European reporting to streamline the obligations of the various companies.

In the case of complex international groups, it is therefore not sufficient simply to check whether the thresholds are exceeded. It is necessary to reconstruct the corporate structure, the revenue generated within the EU and any obligations that apply independently to individual European entities.

Applicable standards: ESRS-40a and permitted alternatives
A specific standard, known as ESRS-40a, applies to these groups. The framework also allows the report to be prepared in accordance with the standard ESRS or with standards recognised as equivalent under the mechanism established by the European Union.
Unlike the ESRS applicable to European companies and the voluntary standard, the process of finalising ESRS-40a has not yet been completed. EFRAG published the Exposure Draft on 23 July 2026, and the public consultation will remain open until 31 October 2026.
The framework will apply to financial years beginning on or after 1 January 2028, with first publication in 2029 for financial years coinciding with the calendar year.

For non-EU groups, it will therefore be necessary to carry out a specific analysis of the group's European structure and, once the ESRS-40a approval process has been completed, to assess which reporting model is applicable and most efficient.

The Italian framework

The CSRD was transposed into Italian law by Legislative Decree No. 125 of 6 September 2024, based on the previous European scope.
Directive (EU) 2026/470 subsequently made significant changes to this framework. The new provisions will therefore need to be aligned with national legislation through the relevant transposition process, the deadline for which – in the case of the provisions on sustainability reporting – is set at 19 March 2027.
This aspect is of particular importance during the transitional phase, but does not alter the overall direction of the new European system.
The Regulations relating to the new ESRS and the voluntary standard, on the other hand, are directly applicable in the Member States in accordance with their respective dates of entry into force.

Our insights

In our view, the main outcome of the measures adopted in 2026 is the greater clarity of the system.
Following a period in which ongoing regulatory changes made it difficult to make decisions on sustainability reporting, it is now possible to distinguish more precisely between three different approaches and shift the focus from the regulations to the specific circumstances of the individual company or group.

The key checks that an entrepreneur or CFO should carry out relate to:

- scope: does the company or group still fall within the scope of the CSRD?
- standards: which framework is applicable or most appropriate?
- Materiality: Is the analysis already carried out still appropriate in the light of the new ESRS?
- Data: What information is already available, and what still needs to be organised?
- Value chain: What ESG requests are received from customers, the parent company or other partners?
- Voluntary reporting: Is the Basic Module sufficient, or would it be advisable to use the Comprehensive Module as well?
- Existing reporting: how can any reports prepared in accordance with the GRI Standards or other frameworks be aligned with the new European standard?
- International groups: what are the obligations of the non-EU parent company and what are those of the individual European companies?

The outcome of these assessments can vary significantly from one company to another, even among those of similar size, depending on the sector of activity, the group's structure, stakeholder requests and the level of maturity of the reporting systems already in place.
The European scope and the main reference standards are now defined, subject to the need to complete national transposition and the adoption of standards specific to non-EU groups. The challenge therefore lies in understanding how to apply the new framework to an individual company or group.

Our firm is available to carry out an initial assessment of the applicable scope, review existing processes and information, and identify the reporting model most consistent with the structure and needs of the individual company or group.

CONTACTS

ALAIN DEVALLE

ALAIN.DEVALLE@RLVT.IT

FRANCESCO LIPARI

FRANCESCO.LIPARI@RLVT.IT

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