CAPCO

# ESG

## The EU's sustainability reporting standards draft revisions (& leveraging data beyond regulation)

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Following the adoption of the ESG Omnibus Directive in February 2025,[1] the EU enters the implementation phase of its sustainability reform on simplifying rules and investments. The European Commission has mandated the European Financial Reporting Advisory Group (EFRAG) to deliver revised European Sustainability Reporting Standards (ESRS) by 31 October 2025, aligning disclosure content with the principles of materiality, proportionality, and interoperability.[2,3] These refinements build on the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD), whose transposition and first application deadlines have been postponed under the EU's 'Stop-the-Clock' sustainability adjustments to July 2027 and July 2028, respectively.[4]

This emphasis on reliable ESG data also extends to the prudential domain, where supervisors now expect the same data discipline applied in financial reporting. In parallel, the European Banking Authority (EBA) has finalised its Guidelines on ESG risk management, effective January 2026, requiring institutions to integrate ESG factors into governance structures, credit underwriting, and capital planning (EBA/GL/2025/01).[5]

These measures mark a clear shift from legislative design to operational integration across the financial sector.

Across the EU, institutions translate regulatory intent into daily routines. ESG risk metrics migrate into credit systems, data warehouses, and reporting engines. Data quality, scenario modelling, and audit traceability dominate implementation roadmaps. The conversation moves from what to disclose to how to demonstrate reliability. The EU's approach is pragmatic: strengthening supervisory consistency, maintaining proportionality, and leveraging data beyond regulation to reinforce operational resilience and trust.

1. European Commission (2025): Omnibus I package – Simplifying EU sustainability rules and investments. Verfügbar unter https://finance.ec.europa.eu/publications/omnibus-i-package-commission-simplifies-rules-sustainability-and-eu-investments-delivering-over-eu6_en
2. EFRAG (2025): Work Plan and Timeline for ESRS Revision submitted to the European Commission. Verfügbar unter https://www.efrag.org/sites/default/files/media/document/2025-04/EFRAG%20ESRS%20Revision%20Work%20Plan%20and%20Timeline%20submitted%20to%20the%20EC_25042025.pdf
3. EFRAG (2025): EFRAG delivers Work Plan to the European Commission in response to ESRS Simplification Mandate. Verfügbar unter https://www.efrag.org/en/news-and-calendar/news/efrag-delivers-work-plan-to-the-european-commission-in-response-to-esrs-simplification-mandate
4. Council of the European Union (2025): Simplification – Council gives final green light on the Stop-the-Clock mechanism to boost EU competitiveness and provide legal certainty to businesses. Verfügbar unter https://www.consilium.europa.eu/en/press/press-releases/2025/04/14/simplification-council-gives-final-green-light-on-the-stop-the-clock-mechanism-to-boost-eu-competitiveness-and-provide-legal-certainty-to-businesses
5. EBA (2025): Guidelines on the Management of ESG Risks (EBA/GL/2025/01). Verfügbar unter https://www.eba.europa.eu/activities/single-rulebook/regulatory-activities/sustainable-finance/guidelines-management-esg-risks

# Digitalisation and the ESG Data Spine

Sustainability reporting is becoming inseparable from digital identity and trust frameworks. The new eIDAS 2.0 Regulation (EU 2024/1183) introduces the European Digital Identity Wallet, a trusted mechanism for authenticating corporate data flows among firms, auditors, and regulators.[6] For ESG reporting, the European Digital Identity Wallet enables verifiable corporate credentials, digitally signed sustainability statements, and machine-readable assurance chains, allowing auditors and regulators to trace the authenticity and origin of each ESG data point across systems. Organisations that standardise metadata and adopt interoperable taxonomies reduce reconciliation workload and enhance the credibility of disclosures.

Digital signatures, time-stamped data, and cross-border validation convert compliance into a dynamic evidence stream. Supervisors now examine whether sustainability data link seamlessly to financial ledgers. Provenance who produced, verified, or changed each record becomes a supervisory focus. A digitally authenticated ESG statement may soon carry evidential parity with a financial posting.

**Europe’s ESG regime is shifting from design to delivery. What matters now is not the ambition of disclosure frameworks, but the operational discipline to make sustainability data reliable, auditable and resilient.**

**Christian Dierssen**
Partner

6. Regulation (EU) 2024/1183 (2024): Regulation on electronic identification and trust services (eIDAS 2.0). Verfügbar unter https://eur-lex.europa.eu/eli/reg/2024/1183/oj

# MiCAR and the ESG Frontier of Digital Assets

The Markets in Crypto-Assets Regulation (MiCAR) extends ESG reporting requirements into the digital-asset market. From December 2024, its sustainability provisions apply to all Crypto-Asset Service Providers (CASPs) authorised in the EU.7 By December 2025, licensed providers must publish audited environmental data including annual energy consumption, greenhouse-gas emissions, and renewable-energy share.8 MiCAR encompasses various categories of crypto-assets, including asset-referenced tokens (ARTs), e-money tokens (EMTs), and other crypto-assets that are not considered financial instruments. The European Securities and Markets Authority (ESMA) structures disclosure into four categories:

- basic issuer and technology information
- mandatory annual energy consumption
- supplementary indicators such as $CO_2$ emissions and renewable-energy ratio
- optional targets and strategies

MiCAR transforms ESG from a static disclosure duty into an operational discipline requiring continuous monitoring and audit readiness. For private banks and wealth managers offering tokenised or crypto-linked products, this introduces a new due-diligence dimension: confirming that underlying assets provide compliant ESG data to avoid regulatory or reputational exposure.

Energy-intensive proof-of-work networks face scrutiny, while proof-of-stake and zero-knowledge systems gain legitimacy. Across the market, ESG transparency becomes a proxy for technological maturity.

**Supervisors no longer ask what firms plan to do on ESG. They want to see what the data proves and how clearly each figure can be traced back through the data lineage.**

**Daniel Dadun**
Principal Consultant

7. Regulation (EU) 2023/1114 (2023): Regulation on Markets in Crypto-Assets (MiCAR). Verfügbar unter https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32023R1114 [4]ESMA (2025): MiCAR Sustainability Disclosures – Technical Guidance under Articles 66–68. Verfügbar unter https://www.esma.europa.eu/document/micar-sustainability-disclosures-technical-guidance
8. ESMA (2025): MiCAR Sustainability Disclosures – Technical Guidance under Articles 66–68. Verfügbar unter https://www.esma.europa.eu/document/micar-sustainability-disclosures-technical-guidance

## Integration Through Operational Design

Across CSRD, ESRS, MiCAR, and eIDAS, a single logic emerges: the pursuit of credible data. Each framework raises expectations for validation, interoperability, and auditability.

Institutions respond by establishing ESG-data offices that bridge finance, compliance, risk, and IT. They build structured data models, automated attestations, and smart-tagging capabilities to generate consistent reporting across regulatory regimes. Automation is becoming essential, as firms must process large volumes of sustainability data across multiple dimensions and KPIs within short reporting cycles. Intelligent data pipelines and AI-assisted analytics are increasingly used to ensure speed, accuracy, and comparability. Advanced firms already embed ESG parameters into capital-allocation tools and collateral models, treating sustainability metrics as decision-grade variables.

Supervisors are expected to challenge how ESG sensitivities feed into ICAAP and stress-testing frameworks. The same scrutiny once applied to credit or liquidity data will now extend to sustainability metrics.

## The EU's Strategic Posture

The EU's data-driven sustainability strategy is entering a new phase of integration and transparency. A cornerstone of this approach is the European Single Access Point (ESAP), established under Regulation (EU) 2023/2859. Operated by ESMA, ESAP will go live in July 2027 as a central platform that consolidates financial, sustainability, and regulatory disclosures. Over time, it will integrate data from the CSRD, SFDR, and the EU Taxonomy, providing investors, supervisors, and the public with a single digital entry point for verified ESG information. By reducing information gaps and promoting comparable, machine-readable data, ESAP strengthens the EU's ambition to make sustainability both transparent and actionable.

**Digital trust frameworks such as eIDAS and ESAP are turning oversight into system design. Compliance is evolving from a reporting duty into an embedded function of financial infrastructure.**

**Dr. Mahir Alman**
Managing Principal

Together with the ESRS revision, EBA guidelines, MiCAR implementation, and eIDAS-based digital trust framework, ESAP completes a coherent regulatory architecture that defines the EU's competitive edge: credibility through data. The challenge now lies in converting compliance artefacts into operational intelligence, transforming how institutions measure, validate, and report sustainability performance.

The EU's ESG agenda now shifts from regulatory design to practical implementation. For financial institutions, this means embedding data integrity, interoperability, and verifiability into their operating models. As the regulatory infrastructure matures, competitive advantage will depend less on regulatory interpretation and more on execution quality, how effectively firms turn sustainability commitments into measurable and auditable outcomes.

# How Capco can help

As the EU transitions from regulatory design to implementation, financial institutions face both challenge and opportunity. Firms that embed data integrity, interoperability, and verifiability into their ESG frameworks will gain resilience and investor trust. Capco supports clients across the financial sector in turning sustainability obligations into operational advantage, from regulatory alignment to digitalisation and data-driven decision making. Our expertise helps bridge compliance and innovation, ensuring sustainability becomes an integrated component of performance, not just reporting.

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## About Capco

Capco, a Wipro company, is a global management and technology consultancy specializing in driving transformation in the financial services and energy industries. Capco operates at the intersection of business and technology by combining innovative thinking with unrivalled industry knowledge to fast-track digital initiatives for banking and payments, capital markets, wealth and asset management, insurance, and the energy sector. Capco's cutting-edge ingenuity is brought to life through its award-winning Be Yourself At Work culture and diverse talent.

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