



GUIDE Utilizing CSRD for Social Dialogue

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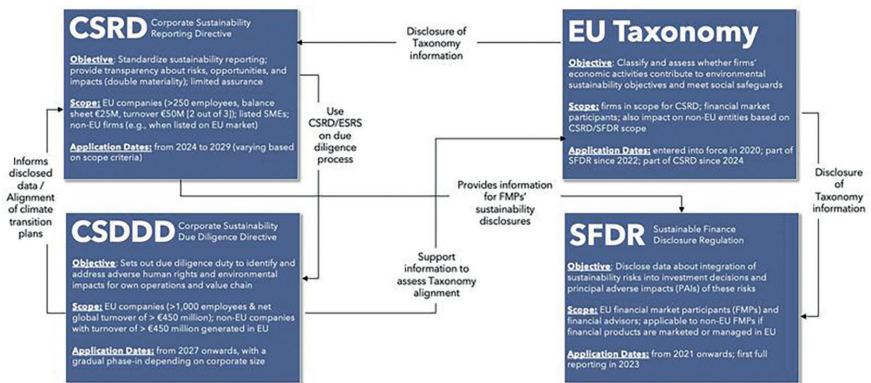
SIGNIFICANCE OF THE CSRD

The Corporate Sustainability Reporting Directive (CSRD) represents a significant legislative instrument from the EU, designed to enforce corporate social responsibility under binding regulations. Initially, the directive should have impacted approximately 46,000 companies across Europe, with the revision by OMNIBUS this is now reduced to under 5 000 groups or companies.

The Corporate Sustainability Reporting Directive (CSRD), EU/2022/2464, was adopted on 14 December 2022. Under the initial directive, companies meeting at least two of the following criteria—more than 250 employees, a turnover exceeding EUR 50 million, or a total balance sheet above EUR 25 million—were required to disclose information on corporate social responsibility.

With the backlash in 2025, it has been reduced significantly and encompasses now only companies with a turnover of over 450 million euros and a minimum of 1000 employees. This represents a reduction of scope of 90 %, passing from around 50 000 companies under the initial CSRD to under 5 000 in the revised form.

CSRD is a key component of a sustainable finance framework introduced by the European Commission in 2018¹. This framework aimed to channel the necessary funds for the ecological transition across all sectors and has been integrated into the European Green Deal package, set out in 2019². CSRD is not a standalone directive. It is closely related to three other directives and regulations, which, in turn, are also affected by the backlash.



Source : Andreas Rasche, LinkedIn

1 <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52018DC0097>

2 Commission, COM(2019) 640 final of 11.12.2019

Data derived from the CSRD should serve as source of information and incorporate sustainability into the business models and strategies while engaging with stakeholders.

However, the backlash introduces a different picture and challenges EU sovereignty over reporting, as the ISSB reporting (IFRS) is adopted on a large level internationally.



STRUCTURE OF THE CSRD IMPLEMENTATION

The Directive should have been transposed into national law by July 6th, 2024. However, with the Parliamentary elections of 2024, the political spectrum changed and an era of “simplification” started with the OMNIBUS package. An OMNIBUS directive is a legal text which changes several texts in one. OMNIBUS 1 was issued in February 2025 and definitely adopted on February 2026. It introduces changes not only in the CSRD, but also on two related legal instruments, the Corporate due diligence directive (CS3D)³ and the Taxonomy regulation⁴.

Changes introduced by OMNIBUS 1

	CSRD after OMNIBUS	CS3D –due diligence directive after OMNIBUS	Taxonomie after OMNIBUS
Scope Turnover	450M€	1,5 Md €	Taxonomie regulation applies to the same standards as CSRD
Number of employees	1000 employees	5000 employees	1000 employees
Timeframe and other dispositions	Application deferred by 2 years	Removal of the obligation for complete activity chain mapping. Focus on priority risks	Introduction of a materiality threshold of 10% of revenue, capex, and opex.
	For wave 1, extension of exemptions (duration and content)	Suppression of the transition plan	Modification of DNSH* pollution *Do not significantly harm

3 DIRECTIVE (EU) 2024/1760 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 13 June 2024 on corporate sustainability due diligence and amending Directive (EU) 2019/1937 and Regulation (EU) 2023/2859.

4 Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (Text with EEA relevance).

CSR AND SOCIAL DIALOGUE

CSR places significant emphasis on social dialogue by involving social partners in the utilization of data. CSR explicitly ensures the promotion of social dialogue under Recital 52, which stipulates that :

“Member States should ensure that sustainability reporting is carried out in compliance with workers’ rights to information and consultation.

The management of the undertaking should therefore inform workers’ representatives at the appropriate level and discuss with them relevant information and the means of obtaining and verifying sustainability information. This implies for the purpose of this amending Directive the establishment of dialogue and exchange of views between workers’ representatives and central management or any other level of management that could be more appropriate, at such times, in such fashion and with such content as would enable workers’ representatives to express their opinion. Their opinion should be communicated, where applicable, to the relevant administrative, management or supervisory bodies.”

These rights are outlined in Article 19.5 :

“The management of the undertaking shall inform the workers’ representatives at the appropriate level and discuss with them the relevant information and the means of obtaining and verifying sustainability information. The workers’ representatives’ opinion shall be communicated, where applicable, to the relevant administrative, management or supervisory bodies.”

The objective of this publication is to provide an in-depth understanding of the data and its applications in facilitating a just transition.

With comprehensive explanations of the business model, associated risks and opportunities, this publication serves as an invaluable resource for gaining insight into a company, its operating environment, strategic approach, and value chain.



THE EUROPEAN SUSTAINABILITY STANDARDS ROLE IN INTEGRATING SUSTAINABILITY INTO CORPORATE STRATEGY

While CSRD establishes the overarching legal framework, the European Sustainability Reporting Standards (ESRS) provide the specific framework and methodology for reporting. The ESRS are delegated acts, i.e. non-legislative acts adopted by the European Commission that serve to amend or supplement the non-essential elements of the legislation. In order to create them, the EU Commission has to consult experts⁵, in this case the EFRAG⁶.

The ESRS consist of twelve standards, with plans to introduce simplified standards for SMEs and sector-specific standards. The twelve standards are as follows :

The basic architecture of the 12 standards has not been changed under OMNIBUS 1 and still encompass :

- Two transversal standards outline the general principles, emphasizing the principle of principle of double materiality, and define the report structure to ensure comparability with other companies (ESRS 1), as well as the minimum data requirements (ESRS 2).
- Five environmental standards incorporate elements from taxonomy regulation, including Climate Change Mitigation and Adaptation, Pollution, Water and Marine Resources, Biodiversity and Ecosystems, and the Circular Economy (Waste Prevention and Recycling). Notably, the climate standard addresses greenhouse gas (GHG) emission across scopes 1, 2 and 3.

European reporting standards

ESRS 1 General principles	ESRS E1 Climate change	ESRS S1 Own workforce	ESRS G1 Governance
ESRS 2 General Information	ESRS E2 Pollution	ESRS S2 Workers in the value chain	
	ESRS E3 Water and marines ressources	ESRS S3 Affected communities	
	ESRS E4 Biodiversity et ecosystems	ESRS S4 Consumers	
	ESRS E5 Ressource use Circular Economy		

5 <https://eur-lex.europa.eu/EN/legal-content/glossary/delegated-acts.html>

6 EFRAG is a private association established in 2001 for the introduction of IFRS accounting. In 2022, it's role was extended to provide Technical Advice to draft the ESRS.

- Four social standards address the entire value chain, covering the company’s own workforce, workers within the value chain, affected communities and clients and end users.
- One governance standard outlines business conduct, including anti-corruption measures, purchase policies and whistleblower protection policies.

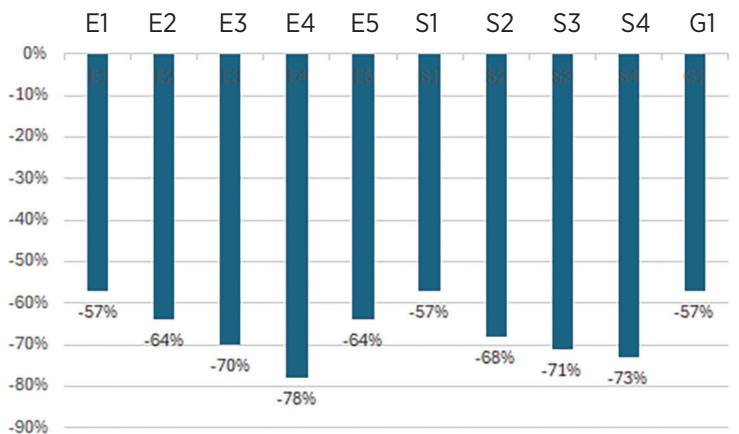
Companies are not required to disclose all data but should provide information deemed relevant to their business model, based on a «materiality» analysis (see below).

THE AMENDED ESRS

The first set of these standards had been adopted in December 2023 and outlined how CSRD provisions are implemented. However, these standards have been significantly reduced under OMNIBUS 1. A preliminary set, published in November 2025 by EFRAG will be submitted to public consultation in April this year.

Most listed companies are big or intermediate-sized companies but many SMEs act as subcontractors of CSRD-covered companies. These big companies often require their sub-contractors to report data. As ESG reporting focusses on the value chain (although under a reduced scope as compared to the first set of ESRS),

Evolution of datapoints of the amended ESRS



Source : EFRAG, Draft amended ESRS, Basis for conclusions

specific standards for SMEs have been developed by EFRAG : the VSME. However, the revised ESRS and CSRD will necessitate a harmonisation between the revised ESRS and the VSME.

ESRS are critical for standardizing and enhancing sustainability reporting. Reports prepared under the CSRD will be published alongside financial information in an integrated report, which is publicly accessible online. In addition to reporting requirements, companies must also ensure that ESG information is verified by a third party.



What are the indicators for social standards

The four social standards encompass various stakeholders throughout the value chain including workers upstream and downstream of the value chain. The first one, “Own Workforce” is the most comprehensive one and addresses several critical areas, including respect for the human rights; fundamental freedoms; democratic principles and standards established in key human rights instruments ; employment figures; precarious employment; fair wages; social protection; health and safety; training; collective bargaining coverage; and social dialogue. The term «own workforce « refers to both employees with a direct employment contract and all self-employed or temporary workers engaged by the company. This definition aims to address the issue of false self-employment, where individuals may not receive the same level of social protection as directly employed staff. The three following standards, Workers in the Value Chain, Affected Communities and Consumers and End-User are narrative and do not require quantitative data.

THE PRINCIPLE OF DOUBLE MATERIALITY

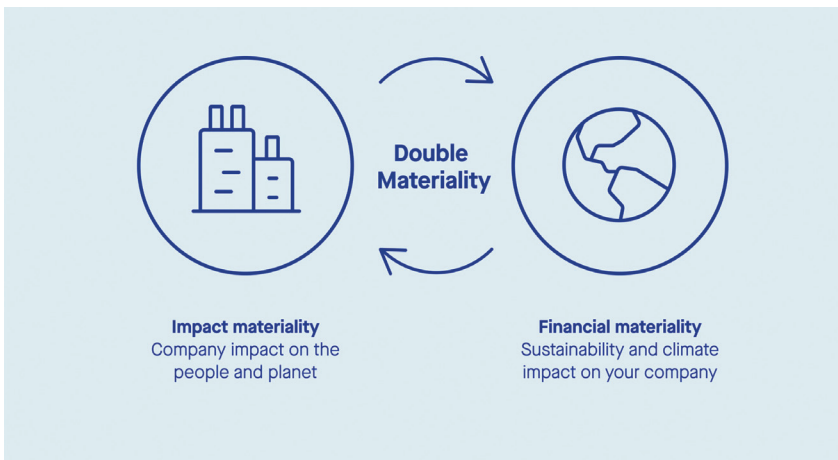
A key feature of the CSRD approach is the principle of double materiality. In the context of accounting, materiality pertains to significant elements related to environmental or social impacts that must be reflected in financial accounts. Simple materiality focuses solely on factors that influence a company's financial performance. In contrast, double materiality extends beyond this scope to assess how a company's operations impact its social or environmental ecosystem, even when these impacts do not have an immediate financial impact.

This principle suggests that companies and financial institutions must consider both :



1. The internal effects of environmental factors on their financial results (e.g., the cost of wastewater treatment for a paper mill or the financial impact of a storm).
2. The external impacts of their activities on society and the environment (e.g., water pollution as a negative externality or the construction of a water purification plant as a positive externality).

Double materiality



In essence, double materiality encompasses two perspectives:

- The impact of ESG issues, such as climate change, on an organization’s financial performance (external or financial materiality).
- The effect of the organization’s activities on ESG matters in a material way (inside out or impact materiality).

Under CSRD, reporting integrates finance and ESG considerations by evaluating both the environmental and social impacts of a company’s activities, including those within its value chain, as well as their financial significance. Consequently, the sustainability report holds equal importance to the financial report. This integration underscores the necessity of including sustainability reporting in mandatory consultations related to strategy, economics, finance and social policy.



INVOLVE STAKEHOLDERS IN MATERIALITY ANALYSIS

The ESRS mandate the inclusion of stakeholders in the assessment of the significance of impacts, risks and opportunities as they relate to the company’s strategy and business model.

Stakeholders potentially impacted by company policies encompass a broad spectrum, including employees and other workers, suppliers, customers and end-users. Additionally, this group extends to the value chain, including, subcontractors, local communities and vulnerable populations, as well as shareholders, public authorities, regulators, and supervisory authorities.

The ESRS emphasize the importance of stakeholder consultation. As outlined in Article 19.5. of the CSRD the rights to information and consultation provide an opportunity for social partners to present their perspectives on sustainability issues across the value chain.

Stakeholders

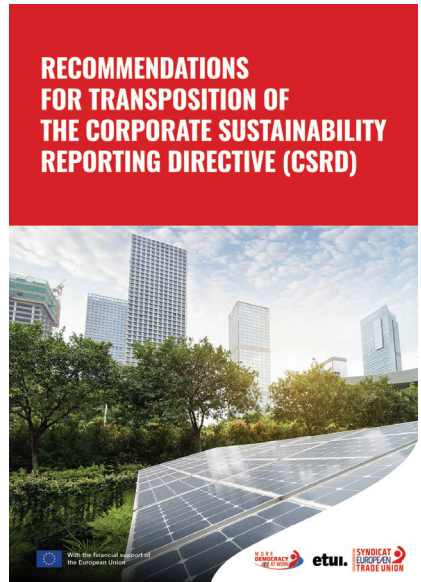


UTILIZING INFORMATION PROVIDED BY ESRS FOR INFORMATION AND CONSULTATION RIGHTS

The information supplied under ESRS is intended to be consistent across all EU member states, given that the delegated act is directly applicable under national law. In contrast, CSRD operates as a directive necessitating individual transposition by each member state. This can lead to variations in the implementation of provisions across different countries, impacting aspects such as social rights, sanctions, and third-party assurance processes.

France was the first country to transpose the CSRD into national law. French social legislation mandates three annual compulsory information and consultation sessions for works councils within each company. The transposition includes ESG information in one of these consultations, which covers strategy, economic and financial conditions, and social issues. France's legal framework provides extensive consultation rights and access to a broad spectrum of social information. While the CSRD introduces progress in terms of public accessibility of information, such as pay disparities, much of the social information remains confidential under traditional frameworks. Notably, CSRD requires reporting at the group level,

whereas French works councils receive information at the enterprise level. Consequently, consultations at the group level and within European Works Councils (EWC) are of particular importance, in addition to corporate level consultations.



ETUC RECOMMENDATIONS

The ETUC has issued a handbook with recommendations for the transposition of the CSRD in the Member States. The ETUC recommends the transposition legislation should explicitly reference key EU Directives and their respective national transposition and include, in addition to the enterprise level, group and European works council and any other relevant level of consultation.

AUDIT, ASSURANCE, CONTROL AND SANCTIONS

CSRD does not stipulate specific sanctions. Instead, it is through the transposition process that European Union Member determine the applicable measures. Nevertheless, it is mandatory for sustainability data to undergo internal auditing by an audit committee and to be certified by an external auditor or an independent third-party organization (ITO).

Document based on the French brochure on CSRD of July 2024 : <https://www.cadrescdfdt.fr/sites/default/files/inline-files-two/2024%20-%20Comment%20utiliser%20la%20CSRD%20pour%20des%20n%C3%A9gociations%20en%20entreprise.pdf> and reviewed by the TES sub-group in October 2024 and amended by Ute Meyenberg in March 2026.



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