ESG in 2026 - The Full Reality

> *Analysis for Executives, Business Owners, and Supply Chain Leaders*
> **If you think "you have until 2028"... think again.**

When and Who It Actually Applies To (Key Dates)

CSRD Entry into Force and Phases:

Date	Obligation
End of 2025	Companies previously under NFRD must already publish their reports (based on 2024 data).
End of 2026	Large EU companies and listed companies must prepare **full ESG reports** (based on 2025 data).
2027-2028	CSRD may be extended to additional groups (e.g., listed SMEs).
2028-2029	Non-EU companies with significant EU turnover.

2026 is not a "preparation year" --- data collection and documentation must be up-to-date for the 2025 financial year.

Who Does It Directly Apply To (EU Companies)?

The CSRD is **directly** applicable at EU level to companies meeting *at least two* of the following criteria:

- ✅ 250+ employees
- ✅ €50M+ net turnover
- ✅ €25M+ balance sheet total
- **or** listed on a regulated market (excluding micro-enterprises)

➡ This directly affects many **large EU companies and listed entities** --- starting **in 2026**.

Why There is No "Grace Period" and No Real Loophole

The **EU Corporate Sustainability Reporting Directive (CSRD)** is a **mandatory EU directive**, not an "optional guideline" or "recommendation" --- it is a legal obligation that EU member states must transpose into national law.

What Does the CSRD Mandate?

- Large companies and listed companies must prepare **ESG reports according to ESRS (European Sustainability Reporting Standards)**, covering their *entire value chain*.
- The obligation is not phrased as "it would be nice if..." --- it is **mandatory and transparent**, with reports to be published in a standardized digital format.

This is therefore not a "committee recommendation": it is **part of EU law**, which member states, including all EU countries, must implement.

"Suppliers Are Not Automatically Affected" -- So Why Must They Act?

Legally Correct Answer:

- The CSRD **does not automatically make suppliers directly liable**.
- However, the regulation aims for the reporting company to **include value chain data** (double materiality), therefore it must request data from its suppliers.

Logical Consequence:
➡ If a large company **must collect data from its suppliers**, and *in the absence of data* cannot report anything, then **this must be explained in the CSRD report** (comply or explain).

In practice, this has the same impact as if they were legally obligated:

- ✅ banks and large companies formally request ESG data;
- ✅ without it, the large company (the client) cannot comply with the CSRD;
- ✅ thus, the supplier **may practically be excluded from tenders or the supply chain**.

➡ From 2026, this is a business reality, not theory.

What Will Be Requested from Suppliers?

According to CSRD and ESRS, reports must include at least:

- **Value chain emissions (Scope 3)**
- **Environmental impacts (CO_2, energy, water, biodiversity)**
- **Social impacts (labor rights, wages, health & safety)**
- **Governance rules and risk management**
- **Forward-looking and retrospective data**

⚠ *If you have no data, you must explain this in detail ("comply or explain"), and meanwhile your bank, client, and investors will view this negatively.*

Legal Consequences, Sanctions, and Reputational Risk

Sanctions

While the CSRD itself does not specify individual penalties --- the **EU directive requires member states to implement sanctions**, which will be incorporated into national law. It is likely that local regulations will include specific fines, publication requirements, and liability rules.

Reputation and Capital Market Impact

ESG data published via CSRD will be **public**, meaning missing supplier data can cause **negative reputational impact** and **capital market disadvantages**.

"Can You Plan for 2028?" --- Why You Shouldn't

2026 is not the future --- it is valid practice here and now.
Companies under the CSRD are already **requesting and collecting data from their suppliers for 2025 data**, which will be **subject to investor and authority scrutiny in 2026**.

those who say: "I have until 2028"
➡ are in reality **already having data collected from them**, even if not consciously.

What to Do NOW (Executive Action List)

- **Assessment and Data Collection** -- Scope 1-3 emissions, labor and governance data collection
- **Supplier ESG Questionnaire Development** -- with mandatory questions
- **ESG Integration into Strategic Planning** -- not just "reporting" but decision support
- **Preparation for Certification or Audit** -- may become mandatory for certain areas by 2026
- **Internal Compliance and IT Systems** -- automated reporting

Conclusion

2026 is not an option --- it is reality and risk.

- ✅ The CSRD mandates
- It cannot be avoided "because you are large, small, or a supplier"
- Value chain data **is already a subject of inquiry**
- Waiting until 2028 is **business self-sabotage**

OurOffset, together with carbon project owners, offers solutions for ESG challenges

OurOffset Nonprofit LLC and its partners assist companies in meeting ESG requirements:

✅ Scope 1-3 Emissions Compensation

Credible, nonprofit carbon credits with real environmental and social impact:

- **VCS-certified projects** - renewable energy, forest protection
- **QFPC credits** - family planning-based carbon reduction
- **Biodiversity protection projects**

ESRS-Compatible Data Services

Comprehensive documentation and traceability for supply chains:

- Environmental performance data (CO_2, energy, water)
- Social impact reports
- Governance documentation

Official Legal Sources and Documents

Official regulations and documents related to ESG/CSRD:

EU Regulations and Standards

Sustainability Reporting Standards (ESRS)

- **European Sustainability Reporting Standards (English)**
  Official ESRS text - Commission Delegated Regulation (EU) 2023/2772

CSRD Directive

- **Corporate Sustainability Reporting Directive (English)**
  Full text of Directive (EU) 2022/2464

International Standards

- **ISSAI 5000 Standard Exposure Draft (English)**
  IAASB Sustainability Assurance Standard Exposure Draft

Further Official Sources

- EFAG (European Financial Reporting Advisory Group) - ESRS Development
- European Commission - Corporate Sustainability Reporting

Important Note: Regulations are continuously evolving. The above sources reflect the status as of January 2026. Always consult official publications for the current regulatory status.

Source: ESG 2026 Analysis - OurOffset Nonprofit LLC
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