The role of IT in ESG and CSRD compliance – A perspective from small and medium-sized enterprises

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Abstract

In recent years, sustainability has gained increasing significance in corporate operations – not only as an expectation, but also as a regulatory requirement. While small and medium-sized enterprises were previously affected mainly indirectly – for example, through supply chains – newer European Union regulations, particularly the Corporate Sustainability Reporting Directive, are beginning to impose direct reporting obligations on them as well. Sustainability reporting is becoming unavoidable for a growing number of companies; however, meeting these requirements poses significant challenges, especially for small and medium-sized enterprises that have not previously prepared environmental reports. Complying with these regulations requires structured, reliable, and well-managed data, which in turn demands a solid and efficient information technology infrastructure. This presentation will explore the emerging sustainability reporting obligations relevant to small and medium-sized enterprises, how these affect business operations, and which information technology tools and systems can support companies in preparing for the new reporting expectations. It is essential that small and medium-sized enterprises prepare their internal information technology systems in time in order to meet these obligations and carry out effective reporting.

Keywords: CSRD, Sustainability, SME, EU Sustainability Regulations

JEL Classification: Q56, Q01, Q58,K32

Introduction

In recent years, sustainability has become increasingly important in corporate operations. While in previous periods sustainability reporting was primarily a voluntary practice, it has now become a legal obligation, particularly in the European Union. As a result, a significant number of companies are now required to prepare sustainability reports, a process that demands substantial resources. In addition to ensuring adequate human resources, companies must also possess the necessary theoretical knowledge, which makes the acquisition of intellectual capacity a critical requirement. Moreover, physical and digital infrastructure is essential to enable the continuous provision of sustainability-related data. A key milestone in this shift is the Corporate Sustainability Reporting Directive (CSRD), which substantially expands the scope of existing reporting obligations and now includes small and medium-sized enterprises (SMEs) as well. The CSRD aims to strengthen environmental, social, and governance (ESG) considerations alongside enhancing corporate transparency. However, given the resource-intensive nature of sustainability reporting, many obligated SMEs lack the expertise, financial capacity, or digital infrastructure necessary to fully comply with the directive. The objective of this study is to examine the impact of the CSRD and related sustainability regulations on SMEs, and to identify the primary challenges these enterprises face in meeting reporting requirements—with particular attention to the Hungarian regulatory context. The study pays special attention to how EU-level obligations are interpreted and implemented within Hungary's institutional framework, including through the regulatory roles of the Hungarian

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National Bank (Magyar Nemzeti Bank, MNB) and the Supervisory Authority for Regulated Activities (Szabályozott Tevékenységek Felügyeleti Hatósága, SZTFH).

Sustainability regulations and data reporting obligations for businesses

In recent years, the issue of sustainability has taken on an increasingly prominent role in the operations of businesses. Significant progress has been made at both the European Union and member-state levels in the development and expansion of sustainability-related regulations. These expanding regulatory frameworks are intended to encourage companies to report on their ESG performance in a structured and transparent manner. The aim of this chapter is to provide an overview of the key sustainability obligations currently applicable to businesses, with a focus on both the EU-wide regulatory framework and the national-level implementation in one selected member state—Hungary. The chapter presents the most important reporting obligations that have recently been expanded, and explores their practical implications for corporate operations, with particular attention to issues of transparency, regulatory compliance, and administrative burden.

The European Union's sustainability regulatory framework for businesses

In recent years, corporate sustainability reporting has become a key policy priority within the European Union. The aim of reporting obligations is to ensure that companies provide transparent disclosures not only on financial matters, but also on ESG dimensions. To achieve this, the European Union has introduced a set of interrelated legislative instruments, among which the CSRD represents the most comprehensive and structured regulatory approach. The CSRD seeks to establish a unified reporting framework that enhances the comparability, reliability, and transparency of sustainability-related information disclosed by companies operating within the EU.

The Scope and Reporting Obligations of the CSRD

The CSRD aims to standardise and make ESG-based reporting mandatory across the European Union (European Parliament and Council, 2022). The directive significantly broadens the scope of sustainability reporting obligations by encompassing the full spectrum of ESG factors. It not only expands the categories of companies subject to reporting but also deepens the content requirements, placing particular emphasis on the reliability, auditability, and comparability of disclosed data. From 2025 onwards, the directive applies to large companies and listed SMEs, mandating detailed disclosures on sustainability impacts, risks, and corporate strategies. The overarching objective of the regulation is to enhance transparency, facilitate comparability across companies, and provide investors and other stakeholders with reliable, consistent data. However, the expansion and intensification of reporting requirements pose significant challenges, especially for smaller market participants, who often lack the resources, expertise, or internal systems needed to meet these complex compliance expectations.

The CSRD requires sustainability reporting from large undertakings that meet at least two of the following three criteria for two consecutive financial years:

- The company has more than 250 employees;
- Its annual net turnover equals or exceeds EUR 40 million;
- Its total assets amount to at least EUR 20 million.

In addition to large companies, the CSRD extends the reporting obligation to listed SMEs, with the exception of micro-enterprises. It also applies to certain non-EU companies that generate more than EUR 150 million in annual turnover within the EU and have at least one subsidiary or branch in an EU Member State.

Listed SMEs will be required to publish their first sustainability report in 2026, covering the 2025 financial year. However, they are eligible to opt for a one-time deferral, which allows them to postpone the reporting obligation until 2028.

The Corporate Sustainability Due Diligence Directive

The Corporate Sustainability Due Diligence Directive (CSDDD) represents a key pillar of the European Union's efforts to promote responsible corporate conduct and ensure that companies manage the external impacts of their operations (European Parliament and Council, 2024). While the CSRD focuses on the measurement and disclosure of sustainability performance, the CSDDD emphasises active corporate responsibility for identifying, mitigating, and managing human rights and environmental risks across global supply chains. The directive was adopted by the European Parliament in the spring of 2024, with transposition into national legislation expected around 2025. At its core, the CSDDD aims to reinforce corporate accountability, requiring companies to assess and manage risks throughout their entire value chain. It plays a critical role in advancing ethical business practices and enhancing supply chain transparency. To ensure compliance, companies are expected to establish comprehensive due diligence procedures and engage with stakeholders actively. The directive applies primarily to large companies—and, in some cases, to medium-sized enterprises—and obliges them to identify, prevent, mitigate, and address adverse human rights and environmental impacts that may arise from their own operations or those of their subsidiaries and business partners. Importantly, the obligations extend not only to direct operations but also across the entire supply chain, including indirect business relationships, which may indirectly affect SMEs as well.

The CSDDD specifically applies to EU-based companies that meet the following thresholds:

- At least 500 employees and EUR 150 million in annual global turnover,
- Or at least 250 employees and EUR 40 million in turnover, if operating in high-risk sectors.

For non-EU companies, the directive applies if:

- Their EU-based turnover meets the thresholds above, and
- They have a significant economic presence within the EU.

Although most SMEs are not directly subject to the CSDDD, they may come under indirect pressure through supply chain expectations, as larger companies will be required to collect data and assess risks related to their suppliers' practices.

The CSDDD sets out a range of compliance obligations that companies must fulfil in a documented and transparent manner, including:

- The development of a due diligence policy detailing the processes for managing sustainability risks;
- Risk mapping and assessment covering the full scope of the company's operations and supply chain;
- The implementation of preventive and corrective measures where violations or risks are identified;
- The establishment of a complaints mechanism that allows stakeholders (e.g., workers, communities) to raise concerns;
- Reporting and public accountability, including the publication of relevant information on the company's website and through other accessible channels.

In addition, Member States are required to designate supervisory authorities responsible for monitoring compliance and, where necessary, enforcing the directive through sanctions. While the CSDDD aims to strengthen corporate responsibility, its implementation presents significant challenges—especially for SMEs embedded in lower tiers of global supply chains.

These smaller actors often lack the legal or environmental expertise needed to respond to due diligence requests from larger corporations. Many are also unprepared to meet data collection and documentation expectations, leading to capacity gaps. Even though the CSDDD does not formally impose obligations on SMEs, it exerts a practical impact on them through the extended responsibilities of large corporations. As such, compliance-related costs and administrative burdens may arise for SMEs without direct legal accountability—demonstrating how the directive's reach extends beyond its formal scope to influence the entire business ecosystem.

The EU Taxonomy Regulation

The EU Taxonomy Regulation, encompassing Regulations (EU) 2019/2088 and 2020/852, is a cornerstone of the European Union's sustainability regulatory framework (European Parliament and Council, 2020). It establishes a common classification system to define which economic activities can be considered environmentally sustainable. The taxonomy creates a unified framework for determining the environmental sustainability of business activities, with the overarching aim of steering companies and investors toward green initiatives and thereby supporting the EU's long-term goal of achieving climate neutrality. Whereas the CSRD and CSDDD aim to enhance corporate transparency and accountability, the taxonomy introduces a science-based, objective standard to assess and quantify what qualifies as "green." By defining sustainable activities and establishing clear, verifiable criteria, the regulation contributes to greater transparency and reduces the risk of greenwashing—the practice of making misleading sustainability claims. The EU Taxonomy thus serves both as a regulatory tool and a market signal, guiding financial flows toward environmentally responsible projects and enabling stakeholders to make better-informed decisions aligned with Europe's climate objectives.

Sustainability compliance obligations for companies in Hungary

In addition to the European Union's regulatory framework, individual member states have also introduced a range of sustainability-related compliance obligations for businesses, many of which have undergone significant changes in recent years (Hungarian Parliament, 2023). New sustainability requirements have been introduced, while existing regulations have been expanded—posing considerable challenges for companies across sectors. These growing obligations, particularly in the form of data reporting requirements, demand a high level of expertise as well as the implementation of robust digital systems to support ongoing data collection and processing. Frequent and structured data submissions require an integrated information technology (IT) infrastructure capable of supporting sustainability-related operations. This subsection presents the main sustainability compliance requirements in Hungary, focusing on those obligations that represent a substantial burden on companies, especially in terms of the resources and capacities needed to ensure full compliance.

Reporting and data provision obligations imposed by the Supervisory Authority for Regulated Activities

In Hungary, one of the most significant sustainability-related regulatory measures is the ESG reporting obligation introduced by the SZTFH. According to Government Decree 13/2024 (VIII.15.), companies falling within the scope of the regulation are required to prepare an ESG report.

Starting from 2025, ESG reporting will be mandatory for large companies that, in relation to the 2024 financial year, meet at least two of the following criteria:

- a balance sheet total of at least 10 billion HUF,
- a net annual turnover of at least 20 billion HUF,
- or an average number of 500 employees.

From 2026, the scope of the obligation will be extended to include companies with at least 250 employees, and by 2027, SMEs will also be subject to reporting requirements. The objective of the ESG report is to ensure the objective comparability of corporate sustainability performance and accountability. The reporting framework comprises three pillars—Environmental (E), Social (S), and Governance (G)—and includes a 151-question questionnaire, with the number and types of questions tailored to the company's size and sector. To support completion of the report, the SZTFH has developed an online ESG calculator. It is important to note that if a large enterprise is required to complete the ESG questionnaire, its suppliers may also be subject to the same obligation, due to the cascading nature of reporting requirements within the supply chain. The questionnaire includes general corporate data, sustainability performance indicators, business ethics and transparency data, risk management and data governance aspects. It also covers environmental impacts, biodiversity and ecosystem protection, supply chain sustainability, ESG indicators and targets. The actual questions and response requirements depend on company size and business activity, ensuring sector- and scale-appropriate reporting (Supervisory Authority for Regulated Activities, 2024).

ESG requirements and sustainability data reporting obligations imposed by the Hungarian National Bank

In recent years, the Hungarian National Bank (MNB) has increasingly emphasised integrating sustainability into the financial system. The MNB has formulated specific expectations for market participants, which also affect corporate borrowers through sustainability-related obligations. In its Recommendation No. 10/2021, the MNB outlined how financial institutions should incorporate sustainability considerations into their operations. Then, the MNB’s ESG Guidelines provided detailed instructions on how financial institutions are expected to assess their clients' ESG exposure. As a result, from 2024 onwards, any company applying for a loan exceeding HUF 500 million is required to submit ESG-related information to the lending institution. While this requirement initially applies to loans above HUF 500 million, the threshold will gradually decrease: from 2026, it will apply to loans of HUF 350 million or more; from 2027, to loans of HUF 200 million; and from 2028, to loans of HUF 100 million or more. The objective of the questionnaire is to standardise ESG data collection across financial institutions, enabling more accurate credit risk assessment and supporting the integration of sustainability considerations into lending processes. The ESG disclosure requirement thus serves as an important mechanism for embedding sustainability in corporate financing decisions (Hungarian National Bank, 2021).

Challenges of compliance for business

The expansion of sustainability reporting obligations and the increasing stringency of both EU-level and national regulations place a substantial burden on businesses. Although the core objectives of these regulations—such as improving transparency, mitigating ESG-related risks, and promoting environmental sustainability—are well-founded, the practical implementation poses numerous compliance challenges, particularly for SMEs.

Lack of resources and expertise

Until recently, sustainability reporting requirements primarily affected companies directly engaged in regulated sectors. However, the broadening of the regulatory scope now extends these obligations to smaller enterprises as well. Most SMEs do not employ dedicated sustainability professionals and often rely on external consultants even for fulfilling legal and financial obligations. Complying with sustainability regulations—interpreting the rules, applying them correctly, and generating the required data—demands interdisciplinary

knowledge and expertise, which smaller companies typically lack in-house. The complexity of ESG-related requirements can exceed the operational and human resource capacities of these firms, creating a significant compliance barrier (Wang & Esperança, 2023).
Empirical findings provide further evidence of these challenges. A recent study among SMEs in the V4 region revealed that only 53.8% of owners or top managers reported familiarity with ESG and believed it could enhance their company's image (Kozubíková et al., 2023). Prior engagement in CSR has been shown to significantly increase acceptance of ESG, suggesting that earlier sustainability practices act as a stepping stone for compliance (Al-Issa et al., 2022; Rossi et al., 2021). Furthermore, participatory leadership styles and human resource management practices positively influence ESG awareness and acceptance (Zhu & Huang, 2023; Berber et al., 2014), highlighting that managerial culture is as important as financial and technological readiness. Finally, transparent anti-corruption measures strongly correlate with more favourable attitudes toward ESG (Santana et al., 2020), underlining that governance and ethical standards are integral components of successful ESG adoption. Taken together, these results confirm that limited expertise, lack of organisational preparedness, and weak governance practices represent structural barriers that hinder SMEs' ability to meet sustainability reporting obligations.

Administrative and reporting burden

The European Union's regulatory instruments (CSRD, CSDDD, and the EU Taxonomy), along with national-level regulations in Hungary (issued by the MNB and SZTFH), impose extensive data provision and reporting obligations on businesses. These obligations often involve new categories of data that companies have not previously collected—such as carbon footprints, employee diversity, or ESG-related supply chain risks. Generating such information in a structured and auditable format presents a considerable challenge. While larger companies may already have experience complying with various sustainability reporting requirements, the expansion of reporting obligations creates disproportionate burdens on SMEs. For SMEs, building the necessary infrastructure—including reporting templates, data management software, and internal procedures—can be time-consuming and costly. Moreover, the production of ESG reports may lack immediate financial return, particularly for management teams focused on short-term profitability. As a result, SMEs often perceive these obligations as compliance-driven costs, rather than as strategic investments, further complicating adoption and implementation.

Research has shown that SMEs frequently lack awareness of ESG processes and disclosed information (Shalhoob & Hussainey, 2023), remain concerned about the costs and administrative burdens of compliance (Yip & Yu, 2023; Gjergji et al., 2021), face difficulties in implementing ESG rating schemes (Tsang et al., 2023), and struggle with resource limitations that undermine the reliability of reporting (Gholami et al., 2022).

Lagging digitalization

One of the key foundations of sustainability compliance is the availability of a reliable and digitised data management system. In order to efficiently prepare the required sustainability reports and disclosures, companies must have a well-functioning IT infrastructure. However, this is often lacking in SME operations, placing them at a considerable disadvantage. Many SMEs are not yet equipped to track relevant ESG indicators within integrated digital systems. The continued reliance on manual data collection and Excel-based reporting is not only time-consuming but also poses serious auditability risks. Furthermore, ESG reporting is typically an annual and ongoing process, which requires the continuous updating, verification, and archiving of data. Most SMEs do not currently operate with the internal systems necessary to support such demands. As a result, the digital readiness gap significantly hinders SMEs' ability to meet sustainability compliance requirements reliably and at scale (Burinskienė & Nalivaikė, 2024).

Indirect pressure through corporate supply chains

As large enterprises have long been required to prepare sustainability reports, these obligations are increasingly extending to their suppliers, thereby indirectly affecting SMEs. While many small and medium-sized enterprises are not directly subject to formal ESG regulations, their corporate partners increasingly request ESG reports, self-assessments, or data sheets as a condition of ongoing business relationships. The impact of the CSDDD further reinforces this trend, as ESG due diligence obligations extend deep into supply chains, including the smallest entities. This means that even micro- or small enterprises may be required to provide ESG-related data, despite not being formally regulated under existing sustainability laws. This phenomenon creates a de facto obligation for SMEs, emerging as a form of market pressure. Non-compliance or the lack of ESG preparedness may result in the loss of key partnerships or reduced access to financing, placing SMEs at a competitive disadvantage—even in the absence of direct legal mandates.

Limited preparation time and lack of information

Although the rollout of sustainability regulations is gradual, many businesses become aware of the changes too late or fail to recognise that these obligations may also apply to them. Due to this lack of awareness, numerous companies begin preparing for compliance only at the last minute, increasing the risk of non-compliance or superficial reporting. Moreover, the available resources—such as academic literature, regulatory guidelines, and consultancy materials—are often geared toward large corporations. These materials frequently use examples, terminology, or frameworks that do not translate well to the operational realities of SMEs. As a result, small and medium-sized enterprises may struggle to access practical, tailored guidance, making it difficult to understand what is required of them and how to meet reporting expectations effectively.

The role of digitalisation in supporting sustainability compliance

The administrative and data-related challenges associated with preparing sustainability reports and disclosures impose a significant burden on businesses. These challenges increasingly highlight that, without digitalisation, long-term compliance with sustainability reporting requirements is difficult to maintain. Beyond serving a purely technical function, IT systems can become strategic tools in supporting compliance processes. For companies—particularly SMEs—it is crucial to develop digital capabilities, as the right technological solutions can save time, reduce resource demands, and minimise risks associated with manual processes.

Automation of data collection and management

One of the most difficult aspects of sustainability reporting is generating relevant data. ESG indicators—environmental, social, and governance-related—are often drawn from multiple departments within a company and in various formats, making data harmonisation a complex task. Replacing manual data collection with automated digital systems, such as corporate carbon footprint calculators or ESG dashboards, can provide real-time and consistent data management. Although implementing digital infrastructure may require substantial investment, it leads to fewer errors, greater transparency, and easier auditability of sustainability data.

Digital transformation, therefore, is not merely an operational upgrade—it is a critical enabler of efficient, scalable, and credible ESG compliance. (Akhtar et al., 2025)

Sustainability software and reporting templates

As ESG reporting obligations have increased significantly in recent years, the market has responded with a growing number of digital solutions designed to support ESG reporting. These software tools typically include predefined reporting templates, and many can be integrated with existing enterprise systems to enable automated data handling. It is important to note that many SMEs have only recently become subject to sustainability regulations due to the expansion of legal requirements. As a result, these companies often lack dedicated ESG experts or internal compliance teams, making off-the-shelf software solutions especially valuable for streamlining the reporting process.

Data visualisation and reporting

The advantages of digital tools go beyond data collection; they also facilitate the formatting and presentation of ESG reports. Visualisation solutions—such as graphs, infographics, and interactive dashboards—not only help regulatory authorities interpret the information more easily but also enhance transparency and credibility for internal management and external stakeholders alike. Regular ESG data submissions can be generated more quickly and cost-effectively with a well-functioning reporting solution. By leveraging digital platforms, companies can turn reporting from a compliance obligation into a strategic communication tool.

The path toward digitalisation: challenges and opportunities

While the implementation of digital solutions offers clear advantages for businesses, it still poses significant challenges for SMEs. Digitalisation projects often require substantial investment, which can strain limited financial resources. In addition, for companies with low digital maturity, choosing the right software or tools may be a source of uncertainty and hesitation. However, organisational digitisation has been shown to improve ESG performance through enhanced data management and transparency (Zhao, Han, & Wang, 2024). Despite these challenges, a range of support mechanisms and recognising and acting on this opportunity in a timely manner can not only fulfil regulatory requirements, but also provide resources available in Hungary to assist businesses, including EU-funded and national grant schemes (e.g., the Digital Welfare Program and the Economic Development and Innovation Operative Program Plus). Financial institutions and industry organisations are also offering ESG-related digital services, which can help companies take the first steps toward digital integration. In this context, digitalisation should not be viewed merely as a technical upgrade, but rather as a critical enabler of sustainability compliance. Businesses that recognise and act on this opportunity in a timely manner can not only fulfil regulatory requirements but also gain a competitive advantage in terms of transparency, operational efficiency, and ESG performance.

Recognising the tight reporting deadlines imposed on newly obligated companies, regulatory authorities have also started to respond. In 2024, the European Commission announced the preparation of an omnibus amendment package, aimed at harmonising and simplifying the EU's three core ESG regulations—the CSRD, the CSDDD, and the EU Taxonomy.

Although the final details are still under development, the proposed changes are intended to reduce the administrative burden on companies, especially for SMEs, and to enhance clarity in digital reporting requirements. As such, the omnibus package represents not only a regulatory streamlining effort but also a practical support mechanism to facilitate the digital transition of ESG compliance. Regulators have also recognised that the fragmented and complex reporting obligations place a disproportionate burden, particularly on SMEs; therefore, in February 2025, the European Commission introduced the so-called Omnibus legislative package, which aims at comprehensive simplification and harmonisation

The EU Omnibus Package and its potential impact on SMEs

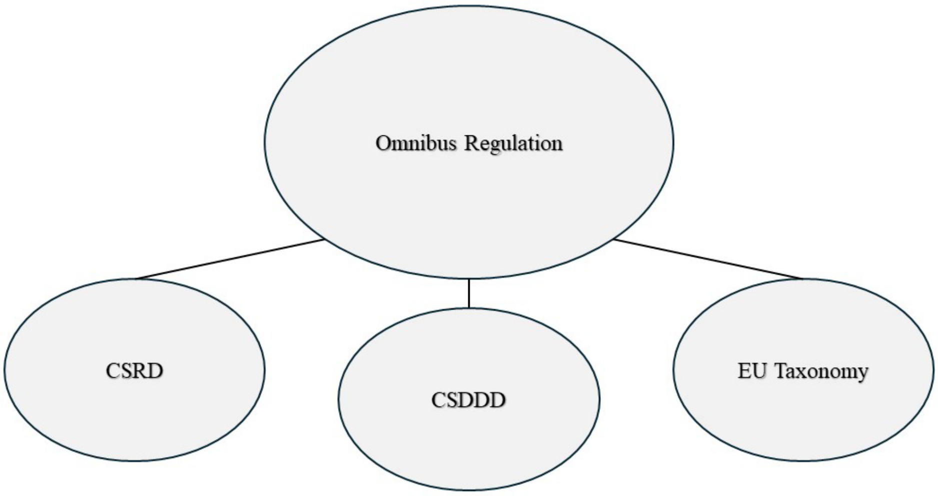

Figure 1: *The EU Omnibus package and its main regulatory pillars (CSRD, CSDDD, EU Taxonomy)*
Source: *Own elaboration based on European Commission (2025)*

In February 2025, the European Commission published the so-called Omnibus legislative package, which aims to streamline and harmonise the EU's sustainability framework. The proposal seeks not only to simplify regulatory requirements but also to strengthen competitiveness and provide a more practical reporting environment for businesses. The Omnibus package introduces targeted amendments to several key instruments, including the CSRD, the CSDDD, the Carbon Border Adjustment Mechanism (CBAM), and the EU Taxonomy Regulation. Among the most relevant changes, the scope of CSRD reporting obligations would be narrowed, with voluntary reporting options offered for smaller enterprises, alongside a two-year postponement of reporting deadlines for large companies. Similarly, the CSDDD modifications propose reducing supply chain due diligence requirements, such as extending the review period for supplier risk assessments from 1 to 5 years. For CBAM, the package would exempt small-volume importers from reporting obligations while maintaining stricter requirements for large emitters. Under the EU Taxonomy, the scope of mandatory disclosures would be limited to very large firms (with more than 1,000 employees and €450 million in turnover), leaving smaller companies with voluntary options. Although the legislative negotiations are ongoing, the package represents a significant attempt to reduce administrative burdens, particularly for SMEs, while maintaining the EU's overall commitment to sustainability objectives. For Hungarian enterprises, the proposal may provide much-needed relief in adapting to complex ESG regulations, although the long-term emphasis on sustainability performance and ESG integration remains unchanged.

Table 1: *Annex I: New initiatives*
Source: *European Commission (2025), Commission Work Programme 2025.*

No.	Policy objective	Initiatives
A new plan for Europe's sustainable prosperity and competitiveness		
1.	**Competitiveness**	**Competitiveness Compass** (non-legislative, Q1 2025)
2.	**Competitiveness**	**Single Market Strategy** (non-legislative, Q2 2025)
3.	**Simplification**	**First Omnibus package on sustainability** (legislative, Q1 2025)
4.	**Simplification**	**Second Omnibus package on investment simplification** (legislative, Q1 2025)
5.	**Simplification**	**Third Omnibus package, including on small mid-caps and removal of paper requirements** (legislative, Q2 2025)
6.	**Simplification**	**Revision of the Sustainable Finance Disclosure Regulation** (legislative, incl. impact assessment, Article 114 TFEU, Q4 2025)
7.	**Simplification**	**Digital package** (legislative, incl. impact assessment, Q4 2025)
8.	**Simplification**	**European Business Wallet** (legislative, incl. impact assessment, Article 114 TFEU, Q4 2025)
9.	**Competitiveness and Decarbonisation**	**Clean Industrial Deal** (non-legislative, Q1 2025)
		Action plan on affordable energy (non-legislative, Q1 2025)
10.	**Competitiveness and Decarbonisation**	**Industrial Decarbonisation Accelerator Act** (legislative, incl. impact assessment, Article 114 TFEU, Q4 2025)

According to the Commission Work Programme 2025, the legislative process is scheduled for the first quarter of 2025 (European Commission, 2025, published on 11 February 2025).

Conclusions and recommendations for advancing sustainability compliance

Conclusions

Sustainability has evolved beyond a strategic priority and has now become a regulatory and operational obligation for businesses. The European Union's key sustainability regulations—namely the CSRD, CSDDD, and the EU Taxonomy Regulation—have introduced new legal and administrative frameworks that require companies to deliver transparent and measurable ESG disclosures. Hungary has actively aligned with these frameworks, particularly through the expectations set by the SZTFH and the Hungarian National Bank (MNB). As the findings of this study show, the most pressing compliance challenges are faced by the newly obligated segment—SMEs. A lack of resources and expertise, digital underdevelopment, and the complexity of administrative requirements all contribute to the difficulty many companies face in meeting these new expectations. Digitalisation plays a crucial role in this process: not only does it improve the efficiency of data collection and management, but it also enhances the transparency and credibility of sustainability reports. However, the implementation, maintenance, and effective use of digital tools require financial and professional support, particularly for SMEs, which typically lack internal ESG capacity.

Recommendations and final remarks

Regulatory expectations should be tailored to the size and operational characteristics of companies. SMEs do not have the same capacities as large corporations, so it is essential to introduce phased timelines and regulatory simplifications for them. For newly affected businesses, sustainability obligations present a considerable burden, as they often lack the necessary resources and knowledge. Therefore, extending compliance deadlines and supporting their preparedness are key. There is a clear need for simplified guides, templates, case studies, and practical examples tailored to the context and needs of SMEs. Many companies are unaware of the specific sustainability obligations that apply to them and, as a result, fail to begin preparation in time. The creation of clear and accessible resources—such as explanatory guides, webinars, case studies, and step-by-step reporting tools—could greatly facilitate timely compliance. The introduction of multiple sustainability-related reporting obligations has placed significant demands on companies' capacities. To meet these requirements effectively, firms must build robust IT systems, which can save time, energy, and resources in the long run. Access to digital ESG tools—including reporting software, data warehouses, and compliance dashboards—is essential. Public support mechanisms, such as targeted grants or funding programs, would be highly beneficial in promoting this transition for SMEs. It is also crucial to eliminate overlaps and contradictions among different reporting frameworks. Harmonisation between SZTFH, MNB, and EU-level regulations would ensure that companies are not subject to redundant or incompatible obligations. In response to these challenges, the European Commission published a proposal on February 26, 2025, for the First Omnibus Package, which would amend key directives, including the Accounting Directive (2013/34/EU), Audit Directive (2006/43/EC), the CSRD, and the CSDDD. This package, first announced in November 2024 by Commission President Ursula von der Leyen, seeks to streamline overlapping ESG requirements into a single, simplified framework. The legislative proposal—expected in the first quarter of 2025—aims not to reduce content, but to alleviate bureaucratic burdens, allowing companies to focus on genuine compliance and sustainability outcomes, rather than excessive administrative tasks. This initiative may bring tangible relief to SMEs, contributing to more proportionate and practical application of sustainability regulations. The findings of this study confirm that the EU's planned omnibus legislative package is both justified and timely. By promoting the simplification, alignment, and digital compatibility of the CSRD, CSDDD, and the EU Taxonomy Regulation, the proposal presents a real opportunity to reduce the administrative burden on SMEs. The proposed measures could enable businesses to comply with ESG obligations under a more proportionate, transparent, and technologically manageable system. The omnibus package is currently under legislative review at the EU level and must be adopted by both the European Parliament and the Council (European Commission, 2025). Its provisions will only enter into force once transposed into national law by Member States.

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