



EU Payment Observatory

Payment practices reporting under CSRD

Thematic Report

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Table of contents

List of abbreviations	6
Introduction	7
The Corporate Sustainability Reporting Directive	8
Companies subject to CSRD	10
Reporting requirements under CSRD	11
Member state implementation	16
Other reporting requirements	17
Member state level	17
Other jurisdictions	21
The potential impact of CSRD reporting on late payments	24
For the reporting companies	24
For external stakeholders	27
Final assessment	29
Payment practices: preliminary evidence from the CSRD	32
Sample description	32
Assessment of the CSRD reports	34
Final assessment	48
Conclusions and takeaways for future policy developments	50

List of figures and tables

Figure 1: Mapping of CSRD national transposition status (as of 22 May 2025)	17
Figure 2: Number of assessed CSRD reports per EU Member State	33
Figure 3: Sectors in which the companies are immersed, in percentage terms	34
Figure 4: Companies reporting at least one of the ESRS non-mandatory disclosure requirements related to payment practices (G1-2, G1-6)	35
Figure 5: Reference to ESRS DR G1-6 on payment practices.....	36
Figure 6: Indication as to whether ESRS G1-6 is material or not	36
Figure 7: Percentage of companies for which G1-6 was deemed material, per sector	37
Figure 8: Average payment times reported by companies for the year 2024, by sector (% of companies)	38
Figure 9: Main factors determining contractual payment terms between the parties	39
Figure 10: Main factors determining contractual payment terms between the parties, by sector	40
Figure 11: Reference to ESRS DR G1-2 on management of relationships with suppliers.....	42
Figure 12: Indication whether ESRS G1-2 requirement is material or not	42
Figure 13: Percentage of companies for which G1-2 was deemed material, per sector	43
Figure 14: Type of policy or practice on late payments in place (in number of companies).46	
Table 1: List of changes to reporting requirements on payment practices by EFRAG Exposure Draft (as of 31 July 2025)	14
Table 2 : Overview of the disclosure requirements on payment practices at Member State level	18

List of abbreviations

CSRD – Corporate Sustainability Reporting Directive

DMA – Double Materiality Assessment

ESAP – European Single Access Point

ESG – Environmental, social and corporate governance

EFRAG – European Financial Reporting Advisory Group

ESRS – European Sustainability Reporting Standards

EU – European Union

FY – Financial Year

LLP – Limited liability partnerships

NFRD – Non-Financial Reporting Directive

PIE – Public Interest Entity

SMEs – Small and medium-sized enterprises

ViDA – VAT in the Digital Age

Introduction

Companies' payment practices are often opaque, with little data available on the payment behaviour of EU businesses. The inclusion of payment practices in the [Corporate Sustainability Reporting Directive](#) (CSRD) is expected to bring more transparency to payment performance, potentially improving payment culture in Europe and delivering benefits for both suppliers and reporting companies. It could particularly help in reducing late payments, an issue that drags on the competitiveness of companies by negatively impacting their operations and limiting their investment capacity.

CSRD requires in-scope large companies to report on their payment practices, subject to a materiality assessment. The first set of disclosures started in 2025, with more firms having to report in the future. However, regulatory uncertainty persists, driven by the new [Omnibus proposals](#), which aim to amend the CSRD and ease compliance burdens for companies, particularly regarding reporting obligations. Until the proposals are adopted and the European Sustainability Reporting Standards are reviewed, the scope of affected companies and the extent of their disclosure obligations remain uncertain.

This thematic report explores the new payment practices disclosures introduced by CSRD. Through a pilot project, it provides an early assessment of how these requirements are being implemented in the first wave of reports. This analysis is complemented by a review of existing literature and comparable disclosure frameworks, with the aim of evaluating the potential impact of these measures on payment performance in the EU and whether they may contribute to reducing late payments.

These positive outcomes on payment culture in the EU could manifest themselves in several ways. The reporting requirements are likely to increase the availability of data on payment performance, a topic severely constrained by lack of information. In addition, they might provide incentives to reporting companies to change their behaviour and modify their internal practices by means of reputational pressures, greater awareness and more accountability. Equally, they could potentially empower suppliers, particularly small and medium-sized enterprises (SMEs), providing them with tools to better select their clients and negotiate better payment conditions, resulting in fairer business relationships.

Nonetheless, none of these outcomes are guaranteed and they are dependent both on the design of CSRD and on its correct implementation. Several issues could undermine its impact, including reporting heterogeneity, limited data comprehensiveness, lack of clarity in the definition of payment practices concepts, a narrow scope of reporting entities and difficulties in accessing and displaying the information. Furthermore, legislative uncertainty may also dilute the effects.

The report begins with an overview of CSRD, with particular focus on payment practices disclosure. It is followed by a review of comparable reporting requirements in EU Member States as well as in the UK and Australia. The next section assesses the potential impacts of the disclosures on the EU payment culture. The second half of the report presents the findings from a pilot project, which analyses a sample of the first wave of CSRD reports to determine whether companies are disclosing payment-related information and how this information is being presented. The report concludes with a synthesis of the main insights and implications drawn from the analysis.

The Corporate Sustainability Reporting Directive

The Corporate Sustainability Reporting Directive ([CSRD](#)) was published on 14 December 2022 in the Official Journal of the European Union. As part of the [European Green Deal](#) commitments, the CSRD represents a step forward in establishing a comprehensive framework for corporate sustainability reporting. It requires companies above a certain size to disclose information under the innovative double materiality approach. For the first time in environmental, social and governance (ESG) reporting, firms will not only report on what they see as the risks and opportunities arising from social and environmental issues for their businesses (financial materiality or 'outside-in'), but also on the impact of their own activities on people and the environment (impact materiality or 'inside-out').

The Directive builds upon and amends the Non-Financial Reporting Directive ([NFRD](#)), which required the large undertakings that are [Public Interest Entities](#) (PIEs) to report information on ESG matters in their annual reports. Compared to NFRD, CSRD significantly broadens the scope of companies subject to these reporting obligations. Beyond its expanded scope, CSRD introduces several key enhancements: it formalises the concept of double materiality, increases the granularity of data points that firms have to report on and mandates firms to obtain limited assurance on the sustainability report from an external provider. Moreover, a major objective of the CSRD is to ensure data consistency and comparability by standardising and harmonising sustainability reporting. To achieve this, companies are required to comply with the common European Sustainability Reporting Standards (ESRS), developed by the European Financial Reporting Advisory Group (EFRAG).

The CSRD is the first reporting requirement at EU level to include payment practices disclosures, which is of particular significance for this study. These disclosures offer insight into the quality of a company's relationships with its suppliers and its broader impact along the value chain. By introducing a common framework, the CSRD has the potential to generate consistent and comparable data on payment behaviour across Member States, bringing much-needed transparency to an issue that has remained largely underreported² despite its significant economic implications.

Objective

In line with the goals of the Green Deal, the primary objective of CSRD is to enhance the availability and quality of information on firms' sustainability performance and practices. By expanding the number of eligible firms, increasing the granularity of data points, and ensuring that reporting adheres to a common standardised framework, CSRD helps investors, civil society organisations, consumers and other stakeholders to better evaluate and act upon the sustainability performance of companies. As stakeholders incorporate this additional information into their decision-making, CSRD aims to accelerate the transition towards a resource-efficient and climate-neutral EU economy. Moreover, as more firms report more detailed information on their sustainability performance, this will likely help them internally to better understand and manage their sustainability-related risks and opportunities.

² EU Payment Observatory (2024), 'Annual report', https://single-market-economy.ec.europa.eu/smes/challenges-and-resilience/late-payment/eu-payment-observatory/observatory-analysis_en.

In relation to late payments, by requiring disclosure of payment terms and practices, the Directive aims to increase transparency, help identify fair and reliable business partners, and ultimately reduce the financial burden that late payments impose, especially on SMEs.

The Omnibus package and its impact on CSRD

In the current legislative cycle, the EU Commission has placed competitiveness at the heart of its economic agenda, guided by the [Draghi report](#) and the [Competitiveness Compass](#). Reducing administrative burdens has been identified as a way to boost competitiveness for companies. In this context, the EU Commission on 26 February 2025 adopted a new package³ of proposals, referred to as the Simplification Omnibus (or Omnibus I), to simplify and streamline EU rules for sustainability reporting. The Omnibus I package amends key sustainability directives, including the CSRD.

Although the final shape of these amendments is still under negotiation, it is already clear that this will significantly impact the scope and depth of the CSRD. In fact, the package proposes to substantially increase the eligibility thresholds⁴, thereby reducing the number of undertakings subject to mandatory sustainability reporting requirements by an estimated 80%. In addition, the Omnibus I proposal reinforces the concept of 'value chain cap', to prevent the risk of 'trickle-down' effect – i.e. the pressure from investors, banks, governments, suppliers, customers and other stakeholders on companies that will be out of the scope of the reformed CSRD to submit sustainability reports anyway. According to the Omnibus proposal, the Commission will adopt by delegated act a voluntary reporting standard, based on the [Voluntary Sustainability Reporting Standard for non-listed SMEs](#) (VSME) developed by EFRAG in December 2024. This standard will act as a shield, by limiting the information that companies or banks falling into the scope of the CSRD can request from companies in their value chains with fewer than 1 000 employees. Pending the outcome of the Omnibus proposal negotiations, the Commission issued on 30 July 2025 a recommendation on voluntary sustainability reporting for SMEs, which serves as an intermediary solution to address market demands until the delegated act on a voluntary standard is formally adopted. The content of the delegated act could vary compared to these recommendations, and the timing of adoption will depend on the pace and conclusion of negotiations between the co-legislators on the Omnibus I proposal.

Moreover, the EU Commission has tasked EFRAG⁵ to revise and simplify the ESRS, removing data points deemed least important, prioritising quantitative measures over narrative text,

³ European Commission (2025), Proposal for a Directive of the European Parliament and of the Council, as regards the dates from which Member States are to apply certain corporate sustainability reporting and due diligence requirements, https://commission.europa.eu/document/download/0affa9a8-2ac5-46a9-98f8-19205bf61eb5_en?filename=COM_2025_80_EN.pdf. See also the Commission's Q&A at: https://ec.europa.eu/commission/presscorner/detail/en/qanda_25_615.

⁴ According to the Commission's proposal, the reporting requirements would only apply to large undertakings with more than 1 000 employees (i.e. undertakings that have more than 1 000 employees and either a turnover above EUR 50 million or a balance sheet total above EUR 25 million). The new scope will be more closely aligned with the key scope thresholds of the CSDDD.

⁵ European Commission (2025), Letter from EU Commissioner Maria Luis Albuquerque to EFRAG to revise and simplify the ESRS, <https://www.efrag.org/sites/default/files/media/document/2025-03/Commissioner%20Albuquerque%20Letter%20to%20EFRAG%20March%202025.pdf>.

and further distinguishing between mandatory and voluntary disclosures⁶. On 31 July 2025, EFRAG published a set of exposure drafts with their proposed simplifications of the ESRS, which will be discussed further below. Also, ongoing development for a set of sector-specific standards has been paused pending the outcome of the legislative negotiations.

Finally, the Omnibus I proposal postpones by two years the entry into application of the reporting requirements for large companies that have not yet started implementing the CSRD and for listed SMEs (waves 2 and 3)⁷, to give time for the European Parliament and the Council to finalise the adoption process of these substantive changes.

In this evolving landscape, the final shape of the CSRD remains uncertain. Until any proposed revisions are formally adopted, its original formulation continues to serve as the operative legal framework for sustainability reporting in the EU. The following sections outline the key characteristics of the current CSRD while noting how these may be subject to change depending on the outcome of the Simplification Omnibus negotiations.

COMPANIES SUBJECT TO CSRD

In its effort to broaden the scope of companies subject to sustainability reporting, the CSRD lowers the eligibility thresholds compared to those of the NFRD. However, the final eligibility criteria are still to be determined, pending the outcome of the Simplification Omnibus.

In its original formulation (i.e. Directive EU 2022/2464), the CSRD covers large undertakings that meet at least two of the three criteria: 250+ employees, EUR 25 million+ in assets, EUR 50 million+ in net sales. It also includes SMEs with transferable securities listed on EU-regulated exchanges, and foreign companies with either securities listed on EU-regulated exchanges or generating a net turnover of more than EUR 150 million in the EU.

Under the NFRD, only large undertakings that were Public Interest Entities (PIEs) with securities admitted to trading on EU-regulated exchanges, incorporated in a Member State, employing more than 500 people on average during the fiscal year (at the consolidated group level for parent companies), and meeting either a EUR 20 million total assets threshold or EUR 40 million in turnover, were required to report on ESG matters.

This means that under the current CSRD the number of eligible firms is estimated to increase from approximately 12 000 under NFRD to 50 000 firms registered in the EU plus another 10 000 third-country firms⁸ under CSRD. Importantly, these thresholds are now at the core of the Omnibus negotiations and are therefore expected to undergo significant changes. The European Commission's Omnibus proposed to exempt companies with less than 1 000 employees. That would mean that the number of companies producing sustainability reports would diminish in relation to NFRD.

⁶ EFRAG (2025) ESRS Revision: Progress Report as of 20 June 2025, <https://www.efrag.org/sites/default/files/media/document/2025-06/Status%20report%20ESRS%20Simplification%2020%20June%202025.pdf>. On 21 July 2025, EFRAG launched a 60-day public consultation survey on the proposed amendments to the ESRS: <https://www.efrag.org/en/news-and-calendar/news/press-release-efrag-shares-revised-esrs-exposure-drafts-and-launches-60day-public-consultation>.

⁷ See Box 1 for details.

⁸ London Stock Exchange Group (2023), How many companies outside the EU are required to report under its sustainability rules?, www.lseg.com/en/insights/risk-intelligence/how-many-non-eu-companies-are-required-to-report-under-eu-sustainability-rules.

Recognising the complexity and cost of complying with the more stringent sustainability reporting requirements, the current formulation of the CSRD envisages a phased roll-out, starting with larger firms that have greater capacity and prior experience with sustainability reporting under the NFRD. In the first reporting wave (reporting in 2025 for the financial year (FY) 2024), which is the one analysed in the pilot project of this report, the firms obliged to disclose are those that were previously subject to NFRD.

Box 1: Phased roll-out of firms eligible for CSRD

CSRD applies a phased roll-out of eligible firms, with decreasing thresholds that progressively broaden its scope of application to more firms. This approach allows large firms to lead by example, helping to build knowledge and good practices that will ease the burden on smaller companies as these progressively become subject to sustainability reporting in the following years. A summary of the phased introduction of CSRD reporting, as it currently stands, is as follows:

1. FY2024 (reporting in 2025): all firms that were previously subject to NFRD, i.e. large undertakings which are PIEs with more than 500 employees, plus third-country issuers having more than 500 employees and with securities traded in EU regulated exchanges.
2. FY2025 (reporting in 2026): other large undertakings that meet at least two of the three criteria: 250+ employees, EUR 25 million+ in assets, EUR 50 million+ in net sales.
3. FY2026 (reporting in 2027): SMEs listed in an EU-regulated market that meet at least two of the three criteria: 10+ employees, EUR 450 000+ in assets, EUR 900 000 in net sales. This category has the possibility to opt out of reporting for FY2026 and 2027. From FY2028 the requirement becomes binding.
4. FY2028 (reporting in 2029): Third-country undertakings with a net turnover of more than EUR 150 million in the Union and having a subsidiary in the Union or a branch in the Union that generated a net turnover of more than EUR 40 million.

Whereas the first wave of CSRD reporting, referring to FY2024, has already taken place, the eligibility criteria for future reporting waves might differ from those listed above, depending on the outcome of the Omnibus.

REPORTING REQUIREMENTS UNDER CSRD

The CSRD requires companies to disclose sustainability information following the European Sustainability Reporting Standards (ESRS), which are divided into cross-cutting standards and topical standards⁹. Cross-cutting standards (ESRS 1 and ESRS 2) are overarching

⁹ ESRS set 1 lists three categories of standards, which include the sector-specific ones. However, these standards have not yet been implemented, and the project has been paused pending the outcome of the Onimus legislative negotiations, which propose to eliminate this category. More information here: <https://www.efrag.org/en/sustainability-reporting/esrs-workstreams/sectorspecific-esrs>.

requirements that apply to all sustainability topics, providing the general principles and disclosure requirements needed to ensure consistency across sustainability reporting. These cover overarching themes such as the process to identify and assess material impacts, risks and opportunities stemming from ESG matters, or the integration of sustainability-related performance in incentive schemes. Topical standards complement cross-cutting standards by listing the environmental (ESRS E1-E5), social (ESRS S1-S4) and governance (ESRS G1) topics and sub-topics that form the basis for sustainability reporting under the CSRD.

The Role of Double Materiality Assessment

One of CSRD's key innovations is the Double Materiality Assessment (DMA). Whereas reporting on cross-cutting standards is always mandatory, for topical standards companies are required to report information on a specific sustainability disclosure only if this is considered material according to the DMA. If a topical standard is assessed as non-material, the company may omit all related disclosure requirements for that standard¹⁰. Therefore, to determine which topical disclosures are required, companies must perform a DMA.

The concept of double materiality captures both how a company's operations affect the environment and society (impact materiality), and conversely, how environmental and social factors may impact the company's business (financial materiality). While financial materiality aligns with traditional ESG reporting focused primarily on the 'outside-in' perspective, impact materiality is, for the first time, embedded in a mandatory legal reporting framework, making CSRD the first regulation globally to require disclosure of companies' impacts on people and the environment.

Impact materiality focuses on the company's actual or potential positive or negative effects on people and the environment, including those linked to its own activities and its upstream and downstream value chain – even in the absence of direct contractual relationships. Financial materiality examines how sustainability issues may give rise to risks or opportunities that could significantly affect the company's development, financial position, performance, cash flows, access to finance, or cost of capital over the short, medium, or long term. Impact materiality and financial materiality assessments are inter-related, and firms must report on the interdependencies between these two dimensions.

In a DMA, companies assess if a topical standard and the information it covers is material from either an impact perspective or a financial perspective, or from both. Applying quantitative and qualitative thresholds, materiality assessments rely on due diligence and stakeholder engagement across the value chain, with impact materiality being judged by severity (scale, scope, irremediability) and likelihood for potential impacts, while financial materiality considers the likelihood and magnitude of financial effects.

Performing a DMA is therefore the starting point for sustainability reporting under the ESRS, as this is necessary for the undertaking to identify the material impacts, risks and opportunities to be reported in their sustainability statements¹¹. However, enterprises shall also disclose any other impacts, risks and opportunities not covered by the ESRS but that are material for their specific circumstance.

¹⁰ However, for the Climate Change topical standard, if the company determines that this is not material, it must provide a detailed explanation justifying this conclusion.

¹¹ To support the materiality assessment, the ESRS provide a list of sustainability matters that firms need to include in their DMA. It is available here: <https://xbrl.efrag.org/e-esrs/esrs-set1-2023.html>.

Reporting requirements on payment practices

The sustainability data points required by the ESRS include payment practices. Although these are also referenced in the cross-cutting standards, most disclosure requirements fall under the ESRS G1 topical standard on business conduct. Under this standard, firms must report on how they assess and manage impacts, risks, and opportunities arising from their relationships with suppliers, and, among other things, provide a description of their policies to prevent late payments, particularly to SMEs (G1-2). In addition, under the same standard, enterprises are required to disclose detailed metrics on their payment practices (G1-6), with a specific focus on late payments to SMEs. This includes the average time taken to settle invoices, standard payment terms by supplier category and the share of payments aligned with these terms, the number of ongoing legal proceedings related to late payments, and any additional context necessary to interpret the data. For cross-cutting standards, ESRS GOV-3 on the 'integration of sustainability-related performance in incentive schemes' requires companies to report on payment performance if this is part of the incentive schemes for their management, administrative, or supervisory bodies. Also, under ESRS 1, section 9.2 on 'Connected information and connectivity with financial statements', companies need to include a reference between the monetary amounts or quantitative information disclosed in the sustainability statement, including on payment practices, and such information disclosed in the financial statements.

While reporting on the cross-cutting standards is always mandatory regardless of the outcome of the DMA, for the topical standards G1-2 and G1-6, disclosure is required only if these topics are deemed material based on the DMA. If a firm assesses that G1-2 and G1-6 are not material both from an impact and financial materiality perspective, it may omit all related disclosure requirements for these standards.

EFRAG proposed amendments for reporting requirements on payment practices

Following the Commission's Omnibus initiative and its formal request to EFRAG in March 2025 to deliver a critical simplification to the ESRS, EFRAG published in July 2025 the [Revised ESRS Exposure Drafts](#). The new set of proposed reporting standards provides the basis for further discussion on the simplification of ESRS and was launched jointly with a 60-day public consultation survey to gather feedback from stakeholders across the EU corporate reporting ecosystem. The goal of this new simplified framework is to reduce the administrative burden on companies complying with the CSRD, by streamlining the DMA, removing overlaps across standards, and reducing the number of required points. The proposed changes reduce mandatory data points by 57%, (and by 68% when voluntary ones are also included).

These changes also affect reporting obligations on payment practices, significantly reducing the range of dimensions firms are required to disclose. Under the proposed standards, reporting would be limited to a description of a company's standard payment terms and the proportion of payments that comply with them, the number of legal proceedings currently outstanding for late payments, and the extent to which payment performance is integrated into incentive schemes. By contrast, previously mandatory disclosures, such as the average payment period and a description of the company's policy for preventing late payments, are proposed to be removed. For a full overview of the potential amendments to CSRD disclosure requirements concerning payment practices, see Table 1.

Table 1: List of changes to reporting requirements on payment practices by EFRAG Exposure Draft (as of 31 July 2025)

ESRS Set 1 as per Delegated Act 2023	[Draft] Amended G1 Business conduct	Comments
Disclosure Requirement G1-2 – Management of relationships with suppliers	Disclosure Requirement G1-2 – Management of relationships with suppliers <u>Actions related to business conduct</u>	
14. The undertaking shall provide a description of its policy to prevent late payments, specifically to SMEs.	14. The undertaking shall provide a description of its policy to prevent late payments, specifically to SMEs.	Removed The provisions in ESRS 2 GDR-PAT that apply to material topic and/or subtopic.
Disclosure Requirement G1-6 – Payment practices	Disclosure Requirement G1-6 – <u>Metrics in relation to payment practices</u>	
33 a. the average time the undertaking takes to pay an invoice from the date when the contractual or statutory term of payment starts to be calculated, in number of days.	A. 14 average time the undertaking takes to pay an invoice from the date when the contractual or statutory term of payment starts to be calculated, in number of days;	Removed Information gathering pointed to difficulty with methodologies and data collection. The reporting practices were not comparable. This led to the conclusion that the effort of calculation exceeds the value of information.
33 b. a description of the undertaking's standard payment terms in number of days by main category of suppliers and the percentage of its payments aligned with these standard terms.	b. a) a description of the undertaking's standard payment terms in number of days by main category of suppliers, including SMEs, and the percentage of its payments aligned with these standard terms;	Amended Specification added for SMEs, since the other DPs referring to specific practices for SMEs have been deleted.
33 c. the number of legal proceedings currently outstanding for late payments.	e. b) The number of legal proceedings currently	Unchanged

	outstanding for late payments.	
33 d. complementary information necessary to provide sufficient context. If the undertaking has used representative sampling to calculate the information required under point (a), it shall state that fact and briefly describe the methodology used.	D. complementary information necessary to provide sufficient context; If the undertaking has used representative sampling to calculate the information required under point (a), it shall state that fact and briefly describe the methodology used.	Removed
ESRS Set 1 as per Delegated Act 2023	[Draft] Amended ESRS 2 General disclosures	Comments
GOV-3 – Integration of sustainability-related performance in incentive schemes	GOV-3 Disclosure Requirement GOV-2 – Integration of sustainability related performance in incentive schemes	
28. The objective of this Disclosure Requirement is to provide an understanding of whether incentive schemes are offered to members of the administrative, management and supervisory bodies that are linked to sustainability matters.	28. 10. (28) The objective of this Disclosure Requirement DR is to provide an understanding of whether incentive schemes that are linked to sustainability topics are offered to members of the administrative, management and supervisory bodies. that are linked to sustainability matters	Editorial amendments

MEMBER STATE IMPLEMENTATION

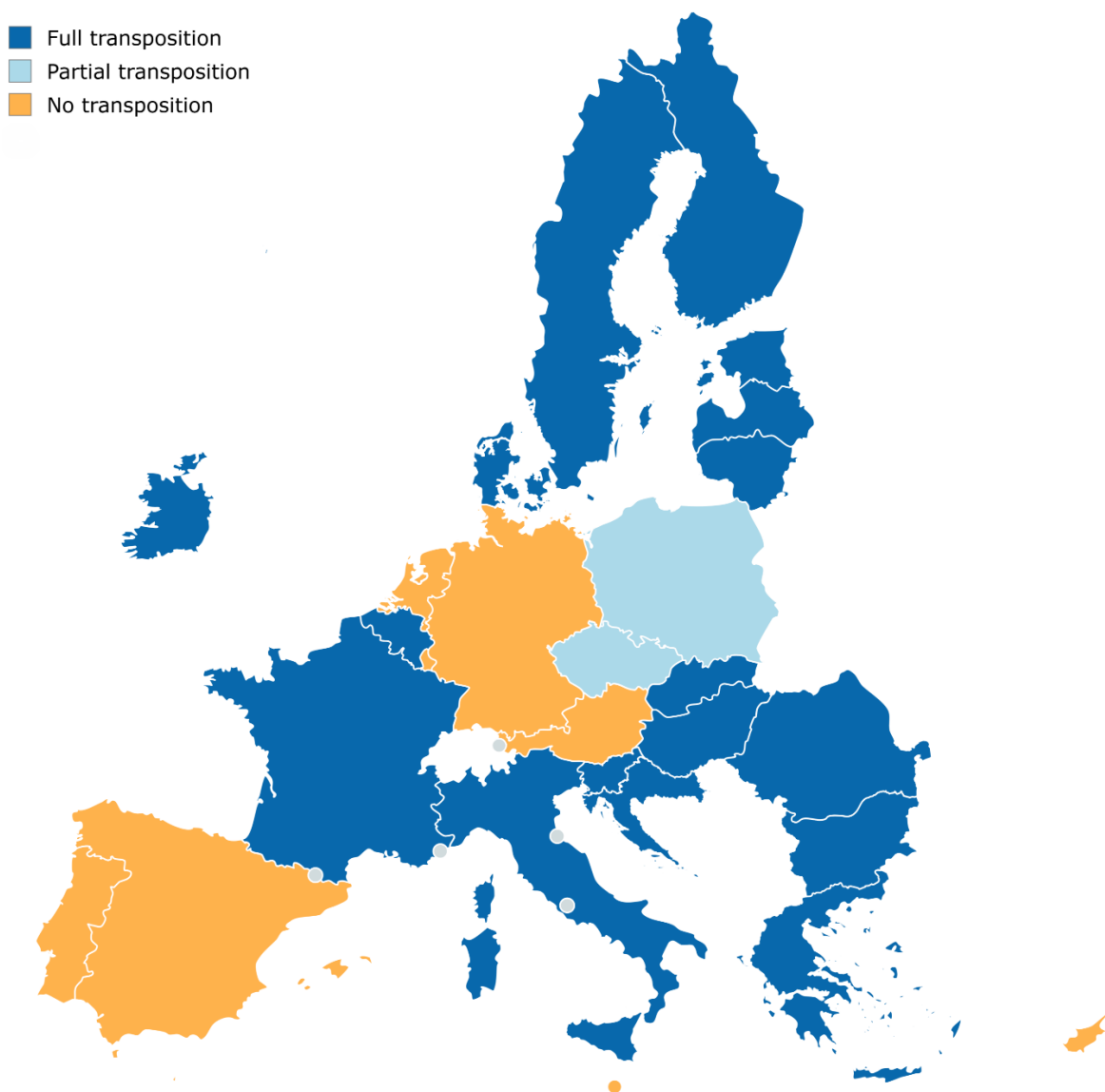
Despite the deadline of 6 July 2024 for EU Member States to transpose the CSRD into national legislation, most countries have adopted it after the deadline¹². In fact, there are certain Member States that have not yet finalised their transposition. Figure 1 shows the latest information on the status of the CSRD transposition across EU Member States.

As of May 2025, the majority of Member States (63%) had finalised the transposition of the CSRD into national law, two countries had partially transposed it, while the rest (30%) had not yet transposed the Directive. The EU Commission launched infringement proceedings against 17 Member States¹³ because of the lack, delay or incompleteness of the notification of national transposition measures. In practical terms, this means that undertakings from Member States that had not transposed the Directive by the end of 2024 were not obliged to report under CSRD in 2025, even if they were supposed to do so under the original CSRD. As we will see in the pilot project, some companies ended up reporting anyway, although in this case voluntarily.

¹² Accountancy Europe (2025), CSRD transposition overview: <https://accountancyeurope.eu/publications/csrd-transposition-tracker/>.

¹³ European Commission (2025), Transposition status - Corporate Sustainability Reporting Directive: https://finance.ec.europa.eu/regulation-and-supervision/financial-services-legislation/enforcement-and-infringements-banking-and-finance-law/monitoring-banking-and-finance-directives/corporate-sustainability-reporting-directive_en?prefLang=en.

Figure 1: Mapping of CSRD national transposition status (as of 22 May 2025)



Source: European Commission.

Other reporting requirements

MEMBER STATE LEVEL

In the EU, besides CSRD, four Member States have national reporting requirements on payment practices: France, Poland, Spain and Sweden. In addition, Slovenia has a limited disclosure requirement of individual invoices only for companies that are part of multilateral netting systems. An overview of these national requirements can be found in the Table below.

These national reporting requirements are quite heterogeneous. They all oblige large companies, except in the Slovenian special case. However, the definition of large undertakings is not the same in every Member State and neither does it coincide with the CSRD ones. Medium-sized companies are also in scope in France. Meanwhile, in Spain all for-profit companies are obliged, but medium and large-sized entities are subject to more requirements.

The format of the reporting also differs. In France and Spain, it must be included in the annual reports, as in CSRD, while in Poland and Sweden the information is submitted directly to specific government portals. The authorities then make it public either through an Excel file (in Poland) or a dedicated website (in Sweden).

Equally, the information to be disclosed varies significantly, although in all cases it is mostly quantitative, and it is not subject to any materiality assessment. For instance, average payment periods have to be reported only in Spain and Sweden, although the latter requires breaking it down by supplier size. The one indicator that seems to be somewhat covered in all cases (except Slovenia) is the share of invoices paid late. However, it is also a proof of the heterogeneity of the reporting requirements across Member States. In France and Poland, the information needs to be broken down by overdue periods. However, those intervals differ in both countries. The first category in France covers settlement of invoices in less than 30 days, while in Poland it is in less than 5 days. Such a breakdown doesn't exist in Sweden and Spain. However, Sweden requires distinguishing payments based on supplier size and excludes transactions to companies with more than 250 employees. In contrast, Spain covers the indicator differently, requiring disclosure of the percentage of invoices paid on time rather than those paid late.

Finally, the time coverage also differs. Poland and Spain refer to the previous calendar year, while Sweden's reporting is based on the natural year from July to June. In the case of France, the reporting only refers to invoices not paid at the closing of the financial year.

Table 2 2: Overview of the disclosure requirements on payment practices at Member State level

		France	Poland	Spain	Sweden
By	Large companies ¹⁴	x	x	x	x
	Medium-sized companies ¹⁵	x		x	
	SMEs			x	
Relations with	All companies	x	x	x	
	Companies with less than 250 employees				x
Timespan	Calendar year		x	x	
	Natural year				x
	By end of the financial year	x			
Data	% of invoices received not paid on-time (in volume)	x	x		x
	% of invoices received not paid on time (in value)-	x	x		

¹⁴ Defined differently in each Member State.

¹⁵ Idem.

	% of invoices issued not paid on time (in volume)	x	x
	% of invoices issued not paid on time (in value)	x	x
	Value of invoices received not paid on time		x
	Value of invoices issued not paid on time		x
	Average payment period to suppliers	x	x
	Value of invoices received paid on time	x ¹⁶	
	Volume of invoices received paid on time	x ¹⁴	
	% of invoices received paid on time (in volume)	x ¹⁴	
	% of invoices received paid on time (in value)	x ¹⁴	
	Average payment terms	x ¹⁴	
Format	In annual report	x	x
	Through government portal	x	x

France

France has a disclosure requirement linked to late payments under its [Code of Commerce \(art 441-6\)](#) which is mandatory for any company required to audit its annual report. This concerns all companies that exceed two out of the three following thresholds: (i) EUR 7.5 million in their balance sheet, (ii) EUR 10 million of annual turnover excluding taxes, (iii) 50 employees. These thresholds stem from the [EU Accounting Directive 2013/34/EU](#) definition of small undertakings, which was updated by the [EU Commission Delegated Directive 2023/2775/EU](#). This means that medium and large-sized undertakings are obliged to report under the French payment practices reporting requirements. It is a lower threshold than CSRD, meaning more French companies will have to report under this national obligation than the ones that will have to do it to comply with EU rules, regardless of the Omnibus.

The information, which needs to be disclosed in the firms' annual reports, is purely quantitative, consisting of the number and total value of invoices received and issued but not paid as of the closing date of the financial year, whose due date has passed. These amounts have to be broken down by overdue periods and expressed as a percentage of the total purchases for the year.

Companies can also exceptionally present the cumulative number and amount of invoices received and issued that experienced payment delays during the financial year, along with a breakdown of this amount by overdue period. This information has to then be compared to the total number and amount of invoices respectively received and issued during the year.

In both cases, companies have to specify whether the quantities are excluding or including tax. Also, if invoices in litigation have not been included, these have to be reported separately.

¹⁶ SMEs excluded.

Poland

The Polish reporting requirements are based on the [Act of 8 March 2013 on Counteracting excessive payment delays in commercial transactions](#). This legislation mandates the 3 000 or thereabouts largest Corporate Income Tax taxpayers to submit yearly reports on their payment practices to the Ministry of Economic Development and Technology. Specifically, the companies in-scope are those whose income exceeds EUR 50 million annually and those that belong to tax capital groups. All these businesses are also obliged under the original design of CSRD, although their starting reporting year would differ.

The information under the national requirement must be provided before 30 April on the basis of their payment performance in the previous calendar year. It must include the value and share (in relation to total value of invoices) of delayed receivables and liabilities broken down into payment periods (of up to 5, 30, 60, 120 and over 120 days).

These data are then made public by the Ministry on a [specific website](#) in an Excel format. The objective of these requirements is to help suppliers make informed decisions when selecting clients, and to act as a 'name and shame' mechanism, encouraging timely payments through public accountability.

Spain

In Spain the reporting requirements on late payment are defined in the [2022 Crea y Crece Law \(Art 9\)](#). It stipulates that all for-profit companies must include in their annual report their average payment period to suppliers.

In addition, further disclosures requirements exist for medium and large undertakings as defined by the 2013 Accounting Directive. This means many more businesses than those that are in-scope under CSRD, regardless of the Omnibus. However, as Spain has not yet updated its thresholds according to the new Commission Delegated act¹⁷, those limits are lower than in France: (i) EUR 4 million in balance sheet, (ii) EUR 8 million of annual turnover excluding taxes, (iii) 50 employees.

Medium and large undertakings have thus to also include in their annual reports information on the value and volume of invoices paid before the statutory payment terms and on the percentage they constitute over the total number of invoices and the total value of payments to their suppliers. Listed joint stock companies must also publish this information on their website, whereas those non-listed only have to post it if they have a website.

Sweden

In Sweden, national disclosures on payment practices were established under [Act 2022:70 on reporting payment periods](#). It obliges companies that (i) professionally engage in economic activities, (ii) are formed under Swedish law, and (iii) have an average number of employees of more than 249 during each of the past two financial years. This means approximately 1 500 large Swedish companies. These companies are also obliged under the original CSRD, with different starting reporting years.

Meanwhile, the Swedish disclosures only relate to payments to companies with less than 249 employees. Information on the settlement of invoices to other large companies is not included.

¹⁷ European Commission (2025), 'July Infringement package: key decisions', https://ec.europa.eu/commission/presscorner/detail/en/inf_25_1628.

In addition, the information to be disclosed doesn't refer to invoices paid during the calendar year as in CSRD, France, Poland and Spain. Instead, the period covered is from 1 July to 30 June of the previous year.

The information to be provided includes average agreed payment terms, average payment periods and the proportion of invoices paid after the due date. In addition, if a company uses reverse factoring it must also report it. All this information needs to be broken down according to the supplier size. The tranches to be used correspond to enterprises with 0-9, 10-49 and 50-249 employees.

The data must be submitted to the Swedish Companies Registration Office through a [dedicated portal](#) between 1 July and 30 September. Companies that fail to provide them by that date can be fined. The information submitted is then published on the [same website](#). It is possible to search for the data of specific companies as well as for aggregate statistics, a feature not available in any of the other national disclosure requirements.

Slovenia

The Slovenian payment practices disclosure requirements, which are defined by the [Act on the Prevention of Late Payment](#), are different from the rest as they are constrained to cases of companies settling their invoices under the framework of voluntary multilateral netting systems. In consequence, the number of companies that have to report is lower, the information is ultimately not public, and it refers to individual invoices and not aggregates.

Companies under multilateral netting systems have to declare any payment delay to the administrator of the system. The information provided has to include the supplier tax number, date and invoice number, date of occurrence of the delay, the amount of the outstanding monetary obligation and an application serial number.

Further on, the administrator of the system has to submit to the Tax Administration data on the reported liabilities of debtors in an individual round of netting by individual creditors the day after such a round has closed.

OTHER JURISDICTIONS

Outside the EU, both the UK and Australia have introduced reporting obligations specifically targeting late payment practices. These frameworks are generally more comprehensive than those under the EU's CSRD. They require companies to disclose a broader set of data points, and do so on a more frequent basis, typically every six months. Moreover, unlike the CSRD, where disclosures are subject to a materiality assessment, reporting in both the UK and Australia is mandatory for qualifying companies.

In both countries, reporting is conducted via government portals rather than being included in annual reports. Each also has designated enforcement authorities to ensure compliance with these obligations.

However, there are also some substantial differences. In Australia, the mandate specifically targets payments from large companies to SMEs, whereas in the UK, it applies to all payments made by large undertakings, regardless of the recipient. Furthermore, Australia publishes aggregated data based on the reported information, which is not the case in the UK.

UK

The UK reporting system on payment practices is governed by the [Reporting on Payment Practices and Performance Regulations](#) and, for limited liability partnerships (LLPs) by the [Limited Liability Partnerships \(Reporting on Payment Practices and Performance\) Regulations](#), both established in 2017. The former was amended twice: in [January 2025](#) to include new disclosure requirements, and in [March 2025](#) to increase the number of indicators to be reported but only by companies using qualifying construction contracts.

In scope are companies and LLPs that meet two of the following three criteria: (i) £54 million annual turnover, (ii) £27 million balance sheet total, and (iii) 250 employees. These thresholds, updated in April 2025, correspond to large entities and are very similar to those under the original CSRD. Also, only companies registered under the UK Companies Act need to report. In addition, financial services transactions are excluded. Financial services businesses have to report, but only on contracts not related to financial services.

The information to be reported is extensive and both quantitative and qualitative in nature. In-scope entities need to provide their average payment periods, the percentage of payments made within the reporting period that were paid in 30 days or fewer, between 31 and 60 days, and in 61 days or longer, the percentage of payments not paid by the due date, the total sum of payments made and the percentage of payments that were not paid by the due date because of a dispute.

The narrative part consists of descriptions of their business standards' payment terms including standard length of time for payment of invoices, maximum contractual payment periods, any changes in the standard payment terms that have happened in the reporting period and an explanation of how suppliers were notified of the changes. In addition, the business's process for resolving payment disputes needs to be described.

Furthermore, 'tick-box' statements need to be made on whether the entity offers eInvoicing to their suppliers, if it makes supply chain finance available for them, or if it deducts sums from payments as a condition to remain on a supplier's lists and if that has been done in the reporting period. Moreover, the business needs to indicate whether it is a member of a payment code and if so, which one.

On top of all that, additional specific reporting requirements exist for qualifying construction contracts. First, businesses need to disclose whether they include retention clauses on those contracts. If that is the case, then they need to indicate whether that is in all qualifying construction contracts or only in those with specific circumstances (and an explanation of those circumstances). Equally, they should report on: whether the standard payment terms include retention clauses; whether there is a standard percentage rate in retention clauses and which one is it; whether they have any policy to ensure that the terms of the retention clauses with their suppliers are not more onerous than the ones of the retention clauses that the own entity is subject to; and the process for releasing the money retained under those clauses. Furthermore, they need to provide data on the amount of the retention to the suppliers as a percentage of the amount withheld against the business by its clients and on the amount of retention withheld by a business from gross payments made to its suppliers as a percentage of the gross amount paid to the suppliers.

The UK defines the start of the payment period as the date the invoice is received. In the EU, this starting point is not explicitly set, although the common practice is to consider the date

of invoice approval. This lack of specification reduces the comparability of payment times and makes their analysis difficult¹⁸.

UK companies have to report on their payment practices more often than in Europe, every six months corresponding to the first half and the second half of their financial year. As in Sweden and in Poland, reporting is done through [a specific portal](#). The information is then made available on a [dedicated website](#) that allows to (i) search for published reports by companies and (ii) export the data of all reports.

In addition, in the UK, failure to report is considered a criminal offence for obliged entities, as is the submission of statements that are misleading, false or deceptive. Sanctions take the form of fines, and enforcement falls under the responsibility of the Department for Business and Trade. Nonetheless, there have been multiple complaints about large companies failing to file their reports, with the number of companies disclosing their information declining by 11% between 2019 and 2022¹⁹.

Despite these issues, as will be discussed further below, there is considerable evidence of the effectiveness of payment reporting in the UK, which has contributed to a reduction in payment times.

Australia

The Payment Times Reporting Scheme of Australia was established in 2020 by the [Payment Times Reporting Act](#) (amended in 2024) and its accompanying [Payment Times Reporting Rules](#) (also amended in 2024). It aims to improve payment times to Australian small businesses.

In scope are large undertakings with a consolidated revenue over of A\$100 million in the previous financial year, that are considered Constitutionally Covered Entities (i.e., entities subject to Australian law) and with a connection to Australia. Charities and non-profits are excluded.

The reporting refers only to B2B transactions with small businesses, defined as those with an annual revenue of less than \$10 million. The government has developed a small business identification tool to help companies identify their small business suppliers.

The information to be reported is, as in the UK case, very comprehensive and includes both quantitative and qualitative indicators. It includes average payment periods, the most common payment terms, the estimated payment terms for the next reporting period, a comparison between the payment terms agreed with suppliers and with clients, median payment time, 80 and 95 percentile payment times, the percentage of payments made on time and the percentage of invoices settled within 0-30, 31-60 and over 60 days. Firms must also indicate the share of payments made to small businesses in relation to total payments, the percentage of payments to SMEs using the eInvoicing system Peppol, whether supply chain finance was offered, whether fees were charged to small businesses for participating in procurement processes, and whether the undertaking has legal or voluntary obligations

¹⁸ EU Payment Observatory (2024), 'Thematic report on G2B Late Payments', https://single-market-economy.ec.europa.eu/smes/challenges-and-resilience/late-payment/eu-payment-observatory/observatory-analysis_en.

¹⁹ EY (2025), Payment Practices and Performance, <https://goodbusinesspays.com/posts/uk-payment-practices-are-improving-but-whos-leading-the-charge/>.

regarding payment times and if so, which ones. There is also a comment section in the reports to provide context. Additional disclosure requirements also exist for companies under specific conditions.

The reporting is compulsory, as in the case of the UK, and must be provided every six months through the [Payment Times Reporting Portal](#). The government then makes the data available in its [Payment Times Reports Register](#), which allows for the searching and downloading of payment times reports as well as the facility to consult and retrieve aggregated data, including at sectorial level.

While creating the scheme, Australia also established the Payment Times Reporting Regulator, which is responsible for receiving reports, developing information and education programmes to assist entities with their submissions, and for overseeing compliance monitoring and enforcement.

The potential impact of CSRD reporting on late payments

As with all ESG disclosures, payment practices reporting is very recent, with the earliest of the above-mentioned mandates (the Polish one) dating from 2013. As a consequence, evidence on their effectiveness, particularly in relation to whether it helps reduce late payments, is still limited. Nonetheless, several studies have explored the effects of the payment practices disclosures in the UK. The literature on ESG reporting is growing as well. These sources allow a preliminary assessment of the consequences of greater reporting of companies' payment practices and provide an indication of how the new CSRD disclosures could influence the payment culture in the EU. However, it is necessary to consider that it is too early to come to any definitive conclusions. CSRD is only in its first year of implementation. Also, its differences with other reporting obligations, particularly the UK ones, might result in diverging outcomes.

CSRD has the potential to significantly contribute to more transparency on companies' payment performance in the EU. This is particularly important as data in this field are scarce, thereby hampering the understanding of the late payments problem and its root causes and the designing of measures to combat it²⁰. This lack of data affects every sector and type of company in the EU but is especially acute in the smaller Member States²¹ and in the Baltics²². In these cases, available information is not only limited, it is also unreliable because of small survey samples²³.

FOR THE REPORTING COMPANIES

The current CSRD disclosure requirements on late payments could have multiple benefits for the reporting companies, helping them to improve their payment practices and ultimately promoting a better payment culture. Still, these requirements may also present challenges,

²⁰ EU Payment Observatory (2024), 'Annual report', https://single-market-economy.ec.europa.eu/smes/challenges-and-resilience/late-payment/eu-payment-observatory/observatory-analysis_en.

²¹ EU Payment Observatory (2023), 'Annual report', https://single-market-economy.ec.europa.eu/smes/challenges-and-resilience/late-payment/eu-payment-observatory/observatory-analysis_en.

²² EU Payment Observatory (2024), 'Annual report', https://single-market-economy.ec.europa.eu/smes/challenges-and-resilience/late-payment/eu-payment-observatory/observatory-analysis_en.

²³ Idem.

the most significant being the increased administrative burden, particularly the costs associated with preparing and managing the disclosures.

Payment practices reporting might be especially onerous for those companies that are subject to national disclosure requirements that diverge from those under CSRD. For example, large Swedish companies will have to report their average payment period on the calendar year for CSRD and on the natural year from July to June under national obligations. Equally, as for any CSRD disclosure requirement, reporting might be particularly complex for big conglomerates with multiple subsidiaries that need to collect the data for every entity and then consolidate it.

However, in general, it seems that companies will have to incur most of the costs required to comply with payment practices reporting regardless of CSRD, as other legislations, in particular the ViDA (VAT in the Digital Age) initiative, will oblige them to do so. In fact, many undertakings already have the required systems in place because they improve their efficiency. Adding the data points linked to late payments would then have a limited cost.

Monitoring a company's payment times requires very thorough accounting. Multiple data points linked to the life cycle of an invoice must be accurately collected, such as whether it has been sent, received, approved, or rejected, whether it is in litigation and finally whether it has been paid. With paper or PDF-based invoices such thorough bookkeeping is very cumbersome and resource intensive. The likelihood of errors is equally very high. To reduce this probability and ensure that their payments monitoring is efficient and effective, companies need to use electronic invoicing. Thanks to its traceability features, eInvoicing is the most reliable method of controlling payment times as it allows automated tracking of invoices and calculation of payment times with a low error rate²⁴.

Adopting an eInvoicing system to monitor payment practices has a cost, even if it is significantly lower than a manual tracking payment practice. This could be considered a significant drawback of implementing the CSRD reporting requirements on late payments. However, companies will already be mandated to adopt eInvoicing under [the ViDA initiative](#), regardless of CSRD. ViDA introduces real-time digital reporting of invoices in cross-border transactions to tax authorities allowing them to monitor tax compliance instantly. To do so, companies will be obliged to transfer all their B2B (it is already required for B2G) invoices digitally from 2030. In fact, in Italy and Romania such a mandate already exists, and many Member States are also making it compulsory before that deadline²⁵. Firms would thus have to invest in implementing and maintaining an eInvoicing system even if the CSRD reporting requirements did not exist. The additional cost of complying with the disclosure requirements on payment practices would be limited to ensuring that the relevant data points (date on which the invoice has been sent, received, approved, rejected, paid or if in litigation) are captured by the eInvoicing system.

Moreover, there is significant evidence that implementing eInvoicing has multiple benefits for companies, particularly for bigger ones²⁶. In fact, in the EU in 2023, 59.9% of large companies

²⁴ EU Payment Observatory (2024), 'How electronic invoicing helps reduce late payments in commercial transactions', https://single-market-economy.ec.europa.eu/document/download/8970b069-89d5-4153-a417-fcd908988ca7_en?filename=E-invoicing%20Thematic%20Report_Final_N.pdf.

²⁵ Idem.

²⁶ European Commission (2022), Impact Assessment report of the ViDA initiative, <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52022SC0393>.

already had an eInvoicing system²⁷. For these companies, compliance with the CSRD's late payment disclosure would not require the adoption of new tools. In their case, the decision to use eInvoicing was not primarily driven by regulatory mandates, but rather by its cost-effectiveness as they consider that the savings generated outweigh the implementation costs. These monetary benefits come from the use of structured data to analyse and optimise value chains, quicker invoicing processing and business automation gains that significantly lower the cost of receiving and recording invoices. As well, the dematerialisation of invoices reduces its archiving costs²⁸. A study by Hasselt University calculated that the savings that eInvoicing brings compared with paper-based processing amount to 54.5% of total invoicing costs for the issuer, and 71.8% for the receiver²⁹. A similar analysis by Billentis based on a 5 000-employee company assessed the cost gains at 59% for the issuer and 64% for the receiver³⁰. These benefits are especially significant for larger companies, because they can leverage economies of scale to maximise efficiency gains.

eInvoicing has another benefit that is particularly relevant in this context: it shortens the time needed to process invoices, accelerating their settlement and thus reducing late payments. By enabling automation, minimising errors and facilitating faster verification along with instant and more targeted data transfers, eInvoicing delivers significant time-efficiency gains throughout the invoice-to-payment cycle. These time savings have been calculated in 5 to 7 days quicker than paper invoices³¹. The CSRD reporting requirements on payment practices could therefore directly result in a reduction of late payments, as companies that consider it material will have to adopt eInvoicing (unless already in place), which would bring about a reduction in their payment times.

This is not the only benefit that the CSRD disclosures on late payments will bring to reporting companies. The requirements will also provide large business with valuable insights into their own practices. In a survey conducted following the implementation of the disclosures in the UK, 62% of large companies indicated that the mandate gave their managers new information on their firms' payment performance. As many companies were not collecting those metrics before, the resulting payment statistics were a surprise, often revealing that their payment practices were worse than expected³².

In addition, the mandatory nature of the disclosure facilitates benchmarking by allowing comparisons between a company's own performance and that of similar firms. In the UK, the stakeholders consulted by the government on the impact of the reporting agreed that large businesses have begun self-policing their payment times to ensure that their performance is

²⁷ According to Eurostat data, https://ec.europa.eu/eurostat/databrowser/view/isoc_eb_ics__custom_17603006/default/table?lang=en.

²⁸ European Commission (2022), Impact Assessment report of the ViDA initiative, <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52022SC0393>.

²⁹ Poel, K., Marneffe, W. and Vanlaer, W. (2016), Assessing the electronic invoicing potential for private sector firms in Belgium, *International Journal of Digital Accounting Research*, Vol. 16, pp. 1–34, https://efactuur.belgium.be/sites/default/files/1577-8517-v16_1.pdf.

³⁰ Billentis (2017), Business case e-Invoicing/E-Billing, <https://www.billentis.com/assets/reports/e-invoicing-businesscase.pdf>.

³¹ Billentis (2024), The global e-invoicing and tax compliance report: Watch the tornado!, <https://www.pagero.com/guides/billentis-report>.

³² Grewal, J., Mohan, A. and Perez Cavazos, G. (2023), 'Payment practices transparency and customer-supplier dynamics', *Journal of Accounting Research*, Vol. 62, issue 2, <https://ssrn.com/abstract=4648620>.

in line with other businesses within their industry³³. In this way, CSRD can help raise internal awareness on the problem of late payments and highlight bad practices.

Also, the fact that CSRD reports are the responsibility of the members of the administrative, management and supervisory bodies as specified in the [Accounting Directive](#) ensures that this knowledge reaches the people in charge of taking decisions and with more power to change things. This was something observed in the UK, where 61% of large companies reported that the new disclosure requirements raised the profile of payment practices to the level of the Board of Directors and executive managers, increasing internal learning and accountability³⁴.

This enhanced knowledge of the payment performance of companies, and the increased awareness about the problem of late payments, can result in a change of internal business practices to reduce their late payments. In the UK, over half of large companies implemented changes in their payment procedures as a result of the disclosure requirements³⁵.

FOR EXTERNAL STAKEHOLDERS

As indicated in the own original CSRD, 'increasing the amount of information about payment practices should empower other undertakings to identify prompt and reliable payers'. The lack of information on companies' payment practices prevents its use as an incentive (or disincentive) for suppliers when choosing their clients. The data provided as a result of CSRD disclosures could be used by firms for selecting their business clients as they would give them information not only about specific companies' payment practices but also about standard payment times and terms across sectors. In this way, enterprises with a better payment behaviour would be rewarded, ultimately promoting a better payment culture. Indeed, a recent paper found that in the UK, firms that report more late payments experience a loss of suppliers³⁶. According to a survey conducted by the UK Department for Business and Trade, 15% of respondents said they have avoided doing business with specific customers based on their payment behaviour³⁷. However, another study found no evidence that SMEs changed customers for new ones with better payment practices³⁸, although it did not investigate the effect of the disclosures on the search for new clients.

Against this backdrop, it is worth noting that in unequal business relationships SMEs might find it very challenging to change clients, regardless of how badly they pay, as they are often very dependent on a few companies for most of their revenue. In these cases, transparency around payment performance might be more valuable for smaller companies as a tool to gain leverage and negotiate better conditions. A survey conducted in the UK indicated that 67%

³³ UK Department for Business and Trade (2023), 'Consultation outcome - Government response to the Amendments to the Payment Practices and Performance Regulations 2017', <https://www.gov.uk/government/consultations/amendments-to-the-payment-practices-and-performance-regulations-2017/outcome/government-response-to-the-amendments-to-the-payment-practices-and-performance-regulations-2017#:~:text=cash%20flow%20review.-,Executive%20summary,identification%20in%20their%20payment%20reporting>.

³⁴ Idem.

³⁵ Idem.

³⁶ Chuk, E., Lourie, B. and Yoo, I.S. (2025), The check is in the mail: Can disclosure reduce late payments to suppliers? *Management Science*, <https://ssrn.com/abstract=3775656>.

³⁷ UK Department for Business and Trade (2025), 'Late payments research: impact on the UK economy', <https://www.gov.uk/government/publications/late-payments-research-impact-on-the-uk-economy>.

³⁸ Grewal, J., Mohan, A. and Perez Cavazos, G. (2023), 'Payment practices transparency and customer-supplier dynamics', *Journal of Accounting Research*, Vol. 62, issue 2, <https://ssrn.com/abstract=4648620>.

of SMEs consulted used the reported data to negotiate more favourable payment arrangements with their large clients, with a third of SMEs indicating that the information helped them obtain better payment terms³⁹. This suggests that access to reliable payment data can empower small businesses and support their efforts to obtain fairer conditions, even within asymmetrical commercial relationships.

Another way in which the new reporting obligations could be particularly helpful for suppliers is by strengthening enforcement mechanisms against delayed payments. The [EU's Late Payment Directive](#)'s only enforcement measures grant creditors the possibility of requesting interest and compensation for recovery costs. However, these claims are voluntary, and most suppliers refrain from using these rights for fear of damaging the relationship with their clients or even losing them. It is again a problem of asymmetries of power in business partnerships⁴⁰. In that regard, in the UK it was found that the disclosures empowered SMEs to file complaints about the late payments of their suppliers, although in some cases anonymously, as the new data validated their claims. That way, 44% of surveyed SMEs used the reporting disclosure to pursue enforcement actions against their customers⁴¹.

ESG reporting has reputational effects, impacting the image of companies vis-à-vis multiple stakeholders as well as suppliers. This results in societal and stakeholder pressures that are one of the main reasons for changes in internal practices within companies⁴². An example of how this could work in the payment practices area is the British platform [Good Business Pays](#), which is using disclosed data to publish watchlists of late payers as well as giving awards to those companies that pay more quickly. In fact, research in the UK shows that companies disclosing information on their payment performance have reduced the time that they take to settle their invoices because of pressure from suppliers and also to manage their external reputation⁴³. 72% of large companies responding to the UK disclosures survey said that they were worried about the reputational effects of their reporting. They thought it could impact their ESG ratings, resulting in naming and shaming from media and trade associations and making it easier to identify them as firms violating the UK Prompt Payment Code. Consequently, the companies exposed to higher ESG reputational risks were quicker to change their payment practices⁴⁴.

The increased information on late payments brought about by CSRD, particularly the quantitative information, could also be useful for data providers that supply companies with information about the payment performance of their potential business partners. Equally, it could benefit supply chain companies, as they would have more data for their creditworthiness assessments, although they will probably still get that information from data providers instead of analysing it directly themselves. In fact, evidence shows that the adoption of reporting

³⁹ Idem.

⁴⁰ EU Payment Observatory (2023), 'Enforcement measures combating late payments in commercial transactions', https://single-market-economy.ec.europa.eu/document/download/4d5faf6a-0b52-447c-8ba8-a29762c830e4_en?filename=Thematic%20report%20on%20enforcement%20measures_Final.pdf.

⁴¹ Grewal, J., Mohan, A. and Perez Cavazos, G. (2023), 'Payment practices transparency and customer-supplier dynamics', *Journal of Accounting Research*, Vol. 62, issue 2, <https://ssrn.com/abstract=4648620>.

⁴² Christensen, H.B., Hail, L. and Leuz, C. (2021). 'Mandatory CSR and sustainability reporting: economic analysis and literature review', *Review of Accounting Studies*, Vol 26 (3), pp 1176–1248. <https://doi.org/10.1007/s11142-021-09609-5>.

⁴³ Boghossian, M. and Carnes, R.R. (2025), Mandated Public Disclosure and Trade Credit Payment Practices, *Journal of Business Finance and Accounting*, <https://doi.org/10.1111/jbfa.12852>.

⁴⁴ Grewal, J., Mohan, A. and Perez Cavazos, G. (2023), 'Payment practices transparency and customer-supplier dynamics', *Journal of Accounting Research*, Vol. 62, issue 2, <https://ssrn.com/abstract=4648620>.

standards, and with this a bigger availability of high-quality public data, increases the provision of trade credit in supply chains⁴⁵. Although the collection of information by externals would still be quite resource-intensive as it would require checking individual annual reports, it would be facilitated by the CSRD requirement to prepare the reports to specific standards that ensure that the data are machine readable and easily accessible.

Moreover, the enhanced information could prove valuable for observatories like this one, which are tasked with monitoring broader trends in payment performance. In this context, greater transparency is especially welcome, given the persistent lack of comprehensive data in the field⁴⁶. However, collecting and aggregating this information manually from individual annual reports would be highly resource-intensive and inefficient. To maximise the utility of these disclosures for monitoring purposes, greater standardisation is needed, particularly through machine-readable reporting formats that enable automated data extraction and aggregation.

FINAL ASSESSMENT

The different potential benefits of increasing disclosures on payment practices listed above could lead to a reduction of payment times and improve the payment culture in the EU. This may happen as a result of reputational pressures, increased bargaining power by suppliers, faster payments due to the implementation of eInvoicing, enhanced awareness of a company's own payment practices leading to the adoption of measures aimed at improving them or, most likely, of a combination of several of the above factors. Moreover, the additional costs of reporting on payment practices are either very limited or companies will have to incur them in any case, because of the progressive introduction of eInvoicing obligations.

A positive outcome would be in line with other literature on ESG disclosures that shows that similar regulatory requirements such as the Non-Financial Reporting Directive (NFRD) influenced changes to internal organisational practices⁴⁷ and improved their corporate social responsibility performance⁴⁸. Standardised ESG reporting like the one proposed by CSRD is particularly impactful⁴⁹.

This is precisely what has happened in the UK, where companies subject to the disclosure obligations reduced their late payments. In fact, the decreases were more substantial for those firms with a greater extent of late payments. They were also more significant for companies with a more concentrated supplier base⁵⁰. This had a particularly positive impact

⁴⁵ Li, X., Ng, J. and Saffar, W. (2021), 'Financial Reporting and Trade Credit: Evidence from Mandatory IFRS Adoption', *Contemporary Accounting Research*, Vol. 38, pp 96-128, <https://doi.org/10.1111/1911-3846.12611>.

⁴⁶ EU Payment Observatory (2024), 'Annual report', https://single-market-economy.ec.europa.eu/smes/challenges-and-resilience/late-payment/eu-payment-observatory/observatory-analysis_en.

⁴⁷ Lombardi, R., Cosentino, A., Sura, A. and Galeotti, M. (2021), 'The impact of the EU Directive on non-financial information: Novel features of the Italian case', *Meditari Accountancy Research*, Vol. 30 No. 6, pp. 1419-1448, <https://doi.org/10.1108/MEDAR-06-2019-0507>.

⁴⁸ Christensen, H.B., Hail, L. and Leuz, C. (2021), 'Mandatory CSR and sustainability reporting: economic analysis and literature review', *Review of Accounting Studies*, Vol. 26, pp 1176-1248, <https://doi.org/10.1007/s11142-021-09609-5>.

⁴⁹ Luo, L. and Tang, Q. (2022), 'The real effects of ESG reporting and GRI standards on carbon mitigation: International evidence', *Business Strategy and the Environment*, Vol 32, pp 2985-3000, <https://onlinelibrary.wiley.com/doi/10.1002/bse.3281>.

⁵⁰ Chuk, E., Lourie, B. and Yoo, I.S. (2025), The check is in the mail: Can disclosure reduce late payments to suppliers? *Management Science*, <https://ssrn.com/abstract=3775656>.

on SMEs, the companies more affected by late payments, with a study calculating that they experienced an 8.3% reduction of their accounts receivables because of faster payments as a consequence of the disclosure requirements⁵¹.

Some evidence, albeit limited, also exists about the impact of the reporting in Australia. The 2023 review of the Payment Times Reporting Act considered the requirements too onerous for companies, creating a confusing and cluttered dataset with more than two million observations over two years of reporting. In addition, it stated that the reporting did not appear to have materially reduced payment terms and times⁵². In the two years since that assessment, after the Act was amended, the Payment Times Reporting Regulator has noted some positive signs that may be partially explained by the disclosure requirements. This includes an increase in the share of payments made within 30 days: 68.9% in June 2024 against 63.2% in June 2021 when the reporting started. Equally, the share of payments made in 60 days or more declined, from 43.8% in June 2021 to 37% in June 2024⁵³.

In any case, it is too early to predict if CSRD will have similar impacts on payment practices to those observed in the UK and Australia. In its current form, CSRD differs in several key aspects from those reporting requirements which might result in diverging outcomes. Those differences would be exacerbated if the proposals on CSRD simplifications are passed.

Crucially, all other reporting requirements on payment practices make the disclosures mandatory for large companies, while under CSRD they are subject to a materiality assessment. This means that companies may deem payment practices as non-material to their business, thereby exempting themselves from the reporting obligations. In principle, this should happen in very few cases, given the pervasiveness of late payments in the EU and its impact on companies' cash flows as well as its trickle-down effects along the supply chain⁵⁴. However, there is a risk that too many companies end up considering payment practices non-material, thereby reducing the impact of the reporting.

In terms of scope, the current CSRD design is similar to that of Australia and the UK as well as to those of the Member States' disclosure obligations. Imposing reporting obligations on large companies' payment practices towards their suppliers, especially if they are SMEs, seems quite proportional and appropriate to tackle late payments. This issue is often the consequence of abuse of power in business relations, with big companies using their position of power to settle their invoices later. In that regard, there is evidence that the percentage of invoices paid on time decreases as firm size increases⁵⁵. SMEs, in turn, settle their invoices earlier. Yet they are the companies more harmed by late payments, as they are often the weaker party in business relations and are more likely to have liquidity problems. It makes sense, therefore, that SMEs are exempted from reporting while large companies are obliged to disclose their payment practices. This theoretical appropriateness of the CSRD scope is, however, threatened by the possibility of too many companies deeming late payments non-

⁵¹ Grewal, J., Mohan, A. and Perez Cavazos, G. (2023), 'Payment practices transparency and customer-supplier dynamics', *Journal of Accounting Research*, Vol. 62, issue 2, <https://ssrn.com/abstract=4648620>.

⁵² Australian Government (2023), Statutory Review of the Payment Times Reporting Act 2020, <https://treasury.gov.au/sites/default/files/2023-08/p2023-428993.pdf>.

⁵³ Payment Times Reporting Regulator (2025), 'Regulator's update', <https://paymenttimes.gov.au/sites/ptrs.gov.au/files/2025-01/reg-update-jan-2025.pdf>.

⁵⁴ EU Payment Observatory (2024), 'Annual report', https://single-market-economy.ec.europa.eu/smes/challenges-and-resilience/late-payment/eu-payment-observatory/observatory-analysis_en.

⁵⁵ Idem.

material. Also, if the proposed simplified version of the CSRD is adopted, the scope of companies covered by the legislation would be significantly reduced. As a result, the number of undertakings ultimately required to report on late payments could be minimal, which would severely undermine the effectiveness of the disclosures.

Content-wise, both the UK and the Australian requirements on late payments cover more data points than the ones in mainland Europe. While this has allowed for richer analysis and more transparency, particularly in the UK, it has also led to unintended consequences in Australia, where the quantity of data points seems to have created confusion. This is something that is not likely to happen under CSRD with its more targeted reporting requirements on payment practices. Worryingly, the proposal presented in the ESRS exposure drafts limits the disclosures to an extent that, if approved, is likely to significantly diminish any effects that CSRD may have on the EU payment culture.

The way the reporting is done and displayed is also different. The British and Australian late payments reporting is done through a specific portal. Finding the disclosures of a specific company is easy as it only requires entering its name in dedicated search engines. With CSRD, retrieving the information might be more complicated as payment practices disclosures will be included in the annual report of companies, which normally have hundreds of pages and are hosted in each firm's website instead of in a unique page. This makes it difficult to find specific information, although CSRD includes provisions to facilitate it. That said, publishing disclosures within annual reports may offer advantages for companies, as it avoids the burden of maintaining a separate reporting mechanism. This could improve overall compliance and integration with other corporate disclosures. Also, in 2027, ESMA will launch the [European Single Access Point \(ESAP\)](#), a centralised platform in which sustainability statements by companies will be made available to the public, with the precise aim of making reported data easily accessible to the public. If correctly designed, it could solve any accessibility issues.

These challenges in relation to the number of companies reporting, the sufficiency of the data points covered and the format in which the information is presented might undermine the effectiveness of the CSRD reporting requirements on late payments. However, a proper assessment will only be possible after several years of implementation and once the uncertainty with respect to its design has been solved.

The next section presents a pilot project that analyses data reported by a handful of large companies during the first year of CSRD implementation. It offers insights into the type of information being disclosed, as well as potential hurdles that could influence the effectiveness of the reporting.

Payment practices: preliminary evidence from the CSRD

Companies subject to the CSRD are applying the new requirements in 2025 for the first time, based on data from FY2024. This entails a major transition for obliged entities, which are required to apply the reporting standards as provided by the ESRS framework. As previously explained, the sustainability reporting standards are still evolving and under major revisions. In particular, for payment practices disclosures, a full standardisation is not required to report on the numerical indicators, nor for the qualitative data. Therefore, entities are free to choose the approach that best fits them to disclosing the payment information.

This report presents a pilot project that consists of a preliminary analysis of **136 early CSRD reports** to explore how companies are reporting on payment practices. It aims to evaluate whether companies disclose information under the ESRS requirements that are linked to payment practices, particularly when these are considered material to the organisations. Furthermore, whenever deemed material, the analysis assesses the indicators reported under the ESRS standards, as well as the way in which the information is presented across organisations and across Member States.

The analysis of the CSRD reports will help to understand initial reporting trends, common areas and gaps in payment practices disclosures, and the companies' level of compliance. Importantly, the findings should be interpreted in the context of a pilot project composed of a limited number of reports, and therefore, conclusions drawn should not be considered fully representative of broader CSRD reporting practices in the EU.

As previously outlined in Table 1, if materialised, [the exposure drafts](#) of the simplified ESRS would entail a significant change with regards to the companies' late payments reporting practices. As mentioned, the ESRS G1 Business conduct chapter is expected to undergo several modifications. In particular, the requirement to provide a description of the undertakings policies to prevent late payments, specifically to SMEs (G1-2), would be potentially removed for simplification purposes. Likewise, the disclosure of the average payment times under G1-6 would be deleted because of the difficulties companies have applying methodologies and gathering the necessary data. In this case, the EFRAG log of amendments concludes that '*the effort of calculation exceeds the value of information*'. The only dedicated late payments disclosure maintained would thus be the description of standard payment terms including the percentage of payments aligned with those standard terms, which add a specification for SMEs, and the number of legal proceedings for late payments held by the companies. Finally, the integration of sustainability-related performance in incentive schemes (under GOV-3) would suffer from editorial amendments.

SAMPLE DESCRIPTION

This section explores the methodological approach applied to evaluate the companies CSRD reporting disclosures, in particular the ones linked to payment practices. The companies were randomly selected from a population of entities consisting of large undertakings in scope of the CSRD Directive⁵⁶, all of them subject to the NFRD in the previous year (2023). This is relevant, given that the assessed companies have certain experience in sustainability

⁵⁶ Public interest entities (PIEs) with more than 500 employees on average during the financial year, including listed companies at EU regulated markets, credit institutions as well as insurance companies, which were already subject to NFRD.

reporting, which provides them with a foundational understanding of how to adapt to the CSRD requirements. This is an advantage that will not be enjoyed by those companies who will have to report under CSRD in the coming years but were not previously obliged to by the NFRD. Each assessed report corresponding to FY2024 was found published on the company website.

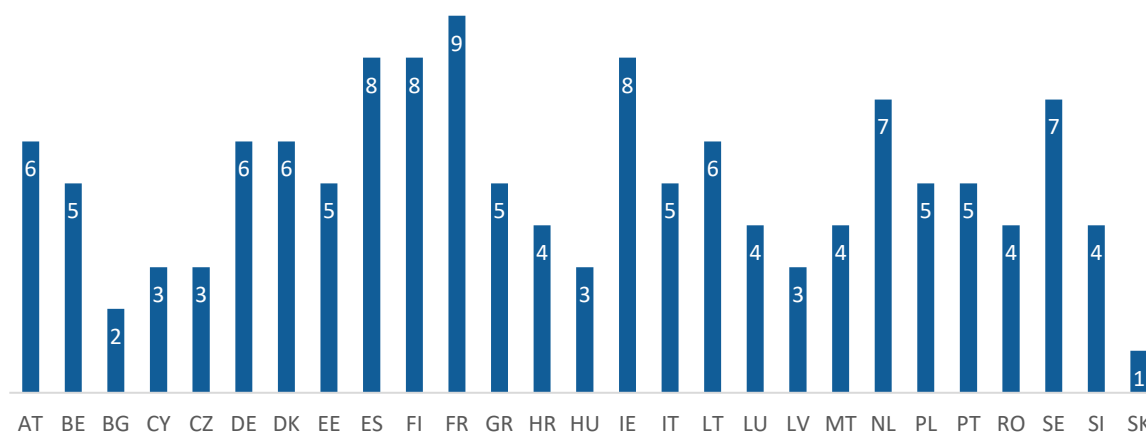
The sample is composed of companies from different sectors and of different sizes (based on the reported revenue amounts on the last financial year). Considering that the number of late payments vary depending on the company size, different revenue thresholds were adopted so as to compare across companies as well as across countries. The revenue thresholds, which consist of the companies' net turnover at consolidated level for the last year available (in this case, 2024), are shown below:

- Small: less than or equal to EUR 150 million in net turnover
- Mid-sized: between EUR 150 million and EUR 750 million in net turnover
- Large: more than EUR 750 million in net turnover.

In total, 136 CSRD reports belonging to companies from all EU Member States were assessed. While most companies belong to the group of mid-sized companies (65 reports or 48% of them), the remaining ones are either from the large group (59 reports or 43% of them) or the small one (12 reports or 9% of them).

The number of CSRD reports assessed per country differs, as can be seen from the public availability of such reports on the companies' websites in May 2025 (see figure below). France is the most represented country, with nine reports. The rest vary from one in Slovakia, to three reports in Cyprus, Czechia, Hungary and Latvia, and eight in Ireland, Spain and Finland. With regards to the companies' size, in countries like Germany, Greece and Italy, at least one company belonging to each revenue size group was assessed. In Czechia, Malta, and Slovakia, however, only companies pertaining to the same revenue group (large, mid-sized and small, respectively) were found based on the report's public availability.

Figure 2: Number of assessed CSRD reports per EU Member State

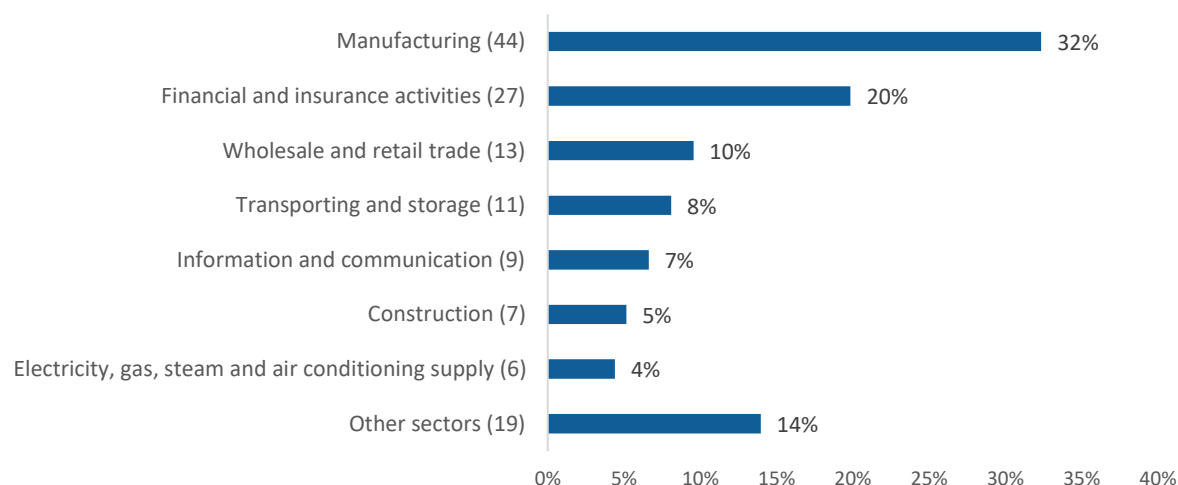


Source: CEPS' own elaboration.

The companies in the sample are immersed in different sectors, although with a strong presence of manufacturers and financial and insurance entities (32% and 20% of the companies respectively) (see Figure 3). While these two sectors account for more than half of the sample, the remaining companies belong to sectors such as wholesale and retail trade (10%), transporting and storage (8%), information and communication (7%), construction (5%) and electricity, gas, steam and air conditioning supply (4%). The rest of the companies were grouped into the 'other sectors' category, given the low number of observations. This group is mainly composed of agriculture, mining, water supply, accommodation and food services, professional and scientific activities, among others.

Given that in this first period the CSRD Directive applies to very large entities, it is possible to see that sectors like construction and transporting and storage are underrepresented compared to other sectors in the sample. This might be explained by the fact that these two sectors are mostly composed of SMEs. Companies carrying out manufacturing and financial and insurance activities, however, are usually large organisations, which supports the sample distribution of the pilot project.

Figure 3: Sectors in which the companies are immersed, in percentage terms



Source: CEPS' own elaboration.

Note: The total number of companies per sector is shown in parentheses.

Importantly, in the countries where the CSRD legislation was not transposed into national law at the time of drafting the annual report for FY2024, reporting under the Directive was not legally obligatory. Certain companies from such countries that were included in the assessment, however, have explicitly mentioned doing so in a voluntary manner.

ASSESSMENT OF THE CSRD REPORTS

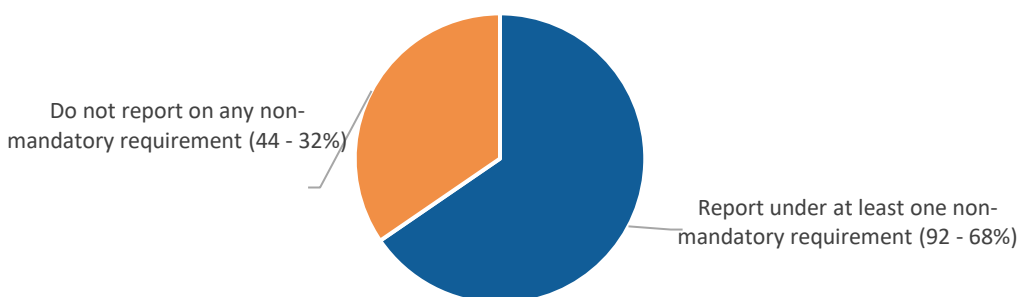
This section analyses the 136 CSRD reports according to the information requested under the ESRS requirements linked to payment practices. As previously explained under the section 'Reporting requirements on payment practices', some of these requirements are part of the cross-cutting standards which are mandatory (GOV-3), while others are included among the topical standards, being subject to a Double Materiality Assessment (G1-6, G1-2). In the

latter case, companies must provide the information under the requirement only if the DMA reports both impact and financial materiality for the organisation.

An important element that emerged from the assessment is the significant **variation in the format and structure of the CSRD reports** across companies. As previously mentioned, the ESRS reporting requirements are not fully standardised, allowing entities to choose the way to disclose the information. This flexibility results in a **significant degree of non-uniformity**, which may hinder comparability and usability of reports, particularly for investors and regulators.

All 136 reports assessed contain a DMA as part of their sustainability reporting practices. Most companies (92 reports or 68% of them) provided information at least under one of the non-mandatory ESRS disclosure requirements connected to payment practices (G1-6, G1-2), as can be seen in Figure 4.

Figure 4: Companies reporting at least one of the ESRS non-mandatory disclosure requirements related to payment practices (G1-2, G1-6)



Source: CEPS' own elaboration.

G1-6 – Payment practices

Under the disclosure requirement G1-6 on payment practices, companies are required to provide information on the following items:

- the average time the company takes to pay an invoice from the date when the contractual or statutory term of payment starts to be calculated in number of days
- a description of the company's standard payment terms in number of days by main category of suppliers
- the percentage of the company's payments aligned with the standard payment terms
- the number of legal proceedings during the reporting period for late payments
- any complementary information to provide sufficient context.

Based on this, the conducted assessment of the 136 CSRD sampled finds evidence (see **Error! Reference source not found.**) that most companies' reports make a reference to the ESRS G1-6 on payment practices (88 reports or 65% of them), while a minor but still significant number of companies do not make any mention to it (48 reports or 35% of them).

With regards to the materiality assessment of the ESRS requirement G1-6 on payment practices, reporting on this topic was deemed material for almost half of the assessed

companies (67 reports or 49% of them) (see **Error! Reference source not found.**). **This evidences the importance for this group of companies of disclosing payment indicators related to late payments, especially for transparency and accountability matters for stakeholders (suppliers, investors).**

However, more than half of the assessed CSRD reports considered such disclosure requirement to be non-material for their organisations, with 21 explicitly indicating it. No further information was provided by this group of companies in relation to the non-materiality of payment practices as covered by ESRS G1-6. In consequence, the rest of this section will only take into account the companies that concluded the requirement G1-6 to be significantly material.

Figure 5: Reference to ESRS DR G1-6 on payment practices

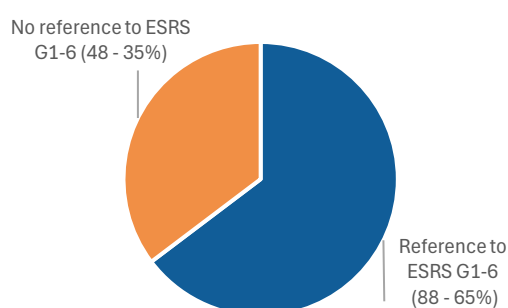
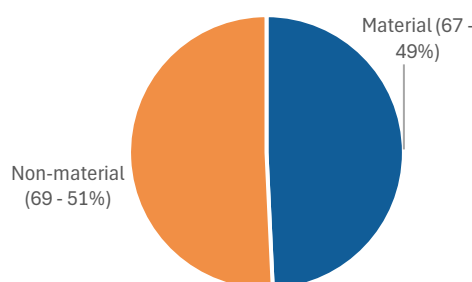


Figure 6: Indication as to whether ESRS G1-6 is material or not



Source: CEPS' own elaboration.

At sectoral level, the disclosure requirement G1-6 on payment practices appears to be material for most companies immersed in the main sectors that compose the sample (see **Error! Reference source not found.**). Importantly, as shown in Figure 3, the number of companies in each sector is not uniform, meaning that certain sectors are overrepresented and vice versa.

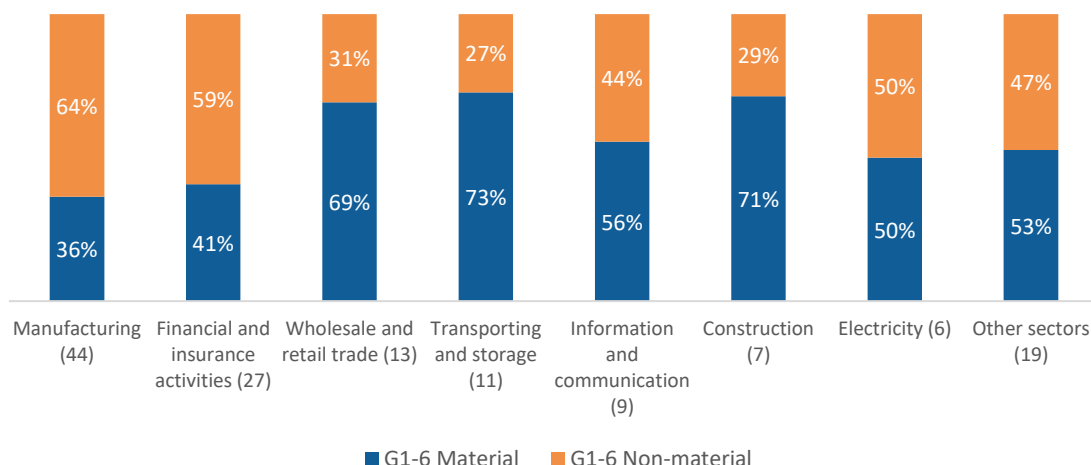
In particular, the majority of the reports belonging to entities from transporting and storage (73%), construction (71%) and wholesale and retail trade (69%) deemed G1-6 to be material, and therefore reported on the required information. This outcome aligns with prior findings⁵⁷ of those sectors being particularly affected by late payments. For instance, in the case of the transport sector, it appeared as the worst-performing sector in terms of on-time payments in most EU Member States in 2023. Similarly, the long supply chain that characterises the construction sector makes it particularly vulnerable to delayed payments, making the companies in these sectors highly aware of late payment issues.

Further analysis showed that more than half of the companies from the information and communication sector (56%) considered the requirement as material for their organisation, followed by the electricity sector (50%). Yet more than half of the entities from manufacturing (64%) and financial and insurance activities (59%) deemed the requirement non-material for

⁵⁷ EU Payment Observatory (2024), 'Annual report', https://single-market-economy.ec.europa.eu/smes/challenges-and-resilience/late-payment/eu-payment-observatory/observatory-analysis_en.

their organisations and therefore did not report on it. This result tends to align with evidence⁵⁸ that financial services appears to be one of the sectors with better payment performance, generally exhibiting short payment times in most EU countries.

Figure 7: Percentage of companies for which G1-6 was deemed material, per sector



Source: CEPS' own elaboration.

Note: The total number of companies per sector is shown in parenthesis.

i) Average payment time

In general, companies that identified G1-6 on payment practices as material in their CSRD reports frequently include information on the different indicators displayed under the ESRS G1-6 (see above). However, the way in which the data are reported is not standardised across companies or countries, which makes comparison difficult for users. While some companies disclose the data in a tabular format, others do it in narrative form within the main text. In addition, some of them report the indicator by type of supplier, geographic location or sector, whereas others do not make such a distinction.

More specifically, **53 or 79% of those reports indicate the average payment time** of the organisation, with only a minority stating that such data is not available at group level (5 reports or 7% of those that deemed G1-6 material) or simply not disclosing the information (9 reports or 13% of those that deemed G1-6 material). The companies reporting not having the consolidated data belong to Austria (1), Lithuania (4) and Latvia (1). Among the explanations reported, some of them mentioned not tracking the indicator, while the others indicated not being in a position to disclose it, with one of them expecting to collect the necessary data to be able to disclose it in the next two to three years. The remaining companies not disclosing the indicator belong to the following Member States: France (2), Ireland (1), Romania (1), Sweden (1), and Slovenia (1).

Among the 53 companies who reported the indicator, the evaluation reveals that **the average time to pay** their invoices during FY2024 ranged **from 4 to 109 days**. Interestingly, certain companies disclose such information by type of supplier in terms of size, sector and country

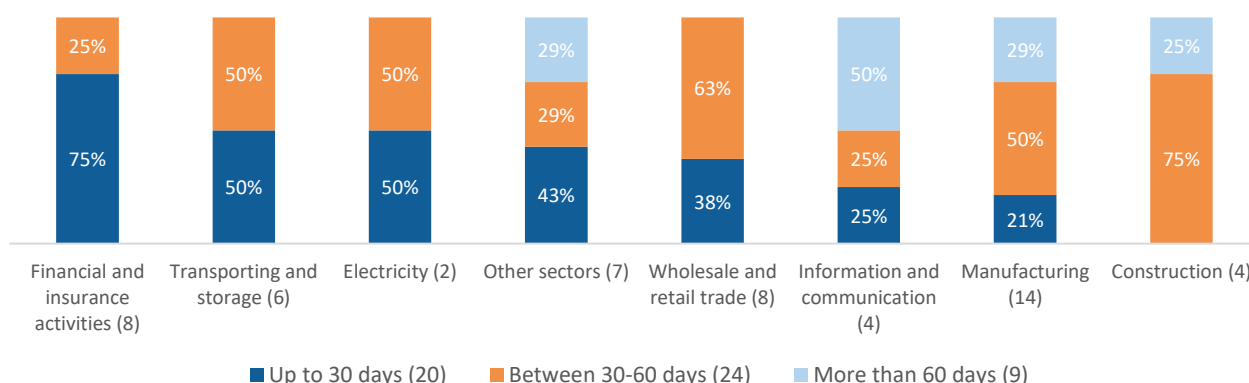
⁵⁸ EU Payment Observatory (2024), 'Annual report', https://single-market-economy.ec.europa.eu/smes/challenges-and-resilience/late-payment/eu-payment-observatory/observatory-analysis_en.

in which they are established. For example, companies disclosing the average payment time in number of days for SMEs were found in Croatia (1) and France (2). In both cases, the average payment period for SMEs was shorter than for larger companies. Moreover, other companies in Portugal (1) and France (1) have reported different payment periods depending on the payment destination country, particularly differentiating whether the payment is made within the EU or to third countries. In addition to this, some businesses also disclosed different average payment times for vendors and sub-contractors. This appears to happen in both Finland (1) and Ireland (1).

Considering the sectoral aspect, both the lowest (4 days) and the greatest (109 days) average payment time were reported by manufacturing companies in Poland and Italy respectively. **Error! Reference source not found.** shows the average payment times reported by the assessed companies for FY2024, by sector and distributed among three payment categories: up to 30 days, between 30 and 60 days and above 60 days. While most companies reported paying to suppliers in between 30 to 60 days (24 or 45% of the companies disclosing the indicator), a significant portion did it in 30 days or less (20 or 38% of the companies disclosing the indicator). The remaining companies indicated having paid in more than 60 days (9 or 17% of the companies disclosing the indicator).

The financial and insurance sector accounts for the majority of companies indicating paying to suppliers in 30 days or less (75%), followed by transporting and storage and electricity (50% in each case). Further, all companies in these three sectors, as well as in wholesale and retail trade, reported paying before 60 days, on average. Conversely, certain companies in the manufacturing (29%), construction (25%) and information and communication sectors (50%) have indicated paying suppliers in more than 60 days in 2024, on average.

Figure 8: Average payment times reported by companies for the year 2024, by sector (% of companies)



Source: CEPS' own elaboration.

Note: The total number of companies per sector disclosing the indicator is shown in parenthesis.

ii) Standard payment terms in number of days by main category of suppliers

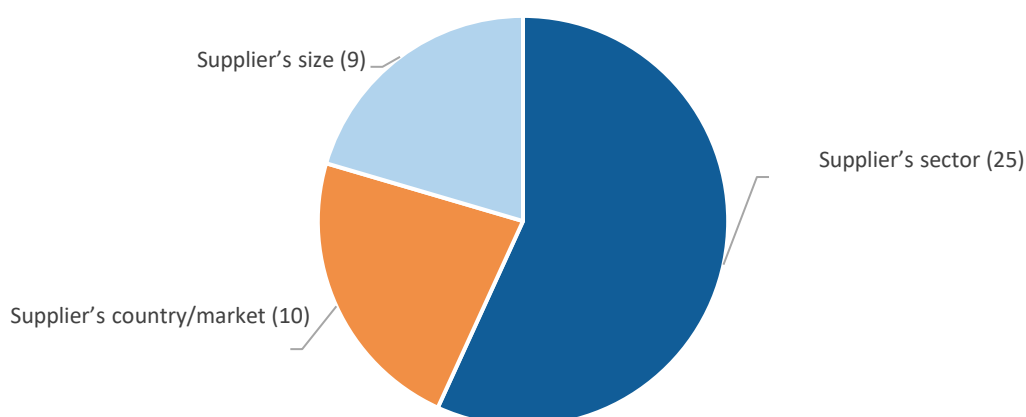
The assessment results show that 55 or 82% of the companies that considered G1-6 to be material for their organisation include a description of the contractual or standard payment terms of the undertaking to suppliers. For most of them, payment terms differ depending on the type of client or supplier, with some of these companies also explicitly indicating having determined payment terms individually as part of each bilateral contract. In terms of number

of days, a vast majority reported agreeing payment terms ranging from 30 to 60 days, followed by terms of up to 30 days.

One of the most frequent situations seems to be to agree on different payment terms based on the sector where the client or supplier operates (25 companies) (see **Error! Reference source not found.**). The second most frequent situation is to agree different payment terms based on the market or location of the other party, particularly differentiating national suppliers from other EU and third-country suppliers (10 companies). Cases like these were found in companies in Austria (1), Denmark (1), France (3), Finland (1), Germany (1), Italy (1), Luxembourg (1) and Poland (1). In general, the terms agreed with national suppliers seem to be shorter than those for international ones, with the latter reaching up to 90 days in certain cases.

Interestingly, most of the assessed reports do not make any distinction between the standard or contractual payment terms based on the size of the client or supplier. In fact, only a small number of companies (9) in Croatia (1), France (2), Finland (2), Hungary (1), Ireland (1), Portugal (1) and Slovenia (1) indicated agreeing different payment terms, taking into account the size of the other party, and particularly considering if it is categorised as an SME. Only in one case, a French financial company, was the contractual payment term in number of days for SMEs reported by falling into the 'up to 30 days' category.

Figure 9: Main factors determining contractual payment terms between the parties



Source CEPS' own elaboration.

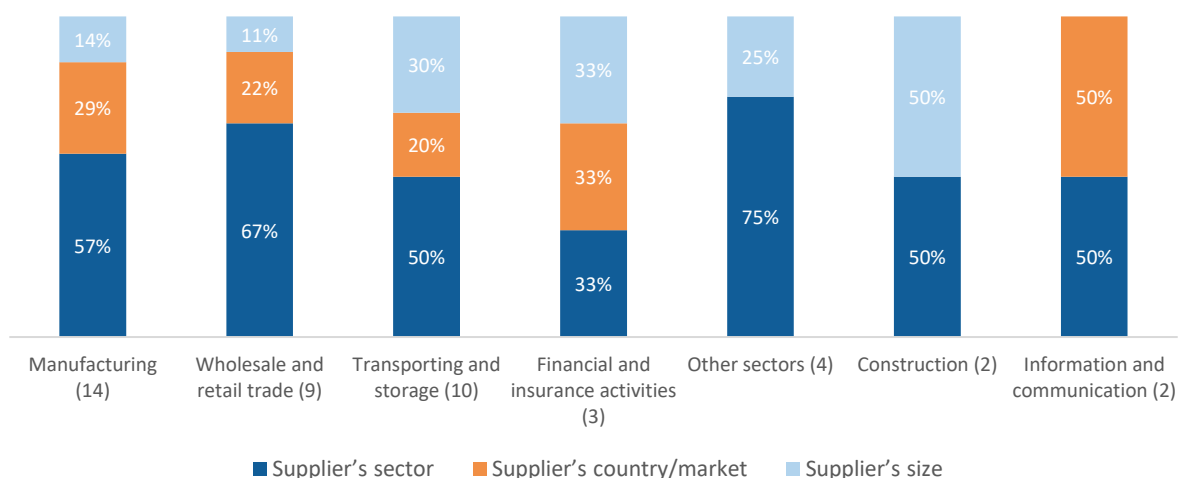
At sectoral level, it is possible to see that most companies in the manufacturing sector tend to agree different payment terms based on the supplier sector or industry (see **Error! Reference source not found.**), probably as a result of the supply chain dynamics typical of the organisations in this sector. For instance, some companies distinguish between materials and equipment suppliers from services suppliers, as well as taking into account whether the supplier is a direct or an indirect one. In the latter case, indirect suppliers appear to have shorter payment terms (e.g. from 30-60 days) compared to direct suppliers (e.g. from 45-90 days). On the other hand, one-third of the companies in this sector also reported having different payment terms depending on the country in which the supplier operates. In

particular, three of these companies separate the group of suppliers into national, international, and Asiatic suppliers.

Interestingly, the greatest number of companies indicating agreeing different payment terms based on the size of the other party, especially considering whether it is an SME, was found in the transporting and storage sector (3 companies). However, in all cases, payment terms are conditional on either the country or the sector of the supplier. This means that while the supplier size is a relevant factor for determining payment terms for certain companies, its influence depends also on the geographic location and sector where the supplier is immersed.

Finally, a minority of companies determining different payment terms based on the supplier characteristics were found in the remaining sectors. For instance, payment terms for suppliers providing raw materials in the construction sector appear to differ from those of composite materials suppliers. Similarly, companies in the information and communication sector tend to agree on different payment terms considering whether the other party is a provider of software and cloud services, IT services, or other types of services.

Figure 10: Main factors determining contractual payment terms between the parties, by sector



Source: CEPS' own elaboration.

Note: The total number of companies per sector reporting each category is shown in parenthesis.

iii) Percentage of payments aligned with the standard payment terms

The disclosure of an indicator measuring the percentage of payments aligned with the standard or contractual payment terms is of particular relevance for stakeholders in helping to assess a company's payment behaviour. In this context, more than half of the CSRD reports that deemed G1-6 material include such an indicator in their annual reports (37 reports or 55% of those that deemed G1-6 material). From these, all companies except one reported at least 50% of alignment with the agreed payment terms. In particular, the share of payments aligned with the standard payment terms reported ranges from 49% in a manufacturing company in Hungary, to 100% in a mining and quarrying company in Ireland, as well as in a retail company in Lithuania.

Similarly, certain companies divulge the percentage of payments made on time depending on the type of client or supplier, sector, as well as on the size and geographic location. More specifically, the companies that reported having different payment terms depending on the supplier location or size are usually the ones that also disclosed different on-time payments shares. For instance, two of the companies that agreed different payment terms for SMEs reported having paid more than 90% of its invoices within the established period (France – transporting and storage and financial activities), while another one indicated having paid 52% of the invoices with SMEs earlier or within the agreed period in 2024 (Croatia – manufacturing). Other companies provided the percentage of payments made within the agreed payment terms based on the type of supplier. For example, a mining organisation in Bulgaria reported 98.6% of on-time payments for electricity procurement and a 97.9% for merchandise procurement, while an Irish construction company segregated the shares based on vendors with payment terms of up to 30 days (79%), up to 60 days (85%), as well as subcontractors (88%). Lastly, a financial company in Germany reported the share of payments made within the agreed payment terms based on European and other suppliers from the rest of the world, being 75% and 76% respectively.

iv) Number of legal proceedings for late payments

The number of legal proceedings for late payments during the last reporting period is another important metric that may provide stakeholders with insights regarding a company’s payment conduct.

The CSRD reports assessment shows that the vast majority of companies disclosed the number of legal proceedings for late payments (61 reports or 91% of those that deemed G-1 material). Interestingly, most of these companies reported having no legal proceedings related to late payments during FY2024 (55 reports or 82% of them). In contrast, six companies mentioned having at least one legal proceeding for late payments in the same financial year. Such companies are mostly large entities from the wholesale and retail trade sector (1), energy and utilities (1), financial and insurance activities (1), information and communications (1), manufacturing (1) and professional, scientific and technical activities (1). These companies are based in France (2), Lithuania (2), Poland (1), and Sweden (1).

In this regard, the number of legal cases for late payments reported by such entities range between 1 in Poland (financial and insurance activities) to 95 in France (wholesale and retail trade). This finding can be expected, given that France has implemented several measures during the past few years to raise awareness about the issue of late payments, as well as to guarantee the correct enforcement of the late payment legislation. First, a late payments observatory (*L’Observatoire des délais de paiement*) was adopted to, among other things, track the average payment delay in B2B and G2B transactions per sector, company size and region⁵⁹. In addition, stricter payment terms were set out in the French legislation⁶⁰ for specific sectors (e.g., food industry), limiting payment periods to 20 days in certain cases. Furthermore, the establishment of an enforcement authority (*Direction Générale de la Concurrence, de la Consommation, et de la Répression des fraudes*, DGCCRF) to monitor and

⁵⁹ EU Payment Observatory (2023), ‘Enforcement measures combating late payments in commercial transactions’, https://single-market-economy.ec.europa.eu/document/download/4d5faf6a-0b52-447c-8ba8-a29762c830e4_en?filename=Thematic%20report%20on%20enforcement%20measures_Final.pdf.

⁶⁰ Article 411-11 of the French commercial code, https://www.legifrance.gouv.fr/codes/article_lc/LEGIARTI000048639492.

inspect companies' payment behaviour and to apply sanctions for late payments appears to be an important measure taken to combat late payments in France.

v) Additional information

In addition to the indicators assessed under the ESRS G1-6 on payment practices, companies may decide to provide complementary information on the organisation's payment practices whenever they are deemed necessary.

Of the 67 companies that considered G1-6 to be material, half of them included further payment data in their annual report for FY2024. The definitions and calculation methodologies for the payment indicators appear to be the most frequent type of 'other information' included. Some companies reported implementing actions or processes within the organisation to prevent late payments (Ireland (2), Luxembourg (1)), while other entities shared the reasons why the entity may experience delayed payments. In the latter case, an Irish company mentioned price changes and undelivered goods as examples, while another company in Austria referred to other factors such as invoices not being sent on time, invoices not being compliant with local tax law, or goods or services not provided as agreed in terms of quantity and/or quality.

G1-2 – Management of relationships with suppliers

The [ESRS G1-2](#) requires detailed information about the companies' management of relationships with suppliers to be provided, as well as their impact on the supply chains. In particular, it states that undertakings must provide a description of their policies and/or practices implemented to prevent late payments to SMEs.

The CSRD report's assessment of this disclosure requirement shows (see **Error! Reference source not found.**) that a majority of companies made a reference to ESRS G1-2 on management of relationships with suppliers in their CSRD reports (103 reports or 76% of them). A minor but still significant number of entities do not make any mention to it, nor provide information about it (33 reports or 24% of them). Regarding the materiality assessment of this requirement (see **Error! Reference source not found.**), most entities considered it to be material for their organisations (91 reports or 67% of them). The remaining 12 reports that made a reference to G1-2 considered it to be non-material, while the rest of

Figure 11: Reference to ESRS DR G1-2 on management of relationships with suppliers

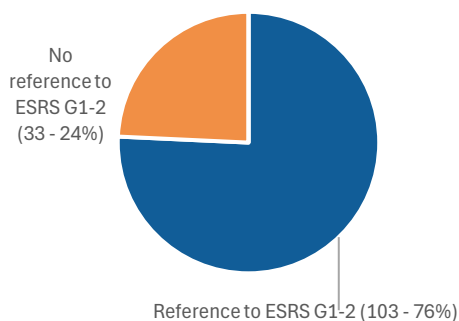
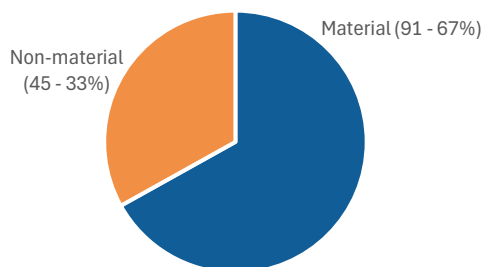


Figure 12: Indication whether ESRS G1-2 requirement is material or not



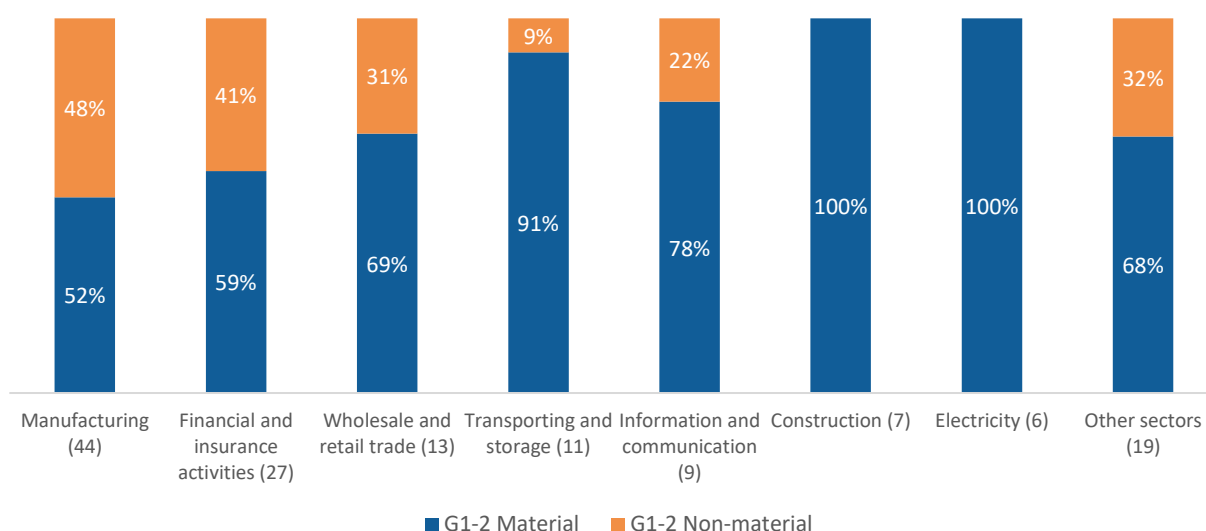
the entities have neither specified nor reported on it.

Source: CEPS' own elaboration.

At sectoral level, it is possible to see certain differences in the share of companies for which G1-2 is considered material compared to G1-6 (see Figure 13). In particular, more than half of the companies across all sectors deemed G1-2 material for their organisations, therefore reporting under it. For construction and electricity, the totality of companies considered it material, while a significant number of entities in transporting and storage (91%), information and communication (78%) and wholesale and retail trade (69%) also reached to the same conclusion. Finally, more than half of the companies in the manufacturing and financial and insurance activities also deemed G1-2 to be material for their organisations (52% and 59% respectively).

It is important to mention that the higher rate of materiality observed under the ESRS requirement G1-2 is significantly more relevant, compared to G1-6, for several key reasons. First, G1-2 encompasses four main components, only one of which explicitly addresses late payments. This indicates that companies are also disclosing other qualitative aspects required by the standard, suggesting broader compliance and engagement in their management with suppliers. Second, by focusing on the supply chain, G1-2 underscores that late payments have a systemic impact, affecting not only companies individually but also the whole supply chain. Third, unlike G1-6 which captures an ex-post metric, G1-2 offers a forward-looking perspective, where companies who have healthy payment policies in place, particularly towards SMEs, are better positioned to achieve their sustainability objectives.

Figure 13: Percentage of companies for which G1-2 was deemed material, per sector



Source: CEPS' own elaboration.

Note: The total number of companies per sector is shown into parenthesis.

From the companies for which G1-2 is considered material for the organisations, almost half of them made a reference to the policies and/or practices in place to prevent late payments (45 reports or 49% of them), representing a third of the total number of CSRD reports assessed (33%).

A minority of the CSRD reports mentioning late payment policies/practices (7 reports or 8% of those that deemed G1-2 material) included a paragraph stating that the company does not

have any specific or explicit policy or practice aimed at preventing late payments to SMEs. Nevertheless, in most of these cases, companies mention the organisation's commitment to paying the supplier on time, as well as to following best practices in terms of payment management while maintaining a fair relationship with suppliers. These companies are based in Germany (1), Finland (1), France (1), Hungary (1), Latvia (1), Poland (1) and Slovenia (1), and operate in the manufacturing (3), financial and insurance activities (2), construction (1), and information and communications (1) sectors.

Analysing the CSRD reports that included a description of the policies and practices on late payments, it is possible to see that most of them mention applying a **timely settlement of invoices** to comply with the contractual payment terms (17 reports or 19% of those that deemed G1-2 material) as the main practice followed by the company so as to avoid delaying payments to suppliers (see **Error! Reference source not found.**). However, complying with payment terms is a fundamental legal obligation for companies, which should not be seen as a voluntary practice to prevent late payments but rather as an obligation. The reports mentioning such a practice belong to companies in Austria (1), Croatia (1), Finland (3), France (4), Germany (1), Ireland (1), Italy (1), Lithuania (1), Poland (2), Slovenia (1) and Sweden (1).

The **use of digital tools** such as eInvoicing and the implementation of computer software (e.g. SAP) is another important practice that helps companies in monitoring and ensuring efficient invoice processing, decreasing the risk of experiencing late payments (9 reports or 10% of those that deemed G1-2 material). The companies that mentioned such a practice belong to Austria (2), Bulgaria (1), Croatia (1), Finland (2), France (1), Poland (1) and Portugal (1).

Certain companies indicated having a **structured payment process** in place that aims to contribute to a timely settlement of invoices, reducing the risk of late payments (9 reports or 10% of those that deemed G1-2 material). Finally, a **continuous monitoring of payment performance** is also in place in some of the assessed companies, allowing frequent checking on invoices and payment status to avoid delays (8 reports or 9% of those that deemed G1-2 material).

Furthermore, **stricter payment terms** are applied by some companies to limit the risk of late payments (5 reports or 5% of those that considered G1-2 material). In most cases, payment terms are stipulated with a standard deadline of up to 30 days. The companies reporting this belong to Belgium (1), Czechia (1), Luxembourg (1) and Portugal (2). Remarkably, one of the Portuguese companies from the wholesale and retail sector mentioned setting maximum payment terms below 30 days, depending on the country where it operates. For instance, since the Covid-19 pandemic, this company has set a maximum payment term of 21 days for producers with an annual turnover of less than EUR 24 million in Poland. The same company has also developed two programmes to support SME producers in Portugal with the aim of reaching an average payment term of 10 days, instead of the 30 days as established by law. Finally, it also implemented initiatives in non-EU countries (e.g. Colombia) where certain programmes targeted at SMEs are in place to ensure payments in less than 45 days.

Other practices mentioned in the assessed CSRD reports include establishing **partnership cooperation with suppliers** (5 reports or 5% of those that considered G1-2 material) involving strong relationships based on commitment and transparency to guarantee fair commercial conditions, reducing the risk of late payments between the parties.

Two companies in Bulgaria and France mentioned ***paying interest for late payments*** (2% of the reports that deemed G1-2 material) in case the payment deadlines are not met. The French company indicates the legal payment terms as well as the applicable interests in case of late payments to be part of the general purchasing conditions (CGA) document of the organisation. Similarly, a Bulgarian company mentioned including the default interests as part of every contract with suppliers.

Other organisations in France and Portugal mentioned having implemented a ***virtual space for suppliers to check invoice status*** as a measure to prevent late payments (2 reports or 2% of those that deemed G1-2 material).

Finally, some individual examples of late payments practices were found among the CSRD reports assessed. For instance, one French company from the wholesale and retail sector mentioned avoiding applying systematic penalties when a supplier does not fulfil the agreed contract. Instead, a mediation through a dialogue process may be initiated to find an appropriate solution. Another French company in the same sector expressed being committed to finding amicable solutions to any financial difficulties that their suppliers may have. To reduce the number of invoices paid late, one company in Luxembourg from the same sector mentioned having implemented a policy in 2024 called '*No PO no PAY*', which stipulates that every invoice received from a supplier must include a purchase order number (PO) so that the payment can be processed. Another company in Lithuania indicated following specific practices in line with national regulations as well as with the Directive (EU) on Unfair Trading Practices⁶¹. Lastly, a Croatian company in the pharmaceutical sector reported having to take on debt to meet its obligations to suppliers. This was mainly because of its clients in the hospital sector, which tend to pay after the due date⁶².

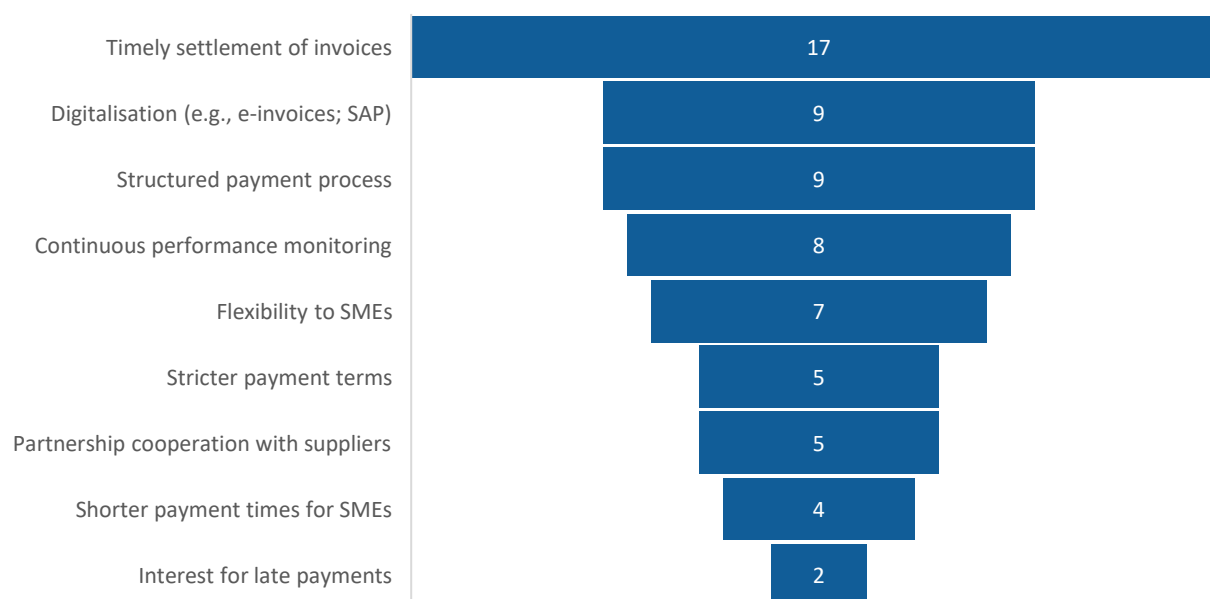
Despite the high vulnerability of SMEs when exposed to delayed payments, only a minority of companies had specific policies or practices in place to prevent this (8 reports or 9% of those that deemed G1-2 material). Certain companies reported giving some sort of ***flexibility to SMEs*** (7 reports or 8% of those that deemed G1-2 material), including, for example, giving priority to on-time payments to SMEs over other companies' payments. One Austrian company mentioned agreeing to individual and shorter payment terms with SMEs in accordance with a recommendation issued by the European Commission. The remaining companies that mentioned following this practice belong to Finland (1), France (1), Ireland (1), Portugal (2) and Spain (1).

Some companies within this group also indicated having implemented programmes to promote ***paying SMEs within shorter time frames*** (4 reports or 4% of those that deemed G1-2 material). These examples were found in Austria (1), Croatia (1), Ireland (1) and Portugal (1), where SMEs appear to be frequently paid immediately or in advance.

⁶¹ Directive (EU) 2019/633 of the European Parliament and of the Council of 17 April 2019 on unfair trading practices in business-to-business relationships in the agricultural and food supply chain.

⁶² EU Payment Observatory (2024), 'G2B late payments', https://single-market-economy.ec.europa.eu/document/download/fc9aec70-57f3-44f9-b568-202ad8333a8d_en?filename=G2B%20Thematic%20Report_Final_C.pdf.

Figure 14: Type of policy or practice on late payments in place (in number of companies)⁶³



Source: CEPS' own elaboration.

ESRS 1, section 9.2 'Connected information and connectivity with financial statements'

Whenever an ESRS disclosure is deemed material, the ESRS 1, section 9.2 (par. 124-128) requires companies to include a reference between the monetary amounts or quantitative information disclosed in the sustainability statement (exceeding the threshold of materiality) and the information disclosed in the financial statements.

The data assessment of the CSRD reports found this to be a very infrequent practice among the companies in the sample. In fact, only three entities from France, Lithuania and Portugal, made such a reference as part of the information divulged under the ESRS G1-6 on payment practices.

One of the companies made a reference to 'Information on late payments to suppliers'. This French entity provided the number of late payments as a percentage of the total purchases and included a reference to a specific section in the consolidated financial statements ('Notes on working capital items').

The Portuguese company established a direct connection between the quantitative information disclosed under G1-6 and the one disclosed in the financial statements in relation to 'the proportion of responsibilities with suppliers being paid according to an average payment term range'. In this sense, a table with the percentage of the liabilities paid within 30-60 days in 2024 is exhibited in the consolidated financial statements of the company.

Finally, the company in Lithuania made a reference to further information about payment terms in the notes to the consolidated financial statements, particularly to the 'trade and other payables' section.

⁶³ More than one policy/practice to prevent late payments can be mentioned in the same CSRD report.

GOV-3 – Integration of sustainability-related performance in incentive schemes

Under the ESRS general disclosures, the mandatory requirement GOV-3 on Integration of sustainability-related performance in incentive schemes requests companies to report on payment performance whenever included in the incentive schemes of the company's administrative, management and supervisory bodies.

Despite most companies divulging the requested information under the GOV-3 requirement (123 reports or 90% of them), payment performance was not found in any of the incentive schemes of the entity's bodies within the assessed CSRD reports. This result suggests that payment performance is not a factor in the incentive schemes of the companies in the sample.

Inclusion of other relevant information related to the company's payment behaviour

The ESRS 1, section 1.1 'Categories of ESRS standards', par. 11 mandates that, whenever a company concludes that a more granular disclosure is needed in relation to a specific requirement, additional information shall be disclosed.

In this context, the disclosure of specific information related to the companies' payment conduct is a frequent practice in certain EU Member States linked often to other legislative mandates. For instance, most French companies include a section with 'past due invoices issued and received but not paid at the closing date' in their annual reports for FY2024 (8 of the assessed French reports or 89% of them). Moreover, the number of invoices concerned is displayed considering different due date intervals (e.g., 0, 1-30 days, 31-60 days, etc.) and is also shown as a percentage of the company's total turnover of the year. This is the same information that French firms are required to report according to the [French Commercial Code](#).

Similarly, the Spanish legislation 15/2010 of 5 July⁶⁴ requires companies to disclose the average payment period to suppliers in commercial transactions. The report's assessment shows that the totality of the Spanish reports (8 reports or 100% of them) appears to include such information with more detail than what is required under the ESRS. Most of the companies divulge the average payment period to suppliers in number of days for the past two financial years, the ratio of paid transactions, the ratio of transaction pending of payments, as well as the total payments and total pending payments for the past two financial years.

Furthermore, a similar practice was found in a Latvian company from the energy sector, which disclosed the late payment delay in number of days categorised by due date intervals for FY2024. In this case, however, there is no linked regulatory requirement at national level.

Assurance opinion on the CSRD report

As previously analysed, late payments indicators may be encountered in certain ESRS requirements, in particular under certain non-mandatory (G1: Business conduct) and mandatory disclosures (GOV-3). In this context, the company's statutory auditor should check the information contained under the disclosure requirements, which is key for enhancing credibility from stakeholders. The independent assessment of a company's payment practices, such as complying with payment terms and fair treatment to suppliers, particularly SMEs, is

⁶⁴ Spanish Law 15/2010, July 5, amending Law 3/2004, of December 29, establishing measures to combat late payment in commercial transactions, <https://www.boe.es/buscar/doc.php?id=BOE-A-2010-10708>.

of the utmost importance for ensuring transparent reporting and trustworthy payment behaviour.

The auditor assurance opinion should cover the compliance with the ESRS requirements, providing at least a limited assurance engagement⁶⁵. This means that if a company considers the disclosure requirements linked to late payments (G1-2, G1-6) to be material for the organisation, hence reporting on them, the auditor should check the reliability of the information and raise concern whenever it is not supported by the evidence.

In the first place, the assessment of the CSRD reports shows that most provide a limited assurance engagement from the statutory auditor on the sustainability reporting (120 reports or 88% of them), with only a minority not including any statutory auditor report in their annual reports corresponding to FY2024.

However, no business conduct information, particularly in relation to the company's business conduct (ESRS G1) requirements was present in any of the statutory auditor's reports included in the companies' annual reports.

FINAL ASSESSMENT

With 2025 being the first year of CSRD reporting, the pilot project assessment of 136 reports shows some interesting and encouraging results.

The evaluation revealed a significant number of companies reporting on payment practices, particularly related to late payments, in accordance with the ESRS disclosure requirements. More specifically, most of the companies in the sample reported at least under one non-mandatory ESRS disclosure related to payment practices (G1-2, G1-6) (92 companies or 68% of them). None of the reports included payment performance in the company's incentive schemes of the management, administrative or supervisory bodies under the mandatory ESRS disclosures (GOV-3).

A significant number of CSRD reports deemed G1-6 on Payment practices to be material for their organisations (67 companies or 49% of them), with most of them providing the required indicators under it. Interestingly, the sectors such as transporting and storage, construction, and retail trade, which are the most affected by late payments, are the ones exhibiting the highest proportion of companies reporting on the ESRS requirements linked to payment practices. By contrast, sectors identified as often having good payment performance, such as financial and insurance activities, appear to judge this kind of information as non-material for their organisations. Moreover, the significant number of companies disclosing data on specific metrics, such as the average payment time to suppliers, shows an important step towards increasing transparency and accountability in payment practices from both an internal and external point of view for the companies. Internally, having such data could help in changing payment behaviour to reduce late payments if these exist, and externally, it could incentivise (or not) the selection of suppliers and contribute to negotiating better payment terms in future negotiations.

⁶⁵ Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting, <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32022L2464>.

In a similar manner, most companies concluded G1-2 on Management of relationship with suppliers to be material for their organisations (91 companies or 67% of them). Yet only some of them reported on practices or policies in place to prevent late payments. Among those having implemented such practices, the most mentioned were a timely settlement of invoices so as to comply with payment terms, digitalisation of payment processes through eInvoices and the use of SAP, and structured payment processes for efficient checking of invoices status. Moreover, only a small number of companies reported having specific practices to prevent late payment to SMEs (8 reports or 9% of those that deemed G1-2 material), through guaranteeing certain flexibility and the establishment of shorter payment times for SMEs.

However, the assessment also shows some challenges. In particular, because of the significant degree of heterogeneity on the format and structure in which companies opted to report the sustainability information related to payment practices – for example, the use of tabular format or narrative text to disclose metrics under G1-6 – the overall utility for users (investors and regulators) remains quite limited, especially to ensure data comparability across companies and sectors.

Finally, the EFRAG-proposed amendments to the sustainability reporting standards delete most of the disclosure requirements explored in this exercise. They signal a broader shift towards streamlining the disclosure requirements, particularly those related to late payments practices. However, the modification or elimination of specific reporting obligations as previously seen for G1-2 and G1-6 could weaken the transparency and accountability of companies in relation to their payment practices, affecting particularly SMEs and having an impact on the supply chain. The indication among most of the companies assessed in this pilot project that these disclosure requirements are material is a strong argument for maintaining their inclusion in the sustainability reporting framework. It means that most firms consider that their payment practices have an impact on their suppliers and therefore that it is important to disclose information on them to foster fairer business relationships and a better payment culture.

Conclusions and takeaways for future policy developments

CSRD introduces reporting on payment practices across the EU for the first time. This is a very welcome development, given the overall lack of data on payment performance in the EU and the need for more transparency in this area. Moreover, the results of the pilot project combined with the analysis of possible impacts of the reporting requirements show that CSRD can potentially have a positive effect on the reduction of late payments.

The share of companies (68%) in the pilot project deeming at least one of the payment practices disclosures to be material suggests that the requirements could significantly contribute to more transparency around the payment performance of large companies in the EU, as more firms enter into scope. It may also reflect important levels of awareness about the issue of late payments. Furthermore, the sectoral distribution, with companies in sectors that are traditionally more affected by late payments being more likely to consider the disclosures material, while those from typically well-paying sectors being less likely to do so, could indicate that the materiality assessments were conducted in an appropriate manner. That said, this conclusion should be viewed with caution, given the very limited sample size of the pilot project and the ongoing uncertainty surrounding the final scope of the requirements because of the Omnibus negotiations.

In addition, the literature available and the experience with similar reporting requirements, in particular the UK ones, shows that payment practices reporting could positively influence payment culture. It can empower small companies, providing them with tools to make more informed decisions, giving them more leverage to negotiate better payment conditions and offering them evidence to refer to enforcement measures if things go wrong. It can also prompt large companies to change their behaviour and their internal practices by means of a combination of external reputational pressure, greater awareness of their own practices and higher accountability. In fact, the mere implementation of the system required to monitor payment performance – eInvoicing – results in a reduction of payment times as it involves faster invoice processing. All this could result in a reduction of late payments, as has happened in the UK, and a better payment culture.

The share of companies finding late payments already material under CSRD is a positive sign. Equally, it seems that the requirements will not constitute a significant additional burden for large companies. They will have to set up eInvoicing in any case because of the ViDA initiative, if they have not already done so, and adopting these systems appears to have a positive effect on the efficiency of large companies that outweighs the costs.

However, the pilot project also shows significant heterogeneity in payment practices reporting. This is in line with EFRAG's findings on the difficulties with methodologies and data collection, which prevent comparability in the reporting of payment times as included in its exposure drafts. EFRAG then concludes that the effort of calculation exceeds the value of information. But given the previously mentioned low additional cost of this reporting due to eInvoicing, and the high percentage of companies that consider it material, a more effective approach would be to address the existing heterogeneity rather than eliminating the disclosure altogether. This would enhance comparability across reports and make information easier to locate. For that to happen it is necessary to further clarify some payment practices concepts. In particular, the moment when the time starts counting should be properly defined, as it has been done in the UK and Australia, to make sure that all companies are measuring payment periods in the same way.

The current format of reporting may also be an issue, as it is done through the annual report instead of on government portals with dedicated display websites as in the UK, Australia, Poland and Sweden. Locating payment information within reports that span hundreds of pages and that are located on different websites will be more challenging for users. However, this could be solved with further standardisation, as well as with the development of the European Single Access Point (ESAP). If the payment practices reporting is done through specific machine-readable reporting templates and the reports can be all accessed in the ESAP site through its API, the information could be more easily extracted by means of programming algorithms, also enabling automated aggregation and clearer public display, for instance in observatories like this one.

The quantity of indicators is another matter. CSRD includes a lower number of disclosures on payment practices than the UK and Australian reporting requirements, which may limit its overall impact. There were expectations where more information could be collected through some disclosures that do not directly address late payments, such as those linked to the connectivity with financial statements and incentive schemes. However, scarcely any companies in the pilot project mentioned payment-related issues in them. At the same time, requiring a more comprehensive reporting may result not only in additional costs for companies but also generate confusion and complexity, as is reported to have happened in Australia. A more balanced solution may lie in adopting a limited number of well-defined, high-impact indicators that can offer a clear and reliable view of a company's payment behaviour.

That was most likely the objective with the original CSRD, which addresses the main issues linked to payment performance. Information on payment terms and on the percentage of invoices settled within those informs potential suppliers on expected contractual obligations and the extent to which the company respects them. Payment times, the other main quantitative category, has the added value that it facilitates comparison and benchmarking with other companies, when homogeneously measured, which is useful for suppliers but also for other stakeholders that can exercise reputational pressure. This is complemented with information on legal proceedings, which can be an easy way to detect potential bad payers. Through this information it would be possible to identify issues linked to late payments, or long payment times that may also unfairly burden suppliers. Moreover, none of this data should be difficult to collect, particularly if the company has an eInvoicing system. Additionally, the qualitative information in relation to practices and policies to prevent late payment would help discover good payers and companies that care about the well-being of their suppliers as well as identify good practices that could be used by others. The cross-cutting requirements are less useful, as can be seen in the pilot project.

The proposal of the ESRS exposures draft would prevent many of the benefits listed above, as it would limit the reporting to payment terms and how often they are met and to legal proceedings. This would remove all information on policies and practices to prevent late payments. Equally, it would eliminate the data on payment times, which is the easier one to interpret as well as the one that allows more comparison and benchmarking between companies. As a result, if approved, the effect of CSRD on payment practices would be severely diminished.

The number of companies that end up reporting under CSRD will also be key. Similar reporting obligations are not subject to a materiality assessment and there is the risk that many companies do not deem late payments material, despite its impact in society. Furthermore, the Omnibus proposal is suggesting very high reporting thresholds, which would result in only

very large undertakings being required to report. The data from these companies would still be relevant, as evidence shows that in the EU, the bigger the company, the less it pays on time. However, if only a small number of companies are required to disclose information, and even less do so because of the materiality assessment, the overall impact of the reporting may be limited.

Ultimately, it is too early to assess the full effect of CSRD on the payment performance of EU companies. 2025 is only the first year of implementation, with many companies still to enter into scope and the Omnibus uncertainty creating confusion among reporting companies as to who will have to report and on what. More years of consistent implementation would be needed to conduct a proper assessment.

