HOW COMPANIES ARE RESPONDING TO THE CSRD: EVIDENCE FROM EARLY SUSTAINABILITY REPORTS

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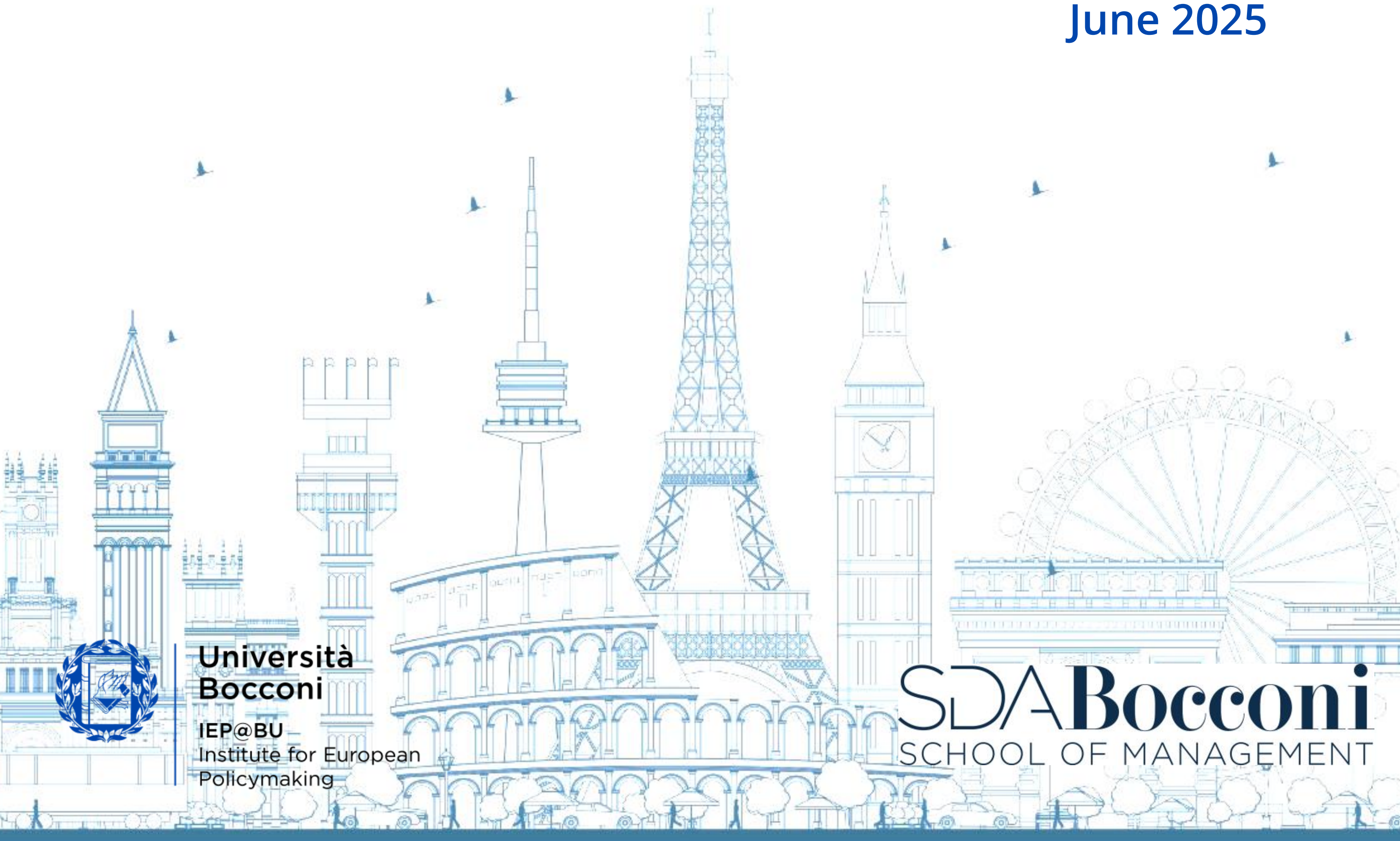

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Abstract[1]

The Corporate Sustainability Reporting Directive (CSRD) marks a pivotal transformation in the European Union's sustainability disclosure landscape, mandating the adoption of standardized reporting through the European Sustainability Reporting Standards (ESRS) and the implementation of the double materiality principle.

While scholarly attention has largely focused on the legal design and normative ambitions of the directive, empirical research on its implementation remains scarce.

This paper presents a qualitative analysis of the first sustainability reports published under the CSRD by a purposive sample of ten large companies based in Italy and France.

By conducting an in-depth examination of disclosed Impacts, Risks, and Opportunities (IROs), the study offers preliminary insights into how companies are interpreting and applying the new requirements.

Findings highlight heterogeneity in materiality assessment methodologies, a strong emphasis on negative impacts/risks over positive impacts/opportunity disclosure, and the systematic underreporting of certain ESRS standards – particularly those related to value chain and community impacts (S2 and S3). Social disclosures, in particular, tend to reflect a retrospective and reputational logic, with limited integration of forward-looking or systemic impact considerations. These findings highlight critical gaps between regulatory ambition and organizational practice, underscoring the need for enhanced methodological guidance and capacity-building efforts to fully realize the directive's transformative potential.

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1. Introduction

The evolution of corporate sustainability reporting has reached a critical juncture with the introduction of the European Union's Corporate Sustainability Reporting Directive (CSRD). In response to growing societal expectations, investor pressures, and regulatory scrutiny, the CSRD aims to reshape how companies communicate their environmental and social impacts. Unlike its predecessor, the Non-Financial Reporting Directive (NFRD), the CSRD establishes a mandatory and standardized framework for ESG disclosure, anchored in the principles of double materiality and structured through the European Sustainability Reporting Standards (ESRS). It represents not only a regulatory upgrade but also a fundamental redefinition of the role of sustainability in corporate governance, strategy, and accountability.

This shift reflects a broader institutional movement toward embedding sustainability into the core of economic decision-making. Increasingly, firms are expected not only to report on ESG factors, but to integrate them into risk management, long-term planning, and value creation. The CSRD operationalizes this ambition by requiring companies to assess and disclose Impacts, Risks, and Opportunities (IRO) from both financial and impact materiality perspectives—thereby formalizing a stakeholder-inclusive model of accountability.

It also extends reporting obligations to a far larger cohort of companies, significantly expanding the scope and representativeness of sustainability disclosures across the European corporate landscape.

While the theoretical and normative underpinnings of the CSRD have been widely discussed, academic research on its practical implementation remains limited. Existing literature tends to focus on the legal design, policy objectives, or anticipated benefits of the directive, with relatively little empirical work assessing how companies are engaging with its core requirements in practice. This lacuna is particularly critical given the ambition and complexity of the new framework, and the risk that implementation gaps may dilute its transformative potential.

This paper addresses this gap by providing one of the first empirical assessments of CSRD-aligned sustainability reports. Through a qualitative comparative analysis of ten large companies headquartered in Italy and France, this study explores how early adopters are interpreting and operationalizing the directive's requirements. Specifically, it examines how firms conduct their double materiality assessments, identify and prioritize IROs, and structure their disclosures in accordance with the ESRS standards. The analysis pays particular attention to the thematic coverage, methodological transparency, and strategic integration of reported impacts.

The contribution of this study is threefold. First, it offers preliminary empirical insights into how companies are responding to the CSRD in its first year of mandatory application, based on an in-depth analysis of a small but diverse sample of early adopters. Rather than aiming for statistical generalization, the study seeks to capture emerging reporting patterns and interpretive practices that can inform future research and policy dialogue. Second, the analysis identifies recurring tensions and implementation challenges—such as the limited visibility of social impacts, the asymmetry between risks and opportunities, and the methodological heterogeneity in materiality assessments—which may constrain the directive's transformative potential. Third, by examining how organizations engage with regulatory innovation in a context of institutional change, the study contributes to the broader literature on sustainability reporting, organizational adaptation, and the translation of ESG norms into practice.

The remainder of the paper is structured as follows. Section 2 reviews the evolution of sustainability reporting and the regulatory rationale behind the CSRD and ESRS. Section 3 outlines the research design and methodology. Section 4 presents the findings, with particular emphasis on the operationalization of double materiality (4.1) and the treatment of the social dimension (4.2). Section 5 concludes by summarizing the main contributions, discussing policy and managerial implications, and outlining directions for future research.

2. Background and Literature Review

2.1. Evolution of Sustainability Reporting: Key Challenges from the Literature

Sustainability reporting has evolved substantially over the past decades, particularly influenced by increasing regulatory frameworks, shifting societal expectations, and growing economic pressures.

Historically, sustainability reporting was largely voluntary, characterized by ad-hoc approaches that varied considerably among organizations. Early sustainability reports were primarily driven by corporate social responsibility initiatives, varying widely in content, structure, and rigor. These early practices were frequently criticized for their limited comparability and perceived lack of substance, often serving more as symbolic gestures than as tools of strategic transparency.

A substantial body of literature has argued that such reports were sometimes employed as mechanisms of impression management, with organizations decoupling symbolic communication from actual performance improvements (Warren, 2022; Westphal, 2023). This decoupling, rooted in institutional theory, reflects how firms may adopt ceremonial compliance to appease stakeholders without enacting substantive change. Relatedly, the phenomenon of greenwashing – where companies exaggerate or misrepresent their environmental performance – has received growing attention as a critical issue in corporate sustainability communication (Larcker et al., 2022; Laufer, 2003; Lee & Raschke, 2023; Wu et al., 2020).

Greenwashing undermines the credibility of sustainability disclosures and can erode stakeholder trust, particularly when reporting lacks external assurance or is not based on standardized frameworks. These shortcomings have prompted calls for more stringent, transparent, and comparable reporting mechanisms.

The introduction of the EU's Non-Financial Reporting Directive (NFRD) in 2014 marked a significant milestone, as it required large public-interest companies to disclose non-financial information, aiming to enhance corporate transparency regarding environmental, social, and governance (ESG) issues.

However, several limitations persisted under the NFRD framework, which were widely discussed in the literature and have shaped the rationale for its successor, the Corporate Sustainability Reporting Directive (CSRD). The main challenges identified include: (a) compliance variability and quality of reporting; and (b) integration of ESG factors and stakeholder engagement.

a. *Compliance Variability and Quality of Reporting*. One of the most significant limitations of the NFRD framework is the variability in compliance among companies. Numerous studies indicate that companies often meet only the minimum disclosure requirements, resulting in a superficial treatment of sustainability issues rather than fostering genuine transparency (Carmo & Ribeiro, 2022; Venturelli et al., 2022). For instance, companies may limit disclosures to mere statements about policies without providing substantive information on their implementation or outcomes (Doni et al., 2020). This approach compromises the usefulness of reports for stakeholders who require comprehensive insights to assess corporate sustainability performance (A. Monteiro et al., 2022). Research emphasizes the importance of quality in sustainability reporting. Some findings suggest that reports lack the depth necessary to truly inform stakeholders, highlighting inconsistent definitions of materiality across different firms, which complicates comparability and coherence (Cruz & Matos, 2023; Doni et al., 2020). As noted by Caputo et al. (2021), the interpretation of what constitutes relevant non-financial information is often too subjective, leading many companies to report information that lacks significant stakeholder value (Broz Tominac et al., 2023). This inconsistency not only undermines accountability but also perpetuates a culture where sustainability reporting becomes an exercise in compliance rather than a strategic tool for engagement and improvement (Fiandrino et al., 2022).

b. Integration of ESG Factors and Stakeholder Engagement. The NFRD does not fully integrate ESG factors into financial performance metrics, often resulting in separate disclosures that fail to connect strategic objectives with broader sustainability outcomes (Nicolò et al., 2020; Stefanescu, 2021b). This disconnection limits stakeholder confidence in the reports and often leads to disengagement from vital discussions surrounding corporate responsibility. Furthermore, the directive does not prioritize timeliness or regular updates, which are crucial for stakeholders who depend on current data to inform decisions (Fornasari & Traversi, 2024). Moreover, the directive's implementation has been criticized for lacking clear guidance on how companies should engage with stakeholders concerning their sustainability disclosures. Studies reveal a persistent gap in interactive dialogue between companies and their stakeholders, which is essential for effective communication of sustainability initiatives and outcomes (Mousa & Ozili, 2023). The lack of established mechanisms for stakeholder feedback exacerbates the situation, as companies often remain unaware of the information needs and preferences of their stakeholders (García-Benau et al., 2022).

Reflecting on these limitations, scholars advocate revising and enhancing the NFRD through the forthcoming Corporate Sustainability Reporting Directive (CSRD) that necessitates enhanced transparency and accountability (Monteiro et al., 2024). The CSRD represents a promising step towards more comprehensive and standardized reporting practices, emphasizing greater stakeholder engagement and the need for integrated ESG metrics. The ongoing emphasis on data granularity, comparability, and relevancy shows an emerging recognition of these previously overlooked challenges (Stefanescu, 2021a).

2.2. The CSRD and the Introduction of the European Sustainability Reporting Standards (ESRS)

The Corporate Sustainability Reporting Directive (CSRD), introduced by the European Union in 2022, represents a significant regulatory advancement in corporate sustainability reporting, aiming to address the structural shortcomings of the earlier Non-Financial Reporting Directive (NFRD). The NFRD was widely criticized for its limited scope, lack of consistency, and insufficient comparability of disclosed information across sectors and countries (Radu et al., 2023). In response, the CSRD seeks to enhance transparency, reliability, and relevance in sustainability disclosures by mandating more comprehensive and standardized reporting practices. One of the directive's central innovations is the adoption of the double materiality principle, which requires companies to report not only on how sustainability issues impact their financial position, but also on how their activities affect environmental and social systems. This dual perspective reflects a shift towards a more stakeholder-oriented approach to reporting and fosters a broader understanding of corporate accountability (Fornasari & Traversi, 2024).

To operationalize this ambition, the CSRD mandates compliance with the European Sustainability Reporting Standards (ESRS), a set of detailed, sector-specific frameworks designed to ensure harmonization and comparability across corporate disclosures. The ESRS articulate clear requirements for both qualitative and quantitative information, including disclosures on greenhouse gas emissions, circular economy measures, workforce diversity, and human rights due diligence. By promoting structured and comparable sustainability information, the CSRD empowers investors, regulators, and other stakeholders to make informed decisions and monitor corporate contributions to sustainable development more effectively. This push for harmonization also responds to increasing stakeholder demands for transparency on ESG issues, a trend reinforced by broader European policies such as the European Green Deal (Toft & Hansen, 2024).

Another key improvement introduced by the CSRD is the extension of the reporting obligation to a much larger cohort of companies. While the NFRD applied to approximately 11,000 entities, the CSRD is expected to cover nearly 50,000 firms, including all large companies, all companies listed on EU-regulated markets (except micro-enterprises), and many private firms (Fornasari & Traversi, 2024). This broader scope ensures a more comprehensive capture of sustainability performance across the European corporate landscape, including small and medium-sized enterprises (SMEs), which have historically been less involved in structured sustainability reporting (Barro et al., 2024).

The CSRD also places strong emphasis on the quality and reliability of disclosed information. Unlike the NFRD, which did not require external assurance, the CSRD mandates limited assurance for sustainability information, thereby increasing credibility and reducing the risk of greenwashing (Krasodomska et al., 2024; Pizzi et al., 2023). Assurance mechanisms are intended to align sustainability reporting more closely with financial reporting practices, contributing to the robustness and trustworthiness of corporate disclosures (Gebhardt et al., 2024). In addition to quantitative metrics, companies are also expected to provide robust narrative disclosures that explain the strategic relevance and governance of sustainability efforts, thereby fostering transparency and demonstrating alignment with long-term business objectives (Todaro & Torelli, 2024).

The integration of sustainability into corporate governance structures is another critical outcome of the CSRD. Firms are increasingly expected to embed ESG considerations into strategic decision-making, risk management, and board oversight (De Bakker et al., 2019; Gartenberg et al., 2019). This institutionalization of sustainability practices reflects both normative pressures – linked to legitimacy theory and evolving stakeholder expectations – and instrumental motivations related to competitiveness, innovation, and brand positioning. Empirical evidence suggests that companies view sustainability reporting not merely as a compliance exercise, but as a means to enhance reputation, legitimacy, and investor confidence (Fischer et al., 2020; Gehman et al., 2017). Particularly in the context of SMEs, increased engagement with ESG disclosure is often driven by customer expectations and supply chain requirements, as well as by the perceived opportunity to gain a competitive edge (Barro et al., 2024; Pizzi & Coronella, 2024).

Finally, the CSRD supports the digital transformation of reporting practices by requiring that sustainability reports be submitted in a machine-readable format. This digitization facilitates the aggregation and comparison of sustainability data, enabling stakeholders to access, analyze, and benchmark information more effectively. As the volume and complexity of sustainability information grow, digital accessibility becomes a crucial enabler of transparency and regulatory oversight. In summary, the CSRD introduces a paradigm shift in corporate sustainability reporting within the EU. Through the enforcement of double materiality, standardized disclosures, external assurance, digitalization, and broader coverage, it aims to enhance the credibility, comparability, and strategic relevance of sustainability information. In doing so, the CSRD positions sustainability at the core of corporate accountability and governance, supporting the EU's broader environmental and social objectives while reshaping the expectations and practices of companies across Europe.

However, early critiques of the CSRD point to certain limitations. The implementation timeline is ambitious, especially for companies with limited sustainability maturity. The detailed nature of the ESRS may also create new burdens in terms of data collection, systems adaptation, and governance processes. Moreover, while the CSRD introduces assurance requirements, the scope and depth of assurance may vary, potentially undermining consistency.

While a growing body of literature discusses the theoretical underpinnings and regulatory ambitions of the CSRD, empirical evidence on how companies are implementing the directive in practice remains scarce.

3. Methodology

This study employs a qualitative approach to examine how companies are implementing the new requirements established by the Corporate Sustainability Reporting Directive (CSRD). Given the novelty of the regulatory framework and the limited number of CSRD-aligned reports available at the time of analysis (March-April 2025), a purposive sampling strategy was employed to identify a small set of relevant early adopters.

The final sample includes ten large companies headquartered in Italy and France. All selected firms were already subject to the Non-Financial Reporting Directive (NFRD) and thus represent the initial cohort transitioning to the CSRD. The sample spans across sectors, which have been grouped into four (Energy & Utilities, Financial Services, Consumer & Healthcare, and Mobility & Industrial Manufacturing), to reflect the cross-sectoral applicability of the directive and to capture sector-specific reporting practices.

Data were collected through a close reading of the official 2024 sustainability reports published by the selected companies. These reports were examined in full, with a focus on: (a) the structure, methodology, and transparency of double materiality assessments; (b) the identification and classification of IROs; and (c) the thematic coverage and reporting practices across the ESRS standards, especially those related to the social (S1–S4) pillar.

Findings are presented along two key analytical axes. Section 4.1 explores how companies are approaching double materiality in practice, with a focus on methodological maturity, disclosure asymmetries, and topic prioritization. Section 4.2 focuses on the social dimension of sustainability, analyzing how firms report under standards S1–S4 and to what extent they engage with the directive's call for extended social accountability.

While the study is limited in scale, the depth of analysis allows for the identification of meaningful patterns and early implementation challenges that may inform future research, regulatory refinement, and organizational learning.

4. Preliminary Findings

4.1. Double Materiality Assessment: Emerging Patterns and Gaps from Disclosed IROs

A central pillar of the CSRD framework, as formalized in ESRS 1, is the operationalization of the double materiality principle – a normative construct that broadens corporate sustainability reporting by requiring companies to assess sustainability topics from both impact and financial perspectives.

Impact materiality adopts an 'inside-out' perspective, capturing the organization's effects on people and the environment, while financial materiality reflects the 'outside-in' perspective, focusing on how sustainability issues affect corporate performance and financial outcomes. This dual approach aims to integrate stakeholder accountability and enterprise value, fostering a more holistic and strategic approach to sustainability.

The comparative analysis of ten early CSRD-aligned sustainability reports reveals that, although all companies formally engage with the double materiality principle, their approaches are highly heterogeneous. Some companies frame materiality assessments as a strategic and participatory process, stakeholder engagement, scenario analysis, and quantitative scoring. Others present it as a largely descriptive exercise, with limited detail on how IROs (Impacts, Risks, and Opportunities) are identified and prioritized.

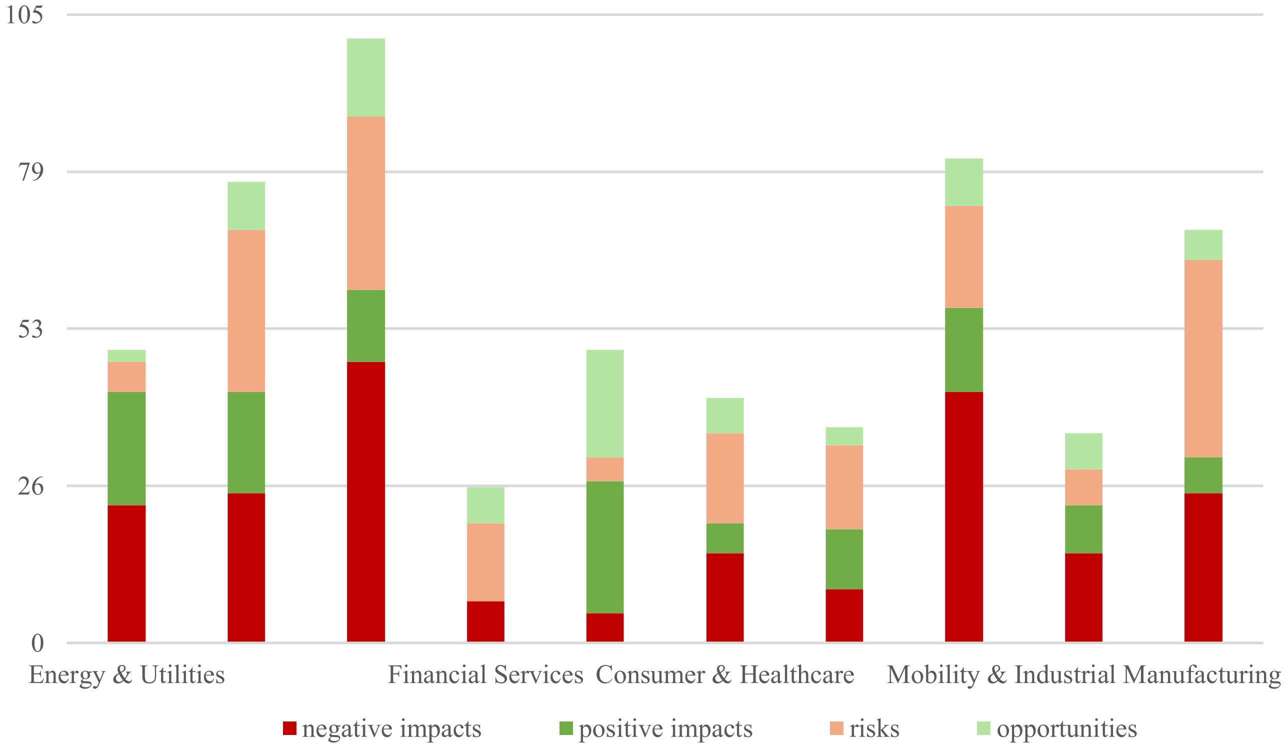
This variation also reflects differing levels of maturity in the methodologies adopted for materiality assessments. While most companies apply a scoring matrix based on likelihood and severity, usually on a scale from 1 to 5, the thresholds used to determine whether an IRO is considered material differ significantly.

Some companies adopt a low threshold (e.g., a combined score of 2), while others require much higher combined scores (up to 8). Moreover, only a minority of firms disclose the scales and criteria used for each impact dimension. In some cases, the thresholds for impact materiality differ significantly from those used for financial materiality. This creates interpretative divergence and complicates comparability across companies. For instance, several reports suggest that companies prioritize enterprise value risks over outward societal or environmental impacts, a tendency also documented by the EY CSRD Barometer (2025), which notes that companies frequently rely on pre-existing risk management frameworks to guide their assessments.

The scope and depth of disclosed IROs also vary widely, ranging from 26 to over 100 per company, with an average of 56.

As shown in **Figure 1**, most companies emphasize impacts and risks, while positive impacts and opportunities remain relatively marginal. Only two companies report a comparable or higher number of positive impacts relative to negative ones, indicating a dominant focus on risk management rather than proactive communication of sustainability-driven value creation.

Figure 1 - Total number of disclosed IROs



From a thematic perspective, the report analysis reveals both areas of convergence and areas of neglect. As shown in **Table 1**, four ESRS standards are consistently addressed: E1 (Climate change), S1 (Own workforce), S4 (Consumers and end-users), and G1 (Business conduct). These reflect regulatory continuity (e.g., TCFD, GDPR), stakeholder salience, and the availability of established metrics. In particular, S1 emerges as a key area of materiality, with both positive and negative impacts reported across all companies, underscoring the enduring relevance of human capital.

Table 1 - Presence of Disclosed IROs per ESRS Standard (Binary Heatmap)

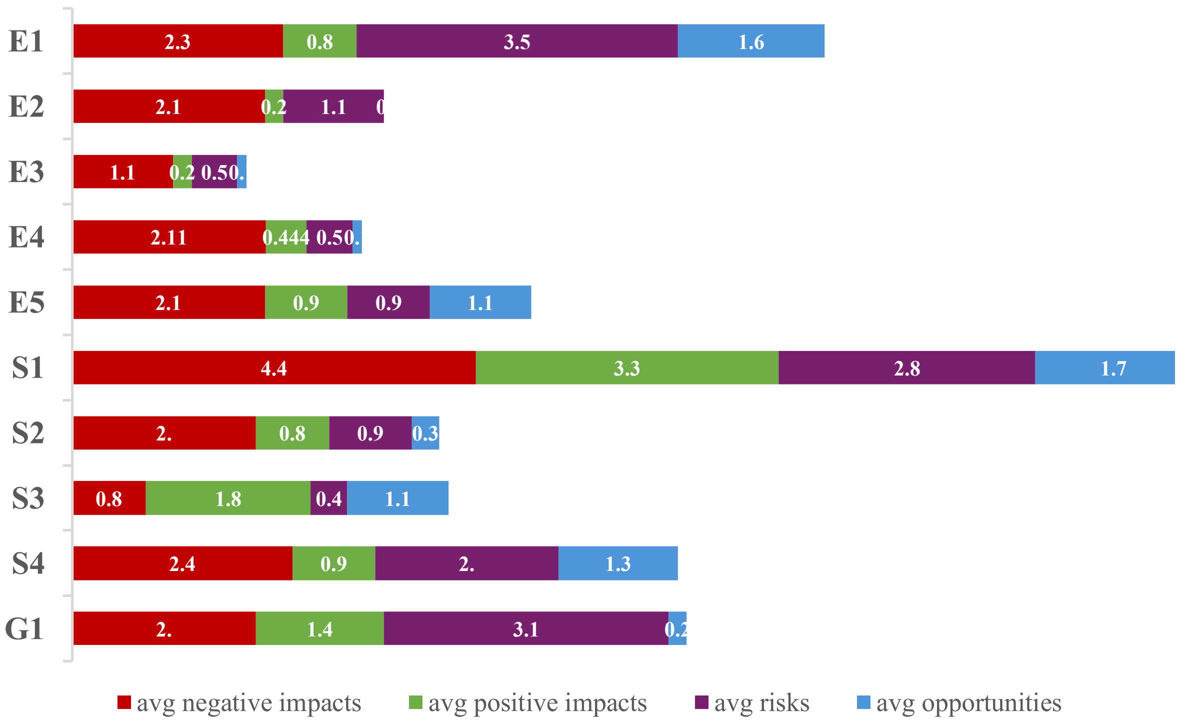
		E1 - Climate change	E2 - Pollution	E3 - Water and marine resources	E4 - Biodiversity and ecosystems	E5 - Resource use and circular economy	S1 - Own workforce	S2 - Workers in the value chain	S3 - Affected communities	S4 - Consumers and end-users	G1 - Business conduct
Energy & Utilities	**A**	1	1	1	1	1	1	1	1	1	1
	B	1	1	1	1	1	1	1	1	1	1
	C	1	1	1	1	1	1	1	1	1	1
Financial Services	**D**	1	0	0	0	0	1	0	0	1	1
	E	1	0	1	1	1	1	1	1	1	1
Consumer & Helth care	**F**	1	1	1	0	1	1	1	1	1	1
	G	1	0	0	0	0	1	1	0	1	1
	H	1	1	1	1	1	1	1	1	1	1
Mobility & Ind. Manifact.	**I**	1	1	0	0	1	1	1	1	1	1
	J	1	1	1	1	1	1	1	1	1	1

Table 1 presents a binary heatmap indicating the presence (1) or absence (0) of disclosed IROs across ESRS standards for each company, clearly highlighting areas where disclosure is consistent and where it is lacking.

In contrast, environmental standards such as E2 (Pollution), E3 (Water), and E4 (Biodiversity) are underreported. At least three companies omit them entirely, and even where present, the average number of related IROs per firm remains low (fewer than 3, as reported in **Figure 2**). This suggests a narrow interpretation of environmental materiality, possibly due to capacity constraints, data availability, or assumptions about sectoral relevance.

For instance, only half the sample identifies any IRO under E4. The underrepresentation of these standards is particularly problematic in light of the EU's environmental policy agenda, with increasing emphasis on biodiversity and nature-related disclosures. It may indicate that companies either underestimate the relevance of non-climate environmental impacts or lack the internal capacity to assess them rigorously.

Figure 2 - Average IROs per Company



Within the social domain, S2 (Workers in the value chain) and S3 (Affected communities) are also underdeveloped, with companies reporting, on average, fewer than four IROs for each. In many cases, these few IROs are derived from financial materiality considerations, with two companies not identifying impacts at all. This points to a persistent value chain blind spot in early double materiality assessments.

While the complexity of assessing indirect impacts in global supply chains may explain part of this gap, the lack of attention to these dimensions risks undermining the CSRD's broader goals of corporate accountability and systemic transformation. This observation is consistent with emerging analyses (Deloitte, 2025), which highlight that disclosures under ESRS S2 and S3 remain among the least developed, due to methodological uncertainty and limited data availability across value chains.

Sectoral patterns further illuminate these disparities. Energy & Utilities companies show the most comprehensive disclosures, reporting the highest number of IROs overall and covering the full spectrum of ESRS standards. However, even these companies tend to underreport opportunities and to frame most impacts in risk-based terms. In contrast, Financial Services companies report fewer IROs overall, in line with the EY CSRD Barometer (EY, 2025). Their disclosure focus mainly on governance, data security, and regulatory risks – consistent with their operational model – but show limited attention to environmental or supply chain topics. Mobility & Industrial Manufacturing companies are more likely to identify physical risks and climate-related impacts across their value chains, although some exhibit a narrower scope when assessing social and biodiversity-related issues.

Finally, opportunity disclosure remains the least developed element of double materiality. While risk-related IROs are often structured and quantified (with some companies reporting up to 33 risks), opportunities are typically reported in qualitative terms, with minimal linkage to strategy, targets, or financial projections. Common themes include renewable energy, circular economy innovations, and workforce development. However, few companies provide supporting metrics, targets, or scenario analyses to substantiate these claims.

Critically, only three companies explicitly link IROs from financial materiality – whether risks or opportunities – to current financial effects. This weak integration hampers the transformative potential of the CSRD, reflecting a broader challenge of embedding sustainability into business strategy and financial decision-making.

This undermines the forward-looking ambition of the CSRD, suggesting that companies are still in the early stages of articulating a business case for sustainability. As noted by the PwC Initial Insights Report (PwC, 2025), the current approach limits the comparability and decision-usefulness of opportunity reporting.

In summary, while the first wave of CSRD reports demonstrates a formal alignment with double materiality principles, actual implementation is uneven and risk-centric. Methodological diversity, topical omissions, and the underreporting of positive impacts and opportunities all point to a transitional phase in the evolution of corporate sustainability reporting. As regulatory expectations increase and best practices become more established, future reporting cycles will likely move towards more balanced and comprehensive disclosures.

From this preliminary analysis, four key dimensions emerge along which early CSRD reports exhibit notable shortcomings in the identification and disclosure of IROs:

i) Topical Coverage Gaps. Despite the comprehensive scope of the ESRS, certain standards – particularly E2 (Pollution), E3 (Water), and E4 (Biodiversity) – are underrepresented or missing in several reports. These gaps raise concerns about whether companies are sufficiently engaging with the full spectrum of environmental materiality, or whether they are instead narrowly focusing on topics already covered by existing frameworks.

ii) Positive vs. Negative Impact Gap. The overwhelming majority of IROs disclosed are negative in nature. While companies appear more comfortable identifying risks and externalities, positive impacts, especially in areas not directly tied to decarbonization, are rarely framed with clarity or confidence. This gap suggests a limited integration of value creation perspectives into sustainability strategies.

iii) Risk–Opportunity Asymmetry. All companies disclose risks, yet opportunity identification is often generic or absent. When present, opportunities are rarely linked to the business model or long-term strategy and seldom supported by quantitative analysis, scenario modelling, or investment planning. This weakens their strategic relevance.

iv) Value Chain Blind Spots. The lack of IROs under ESRS S2 and S3 indicates that indirect impacts are frequently overlooked. Challenges in assessing upstream and downstream impacts may partially explain this, but the systematic exclusion of these impacts limits the scope and accountability that the double materiality principle seeks to promote.

4.2. A Specific Focus on the Social Dimension of Sustainability

The social dimension of sustainability is acquiring growing importance within both academic literature and European regulatory frameworks. The CSRD, through the European

Sustainability Reporting Standards (ESRS) S1 to S4, assigns a central role to the identification, assessment, and disclosure of companies' social impacts, particularly those affecting people, communities, and vulnerable groups. This marks a paradigmatic shift in corporate accountability: from a defensive and risk-oriented understanding of corporate social responsibility to a more transformative and systemic approach, where businesses are expected not only to avoid harm but also to actively contribute to the protection of fundamental rights and the promotion of social well-being.

This vision resonates with a broader strand of academic research that critiques shareholder-centric governance models and calls for a more inclusive, stakeholder-oriented logic (Dacin et al., 2022; George et al., 2021; Harrison et al., 2020). From this perspective, social sustainability reporting becomes not merely a compliance obligation, but a mechanism for re-embedding the corporation within the social fabric, making the measurement and transparency of social impacts essential tools of legitimacy and long-term value creation.

However, our qualitative analysis of the ten CSRD-aligned sustainability reports suggests that the translation of these normative ambitions into practice remains partial and uneven. Social disclosures tend to focus primarily on the internal dimension of the organization, particularly under ESRS S1 (Own Workforce), while disclosures under ESRS S2 (Workers in the Value Chain) and S3 (Affected Communities) are significantly less developed, both in terms of scope and depth. In most cases, companies adopt narrative approaches with limited use of quantitative indicators, and with only loose connections between social materiality assessments, strategic objectives, and governance mechanisms.

4.2.1. A Static and Reputational Approach to Social Materiality

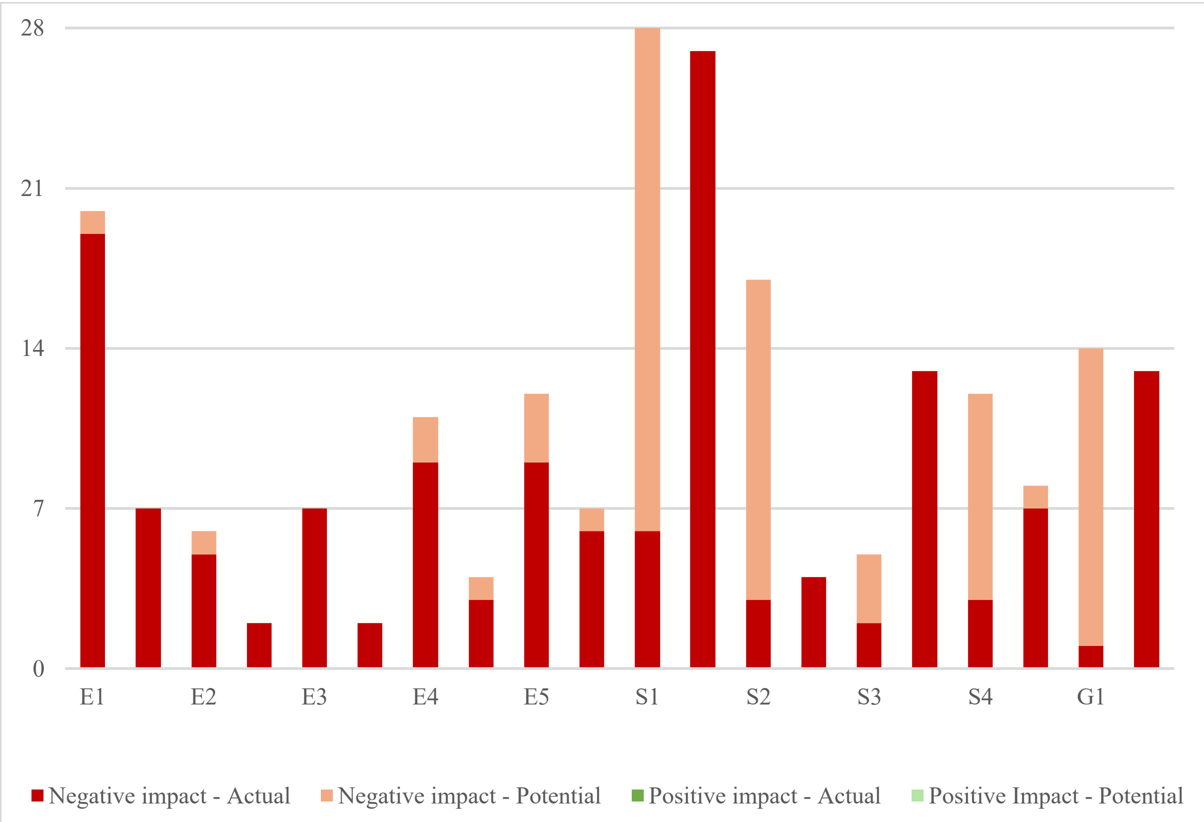
A particularly insightful finding emerges from the temporal framing of material impacts disclosed under the social standards. As shown in **Figure 3**, while environmental impacts are predominantly described as *actual* and negative – reflecting emissions, pollution, or resource consumption – most social impacts are reported as *potential* when negative, and as *actual* when positive. This asymmetry reveals a representational pattern that privileges retrospective, reputationally safe disclosures over forward-looking and transformational engagement.

In practice, companies tend to present positive social impacts as already achieved, often citing initiatives such as diversity, equity, and inclusion (DE&I) programs, employee welfare schemes, or employer branding recognitions (e.g., Top Employer certifications).

In contrast, negative social impacts – such as those related to psychosocial risks, discrimination, or labor conditions – are often deferred to the future, described in vague terms as hypothetical risks or emerging vulnerabilities.

This tendency aligns with the observations of recent CSRD benchmarks (EY, 2025; PwC, 2025), which note that social disclosures are frequently framed in celebratory terms and lack critical reflection on structural shortcomings or unresolved tensions.

Figure 3 - Actual vs Potential material impacts



Notes: Tre aziende non specificano impatto actual vs potential. Gli impatti materiali di queste aziende non sono riportati, dunque, nel grafico. Pertanto, il conteggio totale degli impatti risulta differente rispetto a quanto riportato nella Figura 1.

Such reporting practices raise concerns about the effective implementation of the double materiality principle. Rather than promoting awareness of actual impacts and encouraging preventive or corrective actions, the current narrative framework risks reducing social materiality to a reputational exercise. This undermines the dynamic and anticipatory function that the CSRD seeks to promote, where companies should assess not only what they already do, but also where they fall short and what systemic risks they might be contributing to.

Two structural factors may explain this pattern. First, there is a lack of standardized methodologies and robust indicators for assessing social impacts, particularly those related to mental health, social exclusion, or systemic inequality. Unlike the environmental domain, where frameworks such as the TCFD (Task Force on Climate-related Financial Disclosures) and GHG (Greenhouse Gas) Protocol provide widely accepted metrics, the social domain requires more interpretative and context-specific evaluation, often entailing politically sensitive judgments. This complexity leads companies to report only on actions that have already been implemented, thereby avoiding less controlled or reputationally challenging areas.

Second, a cultural asymmetry may persist in how organizations perceive environmental versus social impacts. While acknowledging environmental damage has become normalized and can even be framed within positive transition narratives, recognizing negative social impacts may still be seen as an admission of failure or ethical breach. This legitimacy bias incentivizes selective disclosures that emphasize internal initiatives while overlooking complex, systemic, or indirect impacts.

4.2.2. Underreporting of Value Chain and Community Impacts

The analysis also reveals a structural underrepresentation of disclosures under ESRS S2 (Workers in the Value Chain) and S3 (Affected Communities). These two standards are among the least developed in the sample, with many companies disclosing only one or two IROs for each, and some omitting them entirely.

When mentioned, these IROs are often described in general terms—such as "reputational risks in the supply chain" or "potential community opposition"—without clear linkage to specific impact pathways, stakeholder engagement, or materiality assessments.

This "value chain blind spot" raises critical questions about the comprehensiveness and credibility of early CSRD-aligned reporting. While companies may face legitimate challenges in collecting data or assessing impacts across complex global supply chains, the near absence of indirect social impact disclosures suggests a deeper issue: the structural invisibilization of externalized risks and responsibilities. In sectors such as manufacturing, fashion, or food processing, where outsourcing and subcontracting are widespread, this omission is particularly problematic.

By failing to disclose value chain impacts, companies risk neglecting key elements of the CSRD's transformative ambition – namely, extending accountability beyond the corporate perimeter and into the broader ecosystem of stakeholders affected by business operations. This limitation echoes long-standing critiques in the literature on global production networks, which highlight how supply chain opacity can be used to shield firms from responsibility for labor violations, community displacement, or environmental degradation.

4.2.3. Recurring Social Topics and Disclosure Patterns

Despite these limitations, some recurring themes can be identified in the social disclosures of the sample. These include:

- **Occupational health and safety**, often described as potential risks associated with absenteeism, stress, or exposure to hazardous environments. All companies include at least one IRO in this domain, indicating its high salience.
- **Diversity, equity, and inclusion (DE&I)**, with a focus on gender and disability inclusion. However, broader intersectional dimensions—such as ethnicity, age, or sexual orientation—are seldom addressed.
- **Training and skill development**, typically framed as opportunities for workforce empowerment or talent retention, though rarely linked to measurable performance targets or strategic investment plans.
- **Social dialogue and labor rights**, mentioned in formal terms (e.g., codes of conduct, global framework agreements) but with limited discussion of effectiveness, conflict resolution mechanisms, or stakeholder feedback processes.

These findings confirm a pattern where companies prioritize direct and relatively well-controlled social issues – those linked to internal policies or compliance requirements—while neglecting more complex or contested dimensions of social sustainability. The result is a social materiality landscape that remains partial, reactive, and reputationally cautious.

5. Conclusions

This paper has offered a qualitative examination of sustainability reports published under the Corporate Sustainability Reporting Directive (CSRD), focusing on a small but diverse sample of ten large companies based in Italy and France. Through a detailed comparative analysis of early disclosures, the study sheds light on how firms are interpreting and applying the CSRD's core requirements, particularly the double materiality assessment and the identification and reporting of Impacts, Risks, and Opportunities (IRO).

The findings reveal that, while companies formally align with the new reporting architecture, actual implementation remains uneven. Methodological diversity in materiality assessments, significant variation in the scope and granularity of disclosed IROs, and a predominant focus on negative impacts and risks over positive impacts and opportunities suggest that organizations are still in a transitional phase.

Although some firms demonstrate relatively mature and transparent practices, others adopt a more compliance-driven approach, often repurposing existing risk management frameworks with limited innovation.

A particularly salient finding concerns the treatment of the social dimension of sustainability. Disclosures under ESRS S1 are widespread, reflecting the centrality of internal workforce issues. However, standards S2 (Workers in the value chain) and S3 (Affected communities) are systematically underrepresented, pointing to persistent blind spots in how companies assess and communicate indirect social impacts. The asymmetry between actual and potential impacts, where positive impacts are framed as achieved, while negative ones are deferred to the future, further reflects a narrative bias that privileges retrospective self-presentation over proactive accountability.

These insights, although necessarily tentative given the limited sample size, suggest several important implications. First, they underscore the need for clearer methodological guidance and benchmarking practices to support the comparability and credibility of disclosures. Second, they highlight the importance of capacity building, particularly in the area of social impact assessment and value chain transparency, as a condition for the CSRD's transformative potential. Third, the study highlights the tension between regulatory ambition and organizational readiness, suggesting that compliance alone may not be sufficient to deliver the paradigm shift envisioned by the directive.

From a theoretical perspective, the paper contributes to the literature on sustainability reporting by illustrating how institutional innovations are interpreted and translated at the organizational level. It also raises questions about the role of reporting in shaping corporate narratives and stakeholder perceptions, particularly in the early stages of regulatory transition.

Future research could expand on this analysis by examining a larger and more diverse sample of CSRD reports, including companies from other member states and sectors. Longitudinal studies could also track the evolution of reporting practices over time, assessing whether current limitations are temporary or structural. Finally, further inquiry is needed into the role of assurance providers, data providers, and stakeholder engagement mechanisms in shaping the quality and credibility of sustainability disclosures under the CSRD framework.

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