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Sustainability reporting: New draft bill published to implement European requirements

On 10 July 2025 the Federal Ministry of Justice and Consumer Protection (BMJV) published a new draft bill to transpose the EU Corporate Sustainability Reporting Directive (CSRD) into German law. The previous federal government had already presented a draft bill to implement the CSRD. However, the legislative process was never completed. The CSRD aims to ensure that certain companies report on the social and environmental impacts and risks of their business activities. The aim of the draft bill is to implement the directive with as little bureaucracy as possible.

The CSRD is part of the European Green Deal. With the so-called “Stop the Clock” Directive, the EU has now modified CSRD requirements: for a very large number of affected companies, the obligation to report on sustainability has been postponed. In addition, the EU Commission has proposed content-related simplifications and relaxations of the requirements. This initiative to reduce bureaucracy has been strongly supported by the German government.

The draft bill follows the principle of 1:1 implementation: it does not go beyond what is required under European law. It also considers the postponement of the requirements by the Stop-the-Clock Directive. In particular, the draft provides for the following:

Obligation to submit a sustainability report

In future, certain companies will be required to publish a sustainability report together with their annual financial statements. In this report, they will have to disclose the social and environmental impacts of their business activities. The scope and level of detail of sustainability reporting will be regulated by law. The requirements go beyond the reporting obligations on sustainability information that already apply today.

Gradual entry into force

The new sustainability reporting requirements will only affect certain companies and are to be phased in gradually. From the 2025 financial year onwards, companies which (i) are considered ‘large’ for accounting law purposes, (ii) are capital market-oriented or (iii) are credit institutions or insurance companies will be required to report. Additionally, the affected companies must have an average of more than 1,000 employees over the year. Negotiations currently continue as to which other companies will be required to report on their sustainability in accordance with the European requirements from the 2027 financial year onwards.

Audit by certified public accountants

In future, the information contained in sustainability reports will have to be audited by certified public accountants. It must be ensured that the audit is carried out by competent, independent and qualified auditors who are subject to strict professional standards, ongoing quality control and professional supervision. To this end, the professional regulations of the German Audit Act (Wirtschaftsprüferordnung) are to be amended accordingly.

The draft bill was sent to the Federal States and associations today and published on the BMJV website. Interested parties now have until 21 July 2025 to submit their comments. The comments will also be published on the website.

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Schlagwörter

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